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**RATE SCHEDULE FTS
FIRM TRANSPORTATION SERVICE**

1. AVAILABILITY

This Rate Schedule FTS is available to any entity (hereinafter called Shipper) which: (a) submits to Midcontinent Express Pipeline LLC (hereinafter called MEP) a valid request as defined in Section 3 hereof as to which MEP has firm capacity available on all affected portions of its System and the firm operational capability to satisfy; (b) is awarded capacity consistent with the provisions of the Tariff; and (c) executes a Firm Transportation Service Agreement (FTS Agreement) with MEP applicable to service under this Rate Schedule FTS. The form of FTS Agreement is contained in this Tariff. There is no limitation on the number of FTS Agreements any one Shipper may have.

2. APPLICABILITY, DEFAULTS AND CHARACTER OF SERVICE

2.1 The transportation service provided under this Rate Schedule FTS shall be performed under Part 284 of the Commission's Regulations. This Rate Schedule FTS shall apply to all Gas transported by MEP for Shipper pursuant to an FTS Agreement. Service hereunder shall be provided on a firm basis. However, service may be interrupted for any of the reasons set out in the applicable provisions of this Tariff. As more fully set out in the General Terms and Conditions of this Tariff, MEP is not providing supply service under this Rate Schedule.

2.2 MEP shall have the right to waive any one or more specific defaults by any Shipper if such default will not affect the integrity of MEP's System or the quality of service and if the waiver is provided on a basis which is not unduly discriminatory, provided that such waiver is not inconsistent with any applicable Commission Regulations or orders, and provided also that any waiver given to a Shipper by MEP shall be made available to all similarly situated Shippers during the time period when it is in effect. No such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

2.3 Service hereunder shall consist of the acceptance by MEP of Gas tendered by Shipper or for Shipper's account for transportation at Receipt Points specified in or applicable to the FTS Agreement, the transportation of that Gas through MEP's pipeline System, and the delivery of that Gas by MEP to Shipper or for Shipper's account at the

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Delivery Points specified in or applicable to the FTS Agreement. MEP shall not be required to accept Gas tendered in excess of the Maximum Daily Quantity (MDQ), plus applicable Fuel Gas and Unaccounted For Gas, specified in the FTS Agreement for each Receipt Point or Delivery Point or for the aggregate of all primary Receipt Points or Delivery Points except as provided in Section 8 of this Rate Schedule FTS. Service hereunder shall not encompass gathering services, transportation through the facilities of any third party, processing, transportation of liquids, or transportation to processing facilities unless the FTS Agreement so specifies.

2.4 Shipper shall only tender Gas for transportation under this Rate Schedule to the extent such service would qualify under the applicable statutes, regulations and Commission orders. For transportation to be provided under Subpart B of Part 284 of the Commission's Regulations, Shipper shall provide to MEP certification including sufficient information in order for MEP to verify that the service qualifies under Subpart B of Part 284 of the Regulations. Where required by the Commission's Regulations, Shipper shall cause the intrastate pipeline or local distribution company on whose behalf the service will be provided to submit the necessary certification prior to tendering Gas for transportation.

2.5 Awarding and allocation of capacity and scheduling and curtailment are all governed by the General Terms and Conditions of this Tariff.

2.6 Shipper may release capacity dedicated to service under Shipper's FTS Agreement(s) hereunder pursuant to MEP's Capacity Release Program to the extent permitted by, and subject to the terms and conditions contained in, the General Terms and Conditions of this Tariff.

2.7 MEP may negotiate with Foundation Shipper contractual provisions under which: (a) a Foundation Shipper has a right to cause MEP to construct Preapproved Capacity and also has the right to acquire such Preapproved Capacity at a mutually agreed rate and term, upon timely exercise by the Foundation Shipper of such capacity acquisition rights; and/or (b) a Foundation Shipper has the right, within a period of up to five (5) years after the Commencement Date, to acquire unsubscribed firm System capacity other than Preapproved Capacity at an agreed rate for an agreed term.

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3. VALID REQUESTS

3.1 A request for service under this Rate Schedule FTS shall be valid as of the date received if it complies with this Section 3.1 and contains adequate information on all of the items specified in Section 3.2, subject to any necessary verification of such information and to the following:

(a) Subject to Section 2.7, a request shall not be valid and MEP shall not be required to grant any such request: (1) for which adequate capacity is not available on any portion of MEP's System necessary to provide such service; (2) as to which MEP does not have the operational capability to effect receipt, transportation and/or delivery on a firm basis consistent with the terms and conditions of this Rate Schedule FTS; (3) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that MEP may agree on a basis not unduly discriminatory to construct, modify, expand, or acquire facilities to enable it to perform such services; (4) unless and until Shipper has provided MEP with the information required in Section 3.2 hereof; (5) if MEP determines, based on the credit analysis referenced in Section 3.2(f), that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (6) if the service requested would not comply with this Rate Schedule FTS; or (7) if the service requested is at less than the applicable maximum rate; provided, however, that MEP may agree to provide service hereunder at a discount or at a Negotiated Rate or under a Negotiated Rate Formula, consistent with this Rate Schedule FTS and the applicable General Terms and Conditions of this Tariff. Nothing herein is intended to govern the scheduling or curtailment of service once a request for service has been granted pursuant to this Section and while an FTS Agreement is in effect. Such scheduling and/or curtailment are governed by the General Terms and Conditions of this Tariff.

(b) Any request must be complete and comply with this Rate Schedule FTS. MEP shall promptly notify Shipper if it cannot satisfy an otherwise valid request, in whole or in part, due to lack of capacity or System capability or if the request is incomplete or does not comply with this Rate Schedule FTS. If a request is not complete, MEP shall inform Shipper in writing of the specific items needed to complete

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the FTS Agreement, after which Shipper shall have fifteen (15) days to provide the specified information. In the event such information is not received by MEP within fifteen (15) days, Shipper's request shall be null and void.

(c) MEP shall tender an FTS Agreement to Shipper for execution when Shipper's request for service is accepted. Shipper is obligated to execute an FTS Agreement hereunder within ten (10) days after an FTS Agreement has been tendered by MEP for execution in response to a valid request; provided, however, that MEP will waive this time period if the delay is not unreasonable. MEP will post on the Informational Posting portion of its Interactive Website if it declines to waive this time period.

3.2 Requests for service hereunder shall be deemed valid only after the information specified in this Section is provided by Shipper via MEP's Interactive Website or in writing to MEP's Gas Transportation Department, at 1001 Louisiana Street, Suite 1000, Houston, Texas 77002, or Telecopy Number (713) 369-9305. The information required for a valid request shall be as follows:

(a) **GAS QUANTITIES**

The request shall specify in Dth the MDQ for the FTS Agreement and the Point MDQ for each primary Receipt Point and Delivery Point under the FTS Agreement, exclusive of applicable Fuel Gas and Unaccounted For Gas; provided, however, that MEP shall not be obligated to accept requests for an MDQ of less than one hundred (100) Dth per Day. A Shipper shall be entitled to transport, in addition to its MDQ, a volume of Gas adequate to provide any applicable Fuel Gas and Unaccounted For Gas.

(b) **RECEIPT POINT(S)**

The request shall specify the primary point(s) at which Shipper desires MEP to receive Gas and the Point MDQ for each such point, which specification must be consistent with this Tariff.

(c) **DELIVERY POINT(S)**

The request shall specify the primary point(s) at which Shipper desires MEP to deliver Gas and the Point MDQ for each such point, which specification must be consistent with this Tariff.

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(d) LIMITATION OF POINTS

A Shipper may request any number of primary Receipt and primary Delivery Points so long as the summation of the Point MDQs at all primary Receipt Points and at all primary Delivery Points equals the MDQ for the FTS Agreement and the request is consistent with the General Terms and Conditions of this Tariff.

(e) TERM OF SERVICE

The request shall specify:

- (1) The date service is requested to commence; and
- (2) The date service is requested to terminate.

(f) CREDIT

Acceptance of a request is contingent upon a satisfactory credit appraisal by MEP in accordance with the General Terms and Conditions of this Tariff.

(g) COMPLIANCE WITH FTS TARIFF

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule FTS, including the applicable General Terms and Conditions.

(h) COMMISSION-REQUIRED FILING INFORMATION

The following information is to be provided at the time a request for service hereunder is submitted, if available, or when an initial nomination for service under an executed FTS Agreement is submitted, and when any subsequent changes occur:

- (1) Affiliation of the Shipper with MEP; and
- (2) The identity of the Shipper, including whether it is a local distribution company, an interstate pipeline company, an intrastate pipeline company, an end user, a producer, or a marketer.

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4. TERM

(a) The term of service hereunder shall be set forth in the FTS Agreement between Shipper and MEP.

(b) The General Terms and Conditions of this Tariff shall govern the applicability of, and the terms and conditions relating to, rollovers and the right of first refusal vis a vis an FTS Agreement. Upon termination of any FTS Agreement, and subject to any such rollover or right of first refusal, service by MEP to Shipper thereunder shall be terminated and automatically abandoned.

5. RATE

5.1 (a) Shipper shall pay MEP each Month under this Rate Schedule FTS a two-part rate as set out in this Tariff consisting of: (i) a Reservation Charge, based on Shipper's MDQ, which consists of the Base Monthly Reservation Cost; and (ii) a Commodity Charge for each Dth of Gas received for transportation. Separate Reservation and Commodity rates will be set for Zone 1 and Zone 2. Reservation-based charges for Zone 1 and Zone 2 shall be assessed based on the MDQ only. Commodity charges for Zone 1 and Zone 2, as applicable, will be assessed based on all volumes delivered to MEP during the billing month.

(b) Shipper shall also pay, where applicable, other charges provided for in this Tariff, including but not limited to Balancing Service Charges.

(c) Where a Shipper has agreed to pay a Negotiated Rate or a rate under a Negotiated Rate Formula, the rates assessed hereunder shall be governed by Section 30 of the General Terms and Conditions of this Tariff.

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5.2 Shipper shall reimburse MEP for Fuel Gas and for Unaccounted For Gas as provided by Section 36 of the General Terms and Conditions of this Tariff. Separate Fuel Gas rates are set for Zone 1 and Zone 2. All Shippers shall pay a single Unaccounted For Gas rate for all volumes transported. In addition, a separate incremental Booster Compression fuel charge is set forth for point(s) listed on Sheet Nos. 12 through 15 where Booster Compression applies. Such rates are determined pursuant to Section 36 of the General Terms and Conditions. Certain Shippers have their Fuel amounts capped pursuant to arrangements under Section 30 of the General Terms and Conditions of this Tariff (relating to Negotiated Rates).

5.3 (a) Unless otherwise agreed by contract, Shipper shall reimburse MEP within thirty (30) days after costs have been incurred by MEP for all fees required by the FERC or any regulatory body including, but not limited to, filing, reporting, and application fees to the extent such fees are specifically related to service for that Shipper hereunder and are not generally applicable fees (such as general rate case filing fees).

