

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

1.1 AGREEMENT

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

1.2 ALLOCATOR

"Allocator" shall mean an entity owning or controlling gas being delivered to KMIP which is subject to a PDA under Section 7 of these General Terms and Conditions.

1.3 BALANCE OPERATOR

"Balance Operator" shall mean an entity that operates facilities interconnecting with KMIP at a Receipt Point. The term "Balance Operator" is utilized in Section 6.12 of these General Terms and Conditions.

1.4 BUSINESS DAY

Monday through Friday excluding Federal Banking Holidays.

1.5 CONTRACT DEMAND

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

1.6 DAY OR GAS DAY

"Day" OR "Gas Day" shall mean a period from nine o'clock (9:00) a.m. to nine o'clock (9:00) a.m. Central Clock Time.

1.7 DELINQUENCY

"Delinquency" shall mean an amount which has been billed by KMIP to Shipper for service under this Tariff as to which there is no good faith dispute which has not been paid by the date payment is due under the General Terms and Conditions. Delinquency is addressed in Section 2.7 of these General Terms and Conditions.

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1.8 DELIVERY POINT

"Delivery Point" shall mean any point at which KMIP delivers to or for the account of Shipper, gas which has been transported by KMIP under an Agreement. There is only one Delivery Point on KMIP's System, at the Chicago city limits where both KMIP and Natural Gas Pipeline Company of America LLC deliver into The Peoples Gas Light and Coke system near 138th Street and Torrence Avenue.

1.9 DTH

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

1.10 ELECTRONIC DATA INTERCHANGE ("EDI")

The term "EDI" shall mean Electronic Data Interchange.

1.11 EQUIVALENT VOLUMES

"Equivalent Volumes" shall mean the sum of the volumes of gas measured in Dth received by KMIP for the account of Shipper at the Receipt Points during any given period of time: (a) reduced by (i) Shipper's pro rata share of Fuel Gas and Unaccounted For Gas resulting from the operations of KMIP hereunder during the same period of time, if any, and (ii) any gas vented as provided in Section 2.5 hereof during the same period of time; and (b) adjusted for any variations in Btu content, as corrected for any water vapor in excess of five (5) pounds per million (1,000,000) cubic feet of gas, it being the intent of the parties that the volumes of gas delivered hereunder at the Delivery Point after transportation be the thermal equivalent of the volumes of gas delivered at the Receipt Point for transportation, after reduction, correction and adjustment as provided above.

1.12 FERC

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

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1.13 FUEL GAS

"Fuel Gas" shall mean the thermal equivalent of that volume of gas actually used by KMIP to effect the transportation of Shipper's gas hereunder from the Receipt Points to the Delivery Points, as determined by KMIP. As of the initial in-service date of KMIP, no Fuel Gas shall be assessed, provided, however, that nothing herein shall be interpreted to preclude or prejudice KMIP in filing for and implementing a charge for Fuel Gas at any time after the in-service date of KMIP.

1.14 GAS

"Gas" shall mean combustible hydrocarbon gas.

1.15 HEATING VALUE

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

1.16 INTERACTIVE WEBSITE

The term "Interactive Website" shall mean the interactive internet web site maintained by KMIP for communication regarding its transportation service in accordance with applicable Commission Regulations and NAESB Standards, as more fully described in Section 13 of these General Terms and Conditions.

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1.17 MCF

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

1.18 MDQ

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

1.19 MONTH

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

1.20 NAESB STANDARDS

"NAESB Standards" shall mean standards for business practices in the gas pipeline industry established by the North American Energy Standards Board (formerly GISB) and approved by the FERC.

1.21 NEGOTIATED RATE

The term "Negotiated Rate" shall mean a rate provision under which KMIP and Shipper have agreed on the amount to be charged for the service under Rate Schedule FTS or ITS which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate exceeds or may exceed the applicable maximum rate or is less than or may be less than the applicable minimum rate. Any Agreement entered into which provides for a rate under Rate Schedule FTS or ITS other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties, consistent with Commission policy, as to whether the pricing terms represent a discounted rate or a Negotiated Rate.

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1.22 NEGOTIATED RATE FORMULA

The term "Negotiated Rate Formula" shall mean a rate formula provision under which KMIP and Shipper have agreed will be applied to service under Rate Schedule FTS or ITS which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate exceeds or may exceed the applicable maximum rate or is less than or may be less than the applicable minimum rate. Any rate formula which deviates from the Straight Fixed Variable rate design shall be considered a Negotiated Rate Formula unless it constitutes a discount. Any Agreement entered into which provides for a rate under Rate Schedule FTS or ITS other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties, consistent with Commission policy, as to whether the pricing terms represent a discounted rate or a rate pursuant to a Negotiated Rate Formula.