(b) Unless otherwise agreed by contract, if MEP constructs, acquires or modifies any facilities (excluding Preapproved Capacity facilities) to perform service hereunder, then, to the extent provided in Section 5 of the General Terms and Conditions of this Tariff and pursuant to a separate agreement, either:

(1) Shipper shall reimburse MEP for the cost of such facilities or facility modifications as described in the General Terms and Conditions of this Tariff; or

(2) MEP shall assess a Monthly charge reflecting such facility costs.

5.4 The ACA charge will be assessed, when applicable, as provided in the General Terms and Conditions of this Tariff, on volumes received by MEP from Shipper under this Rate Schedule FTS.

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5.5 (a) Unless otherwise provided by contract, MEP shall have the unilateral right to file with any appropriate regulatory authority and make changes effective in: (1) the rates and charges applicable under this Rate Schedule FTS, including both the level and design of such rates and charges; or (2) the terms and conditions of this Rate Schedule FTS, including the applicable General Terms and Conditions.

(b) If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises allows or permits MEP to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall be increased to the highest such rate unless the FTS Agreement or a separate discount, Negotiated Rate or Negotiated Rate Formula agreement provides that the rate established in such an agreement shall not be subject to such modification or increase. Should additional documentation be required in order for MEP to collect such highest rate, Shipper shall execute or provide such documentation within fifteen (15) days after a written request by MEP. If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises requires MEP to charge a lower rate for transportation service hereunder, the rate shall be decreased to such reduced rate except as otherwise agreed under Section 5.1(b) of this Rate Schedule and Section 30 of the General Terms and Conditions of this Tariff (as to Negotiated Rate or Negotiated Rate Formula agreements).

5.6 MEP may, consistent with any provisions on discounting in the FTS Agreement or in a separate discount, Negotiated Rate or Negotiated Rate Formula agreement, charge any individual Shipper for service under this Rate Schedule FTS a rate which is lower than the applicable maximum rate set forth in this Tariff; provided, however, that such rate may not be less than the applicable minimum rate for service under Rate Schedule FTS set forth in this Tariff except as otherwise provided in Section 30 of the General Terms and Conditions of this Tariff (as to Negotiated Rate or Negotiated Rate Formula agreements). MEP shall file with the Commission any and all reports as required by the Commission's Regulations with respect to the institution or discontinuance of any discount.

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5.7 All revenues collected by MEP as a result of providing service under Rate Schedule FTS shall be retained by MEP unless MEP has otherwise explicitly agreed on or the Commission has required a different disposition of such amounts. The Penalty Revenue (Section 9.3) provision of the General Terms and Conditions of this Tariff represents an agreement by MEP on a different disposition of certain revenue.

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6. NOMINATIONS AND IMBALANCES

(a) Shipper shall provide MEP with daily nominations of receipts and deliveries by Receipt and Delivery Point in accordance with the General Terms and Conditions of this Tariff. It shall be Shipper's responsibility to cause Gas to be delivered to MEP at Receipt Point(s), and to cause Gas to be taken from MEP at Delivery Point(s), in accordance with the information supplied to MEP.

(b) MEP will enter into Operational Balancing Agreements (OBAs) (as defined in the General Terms and Conditions of this Tariff) at Receipt Points and Delivery Points that are interstate or intrastate pipeline interconnects to deal with imbalances. In addition, MEP will enter into OBAs with entities other than intrastate and interstate pipelines, on a nondiscriminatory basis, provided that such OBAs are operationally feasible and the Operator satisfies the other provisions of MEP's Tariff, including credit requirements. Where imbalances are beyond the parameters in an OBA or an OBA is not applicable, however, it shall be Shipper's responsibility to keep receipts and deliveries in balance. MEP may curtail service hereunder to the extent necessary to bring receipts and deliveries into balance and to the extent consistent with Section 10 of the General Terms and Conditions of this Tariff.

7. RECEIPT AND DELIVERY POINTS AND UPSTREAM AND DOWNSTREAM ARRANGEMENTS

(a) Conditions of delivery at Receipt and Delivery Points are set out in the General Terms and Conditions of this Tariff.

(b) Shipper shall make all necessary arrangements with other parties: (1) at or upstream of the Receipt Point(s) where Gas is tendered to MEP hereunder; and (2) at or downstream of the Delivery Point(s) where MEP delivers Gas hereunder to or for the account of Shipper. Such arrangements must be consistent with this Rate Schedule FTS and must be coordinated with MEP.

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8. OVERRUN SERVICE AND UNAUTHORIZED GAS

(a) Upon request of Shipper, MEP shall if capacity is available receive, transport, and deliver on any Day quantities of Gas in excess of Shipper's MDQ and/or Point MDQ under the FTS Agreement when the capacity and operating capability of its System will permit such receipt, transportation and delivery without impairing the ability of MEP to meet its other obligations of equal or higher priority. In granting requests for overrun service, MEP shall act in a manner consistent with the service priorities set out in the General Terms and Conditions of this Tariff. Shipper shall pay MEP the applicable rate for Authorized Overrun Service set forth in this Tariff.

(b) For Unauthorized Gas, Shipper shall pay MEP the charges for Unauthorized Gas set out in Section 9.2 of the General Terms and Conditions of this Tariff.

9. GENERAL TERMS AND CONDITIONS

The provisions of the General Terms and Conditions of this Tariff, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule FTS and shall apply to service rendered hereunder as though stated herein.

RATE SCHEDULE ITS
INTERRUPTIBLE TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule ITS is available to any entity (hereinafter called Shipper) which: (a) submits to Midcontinent Express Pipeline LLC (hereinafter called MEP) a valid request as defined in Section 3 hereof; and (b) executes an Interruptible Transportation Service Agreement (ITS Agreement) with MEP applicable to service under this Rate Schedule ITS. The form of ITS Agreement is contained in this Tariff. There is no limitation on the number of ITS Agreements any one Shipper may have.

2. APPLICABILITY, CHARACTER AND PRIORITY OF SERVICE

2.1 This Rate Schedule ITS defines an interruptible transportation service. This Rate Schedule ITS shall apply to all Gas received by MEP for Shipper pursuant to an ITS Agreement. As more fully set out in the General Terms and Conditions of this Tariff, MEP is not providing supply service under this Rate Schedule ITS.

2.2 MEP shall have the right to waive any one or more specific defaults by any Shipper if such default will not affect the integrity of MEP's System or the quality of service and if the waiver is provided on a basis which is not unduly discriminatory, provided that such waiver is not inconsistent with any applicable Commission Regulations or orders, and provided also that any waiver given to a Shipper by MEP shall be made available to all similarly situated Shippers during the time period when it is in effect. No such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

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2.3 Service hereunder shall consist of the acceptance by MEP of Gas from or for the account of Shipper at Receipt Point(s) under the ITS Agreement, the transportation of that Gas through MEP's System, and the delivery of that Gas by MEP to Shipper or for Shipper's account at Delivery Point(s) under the ITS Agreement. MEP shall not be required: (a) to accept on any Day Gas tendered, or to deliver on any Day Gas requested, in excess of the Maximum Daily Quantity (MDQ), plus applicable Fuel Gas and Unaccounted For Gas, specified in the ITS Agreement, except as provided in Section 8 of this Rate Schedule ITS; or (b) to accept or deliver on any Day Gas hereunder which is not properly nominated pursuant to and to the extent required by the General Terms and Conditions of this Tariff. Service hereunder shall not encompass gathering services, transportation through the facilities of any third party, processing, transportation of liquids, or transportation to processing facilities.

2.4 The service provided under this Rate Schedule ITS shall be performed under Part 284 of the Commission's Regulations. Shipper shall only tender Gas for transportation under this Rate Schedule ITS to the extent such service would qualify under the applicable statutes, regulations, Commission orders and the blanket certificate authorizing service by MEP under this Rate Schedule. For service under Subpart B of Part 284 of the Commission's Regulations, Shipper shall provide to MEP appropriate certification, including sufficient information in order for MEP to verify that the service qualifies under Subpart B of Part 284 of the Commission's Regulations. Where required by the Commission's Regulations, Shipper shall (prior to tendering Gas under an ITS Agreement) cause the intrastate pipeline or local distribution company on whose behalf the service will be provided to submit the necessary certification.

2.5 Service hereunder is provided on an interruptible basis. Scheduling and curtailment are governed by the General Terms and Conditions of this Tariff.

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3. VALID REQUESTS

3.1 A request for service under this Rate Schedule ITS shall be valid as of the date received if it complies with this Section and contains adequate information on all of the items specified in Section 3.2, subject to any necessary verification of such information and to the following:

(a) A request shall not be valid and MEP shall not be required to grant any such request: (1) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that MEP may agree on a basis not unduly discriminatory to construct, modify, expand, or acquire facilities to enable it to perform such services; (2) unless and until Shipper has provided MEP with the information required in Section 3.2 hereof; (3) if MEP determines, based on the credit analysis referenced in Section 3.2(d), that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (4) if the service requested would not comply with this Rate Schedule ITS; or (5) if the service requested is at less than the applicable maximum rate; provided, however, that MEP may agree to provide service hereunder at a discount or at a Negotiated Rate or under a Negotiated Rate Formula, consistent with this Rate Schedule ITS and the applicable General Terms and Conditions of this Tariff. Nothing herein is intended to govern the scheduling or curtailment of service once a request for service has been granted pursuant to this Section and while an ITS Agreement is in effect. Such scheduling and/or curtailment are governed by the General Terms and Conditions of this Tariff.

(b) Any request must be complete and comply with this Rate Schedule ITS. MEP shall promptly notify Shipper if it cannot satisfy an otherwise valid request, in whole or in part, due to any of the reasons set out in Section 3.1(a) or if the request is incomplete or does not comply with this Rate Schedule ITS. If a request is not complete, MEP shall inform Shipper in writing of the specific items needed to complete the ITS Agreement, after which Shipper shall have fifteen (15) days to provide the specified information. In the event such information is not received by MEP within fifteen (15) days, Shipper's request shall be null and void.

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(c) MEP shall tender an ITS Agreement to Shipper for execution when Shipper's request for service is accepted. Unless waived by MEP, a request for service shall be invalid if Shipper fails to execute an ITS Agreement hereunder within ten (10) days after an ITS Agreement has been tendered by MEP for execution; provided, however, that MEP shall waive this time requirement if the delay is not unreasonable. MEP will post on the Informational Posting portion of its Interactive Website if it declines to waive the time period.

3.2 Requests for service hereunder shall be deemed valid only after the following information is provided by Shipper via MEP's Interactive Website or in writing to MEP's Gas Transportation Department, at 1001 Louisiana Street, Suite 1000, Houston, Texas 77002 or Telecopy Number (713) 369-9305:

(a) **GAS QUANTITIES**

The request shall specify in Dth the MDQ, exclusive of applicable Fuel Gas and Unaccounted For Gas; provided, however, that MEP shall not be obligated to accept requests for an MDQ of less than one hundred (100) Dth per Day. A Shipper shall be entitled to transport, in addition to its MDQ, a volume of Gas adequate to provide any applicable Fuel Gas and Unaccounted For Gas.