1.23 NOMINATION

"Nomination" shall mean the written requests for transportation submitted pursuant to Section 6 of these General Terms and Conditions.

1.24 OPERATIONAL BALANCING AGREEMENT ("OBA")

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

1.25 OVERRUN GAS

"Overrun Gas" shall mean those volumes of gas tendered for transportation by Shipper on any Day in excess of its currently effective Contract Demand or MDQ, or in the case of service under Rate Schedule ITS, in excess of Shipper's MDQ or nominations, to the extent such gas is scheduled under Section 6 of these General Terms and Conditions.

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1.26 POINT OPERATOR

"Point Operator" shall mean the operator of facilities immediately downstream of the Delivery Point which has entered into a Point Operator Allocation Agreement with KMIP pursuant to Section 8.3 of these General Terms and Conditions.

1.27 PREDETERMINED ALLOCATION AGREEMENT or PDA

"Predetermined Allocation Agreement" or "PDA" shall mean an agreement between KMIP and the Allocator or the operator of the facilities immediately downstream of the point at which KMIP delivers gas regarding the sequence of volume delivered to KMIP by the Allocator or to the operator by KMIP, consistent with Section 7 or Section 8 of these General Terms and Conditions, as applicable.

1.28 RECEIPT POINT

"Receipt Point" shall mean any point at which gas is tendered by or for the account of Shipper to KMIP for transportation as specified in an Agreement or as applicable to service under such Agreement by operation of this Tariff. There are three (3) Receipt Points on the KMIP System as follows: a new interconnect with Northern Border Pipeline south of the town of Beecher, IL; a new interconnect with ANR Pipeline south of Crete, IL; and a new interconnect with Natural Gas Pipeline Company of America LLC located near Chicago Heights, IL.

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1.29 RECOURSE RATE

"Recourse Rate" shall mean the applicable maximum rate which would apply to the service but for the rate flexibility allowed under Section 31 hereof.

1.30 REQUESTS FOR CAPACITY

"Requests for Capacity" as used in Section 2 of these General Terms and Conditions shall mean a written request by any prospective Shipper for capacity or by an existing Shipper for additional capacity under Rate Schedule FTS.

1.31 SHIPPER

The term "Shipper" shall mean a Shipper as defined in Rate Schedule FTS or Rate Schedule ITS, as applicable. In addition, in a given context, Shipper may refer to an entity which is seeking to become a Shipper.

1.32 STANDARD REPORTING BASIS

Standardize the reporting basis for Btu as 14.73 psia at 60 degrees F (101.325 kPa at 15 degrees C) and dry. Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm squared at 15.6 degrees C and dry. For gas volumes reported in cubic foot, standardize the reporting basis as cubic feet at standard conditions, of 14.73 psia at 60 degrees F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa at 15 degrees C and dry.

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1.33 SYSTEM

"System" shall mean the pipeline, any compression, and related facilities owned or leased by KMIP. It shall include only the Delivery Point and the Receipt Points identified in Sections 1.5 and 1.22 of these General Terms and Conditions.

1.34 THIRD PARTY BALANCING AGREEMENT

"Third Party Balancing Agreement" shall mean a contract executed by KMIP, the firm Shipper and one or more third parties which agree to manage imbalance for that Shipper under specified firm agreements on KMIP. Conditions applicable to such an agreement are set out in Section 10.7 of these General Terms and Conditions.

1.35 UNACCOUNTED FOR GAS

"Unaccounted For Gas" shall mean the thermal equivalent of the difference between the sum of all input volumes of gas to the System and the sum of all output volumes of gas from the System, which difference shall include but shall not be limited to gas vented (other than gas vented pursuant to Section 2.5) and gas lost as a result of an event of Force Majeure, the ownership of which cannot be reasonably identified, but shall not include Fuel Gas. As of the initial in-service date of KMIP, no Unaccounted For Gas shall be assessed, provided however, that nothing herein shall be interpreted to preclude or prejudice KMIP in filing for and implementing an Unaccounted For Gas charge at any time after the initial in-service date of KMIP. Without limitation of the provision in the preceding sentence, KMIP may make a limited tariff filing under Section 4 of the Natural Gas Act to passthrough charges for gas lost and unaccounted for assessed to it by Natural consistent with Paragraph 41 of the "Order Issuing Certificates and Authorizing Abandonments" issued on July 17, 2007, in Docket Nos. CP06-454-000, et al., 120 FERC Section 61,050.

1.36 UNAUTHORIZED OVERRUN GAS

"Unauthorized Overrun Gas" shall mean Overrun Gas not accepted by KMIP for scheduling pursuant to Section 6 hereof.

1.37 YEAR

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

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2. PRIORITY OF SERVICE

2.1 ALLOCATION OF CAPACITY

This Section 2.1 governs the allocation of firm capacity on KMIP's System among entities requesting firm services. In assigning priority to otherwise valid requests for any particular firm service, KMIP shall afford priority based on rate, term, and volume, applying consistent and objective economic criteria. In applying such criteria where a Negotiated Rate or Negotiated Rate Formula is involved, the value assigned to a request which includes a Negotiated Rate or Negotiated Rate Formula shall be limited by the Recourse Rate as provided in Section 31 of these General Terms and Conditions. Requests with the same rate, term, and volume shall be assigned priority on a first come, first served basis. In the event valid requests are received on the same Day and there is insufficient capacity to serve all such Shippers, KMIP shall allocate the available capacity on a pro rata basis based on each Shipper's requested MDQ. KMIP shall not be required to grant otherwise valid requests at less than the applicable maximum rate, but may do so on a non-discriminatory basis.

2.2 SCHEDULING OF FIRM SERVICES

(a) While firm services are not ordinarily interrupted due to lack of capacity, capacity constraints may exist from time to time or interruption of service may be necessary for certain other reasons. KMIP may decline to schedule and/or may curtail firm service for any of the following reasons:

(1) If Shipper tenders gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;

(2) For reasons of Force Majeure;

(3) Due to routine repair and maintenance to be reasonably determined by KMIP;

(4) Pursuant to Section 2.7 or 12.2 of these General Terms and Conditions;

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(5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;

(6) To maintain System integrity; or

(7) If there is a dispute over title, ownership or right to tender or to receive gas.

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

(b) For the purposes of scheduling and curtailing gas, all firm services shall have priority within MDQ over all interruptible services. All firm services at primary points shall have equal priority to KMIP's System capacity. Service requested at secondary points shall have the priority described in Section 2.3. To the extent capacity does not exist to provide for all volumes nominated by Shippers on a firm basis within MDQ at primary points and along any path defined by primary points under all firm Rate Schedules, scheduling and curtailment shall be pro rata based on MDQ on any portion of KMIP's System affected by a capacity constraint.

(c) For Shippers under all firm services, KMIP shall provide notice of any curtailment or of any scheduling restriction as far in advance as feasible. KMIP shall attempt to provide at least two (2) Days' prior notice, unless more timely action is necessary to respond to a Force Majeure situation, to balance the Agreement to the extent consistent with the applicable Rate Schedule, or to maintain System integrity.

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(d) KMIP and a Shipper under any firm service may add or delete primary Delivery or Receipt Points from time to time by mutual agreement. Subject to the availability of firm capacity at the requested point, within the limitation stated on Sections 1.5 and 1.22 hereof, and KMIP shall agree to any such change in primary Delivery or Receipt Point to the extent such new point is within the transportation path of the existing primary points. At other points, KMIP shall agree to a change to the extent that firm transmission and point capacity is available after taking into account existing capacity commitments under other firm Agreements.

(e) Firm Intraday nominations are entitled to bump scheduled interruptible volumes, as defined in Sections 2.4 and 2.6, only during the Evening, Intraday 1 and Intraday 2 Nomination Cycles, as defined in Section 6.2. Firm Intraday nominations are not entitled to bump already scheduled firm volumes.

2.3 SECONDARY POINTS

(a) Shippers under Rate Schedule FTS shall have the right to use all Receipt and Delivery Points on KMIP's System, as identified in Sections 1.5 and 1.22 hereof, as secondary Receipt and Delivery Points. The MDQ at any secondary point shall be equal to the aggregate MDQ. The priority of service at secondary points under Rate Schedule FTS shall be governed by the remainder of this Section 2.3.

(b) Service at the secondary Receipt and Delivery Points shall be provided to the extent capacity is available at such points after all nominations for primary point service under all of KMIP's firm Agreements have been satisfied. No secondary point service shall be provided in excess of a Shipper's secondary point MDQ except as overrun service. Unless a capacity constraint exists at the point, a secondary point nomination at a point within a path created by Shipper's primary points shall be treated the same as a nomination by Shipper at a primary point. For a secondary point outside such a path, service at the point and service to or from the point shall have priority over interruptible service but shall be subordinate to nominations for primary point service. Service to or from such a secondary point outside the path shall also be subordinate to secondary point service within the path to the extent both services utilize the same capacity. If a capacity constraint

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exists at the point, subsection (c) shall govern. If a capacity constraint exists on a path, subsection (d) shall govern. Secondary point service shall not be subject to curtailment or allocation [except as set out in Section 2.2(a)] if no capacity constraint exists at the point or path on any segment to or from the point or path.

(c) If nominations by all Shippers for secondary point service for which such Shippers are eligible exceed KMIP's available capacity at any secondary point, available capacity shall be allocated and scheduled for secondary point service pro rata based on each Shipper's confirmed nomination, within MDQ, at the secondary point. If curtailment is necessary, such curtailment shall be pro rata based on each Shipper's confirmed nomination, within MDQ, at that secondary point. Shippers utilizing points within the primary path as secondary service shall have a higher priority for secondary point service than Shippers utilizing points outside the primary path as secondary service.