(b) **AVAILABILITY OF POINTS**

(1) A Shipper may utilize all available Receipt and Delivery Points on MEP's System within Zone 1 or Zone 2, or both, as applicable, under any ITS Agreement, as more fully set out in the General Terms and Conditions of this Tariff. The General Terms and Conditions also address the availability of points during Interim Period Service.

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(2) The available volume and priorities at any point shall be governed by the General Terms and Conditions of this Tariff.

(c) **TERM OF SERVICE**

The request shall specify:

- (1) The date service is requested to commence, and
- (2) The date service is requested to terminate.

(d) **CREDIT**

Acceptance of a request is contingent upon as satisfactory credit appraisal by MEP in accordance with the General Terms and Conditions of this Tariff.

(e) **COMPLIANCE WITH ITS TARIFF**

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule ITS, including the applicable General Terms and Conditions.

(f) **COMMISSION-REQUIRED FILING INFORMATION**

The following information is to be provided at the time a request for service hereunder is submitted, if available, or when an initial nomination for transportation under an executed ITS Agreement is submitted, and when any subsequent changes occur:

- (1) Affiliation of the Shipper with MEP; and
- (2) The identity of the Shipper, including whether it is a local distribution company, an interstate pipeline company, an intrastate pipeline company, an end user, a producer, or a marketer.

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4 TERM

(a) The term of service hereunder shall be set forth in the ITS Agreement between Shipper and MEP, subject to any rollover rights consistent with Section 16 of the General Terms and Conditions of the Tariff. MEP may terminate the ITS Agreement if Shipper fails to cause Gas to be delivered during any twelve (12) consecutive calendar Months when capacity is available, unless Shipper's failure to deliver Gas was attributable to circumstances of Force Majeure.

(b) Upon termination of any ITS Agreement, service by MEP to Shipper thereunder shall be terminated and automatically abandoned unless otherwise provided by contract pursuant to Section 16 of the General Terms and Conditions of this Tariff.

(c) MEP may terminate any ITS Agreement if MEP is required by the FERC or some other agency or court to provide service for others utilizing the interruptible System capacity or capability required for service under such ITS Agreement.

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5. RATE

5.1 (a) Shipper shall pay MEP each Month under this Rate Schedule ITS a one-part Commodity Charge as set out in this Tariff for each Dth of Gas received for transportation, together with such other charges as are identified in this Tariff. The maximum Monthly Commodity Charges for Zone 1 and Zone 2, as applicable, shall be the applicable maximum unit rate set out in this Tariff multiplied by the quantity of Gas actually delivered to MEP during the billing Month. Separate rates will be set for Zone 1 and Zone 2.

(b) Shipper shall also pay, where applicable, other charges set forth in this Tariff, including but not limited to Balancing Service Charges.

(c) Where a Shipper has agreed to pay a Negotiated Rate or a rate under a Negotiated Rate Formula, the rates assessed hereunder shall be governed by Section 30 of the General Terms and Conditions of this Tariff.

5.2 Shipper shall reimburse MEP for applicable Fuel Gas and for Unaccounted For Gas as provided by Section 36 of the General Terms and Conditions. Separate Fuel Gas rates will be set for Zone 1 and Zone 2. All Shippers shall pay a single Unaccounted For Gas rate for all volumes transported. In addition, a separate incremental Booster Compression fuel charge is set forth for the point(s) listed on Sheet Nos. 12 through 15 where Booster Compression applies. Such rates are determined pursuant to Section 36 of the General Terms and Conditions.

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5.3 (a) Unless otherwise agreed by contract, Shipper shall reimburse MEP within thirty (30) days after costs have been incurred by MEP for all fees required by the FERC or any regulatory body including, but not limited to, filing, reporting, and application fees to the extent such fees are specifically related to service for that Shipper hereunder and are not generally applicable fees (such as general rate case filing fees).

(b) Unless otherwise agreed by contract, if MEP constructs, acquires or modifies any facilities (excluding Expansion Facilities) to perform service hereunder, then, to the extent provided in Section 5 of the General Terms and Conditions of this Tariff and pursuant to a separate agreement, either:

(1) Shipper shall reimburse MEP for the cost of such facilities or facility modifications as described in the General Terms and Conditions of this Tariff; or

(2) MEP shall assess a Monthly charge reflecting such facility costs.

5.4 The ACA charge will be assessed, when applicable, as provided in the General Terms and Conditions of this Tariff, on volumes received by MEP from Shipper under this Rate Schedule ITS.

5.5 (a) Unless otherwise provided by contract, MEP shall have the unilateral right to file with any appropriate regulatory authority and make changes effective in: (1) the rates and charges applicable under this Rate Schedule ITS, including both the level and design of such rates and charges; or (2) the terms and conditions of this Rate Schedule ITS, including the applicable General Terms and Conditions.

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(b) If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises allows or permits MEP to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall be increased to the highest such rate unless the ITS Agreement or a separate discount, Negotiated Rate or Negotiated Rate Formula agreement provides that the rate established in such an agreement shall not be subject to such a modification or increase. Should additional documentation be required in order for MEP to collect such highest rate, Shipper shall execute or provide such documentation within fifteen (15) days after a written request by MEP. If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises requires MEP to charge a lower rate for transportation service hereunder, the rate shall be decreased to such reduced rate except as otherwise agreed under Section 5.1(b) of this Rate Schedule and Section 30 of the General Terms and Conditions of this Tariff (as to Negotiated Rate or Negotiated Rate Formula agreements).

5.6 MEP may, consistent with any provisions on discounting in the ITS Agreement or in a separate discount, Negotiated Rate or Negotiated Rate Formula agreement, charge any individual Shipper for service under this Rate Schedule ITS a rate which is lower than the applicable maximum rate set forth in this Tariff; provided, however, that such rate may not be less than the applicable minimum rate for service under Rate Schedule ITS set forth in this Tariff except as otherwise provided in Section 30 of the General Terms and Conditions of this Tariff (as to Negotiated Rate or Negotiated Rate Formula agreements). MEP shall file with the Commission any and all reports as required by the Commission's Regulations with respect to the institution or discontinuance of any discount.

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5.7 All revenues collected by MEP as a result of providing service under Rate Schedule ITS shall be retained by MEP unless MEP has otherwise explicitly agreed on or the Commission has required a different disposition of such amounts. The Penalty Revenue (Section 9.3) provision in the General Terms and Conditions of this Tariff represents an agreement by MEP on a different disposition of certain revenue.

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6. NOMINATIONS AND IMBALANCES

(a) Shipper shall provide MEP with daily nominations of receipts and deliveries by Receipt and Delivery Point in accordance with the General Terms and Conditions of this Tariff. It shall be Shipper's responsibility to cause Gas to be delivered to MEP at Receipt Point(s), and to cause Gas to be taken from MEP at Delivery Point(s), in accordance with the information supplied to MEP.

(b) MEP will enter into OBAs (as defined in the General Terms and Conditions of this Tariff) at Receipt Points and Delivery Points that are interstate or intrastate pipeline interconnections to deal with imbalances. Where imbalances are beyond the parameters in an OBA or an OBA is not applicable, however, it shall be Shipper's responsibility to keep receipts and deliveries in balance. MEP may curtail service hereunder to the extent necessary to bring receipts and deliveries into balance and to the extent consistent with Section 10 of the General Terms and Conditions of this Tariff.

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**7. RECEIPT AND DELIVERY POINTS AND UPSTREAM AND DOWNSTREAM
ARRANGEMENTS**

(a) Conditions of delivery at Receipt and Delivery Points are set out in the General Terms and Conditions of this Tariff.

(b) Shipper shall make all necessary arrangements with other parties: (1) at or upstream of the Receipt Point(s) where Gas is tendered to MEP hereunder; and (2) at or downstream of the Delivery Point(s) where MEP delivers Gas hereunder to or for the account of Shipper. Such arrangements must be consistent with this Rate Schedule ITS and must be coordinated with MEP.

RATE SCHEDULE ITS

8. OVERRUN SERVICE AND UNAUTHORIZED GAS

(a) Upon request of Shipper, MEP shall if capacity is available receive, transport, and deliver on any Day quantities of Gas in excess of Shipper's MDQ under the ITS Agreement when the capacity and operating capability of its System will permit such receipt, transportation and delivery without impairing the ability of MEP to meet its other obligations of equal or higher priority. In granting requests for Authorized Overrun Service, MEP shall act in a manner consistent with the service priorities set out in the General Terms and Conditions of this Tariff. Shipper shall pay MEP the applicable rate for Authorized Overrun Service set forth in this Tariff.

(b) For Unauthorized Gas, Shipper shall pay MEP the charges for Unauthorized Gas set out in Section 9.2 of the General Terms and Conditions of this Tariff.

RATE SCHEDULE ITS

9. GENERAL TERMS AND CONDITIONS

The provisions of the General Terms and Conditions of this Tariff, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule ITS and shall apply to service rendered hereunder as though stated herein.

RATE SCHEDULE PALS
INTERRUPTIBLE PARK AND LOAN SERVICE

1. AVAILABILITY

This Rate Schedule PALS is available for interruptible park and loan service to provide parks and loans of Gas for any entity (hereinafter called Shipper) which: (a) submits to Midcontinent Express Pipeline LLC (hereinafter called MEP) a valid request as defined in Section 3 hereof; and (b) executes an Interruptible Park and Loan Service Agreement (PALS Agreement) with MEP applicable to service under this Rate Schedule PALS. The form of PALS Agreement is contained in this Tariff. With respect to any specific park and loan service under this Rate Schedule PALS, MEP must have determined that it is operationally able to render such service; and Shipper and MEP must have executed a Request Order for such service under a PALS Agreement.

2. APPLICABILITY, CHARACTER AND PRIORITY OF SERVICE

2.1 This Rate Schedule PALS defines an interruptible park and loan service. This Rate Schedule PALS shall apply to all Gas received by MEP for Shipper pursuant to a PALS Agreement. As more fully set out in the General Terms and Conditions of this Tariff, MEP is not providing supply service under this Rate Schedule PALS.

2.2 (a) Service under this Rate Schedule shall be provided on an interruptible basis as follows:

(1) Park Service. Park service shall consist of MEP's receipt of a quantity of Gas at the designated Receipt Point(s) and/or Pooling Point(s) on the designated date(s), requested by Shipper under a PALS Request Order and approved by MEP, MEP's holding of such parked quantity of Gas for Shipper's account and MEP's redelivery of the parked quantity of Gas to Shipper at the designated Delivery Point(s) and/or Pooling Point(s) and on the designated date(s) set forth in such PALS Request Order.

RATE SCHEDULE PALS

(2) Loan Service. Loan service shall consist of MEP's lending a specified quantity of Gas, requested by Shipper and approved by MEP, on the designated date(s) at designated Delivery Point(s) and/or Pooling Point(s) set forth in Shipper's PALS Request Order and the Shipper's redelivery of and MEP's acceptance of such quantities of Gas for Shipper's account at the designated Receipt Point(s) and/or Pooling Point(s) on the designated date(s) set forth in such PALS Request Order.

(b) Service under this Rate Schedule shall be provided for a minimum of a one (1) Day term and a maximum term as established by the mutual agreement of MEP and the Shipper; provided, however, such term may be suspended or extended by MEP at MEP's sole discretion. The term of each Parking or Loan arrangement with Shipper shall be set forth in the Request Order. The form of the Request Order attached to the PALS Agreement executed between Shipper and MEP.

(c) Transportation of gas quantities for or on behalf of Shipper to or from the designated Point(s) of Service under the PALS Agreement will not be performed under this Rate Schedule. Shipper shall make any necessary arrangements with MEP and/or third parties to receive or deliver gas quantities at the designated points for Park or Loan service hereunder. Such arrangements must be compatible with the operating conditions of MEP's system.

(d) Service under this Rate Schedule shall be scheduled and confirmed consistent with the General Terms and Conditions of this Tariff.

RATE SCHEDULE PALS

2.3 The service provided under this Rate Schedule PALS shall be performed under Part 284 of the Commission's Regulations. Shipper shall only tender or receive Gas for service under this Rate Schedule PALS to the extent such service would qualify under the applicable statutes, regulations, Commission orders and the blanket certificate authorizing service by MEP under this Rate Schedule. For service under Subpart B of Part 284 of the Commission's Regulations, Shipper shall provide to MEP appropriate certification, including sufficient information in order for MEP to verify that the service qualifies under Subpart B of Part 284 of the Regulations. Where required by the Commission's Regulations, Shipper shall (prior to tendering or receiving Gas under a PALS Agreement) cause the intrastate pipeline or local distribution company on whose behalf the service will be provided to submit the necessary certification.

2.4 MEP shall have the right to waive any one or more specific defaults by any Shipper if such default will not affect the integrity of MEP's System or the quality of service and if the waiver is provided on a basis which is not unduly discriminatory, provided that such waiver is not inconsistent with any applicable Commission Regulations or orders, and provided also that any waiver given to a Shipper by MEP shall be made available to all similarly situated Shippers during the time period when it is in effect. No such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

RATE SCHEDULE PALS

3. REQUESTS FOR SERVICE

3.1 VALID REQUEST

A request for service under this Rate Schedule PALS shall be valid as of the date received if it complies with this Section and contains adequate information on all of the items specified in Section 3.2, subject to any necessary verification of such information and to the following:

(a) A request shall not be valid and MEP shall not be required to grant any such request: (1) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that MEP may agree on a basis not unduly discriminatory to construct, modify, expand, or acquire facilities to enable it to perform such services; (2) unless and until Shipper has provided MEP with the information required in Section 3.2 hereof; (3) if MEP determines, based on the credit analysis referenced in Section 3.2(c), that Shipper does not possess sufficient financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (4) if the service requested would not comply with this Rate Schedule PALS; or (5) if the service requested is at less than the applicable maximum rate; provided, however, that MEP may agree to provide service hereunder at a discount or at a Negotiated Rate or under a Negotiated Rate Formula, consistent with this Rate Schedule PALS and the applicable General Terms and Conditions of this Tariff. Nothing herein is intended to govern the scheduling or curtailment of service once a request for service has been granted pursuant to this Section and while the PALS Agreement is in effect. Such scheduling and/or curtailment are governed by the General Terms and Conditions of this Tariff.

(b) Any request must be complete and comply with this Rate Schedule PALS. MEP shall promptly notify Shipper if it cannot satisfy an otherwise valid request, in whole or in part, due to any of the reasons set out in Section 3.1(a) or if the request is incomplete or does not comply with this Rate Schedule PALS. If a request is not complete, MEP shall inform Shipper in writing of the specific items needed to complete the PALS Agreement, after which Shipper shall have fifteen (15) days to provide the specified information. In the event such information is not received by MEP within fifteen (15) days, Shipper's request shall be null and void.

RATE SCHEDULE PALS

(c) MEP shall tender a PALS Agreement to Shipper for execution when Shipper's request for service is accepted. Unless waived by MEP, a request for service shall be invalid if Shipper fails to execute a PALS Agreement hereunder within ten (10) days after the PALS Agreement has been tendered by MEP for execution; provided, however, that MEP shall waive this time requirement if the delay is not unreasonable. MEP will post on the Informational Posting portion of its Interactive Website if it declines to waive the time period.

3.2 REQUIRED INFORMATION

Requests for service hereunder shall be deemed valid only after the following information is provided by Shipper via MEP's Interactive Website or in writing to MEP's Gas Transportation Department, at 1001 Louisiana Street, Suite 1000, Houston, Texas 77002 or Telecopy Number (713) 369-9305:

(a) GAS QUANTITIES

The request shall specify in Dth the MAQ and MDQ, provided, however, that MEP shall not be obligated to accept requests for an MDQ or MAQ of less than one hundred (100) Dth per Day.

(b) TERM OF SERVICE

The request shall specify:

- (1) The date service is requested to commence, and
- (2) The date service is requested to terminate.

(c) CREDIT

Acceptance of a request is contingent upon as satisfactory credit appraisal by MEP in accordance with the General Terms and Conditions of this Tariff.

(d) COMPLIANCE WITH TARIFF

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule PALS, including the applicable General Terms and Conditions.

RATE SCHEDULE PALS

(e) COMMISSION-REQUIRED FILING INFORMATION

The following information is to be provided at the time a request for service hereunder is submitted, if available, or when an initial nomination for transportation under an executed PALS Agreement is submitted, and when any subsequent changes occur:

(1) Affiliation of the Shipper with MEP; and

(2) The identity of the Shipper, including whether it is a local distribution company, an interstate pipeline company, an intrastate pipeline company, an end user, a producer, or a marketer.

3.3 REQUEST ORDER

To implement a specific park and/or loan transaction, MEP and the Shipper with a PALS Agreement in effect shall enter into a PALS Request Order. The PALS Request Order shall include the following items:

(a) SERVICE TYPE/PALS AGREEMENT

The PALS Request Order must specify that it relates to service under Rate Schedule PALS and must specify the PALS Agreement to which the PALS Request Order relates.

(b) GAS QUANTITIES

The PALS Request Order shall specify in Dth the maximum aggregate quantity (MAQ RO) and the maximum daily quantity (MDQ RO) of Gas to be parked and/or loaned under the specific transaction; provided that the sum of all MAQ ROs and MDQ ROs under all pending PALS Request Orders cannot exceed the MAQ and MDQ under the applicable PALS Agreement. The PALS Request Order shall specify the minimum daily and aggregate quantities and shall set out a park and/or loan schedule containing the quantity and timing information specified in this Rate Schedule.

RATE SCHEDULE PALS

(c) POINTS

The PALS Request Order shall specify the point(s) at which Gas is to be parked or loaned. Any mutually agreeable point(s) on MEP's system, including Pooling Points, may be utilized for service under this Rate Schedule PALS. Unless otherwise mutually agreed, the point for completion of the park or loan must be the same as the point at which the park or loan was initiated.

(d) TERM OF SERVICE

The PALS Request Order shall specify:

- (1) The date service is to commence; and
- (2) The date service is to terminate.

The term may include a range of permitted commencement and termination dates for service under the PALS RO, or for any portion of such service. No termination date may extend beyond the term of the PALS Agreement.

(e) SHIPPER CONTACT PERSONNEL

The PALS Request Order shall specify the persons to be contacted by MEP in connection with the PALS Request Order.

(f) RATE

The PALS Request Order shall specify the rates at which the park or loan service will be provided. Rates may vary by time period, volumes or other permissible discounting parameters, within the applicable maximum and minimum rates.

(g) SHIPPER ASSURANCES

Shipper shall provide MEP the assurances required hereunder in connection with each PALS Request Order.

RATE SCHEDULE PALS

(h) POSTED STANDARDIZED REQUEST ORDERS

In addition to reaching agreement with individual Shippers on the terms of specifically tailored Request Orders, MEP may post the terms of Request Orders it is willing to enter into on a standardized basis with any creditworthy Shipper having quantities of Gas which can be received or delivered at specified points identified in the posting. Such a standing posting shall specify all the terms of the Request Order and also the rights, if any, for MEP to change the provisions of such a Request Order. Service pursuant to such a posting shall be optional on the part of any Shipper and requires the execution of a specific Request Order by MEP and the Shipper in the form specified in the posting.

RATE SCHEDULE PALS

4. TERM

(a) The term of service hereunder shall be set forth in the PALS Agreement between Shipper and MEP, subject to any rollover rights consistent with Section 16 of the General Terms and Conditions of the Tariff.

(b) Upon termination of any PALS Agreement, service by MEP to Shipper thereunder shall be terminated and automatically abandoned unless otherwise provided by contract pursuant to Section 16 of the General Terms and Conditions of this Tariff.

(c) MEP may terminate any PALS Agreement if MEP is required by the FERC or some other agency or court to provide service for others utilizing the interruptible System capacity or capability required for service under such PALS Agreement.

RATE SCHEDULE PALS

5. RATE

5.1 (a) Unless otherwise mutually agreed by MEP and Shipper, Shipper shall pay MEP under this Rate Schedule PALS a Usage Charge multiplied by the total quantity of gas either parked or borrowed each Day for the account of Shipper during the Month. The maximum Usage Charge shall be the applicable maximum unit rate set out in this Tariff multiplied by the quantity of Gas parked or borrowed in the aggregate for all Days in the Month.

(b) Where a Shipper has agreed to pay a Negotiated Rate or a rate under a Negotiated Rate Formula, the rates assessed hereunder shall be governed by Section 30 of the General Terms and Conditions of this Tariff.

5.2 (a) Unless otherwise agreed by contract, Shipper shall reimburse MEP within thirty (30) days after costs have been incurred by MEP for all fees required by the FERC or any regulatory body including, but not limited to, filing, reporting, and application fees to the extent such fees are specifically related to service for that Shipper hereunder and are not generally applicable fees (such as general rate case filing fees).

(b) Unless otherwise agreed by contract, if MEP constructs, acquires or modifies any facilities to perform service hereunder, then, to the extent provided in Section 5 of the General Terms and Conditions of this Tariff and pursuant to a separate agreement, either:

(1) Shipper shall reimburse MEP for the cost of such facilities or facility modifications as described in the General Terms and Conditions of this Tariff; or

(2) MEP shall assess a Monthly charge reflecting such facility costs.

5.3 The ACA charge will be assessed, when applicable, as provided in the General Terms and Conditions of this Tariff, on volumes received by MEP from Shipper under this Rate Schedule PALS.