(d) If nominations by all Shippers for secondary point service for which such Shippers are eligible exceed KMIP's available capacity on the applicable path, available capacity shall be allocated and scheduled for secondary point service pro rata based on a Shipper's confirmed nominations within MDQ. If curtailment is necessary, such curtailment shall be pro rata based on a Shipper's confirmed nominations, within MDQ, for the applicable path. Shippers utilizing points within the primary path as secondary service shall have a higher priority for secondary point service than Shippers utilizing points outside the primary path as secondary service. This priority applies for service at constrained points and paths.

(e) Properly submitted and confirmed firm service nominations at primary points will supersede any secondary point service; and properly submitted and confirmed nominations at secondary points within a path created by primary points will supersede secondary point service outside the path unless the capacity constraint is only at the point. Confirmed nominations within MDQ at a secondary point by a holder of firm service will interrupt service at that point under any interruptible Rate Schedule.

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(f) The primary Receipt and Delivery Points define the primary path(s), including the direction of "forward" flow for the primary path(s). Shippers may nominate service at secondary points so that the direction of flow is the same as or the opposite ("backhaul") from the primary path direction of flow, but such a nomination shall be treated as being outside the primary path.

2.4 INTERRUPTIBLE AND OVERRUN SERVICES

This Section 2.4 governs the priority of interruptible services, other than secondary point services under firm Agreements, on KMIP's System. All interruptible services, including overrun, shall have equal priority for capacity in accordance with the procedures set out in this Section 2.4.

(a) Confirmed nominations within MDQ under any firm Agreement, including service at secondary points, shall have priority over all interruptible service and overrun services. If more than one such Shipper nominates interruptible and/or overrun services, volumes shall be allocated among such Shippers in accordance with the sequences set out in the remainder of this Section.

(b) KMIP's interruptible transportation service, shall be provided to the extent capacity is available after scheduling all of KMIP's firm transportation service at primary and/or secondary points. KMIP may decline to schedule and/or may curtail interruptible service for any of the following reasons:

(1) If Shipper tenders gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;

(2) For reason of Force Majeure;

(3) Due to routine repair and maintenance to be reasonably determined by KMIP;

(4) Pursuant to Section 2.7 or 12.2 of these General Terms and Conditions;

(5) To rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;

(6) To maintain System integrity;

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(c) (1) If capacity remains after all gas properly nominated and confirmed (to the extent nomination is required) for firm service (including secondary point service) has been scheduled, KMIP shall schedule the remaining interruptible services (including authorized overrun). To the extent there is insufficient capacity available to schedule all properly nominated and confirmed interruptible services (including authorized overrun), KMIP shall identify which nominated services are affected by the lack of capacity and shall schedule all affected interruptible services in accordance with the following sequence:

(i) KMIP shall schedule interruptible services (including authorized overrun) based on the rate to be paid, from highest to lowest daily rate. Service for which the highest daily rate being paid is scheduled first. Any Shipper paying the maximum rate applicable to its service (or revenue equal to or greater than the applicable maximum rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded highest priority even if a Shipper which has agreed to a Negotiated Rate or Negotiated Rate Formula is paying a higher unit rate.

(ii) In the event there is insufficient capacity to schedule all services for which the same rate is to be paid, KMIP shall allocate the available capacity pro rata based on the confirmed nominated volume.

(2) In interrupting or curtailing interruptible services (including authorized overrun), KMIP shall curtail in accordance with the following priority sequence:

(i) KMIP shall interrupt services (including authorized overrun) based on the rate being paid, from lowest to highest daily rate. Service for which the lowest daily rate being paid is interrupted first. Any Shipper paying the maximum rate applicable to its service (or revenue equal to or greater than the applicable maximum rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded highest priority even if a Shipper which has agreed to a Negotiated Rate or Negotiated Rate Formula is paying a higher unit rate.

(ii) If there is capacity sufficient to provide some but not all services for which the same rate is being paid, KMIP shall allocate capacity pro rata based on the confirmed nominated volume.

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(3) Upon one (1) Day's prior notice, a Shipper shall be allowed to increase its rate by any amount up to the applicable maximum rate specified in this Tariff. A Shipper agreeing to increase its rate hereunder shall be entitled to any higher priority associated with such higher rate; provided, however, that any Shipper paying the maximum rate applicable to its service (or revenue equal to or greater than the applicable maximum rate pursuant to a Negotiated Rate or Negotiated Rate Formula) shall be afforded highest priority even if a Shipper which has agreed to a Negotiated Rate or Negotiated Rate Formula is paying a higher unit rate. Among Shippers paying less than the applicable maximum rate, priority shall be determined based on rate level in accordance with Section 2.4(c) (2) (i) above. Among Shippers agreeing to pay the same rate as of the termination of the one (1) Day notice period, the priorities set out in Section 2.4(b) (1) shall apply. No Shipper may obtain a higher priority during any period of interruption to which a notice relates by agreeing to an increased rate after the end of the one (1) Day notification period.