RATE SCHEDULE PALS

5.4 (a) Unless otherwise provided by contract, MEP shall have the unilateral right to file with any appropriate regulatory authority and make changes effective in: (1) the rates and charges applicable under this Rate Schedule PALS, including both the level and design of such rates and charges; or (2) the terms and conditions of this Rate Schedule PALS, including the applicable General Terms and Conditions.

(b) If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises allows or permits MEP to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall be increased to the highest such rate unless the PALS Agreement or a separate discount, Negotiated Rate or Negotiated Rate Formula agreement provides that the rate established in such an agreement shall not be subject to such a modification or increase. Should additional documentation be required in order for MEP to collect such highest rate, Shipper shall execute or provide such documentation within fifteen (15) days after a written request by MEP. If, at any time and from time to time, the FERC or any other governmental authority having jurisdiction in the premises requires MEP to charge a lower rate for transportation service hereunder, the rate shall be decreased to such reduced rate except as otherwise agreed under Section 5.1(b) of this Rate Schedule and Section 30 of the General Terms and Conditions of this Tariff (as to Negotiated Rate or Negotiated Rate Formula agreements).

5.5 MEP may, consistent with any provisions on discounting in the PALS Agreement or in a separate discount, Negotiated Rate or Negotiated Rate Formula agreement, charge any individual Shipper for service under this Rate Schedule PALS a rate which is lower than the applicable maximum rate set forth in this Tariff; provided, however, that such rate may not be less than the applicable minimum rate for service under Rate Schedule PALS set forth in this Tariff except as otherwise provided in Section 30 of the General Terms and Conditions of this Tariff (as to Negotiated Rate or Negotiated Rate Formula agreements). MEP shall file with the Commission any and all reports as required by the Commission's Regulations with respect to the institution or discontinuance of any discount.

RATE SCHEDULE PALS

5.6 All revenues collected by MEP as a result of providing service under Rate Schedule PALS shall be retained by MEP unless MEP has otherwise explicitly agreed on or the Commission has required a different disposition of such amounts. The Penalty Revenue (Section 9.3) provisions in the General Terms and Conditions of this Tariff represent an agreement by MEP on a different disposition of certain revenue.

RATE SCHEDULE PALS

6. QUANTITY

Each PALS Request Order shall specify in Dth the MAQ and a daily schedule of the quantities (including the MDQ) to be parked and/or loaned under the specific transaction. The daily schedule of returned volumes by the Shipper or MEP shall also be specified in the PALS Request Order. The quantities may be specified as a range of volumes (maximum and minimum aggregate and daily quantities and the related time periods) to be parked and/or loaned and returned, and the schedule may include the flexibility to do either a park or a loan within specified volume and time limits. The schedule may provide for flexibility in total volumes and in the daily volumes parked and/or loaned, in the timing of the park or the loan (or any portion thereof), in the duration of the park and/or loan (or any portion thereof) and/or the timing of the completion of the park or loan (or any portion thereof) by the return of gas to the Shipper or to MEP, and shall specify the limits of the flexibility allowed. Subject to the flexibility specified in the PALS Request Order, the MDQ RO shall be the maximum quantity MEP is obligated, on an interruptible basis, to receive from or deliver to Shipper under the PALS Request Order on the specified day. The MAQ RO shall be the maximum aggregate quantity MEP is obligated to hold or loan for the account of Shipper under the RO. The minimum aggregate and daily volumes to be parked and/or loaned and returned on an interruptible basis shall also be specified in the PALS Request Order. The sum total of a Shipper's MAQ ROs and MDQ ROs shall not exceed the MAQ and MDQ specified in the PALS Agreement. If a Shipper exceeds the MDQ or MAQ in the PALS Agreement or fails to comply with any quantity or timing parameter in the applicable PALS Request Order (unless such failure is due to MEP not confirming a nomination properly submitted), it shall be subject to overrun charges.

RATE SCHEDULE PALS

7. PALS POINTS OF SERVICE

Subject to the scheduling and curtailment priorities contained in the General Terms and Conditions of this Tariff, MEP will render service under this Rate Schedule at any Point(s) mutually agreeable to MEP and Shipper, including Pooling Points. The Point(s) actually used in any park or loan service will be specified in a PALS Request Order. Gas parked or loaned at any point must be returned at the same Point unless the parties mutually agree on a different Point for the return and Shipper arranges for any transportation required to the different Point of return.

RATE SCHEDULE PALS

8. NOMINATIONS

It shall be solely Shipper's responsibility to provide MEP with daily nominations of the quantity of gas to be received or delivered at the Receipt or Delivery point(s) within the parameters specified in the applicable PALS Request Order. Nominations for any day or for any nomination cycle must be consistent with the PALS Request Order. It shall also be Shipper's responsibility to cause gas to be delivered to MEP and to cause gas to be received from MEP in accordance with the PALS Request Order. Nominations shall be subject to confirmation and scheduling in accordance with the General Terms and Conditions of this Tariff. If a nomination to reverse a park or loan is consistent with the PALS Request Order but cannot be confirmed by MEP, the Shipper must continue to nominate on subsequent days until MEP can confirm the nomination, unless the parties agree on a revised PALS Request Order. Differences between confirmed nominations and allocated volumes are subject to Balancing Service Charges under Section 10.8 of the General Terms and Conditions of this Tariff. Overrun charges apply as specified in Section 9.2 of the General Terms and Conditions of this Tariff.

RATE SCHEDULE PALS

9. UPSTREAM AND DOWNSTREAM ARRANGEMENTS

Shipper shall make all necessary arrangements with upstream or downstream entities. Such arrangements must be consistent with this Rate Schedule PALS and must be coordinated with MEP.

10. ALLOCATION OF SERVICE

Scheduling and curtailment of service hereunder in relation to other services provided by MEP will be governed by the General Terms and Conditions of this Tariff.

RATE SCHEDULE PALS

11. OPERATIONAL REQUIREMENTS OF MEP

For purposes of this Section 11, the following Average Weekly Index Prices shall be utilized in resolving any outstanding parked or borrowed quantities, as set forth below, on MEP's system:

- (i) The AWIP as calculated above for Columbia Gulf Mainline shall apply to Zone 1;
- (ii) The AWIP as calculated above for Transco Zone 4 shall apply to Zone 2.
 - (a) Shipper may be required, upon notification from MEP, to cease or reduce deliveries to, or receipts from, MEP hereunder within the Day consistent with MEP's operating requirements. Further, Shipper may be required to return all or a portion of borrowed quantities or remove all or a portion of parked quantities upon notification by MEP. Such notification may be by written communication, facsimile, telephone or electronic means. MEP's notification shall specify the time frame within which parked quantities shall be removed and/or borrowed quantities shall be returned, consistent with MEP's operating conditions and subject to the scheduling and confirmation of such volumes, but in no event shall the specified time be sooner than the next calendar day after MEP's notification.
 - (1) In the event that the specified time frame for removal or return of gas quantities is the next calendar day, the time frame for required removal or return shall begin from the time that Shipper receives actual notice from MEP. Notices provided after business hours for the next calendar day will be provided to Shipper via telephone and electronic means. In the event that Shipper makes a timely nomination in response to notification by MEP to remove parked quantities and/or return borrowed quantities, the obligation of Shipper to comply with the notification shall begin when MEP schedules the nomination; provided, however, Shipper shall exercise best efforts to nominate transportation service on a firm or interruptible basis, as necessary, to receipt and delivery points made available by MEP so as to accommodate, to the greatest extent possible MEP's notification to remove parked quantities and/or return borrowed quantities.
 - (2) Unless otherwise agreed by Shipper and MEP on a not unduly discriminatory basis:
 - (i) any parked quantity not removed within the time frame specified by MEP's notice shall be purchased by MEP at 50% of the applicable Average Weekly Index Prices (AWIP) that includes the date upon which MEP's notice was given;

RATE SCHEDULE PALS

(ii) any borrowed quantity not returned within the time frame specified by MEP's notice shall be sold to Shipper at 150% of the applicable AWIPs that includes the date upon which MEP's notice was given.

(b) In the event parked quantities remain in MEP's system and/or borrowed quantities have not been returned to MEP's system at the expiration of any PALS Request Order executed by Shipper and MEP, MEP and Shipper may negotiate to mutually agree to an extended time frame and/or modified terms, including the rate, of such PALS Request Order. In the event that Shipper and MEP are unable to come to such agreement, MEP shall notify Shipper and Shipper shall remove the parked quantities and/or return the borrowed quantities within the time frame specified in MEP's notice, which in no instance shall be less than one (1) calendar day. During a Critical Time, any parked quantities not removed within the time frame specified by MEP's notice shall be purchased by MEP at 50% of the applicable AWIP that includes the date upon which MEP's notice was given. If, however, Shipper is unable to nominate quantities under the PALS Rate Schedule to remove such parked quantities due to an interruption on MEP's system, MEP shall waive the penalty (i.e., purchase of gas at 50% of the applicable AWIP that includes the date upon which MEP's notice was given) for a term equal to the greater of: (i) five (5) business days; or (ii) the duration of the interruption. Any borrowed quantities not returned within the time frame specified by MEP's notice shall be sold to Shipper at 150% of the applicable AWIP that includes the date upon which MEP's notice was given.

During a non-Critical Time, any parked quantities not removed within the time frame specified by MEP's notice shall be purchased at 65% of the applicable AWIP. If, however, Shipper is unable to nominate quantities under the PALS Rate Schedule to remove such parked quantities due to an interruption on MEP's system, MEP shall waive the penalty (i.e., purchase of gas at 65% of the applicable AWIP that includes the date upon which MEP's notice was given) for a term equal to the greater of: (i) five (5) business days; or (ii) the duration of the interruption. Any borrowed quantities not returned within the time frame specified by MEP's notice shall be sold to Shipper at 135% of the applicable AWIP that includes the date upon which MEP's notice was given.

RATE SCHEDULE PALS

12. OVERRUN SERVICE AND UNAUTHORIZED GAS

(a) Upon request of Shipper, MEP shall if system capability is available accept nominations to park or loan on any Day quantities of Gas in excess of Shipper's MAQ and/or MDQ under the PALS Agreement and the related PALS Request Order when the capacity and operating capability of its System will permit such service without impairing the ability of MEP to meet its other obligations of equal or higher priority. In granting requests for Authorized Overrun Service, MEP shall act in a manner consistent with the service priorities set out in the General Terms and Conditions of this Tariff. Shipper shall pay MEP the applicable rate for Authorized Overrun Service set forth in this Tariff.

(b) For Unauthorized Gas, Shipper shall pay MEP the charges for Unauthorized Gas set out in Section 9.2 of the General Terms and Conditions of this Tariff.

13. GENERAL TERMS AND CONDITIONS

The provisions of the General Terms and Conditions of this Tariff, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule PALS and shall apply to service rendered hereunder as though stated herein.