(d) KMIP shall redetermine the priority of each Shipper under this Section 2.4 and reallocate capacity hereunder on a daily or such other periodic basis as is necessary for KMIP to recognize the priority of new Shippers or any changes in the priorities of existing Shippers, to assure service to its firm Shippers and to accommodate the operational requirements of its System. The priorities hereunder shall be applied on an Agreement-by-Agreement basis.

(e) An Agreement under Rate Schedule ITS will include all Receipt and all Delivery Points available on KMIP's System. A Shipper may not utilize a point other than the one specified in Sections 1.5 or 1.22 of these General Terms and Conditions.

2.5 UNAUTHORIZED OVERRUN

No Shipper shall have any right to tender Unauthorized Overrun Gas. Unauthorized overruns are subject to penalty as set out in the individual Rate Schedules. To the extent KMIP is unable to transport Unauthorized Overrun Gas without jeopardizing the safety of KMIP's operations and/or its ability to meet its contractual obligations to other Shippers, such decisions to be solely within the judgment and discretion of KMIP, KMIP shall have the right to vent, without incurring any liability to Shipper, or any third party, such Unauthorized Overrun Gas as it is unable to transport. However, KMIP shall use its best efforts to avoid or minimize such venting.

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2.6 OTHER TRANSPORTERS

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

2.7 DELINQUENCY IN PAYMENT

(a) Irrespective of any otherwise applicable priority, KMIP may suspend service to any Shipper which is delinquent in payments under any Agreement, subject to the following conditions:

(1) KMIP shall give Shipper written notice of the delinquency and of KMIP's intent to suspend service if the deficiency is not cured. If delinquency is not remedied within ten (10) Days of such notice, KMIP may suspend service. KMIP shall simultaneously provide written notice to the Commission of any such suspension.

(2) If a Shipper which has been deficient in payment hereunder is again deficient in payment within six (6) Months after the prior deficiency, then KMIP may suspend service to such Shipper within five (5) Business Days after providing notice hereunder unless Shipper remedies the deficiency within that time period.

(3) A Shipper shall not be obligated to pay any reservation or demand charges for suspended service attributable to the period when that service is suspended.

(b) In addition to suspension, KMIP may terminate service if the Shipper fails to remedy a delinquency in payment. Any such termination requires thirty (30) days' prior notice to Shipper and to the Commission. To avoid termination, the Shipper must remedy the deficiency within this notice period. Such notice may be given simultaneously with the initial notice under Section 2.7(a)(1) of these General Terms and Conditions.

(c) In the event of a good faith billing dispute, withholding of payment for the amount in dispute by Shipper shall not be considered a delinquency in payment, consistent with Section 11 of these General Terms and Conditions, and will not result in suspension or termination of service.

(d) KMIP may not take any action under this Section 2.7 which conflicts with any order of the U.S. Bankruptcy Court.

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3. RECEIPT POINTS

3.1 FACILITIES AT RECEIPT POINTS

Unless otherwise agreed by KMIP, KMIP shall own, operate and maintain all pipeline and measurement facilities necessary to receive and measure gas hereunder. In the event any such facilities are installed by KMIP, Section 5 of these General Terms and Conditions shall apply.

3.2 OBLIGATION

The only Receipt Points on the KMIP System are those identified in Section 1.28 of these General Terms and Conditions. KMIP's maximum obligation to receive gas at the Receipt Point(s) under the Agreement shall never exceed the lesser of: (a) the applicable MDQ under the Agreement in the aggregate or at individual points, as specified in the Agreement or as applicable at such point under this Tariff; or (b) the total daily volume Shipper or its designee is able and willing to tender at the Receipt Point(s).

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4. DELIVERY OF GAS FOR THE ACCOUNT OF SHIPPER

4.1 DELIVERY VOLUMES

Commencing on the date of first acceptance by KMIP of natural gas delivered by or on behalf of Shipper at the Receipt Point(s) pursuant to an Agreement, and continuing thereafter during the term of that Agreement, KMIP shall deliver Equivalent Volumes, or cause Equivalent Volumes to be delivered to Shipper, or to a mutually agreeable third party for Shipper's account, at the Delivery Point identified in Section 1.8 of these General Terms and Conditions.

4.2 DELIVERY FACILITIES

Unless otherwise agreed by KMIP, KMIP shall own, operate and maintain all pipeline and measurement facilities necessary to deliver and measure gas hereunder. In the event any such facilities are installed by KMIP, Section 5 of these General Terms and Conditions shall apply.

4.3 OBLIGATIONS

The only Delivery Point on the KMIP System is that identified in Section 1.8 of these General Terms and Conditions. KMIP's maximum obligation to deliver gas at the Delivery Point(s) under an Agreement shall never exceed the lesser of: (a) the applicable MDQ under the Agreement in the aggregate or at each point as specified in the Agreement or as applicable to any point under this Tariff; or (b) the total daily volume Shipper or a mutually agreeable third party for Shipper's account is willing and able to receive at the Delivery Point(s).

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4.4 HOURLY LIMITATIONS

KMIP shall not be obligated, during any hour, to deliver a total volume of gas at any Delivery Point in excess of four and seventeen hundredths percent (4.17%) of Shipper's aggregate nomination for firm service at such Delivery Point. However, in the event that Shipper's load pattern temporarily requires hourly deliveries at any Delivery Point in excess of this restriction, KMIP will, on request of Shipper, accommodate such load pattern up to a maximum of six and twenty five hundredths percent (6.25%) of Shipper's aggregate MDQs for firm service at such Delivery Point; provided that Shipper does not exceed its MDQ for the Day and provided further that KMIP can accommodate the request within the capacity of its System. If, after written request by KMIP, Shipper fails to restrict its hourly takes as specified herein, KMIP may install and operate a load limiting device at any Delivery Point where such failure has occurred. The cost for such device, including the cost of installation, shall be paid by Shipper within 30 days of its receipt of the bill therefore.

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5. NEW FACILITIES CHARGE

5.1 When new and/or expanded facilities are required to accommodate receipt and/or delivery of gas under a request for new service, and KMIP determines that installation of such facilities will not impair service to any existing Shipper or threaten the integrity of KMIP's System and is not inconsistent with the point limitation in Sections 1.5 and 1.22 of these General Terms and Conditions, KMIP will construct such facilities but KMIP shall require Shipper to pay all construction costs, including any filing fees and a reimbursement amount to compensate for federal income tax effects associated with such facilities, except that KMIP will pay the cost of such facilities when the criteria set forth below are satisfied.

5.2 (a) KMIP will pay the cost of the modification or construction of facilities required at Receipt or Delivery Point(s) to effectuate the receipt or delivery of natural gas hereunder when the construction or modification of such facilities is economically beneficial to KMIP. KMIP may conclude that a portion of the facilities are economically beneficial.

(b) (1) For the purposes of determining whether a gas supply project is economically beneficial to KMIP, KMIP will evaluate each prospective project based upon the amount of the reserves and/or deliverability characteristic of the gas supply to be attached. Facility additions at Receipt Points shall be evaluated based upon the incremental cost of service of the facilities to be constructed by KMIP, and the incremental revenues which KMIP estimates will be generated as a result of constructing and/or modifying such facilities.

(2) For the purposes of determining whether a project to deliver gas is economically beneficial to KMIP, KMIP will evaluate each prospective project based upon the incremental cost of service of the facilities to be constructed by KMIP, and the incremental revenues which KMIP estimates will be generated as a result of constructing and/or modifying such facilities.

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(3) In estimating the incremental revenues to be generated, KMIP will base those revenues upon transportation rates it expects to be able to charge, exclusive of any surcharges, such as an ACA charge, and the projected incremental volumes which will result from the project. KMIP will consider volumes to be incremental if the volumes which will be transported would not otherwise flow through KMIP's System.

(4) Based on the above listed criteria, the economic value of a project shall be determined using the discounted cash flow rate of return methodology with the minimum acceptable rate of return to be published from time to time on KMIP's Interactive Website. When the present value of the incremental revenues from the project is greater than the present value of the incremental cost of service, KMIP will pay for the cost of the contemplated facilities. When the present value of the incremental revenues from the project is less than the present value of the incremental cost of service, Shipper shall pay for the cost of the contemplated facilities.

5.3 Unless otherwise agreed, Contribution in Aid of Construction (CIAC) pursuant to this Section 5 shall be increased by an amount (Tax Reimbursement) to compensate for the corporate income tax effects thereof, according to the following formula;

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

5.4 KMIP will publish on its Interactive Website the discount rate(s) and tax rates to be used in calculations under this Section 5. Subject to its providing at least three (3) days' prior notice on its Interactive Website, KMIP may change such factors to reflect changes in circumstances.