RATE SCHEDULE IBS
INTERRUPTIBLE BALANCING SERVICE

1. AVAILABILITY

(a) This Rate Schedule IBS is available to any entity (hereinafter called Shipper) which: (i) submits to Midcontinent Express Pipeline LLC (hereinafter called MEP) a valid request as defined in Section 3 hereof; (ii) executes an Interruptible Balancing Service Agreement (IBS Agreement) with MEP applicable to service under this Rate Schedule IBS; and (iii) meets the qualifications set out in subsection (b) of this Section.

(b) To be eligible for service under this Rate Schedule IBS, the Shipper must identify the service under its IBS Agreement as being for one specified end-use facility for each IBS Agreement; except that more than one facility may be specified to the extent limited aggregation of end-use facilities and points is permitted under Section 7(c) of this Rate Schedule IBS. Such end-use facilities need not be directly connected to MEP's system, but the conditions specified in Section 3.2(c) of this Rate Schedule IBS must be met. To be eligible for service hereunder, the Shipper must have and maintain in effect an FTS or ITS Agreement to which the IBS Agreement is linked, consistent with Section 3.2(a) of this Rate Schedule IBS. The IBS Agreement must also specify a single Delivery Point for each end-use facility; provided, however, that limited aggregation of end-use facilities and points is permitted under Section 7(c) of this Rate Schedule IBS. The Delivery Point may be any primary or secondary Delivery Point available under the linked transportation Agreement; provided that the Delivery Point must be consistent with the location of the end-use facility. An IBS Agreement may only be linked to one transportation Agreement. A transportation Agreement may have more than one IBS Agreement linked to it, provided that the other requirements of this Rate Schedule IBS are satisfied.

(c) The form of the IBS Agreement is contained in this Tariff. There is no limitation on the number of IBS Agreements any one Shipper may have.

RATE SCHEDULE IBS

2. APPLICABILITY, CHARACTER AND PRIORITY OF SERVICE

(a) This Rate Schedule IBS defines an interruptible imbalance management service for specified end-use facilities. Service hereunder shall be provided pursuant to Access Requests under Section 6 of this Rate Schedule IBS. This Rate Schedule shall apply to all imbalance management services provided by MEP for Shipper pursuant to an IBS Agreement. This service will be provided based on: System operational capability on MEP; resources provided by Third Party Balancing Agreements; and/or offsetting Access Requests under Section 6 of this Rate Schedule IBS. MEP is not providing a supply or storage service under this Rate Schedule IBS.

(b) This service is designed to help a Shipper accommodate differences between nominations and physical gas flows to specified end-use facilities under the FTS or ITS Agreement to which the IBS Agreement is linked consistent with Section 3.2(a) of this Rate Schedule IBS.

(c) MEP shall not be required: (1) to provide service hereunder in excess of the maximum daily access volume under the IBS Agreement as determined under Section 6(a) hereof or in excess of the maximum allowable cumulative IBS Balance as determined under Section 6(f) hereof; (2) to provide service hereunder on any day in excess of the MDQ of the IBS Agreement, reduced in the case of a swing up by the volumes nominated under the linked transportation Agreement for that day (and further reduced by releases of the linked transportation Agreement where applicable); or (3) to provide service hereunder which is not consistent with a confirmed Access Request pursuant to Section 6 of this Rate Schedule IBS.

RATE SCHEDULE IBS

(d) The service provided under this Rate Schedule IBS shall be performed under Part 284 of the Commission's Regulations. Shipper shall only request service under this Rate Schedule IBS to the extent such service would qualify under the applicable statutes, regulations, Commission orders and the blanket certificate authorizing service by MEP under this Rate Schedule. For service under Subpart B of Part 284 of the Commission's Regulations, Shipper shall provide to MEP appropriate certification, including sufficient information in order for MEP to verify that the service qualifies under Subpart B of Part 284 of the Regulations. Where required by the Commission's Regulations, Shipper shall (prior to tendering gas under an IBS Agreement) cause the intrastate pipeline or local distribution company on whose behalf the service will be provided to submit the necessary certification.

(e) Service hereunder is provided on an interruptible basis. Priorities of service for the purposes of scheduling and curtailment are governed by the General Terms and Conditions of this Tariff. MEP will only provide service hereunder if the standard set out in Section 6(b) hereof is met.

(f) MEP shall have the right to waive any one or more specific defaults by any Shipper if such default will not affect the integrity of MEP's System or the quality of service and if the waiver is provided on a basis which is not unduly discriminatory, provided that such waiver is not inconsistent with any applicable Commission Regulations or orders, and provided also that any waiver given to a Shipper by MEP shall be made available to all similarly situated Shippers during the time period when it is in effect. No such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

RATE SCHEDULE IBS

3. VALID REQUESTS

3.1 A request for service under this Rate Schedule IBS shall be valid as of the date received if it complies with this Section and contains adequate information on all of the items specified in Section 3.2, subject to any necessary verification of such information and to the following:

(a) A request shall not be valid and MEP shall not be required to grant any such request: (i) which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, that MEP may agree in its reasonable discretion to construct, modify, expand, or acquire facilities to enable it to perform such services; (ii) unless and until Shipper has provided MEP with the information required in Section 3.2 hereof; (iii) if MEP determines, based on the credit analysis referenced in Section 3.2(e) hereof, that Shipper lacks the financial stability to make it reasonably likely the service provided hereunder will be paid for on a timely basis; (iv) if the service requested would not comply with this Rate Schedule IBS; or (v) if the service requested is at less than the applicable maximum rate; provided, however, that MEP may agree to provide service hereunder at a discount consistent with this Rate Schedule IBS. Nothing herein is intended to govern the scheduling and curtailment of service once a request for service has been granted pursuant to this Section and while an IBS Agreement is in effect. Such matters are governed by Section 6(b) of this Rate Schedule IBS and the General Terms and Conditions of this Tariff.

(b) Any request must be complete and comply with this Rate Schedule IBS. MEP shall promptly notify Shipper if it cannot satisfy an otherwise valid request, in whole or in part, due to any of the reasons set out in Section 3.1(a) or if the request is incomplete or does not comply with this Rate Schedule IBS. If a request is not complete, MEP shall inform Shipper in writing of the specific items needed to complete the IBS Agreement, after which Shipper shall have fifteen (15) days to provide the specified information. In the event such information is not received by MEP within fifteen (15) days, Shipper's request shall be null and void.

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(c) MEP shall tender an IBS Agreement to Shipper for execution when Shipper's request for service is accepted. Unless waived by MEP, a request for service shall be invalid if Shipper fails to execute an IBS Agreement hereunder within ten (10) days after an IBS Agreement which accurately reflects the requested service has been tendered by MEP for execution; provided, however, that MEP shall waive this time requirement if this delay is not unreasonable. MEP will post on the Informational Posting portion of its Interactive Website if it declines to waive the time requirement.

3.2 Requests for service hereunder shall be deemed valid only after the following information is provided by Shipper via MEP's Interactive Website or in writing to MEP's Gas Transportation Department at 1001 Louisiana Street, Suite 1000, Houston, Texas 77002, or Telecopy Number (713) 369-9305:

(a) **LINKED TRANSPORTATION AGREEMENT**

Shipper shall identify in its request an FTS or ITS Agreement to which service hereunder will be linked. Such linkage must be consistent with this Rate Schedule IBS. The balancing service hereunder shall relate to the volumes delivered to the Delivery Point(s) on behalf of the end-use facility or facilities under the linked transportation Agreement. The effectiveness of the IBS Agreement is contingent upon Shipper having and continuing in effect the linked FTS or ITS Agreement, unless the parties agree on a substitute linked transportation Agreement. The linked transportation Agreement may be a released transportation Agreement but the Releasing Shipper must enter into a separate IBS Agreement; it cannot rely on the IBS Agreement of the Releasing Shipper.

(b) **CONTRACT QUANTITY**

The request must specify the MDQ under the IBS Agreement. The MDQ of the IBS Agreement may be equal to or less than the MDQ of the linked transportation Agreement. If the transportation Agreement is linked to more than one IBS Agreement, then the sum of the MDQs under IBS Agreements served by that linked transportation Agreement must be equal to or less than the transportation contract MDQ. The MDQ under an IBS Agreement must also be consistent with the Point MDQ under

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the linked transportation Agreement and with the actual or reasonably projected usage served by MEP at the end-use facility or facilities. The MDQ may be redetermined at the request of either Shipper or MEP at any time by mutual agreement. In submitting nominations under the linked transportation Agreement, Shipper must separately identify the volumes attributed to the end-use facility or facilities covered by the IBS Agreement.

(c) END-USE FACILITY

Shipper shall specify the end-use facility or facilities for which imbalance management service is to be provided under the IBS Agreement. The IBS Agreement shall cover a single end-use facility except to the extent aggregation is permitted under Section 7(c) of this Rate Schedule IBS. Shipper shall also specify the Delivery Point for each such end-use facility. That Delivery Point must also be a point of delivery (either primary or secondary) available under the linked transportation Agreement. The location of such Delivery Point(s) must be consistent with the location of the end-use facility or facilities.

(1) The request shall contain a statement either: (i) that the service under the IBS Agreement will be used for the end-use facility or facilities identified in the request directly connected to MEP's system; or (ii) that service under the IBS Agreement will be used for the end-use facility or facilities identified in the request behind a Delivery Point or Points and the requirements of Subsection (2) herein below are or will be met. If not directly connected to MEP, the end-use facility or facilities must be directly connected to facilities of the point operator which are interconnected with MEP's system.

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(2) Where an end-use facility is not directly connected to MEP's system, a separate IBS Monitoring Agreement must be agreed upon and executed among MEP, the Shipper, the operator of the end-use facility and the point operator and/or operator of interconnecting facilities. The IBS Monitoring Agreement must provide that (i) a designated entity (which may be the point operator at the Delivery Point under the IBS Agreement or other similar entity) will monitor the use of the service to assure that service is being provided hereunder to the end-use facility or facilities consistent with Rate Schedule IBS; and (ii) during periods when deliveries to the end-use facility are from more than one source, gas from MEP is deemed the first gas delivered to and used by the end-use facility unless another allocation is set out in the IBS Monitoring Agreement or is otherwise agreed upon by the parties. MEP will provide to the point operator or other monitoring entity relevant flow and nomination information related to the IBS Agreement. Service hereunder for any end-use facility not directly connected to MEP shall be contingent upon satisfaction on a continuing basis of these requirements.

(3) MEP may require that electronic measurement equipment be in place and the information accessible to MEP such that real time data on deliveries to the end-use facility or facilities or a reasonable substitute are available to MEP.

(d) **TERM OF SERVICE**

The request shall specify:

- (1) The date service is requested to commence; and
- (2) The date service is requested to terminate.

(e) **CREDIT**

Acceptance of a request is contingent upon a satisfactory credit appraisal by MEP in accordance with the General Terms and Conditions of this Tariff.

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(f) COMPLIANCE WITH IBS TARIFF

Submission of a request for service hereunder shall be deemed agreement by Shipper that it will abide by the terms and conditions of this Rate Schedule IBS, including the applicable General Terms and Conditions.