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

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6. NOMINATION/REPORTING AND BALANCING

6.1 GENERAL

(a) KMIP provides personnel available to handle nominations seven (7) days a week, twenty-four (24) hours a day. It is recognized that the success of seven (7) days a week, twenty-four (24) hours a day nomination process is dependent on the availability of affected parties' scheduling personnel, on a similar basis. Party contacts need not be at their ordinary work site but should be available by telephone or other electronic means. Whenever Shipper desires service, Shipper shall furnish to KMIP a separate nomination for each nominated Receipt and Delivery Point under each Agreement with a beginning and end date, or beginning hour, if applicable, for flow which can be for any duration within the term of the applicable Agreement; provided, however, any such nomination shall not be binding to the extent Shipper submits subsequent nomination(s). All nominations should be considered original nominations and should be replaced to be changed. When a nomination for a date range is received, each Day within that range is considered an original nomination. When a subsequent nomination is received for one or more Days within that range, the previous nomination is superseded by the subsequent nomination only to the extent of the Days specified. The Days of the previous nomination outside the range of the subsequent nomination are unaffected. Nominations have a prospective effect only.

(b) All nominations should include Shipper defined begin and end dates. For non-Intraday Nominations, a rollover option is available such that a Shipper shall have the ability to nominate for several Days, Months, or Years, provided the nomination begin and end dates are within the term of the Shipper's contract. All nominations, including Intraday nominations, should be based on a daily quantity and all volumes shall be expressed in Dth per Day and shall be stated for each Receipt and Delivery Point. Thus, an Intraday nominator need not submit an hourly nomination. Intraday nominations should include an effective date and time. The interconnected parties should agree on the hourly flows for the Intraday nomination, if not otherwise addressed in KMIP's contract or Tariff.

(c) If an upstream or downstream party requires additional information, or if additional information is otherwise required by KMIP as a part of the nomination and scheduling process, then, upon notification by KMIP, Shipper must include in each nomination such additional information as is required for KMIP to effectuate the nomination. Nominations must be submitted to KMIP through KMIP's Interactive Website, or such other electronic means as are mutually agreed upon by KMIP and Shipper. The sending party should adhere to nomination, confirmation and scheduling deadlines. The receiving party may waive any submittal deadline in this Section 6.

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

6.2 STANDARD NOMINATION CYCLES

KMIP supports the following standard nomination cycles (all times are Central Clock Time):

(a) The Timely Nomination Cycle: 1:00 p.m. for nominations leaving control of the nomination party; 1:15 p.m. for receipt of nominations by KMIP (including from Title Transfer Tracking Service Providers (TTTSPs)); 1:30 p.m. to send Quick Response; 4:30 p.m. for receipt of completed confirmations by KMIP from upstream and downstream connected parties; 5:00 p.m. for receipt of scheduled quantities by Shipper and point operator (on the Day prior to gas flow). Scheduled quantities resulting from Timely Nominations should be effective at the start of the next Gas Day.

(b) The Evening Nomination Cycle: 6:00 p.m. for nominations leaving control of the nominating party; 6:15 p.m. for receipt of nominations by KMIP (including from TTTSPs); 6:30 p.m. to send Quick Response; 8:30 p.m. for receipt of completed confirmations by KMIP from upstream and downstream connected parties; 9:00 p.m. for KMIP to provide scheduled quantities to affected Shippers and point operators, including bumped parties (notice to bumped parties), (on the Day prior to gas flow). Scheduled quantities resulting from Evening Nominations should be effective at the start of the next Gas Day.

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(c) The Intraday 1 Nomination Cycle: 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by KMIP (including from TTTSPs); 10:30 a.m. to send Quick Response; 12:30 p.m. for receipt of completed confirmations by KMIP from upstream and downstream connected parties; 1:00 p.m. for KMIP to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the current Gas Day). Scheduled quantities resulting from Intraday 1 Nominations should be effective at 2:00 p.m. on the current Gas Day.

(d) The Intraday 2 Nomination Cycle: 2:30 p.m. for nominations leaving control of the nominating party; 2:45 p.m. for receipt of nominations by KMIP (including from TTTSPs); 3:00 p.m. to send Quick Response; 5:00 p.m. for receipt of completed confirmations by KMIP from upstream and downstream connected parties; 5:30 p.m. for KMIP to provide scheduled quantities to affected Shippers and point operators, including bumped parties (notice to bumped parties) (central clock time on the current Gas Day). Scheduled quantities resulting from Intraday 2 Nominations should be effective at 6:00 p.m. on the current Gas Day.

(1) For purposes of Section 6.2(d), "Interconnecting Point Operator" shall mean the interconnecting pipeline entity immediately upstream of the Receipt Point as defined in Section 1.28 of these General Terms and Conditions.

(e) The Intraday 3 Nomination Cycle: 7:00 p.m. for nominations leaving control of the nominating party; 7:15 p.m. for receipt of nominations by KMIP (including from TTTSPs); 7:30 p.m. to send Quick Response; 9:30 p.m. for receipt of completed confirmations by KMIP from upstream and downstream connected parties; 10:00 p.m. for KMIP to provide scheduled quantities to affected Shippers and point operators, (central clock time on the current Gas Day). Scheduled quantities resulting from Intraday 3 Nominations should be effective at 10:00 p.m. on the current Gas Day. Bumping is not allowed during the Intraday 3 Nomination Cycle

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(f) For purposes of Section 6.2 (b), (c), (d), and (e) "provide" shall mean, for transmittals pursuant to standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

(g) The rights of a Releasing Shipper to recall capacity within any nomination cycle shall be governed by Section 14.14 of these General Terms and Conditions.