(g) COMMISSION-REQUIRED FILING INFORMATION

The following information is to be provided at the time a request for service hereunder is submitted, if available, or when the initial Access Request for balancing service under an executed IBS Agreement is submitted, and when any subsequent changes occur:

(1) Affiliation of the Shipper with MEP; and

(2) The identity of the Shipper, including whether it is a local distribution company, an interstate pipeline company, an intrastate pipeline company, an end user, a producer, or a marketer.

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4. TERM

(a) The term of service hereunder shall be set forth in the IBS Agreement between Shipper and MEP. The term provision must state that the IBS Agreement will terminate upon termination or expiration, and (in the case of a linked FTS Agreement) will be suspended upon release (if the release is partial, the suspension will be partial corresponding to the partial nature of the release), of the FTS or ITS Agreement to which the IBS Agreement is linked unless the parties mutually agree to substitute a new linked transportation Agreement. Where any specified end-use facility is not directly connected to MEP's system, the IBS Agreement will not apply to that end-use facility unless an IBS Monitoring Agreement covering that end-use facility is in effect.

(b) Upon termination or expiration of any IBS Agreement, service by MEP to Shipper thereunder shall cease and shall be automatically abandoned unless extended pursuant to the rollover provisions in Section 16 of the General Terms and Conditions.

(c) MEP may terminate any IBS Agreement if MEP is required by the FERC or some other agency or court to provide service for others utilizing the interruptible system capacity or capability required for service under such IBS Agreement or if MEP ceases (after receipt of any requisite regulatory authorization) to offer service of the type covered by the IBS Agreement.

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5. RATE

5.1 (a) Shipper shall pay MEP each month for service under this Rate Schedule IBS the sum of the following charges:

- (1) An Access Charge as provided in subsection (b) of this Section;
- (2) Applicable Balancing Service Charges; and
- (3) Any other applicable charges and penalties set out in this Rate Schedule IBS or the General Terms and Conditions of this Tariff.

(b) The Access Charge shall be the sum for the billing month of the then effective applicable daily Access Rate under the IBS Agreement multiplied each day by the absolute values of confirmed daily Access Requests for that Agreement to which that rate applies (Access Requests for swing up are not netted against Access Requests to swing down). Notwithstanding the foregoing, the Access Charge for any day shall be reduced to the extent that MEP curtails or interrupts service under Rate Schedule IBS that day, with the reduction to be calculated by multiplying the applicable daily Access Rate times that portion of the confirmed Access Request which is adversely affected by the curtailment or interruption. The maximum monthly Access Charge shall be the sum for that billing month of the applicable maximum unit daily Access Rate set out in this Tariff multiplied each day by the absolute values of confirmed daily Access Requests under the IBS Agreement to which that rate applies. The Access Charge payable by Shipper shall be the applicable maximum Access Charge unless a lower Access Charge is specified in the IBS Agreement or a separate discount agreement is assessed under Section 5.5 of this Rate Schedule IBS, which lower charge must be consistent with the minimum rate specified in this Tariff. By mutual agreement between MEP and Shipper which is consistent with the pro forma Agreement set out in this Tariff, discounts may be limited to specific volumes.

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(c) For any volumes of service provided hereunder in excess of Shipper's maximum daily access volume as determined under Section 6(a) hereof, or any IBS Balance in excess of the maximum allowed cumulative IBS Balance under Section 6(f), Shipper shall pay either an authorized overrun rate, or an unauthorized gas charge consistent with Section 8 of this Rate Schedule.

(d) Where a Shipper has agreed to pay a Negotiated Rate or a rate under a Negotiated Rate Formula, the rates assessed hereunder shall be governed by Section 30 of the General Terms and Conditions of this Tariff. A request for service at a Negotiated Rate or a rate under a Negotiated Rate Formula shall specify the Negotiated Rate or Negotiated Rate Formula on which the Shipper is willing to agree.

5.2 (a) Unless otherwise agreed by contract, Shipper shall reimburse MEP within thirty (30) days after costs have been incurred by MEP for all fees required by the Commission or any regulatory body including, but not limited to, filing, reporting, and application fees, to the extent such fees are specifically related to service for that Shipper hereunder and are not generally applicable fees.

(b) If MEP constructs, acquires or modifies any facilities to perform service hereunder, then as specified in an agreement between the parties either:

(1) Shipper shall reimburse MEP for the cost of such facilities or facility modifications as described in the General Terms and Conditions of this Tariff; or

(2) MEP shall assess a monthly charge reflecting such facility costs.

5.3 Shipper shall pay any transportation charges associated with effectuating the receipt or delivery of Gas hereunder pursuant to the FTS or ITS Agreement to which Shipper's IBS Agreement is linked, including any applicable Fuel Gas or Gas Lost and Unaccounted For, in accordance with the terms of that separate linked transportation Agreement. Shipper shall pay a transportation charge and related Fuel Gas and Gas Lost and Unaccounted For once, but only once, under the linked transportation Agreement associated with any IBS Balance as defined in Section 6(b) of this Rate Schedule IBS.

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Shipper shall not pay any charge associated with IBS Payback except to the extent transportation charges under the linked transportation Agreement are required to satisfy the prior sentence. Any ACA or other generally applicable surcharges shall also be assessed under such linked transportation Agreement and no additional such charges shall be assessed under Rate Schedule IBS.

5.4 (a) Unless otherwise provided by contract, MEP shall have the unilateral right to file with any appropriate regulatory authority and make changes effective in: (1) the rates and charges applicable under this Rate Schedule IBS, including both the level and design of such rates and charges; or (2) the terms and conditions of this Rate Schedule IBS. MEP agrees that Shipper may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of MEP's existing FERC Gas Tariff as may be found necessary to assure that its provisions are just and reasonable.

(b) If, at any time and from time to time, the Commission or any other governmental authority having jurisdiction in the premises allows or permits MEP to collect, or to negotiate to collect, a higher rate for the service hereunder, the rate shall, subject to any contrary provision of the IBS Agreement or a separate discount agreement or Negotiated Rate or Negotiated Rate Formula agreement, be increased to the highest such rate. Should additional documentation be required in order for MEP to collect such highest rate, Shipper shall execute or provide such documentation within fifteen (15) days after a written request by MEP. If, at any time and from time to time, the Commission or any other governmental authority having jurisdiction in the premises requires MEP to charge a lower rate for balancing service hereunder, the rate shall be decreased to such reduced rate.

5.5 MEP may from time to time and at any time, upon twenty-four (24) hours verbal or written notice, subject to any provisions on discounting in the IBS Agreement or in a separate discount agreement or Negotiated Rate or Negotiated Rate Formula Agreement, charge any individual Shipper for service under this Rate Schedule IBS a rate which is lower than the applicable maximum rate set forth in this Tariff; provided, however, that such rate charged may not be less than the applicable minimum rate for service under Rate Schedule IBS set forth in this Tariff. MEP will confirm any verbal notice of the applicable rate in writing. Such notification shall specifically

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state the effective date of such rate change and the quantity of gas so affected. Unless otherwise agreed in the IBS Agreement or in a separate discount agreement or Negotiated Rate or Negotiated Rate Formula Agreement, MEP may at any time further change such rate (subject to any restrictions as to maximum or minimum rates set out in this Tariff, the IBS Agreement and/or any discount agreement) upon twenty-four (24) hours' verbal notice to Shipper, which notice shall be confirmed in writing. Such notification shall specifically state the effective date of such rate change and the quantity of gas so affected. MEP shall file with the Commission any and all reports as required by the Commission's Regulations with respect to the institution or discontinuance of any discount.

5.6 All revenues and gas in kind collected by MEP as a result of providing service under this Rate Schedule IBS shall be retained by MEP unless MEP has otherwise explicitly agreed on or the Commission has required a different disposition of such amounts. The Penalty Revenue (Section 9.3) provisions in the General Terms and Conditions of this Tariff represent an agreement by MEP on a different disposition of certain revenue.

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6. ACCESS REQUESTS, PAYBACK NOMINATIONS, BALANCING SERVICE CHARGES, OVERRUN CHARGES, AND CASHOUT.

(a) Subject to the remainder of this Section 6, on any Day, Shipper may submit an Access Request for service under its IBS Agreement up to its MDQ; provided, however, that unless MEP otherwise agrees, the net effect (taking into account the direction of the request) of such Access Request for any Day may only result in service hereunder equal in volume to the difference between Shipper's then effective MDQ under the IBS Agreement (reduced by releases of the linked transportation Agreement as set out below) and Shipper's nominations to serve the specified end-use facility or facilities that Day under the linked transportation Agreement (maximum daily access volume). If Shipper has released any part of a linked firm transportation Agreement, such release(s) shall be taken into account in determining the level of service available under the IBS Agreement if the release(s) reduce the effective MDQ available to Shipper for nomination under the linked transportation Agreement to the designated Delivery Point(s) below the MDQ under the IBS Agreement. Except for authorized overrun, an Access Request for a swing up may not exceed the unnominated portion of the MDQ under the linked transportation Agreement (reduced as applicable by any releases).

(1) The Access Request, which shall constitute Shipper's nomination under the IBS Agreement, shall specify the volume and direction of the balancing service and must reference the specific IBS Agreement, end-use facility or facilities and Delivery Point(s) to which the service relates.

(2) For a Shipper to request service hereunder, that Shipper must have in effect a linked FTS or ITS Agreement consistent with Section 3.2(a) of this Rate Schedule IBS. The Access Request must reference the linked transportation Agreement.

(3) Intraday Access Requests may be submitted hereunder which increase the level of service requested. Such increased intraday Access Requests may be submitted on the same schedule as other intraday nominations.

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(4) MEP will post for each Day, at least two (2) hours before nominations are due for that Day, whether service under Rate Schedule IBS is likely to be available on the System, or on any portion of the System.

(b) MEP shall confirm Access Requests made under an IBS Agreement which otherwise are consistent with this Rate Schedule IBS if, in MEP's reasonable judgment, MEP has the System operational capability or other resources, such as Third Party Balancing Agreements, to provide such service, without detriment to satisfaction of MEP's firm obligations or of any interruptible obligations which may be of higher priority or to MEP's System operational needs, it being understood that MEP is not providing a supply or storage service under this Rate Schedule IBS. MEP will not confirm any Access Request if granting such a request would be detrimental to MEP's ability to provide any firm service. MEP will also not grant any Access Request if doing so would materially increase the likelihood that MEP would declare a Critical Time or issue an Operational Flow Order affecting services identified in the prior sentence.

(1) MEP will attempt to offset Access Requests hereunder in one direction with Access Requests in the opposite direction, but MEP will only do so if the general standards of this subsection (b) can be met and MEP will not confirm Access Requests if the impact is detrimental to MEP's system.

(2) A confirmed Access Request shall be deemed authorization, up to the volume specified in the Access Request, for MEP to provide imbalance management service hereunder related to the linked transportation Agreement without further notice. Shipper shall not, however, be obligated to use such balancing volumes; i.e., Access Requests are used to define the level of balancing service available to the Shipper that day to cover IBS Balance volumes allocated under subparagraph (b)(3). This service is subject to the curtailment provisions of the General Terms and Conditions of this Tariff.

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(3) MEP shall account separately under each IBS Agreement for all nominations to each specified end-use facility and for volumes actually utilized at each end-use facility; provided, however, that to the extent aggregation is permitted under Section 7(c) hereof, MEP shall account for all aggregated facilities on an aggregated basis. Any difference on any Day between nominations and physical gas flow under the linked FTS or ITS Agreement to the specified end-use facility or facilities in the direction of swing specified in the Access Request for that Day shall be allocated to the IBS Agreement unless otherwise expressly agreed. The resulting volume, which may be positive or negative, is the IBS Balance. Such differences in the opposite direction from the Access Request shall be allocated to the linked transportation Agreement or to other services contracted by Shipper pursuant to a predetermined allocation Agreement. Service hereunder allows Shipper to have daily imbalances or variances within the level of the confirmed Access Request. Volumes allocated to the IBS Agreement hereunder shall be treated as unauthorized overrun if the resulting IBS Balance is not within the volume level consistent with Shipper's confirmed Access Request under this Section 6. Volumes allocated to the IBS Agreement hereunder in excess of the maximum daily access volume or the maximum allowable cumulative IBS Balance which are consistent with the confirmed Access Request shall be authorized overrun under Section 8 of this Rate Schedule IBS.

(c) MEP shall provide to Shipper its best information on the IBS Balances under an IBS Agreement by at least one half hour prior to the time timely nominations are due for the next Gas Day. MEP shall identify both the IBS Balance for the Day and the cumulative IBS Balance. In the event that an allocation under Section 6(b) results in Shipper having a positive or negative IBS Balance, then unless otherwise agreed, Shipper shall be obligated to make a timely IBS Payback nomination under the linked transportation Agreement based on such timely information provided by MEP in the next daily nomination cycle up to its MDQ under the linked transportation Agreement to bring its IBS Balance for a day to zero (IBS Payback nomination). Such IBS Payback nominations may also be made at the time intraday nominations are due under the next Daily nomination cycle. MEP may adjust such IBS Balance information in future periods and Shipper's future payback obligations shall be adjusted accordingly, but Shipper may rely on any information provided by MEP in making IBS Payback nominations.

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The IBS Payback nomination shall be separately identified and shall be a volume which is in excess of Shipper's projected requirements for that day at the relevant end-use facility or facilities. The IBS Payback nomination may represent (in whole or in part) overrun under the linked transportation Agreement, in which case the overrun shall be evaluated by MEP for scheduling purposes on the same basis as other overrun requests. Unless otherwise agreed, IBS Payback volumes nominated and confirmed shall be accounted for as the first gas through the meter on deliveries.

(1) IBS Payback nominations must reference the IBS Agreement. IBS Payback must be made to deliver gas to or take gas away from Delivery Points, as applicable, under the linked transportation Agreement, or at other mutually agreed points if delivery to those points would be beneficial to MEP's system, to achieve IBS Payback in relation to the Delivery Point(s). IBS Payback nominations shall be evaluated for scheduling and curtailment priority purposes on the same basis as other nominations under the linked transportation Agreement or at the mutually agreed points. Transportation charges shall be assessed under the linked transportation Agreement only if movement of the gas to the Delivery Point(s) has not previously been subject to a transportation charge, consistent with Section 5.3 of this Rate Schedule IBS.

(2) MEP has the right to delay or limit IBS Payback. To the extent MEP does not confirm an IBS Payback nomination, or the nomination is limited by rights under the IBS Agreement and/or linked transportation Agreement(s), as applicable, Shipper shall be obligated to make a timely IBS Payback nomination in each subsequent daily nomination period until the IBS Balance for that day has been eliminated; provided, however, that if MEP advises Shipper that no IBS Payback nominations will be accepted until a specified future date or will be limited in a specified way over a defined period, or as otherwise agreed, Shipper may forego or limit its IBS Payback nomination accordingly.

(d) If Shipper fails to make a timely and valid IBS Payback nomination to reduce its IBS Balance for a Day as required under this Section 6, then the Balancing Service Charges in Section 10.8 of the General Terms and Conditions of the Tariff shall apply, with no tolerance or exemption, based on the IBS Balance information provided to Shipper by MEP. Such charges will continue as applied to the remaining volume of the IBS Balance for that Day until valid IBS Payback nominations adequate to eliminate

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the IBS Balance have been submitted under this Section 6. Such Balancing Service Charges shall also apply, with no tolerance or exemption, to the extent Shipper makes a timely and valid IBS Payback nomination which is confirmed by MEP, but IBS Payback is not actually effectuated by Shipper. The phrase "with no tolerance or exemption" as used herein shall mean the following: under Section 10.8(a)(1) of the General Terms and Conditions of this Tariff, the 0% to 5% tier does not apply and the lowest charge (\$0.10/Dth) applies to variance between 0% and 10%; under Section 10.8(b) of the General Terms and Conditions of this Tariff, the 0% to 3% tier does not apply and the lowest charge (greater of \$1.00 or 50% of DIP) applies to variances between 0% and 10%; and under Section 10.8(c) of the General Terms and Conditions of this Tariff, the 0% to 3% tier does not apply and the lowest charge (greater of \$4.00 or 2 X DIP) applies to variances between 0% and 10%. Each Day for which an IBS Balance accrues is accounted for separately for purposes of applying Balancing Service Charges and the other provision of this Section 6. IBS Payback nominations shall apply first to the oldest Day's IBS Balance. No Balancing Service Charges shall apply for any Day, however, if Shipper makes a valid, timely and adequate IBS Payback nomination for that day within the limit specified in subsection (c) above, but that IBS Payback nomination is not confirmed by MEP for reasons other than that the nomination was not proper. Intraday IBS Payback nominations will not avoid Balancing Service Charges as to volumes not timely nominated unless confirmed by MEP and unless adequate under (c) above.

(e) A Shipper which is submitting an IBS Payback nomination for any Day may, also on that Day, submit an Access Request for additional service under this Rate Schedule IBS. Subject to the Balancing Service Charges and the restrictions in subsection (f) below, such Access Requests will be processed under and are subject to the same requirements and limitations as are imposed on all Access Requests by Sections 6(a) and 6(b) of this Rate Schedule IBS.

(f) The cumulative IBS Balance under an IBS Agreement may not exceed two (2) times Shipper's MDQ, absent agreement by MEP.

(g) Cashout provisions of the Tariff shall only apply to IBS Balances to the extent provided in Section 7(b) of this Rate Schedule. All IBS Balances must be zeroed out through the Access Request and IBS Payback nomination process in this Section 6, except as otherwise provided in Section 7(b) of this Rate Schedule.

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**7. UPSTREAM AND DOWNSTREAM ARRANGEMENTS, END-OF-TERM
IMBALANCE AND AGGREGATION**

(a) Shipper shall make all necessary arrangements with other parties at or downstream of the Delivery Points under the IBS Agreement. Such arrangements must be consistent with this Rate Schedule IBS and the linked FTS or ITS Agreement and must be coordinated with MEP.

(b) Shipper must have a zero IBS Balance at the end of the term of the IBS Agreement. If an IBS Balance remains at the end of the term, the remaining volumes shall be cashed out as set out at Section 10.4 of the General Terms and Conditions of this Tariff. Shipper and MEP may also mutually agree to cashout an IBS Balance at the end of any month under an IBS Agreement consistent with said Section 10.4.

(c) Except with prior agreement by MEP on a case-by-case basis, an IBS Agreement may cover only a single end-use facility and a single related Delivery Point.

(1) MEP will agree to limited aggregation of end-use facilities and Delivery Points under a single IBS Agreement pursuant to this subsection (c) if the following criteria are met:

(i) all the end-use facilities must have the same owner or operator (or a common agent consistent with this provision);

(ii) all the end-use facilities must be of the same type;

(iii) it must be operationally feasible for MEP to provide service on an aggregated basis to all such end-use facilities and points consistent with this Rate Schedule IBS; and

(iv) the number of end-use facilities to be aggregated may not exceed five (5) and the number of related points to be aggregated may also not exceed five (5).

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(2) MEP will allow such aggregation with a common agent for the end-use facilities, provided that the other requirements of aggregation are satisfied. Such an agency relationship would be subject to satisfaction of the conditions set out in Section 6.8 of the General Terms and Conditions of this Tariff and the following more specific conditions: the agent must meet the same creditworthiness standards as a Shipper, MEP can rely upon representations by the agent until MEP receives written notice that the agency relationship has been terminated and aggregation will cease to be effective as of the date on which there is no longer a common agent.

(3) If the above criteria are met, MEP will permit the aggregation under a single IBS Agreement of up to five (5) end-use facilities at the same or different Points. The aggregated end-use facilities shall be accounted for in the aggregate, by use of a paper point. A Shipper may not aggregate in a single IBS Agreement both directly connected end-use facilities and end-use facilities which are not directly connected to MEP.

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8. OVERRUN SERVICE

Upon request of Shipper, MEP may (but is not obligated to) provide service hereunder in excess of Shipper's maximum daily access volume under the IBS Agreement as determined under Section 6(a) hereof or Shipper's maximum allowed cumulative IBS Balance as determined under Section 6(e) hereof, in MEP's reasonable judgment, its System operational capability, other resources such as Third Party Balancing Agreements, or offsetting Access Requests will permit such balancing receipt or delivery without impairing the ability of MEP to meet its firm or other higher priority interruptible obligations, it being understood that MEP is not providing a supply or storage service under this Rate Schedule IBS. In granting requests for authorized overruns, MEP shall act in a manner consistent with the overrun service priorities set out in the General Terms and Conditions of this Tariff. Except for authorized overruns as reflected in confirmation of an Access Request, for which Shipper shall pay the applicable rate set out in the rate sheets of this Tariff, Shipper shall pay MEP the charges for unauthorized overrun set out in Section 9.2 of the General Terms and Conditions of this Tariff if balancing volumes in the direction of swing specified in the Access Request under an IBS Agreement exceed the volumes specified in the Access Request or, unless consistent with the Access Request, exceed the maximum daily access volumes under such IBS Agreement or the maximum allowed cumulative IBS Balance. MEP may waive or discount either authorized overrun or unauthorized gas charges on a basis which is not unduly discriminatory. With respect to authorized overrun charges associated with exceeding the allowed cumulative IBS Balance, it will be MEP's general policy to waive such charges if the charge results from MEP's decision not to accept IBS Payback and if maintaining the IBS Balance is beneficial to MEP's system.

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9. GENERAL TERMS AND CONDITIONS

The provisions of the General Terms and Conditions of this Tariff, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part of this Rate Schedule IBS and shall apply to service rendered hereunder as though stated herein.

Sheet Nos. 166 through 199 are being reserved for future use.

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