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(h) A Shipper which has been awarded firm capacity in a capacity release may submit a nomination using such capacity at the next available opportunity for nominations under this Section 6.2 which occurs on or after the time capacity is awarded, including an intraday nomination in either the Intraday 1, the Intraday 2, or the Intraday 3 Nomination Cycle, and which is consistent with Section 14.9(d) of these General Terms and Conditions.

6.3 TIMELY NOMINATIONS

(a) Timely nominations are nominations submitted consistent with the standard nomination cycle set out in Section 6.2(a).

(b) Nominations received after the nomination deadline will be scheduled after the nominations received before the nomination deadline.

6.4 REQUIRED NOMINATION CHANGES

If estimated daily flows under a particular transportation Agreement differ from the confirmed nominations, or if an imbalance has occurred due to some other reason, then prospective nomination change(s) (either receipt or delivery adjustments) may be required to bring the receipt and delivery volumes into balance. When a Shipper receives notification of a required change in the nomination, the Shipper shall be responsible for informing upstream and downstream parties of the prospective change and providing KMIP with a nomination as required in accordance with Section 6.2 hereof.

6.5 CONFIRMATION BY KMIP

(a) Nominations made in accordance with Sections 6.2, 6.3, 6.4, and 6.6 hereof shall not become effective until KMIP has confirmed the nominated receipts and deliveries with upstream and downstream parties, subject to Section 6.5(c). Shipper shall designate the appropriate person(s) who has the authority to resolve allocation issues, if requested by KMIP and, if requested by KMIP, the appropriate person(s) to confirm nominations. Confirmations must be submitted to KMIP through its Interactive Website, or such other electronic means as are mutually agreed upon by KMIP and Shipper.

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(b) Subject to Section 6.2 and the other provisions of this Tariff, KMIP shall provide Shippers and point operators via its Interactive Website, or by EDI, the quantities that have been scheduled to flow for that Shipper and point operator on the next Day.

(c) Default confirmation procedures are as follows:

(i) With respect to the timely nomination/confirmation process at a receipt or delivery point, in the absence of agreement to the contrary, the lesser of the confirmation quantities will be the confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the scheduled quantity for the timely nomination cycle of the previous Gas Day will be the new confirmed quantity.

(ii) With respect to the processing of requests for increases during the Intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities will be the new confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the scheduled quantity for the previous nomination cycle for the subject Gas Day will be the new confirmed quantity.

(iii) With respect to the processing of requests for decreases during the Intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities will be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity will be the new confirmed quantity. Elapsed-prorated-scheduled quantity means that portion of the scheduled quantity that would have theoretically flowed up to the effective time of the Intraday nomination being confirmed, based upon a cumulative uniform hourly quantity for each nomination period affected.

(iv) With respect to Sections 6.5(c)(i), (ii), and (iii), if there is no response to a request for confirmation or an unsolicited confirmation response, Transportation Service Provider (KMIP) will provide the Service Requester (Shipper) with the following information to explain why the nomination failed, as applicable;

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(1) the Service Requester's (Shipper's) Transportation Service Provider (KMIP) did not conduct the confirmation;

(2) the Service Requester (Shipper) is told its Transportation Service Provider (KMIP) that the upstream confirming party did not conduct the confirmation;

(3) the Service Requester (Shipper) is told by its Transportation Service Provider (KMIP) that the upstream Service Requester did not have the gas or submit the nomination;

(4) the Service Requester (Shipper) is told by its Transportation Service Provider (KMIP) that the downstream confirming party did not conduct the confirmation;

(5) the Service Requester (Shipper) is told by its Transportation Service Provider (KMIP) that the downstream Service Requester (Shipper) did not have the market or submit the nomination.

6.6 INTRADAY NOMINATIONS

(a) An Intraday nomination is a nomination submitted after the Timely Nomination Cycle, defined at Section 6.2(a), whose effective time is no earlier than the beginning of the Day and which runs through the end of that Day.

(b) KMIP supports the nomination cycles set forth at Section 6.2 during non-Critical Times. During Critical Times, valid Intraday nominations may be submitted at any time.

(c) KMIP will provide notification of bumped volumes through the Scheduled Quantity document, as posted on KMIP's Interactive Website, and telephone or telefax consistent with Sections 13 and 22 of the General Terms and Conditions of this Tariff and through Electronic Notice Delivery consistent with NAESB WGQ Standards as adopted in Section 30 of these General Terms and Conditions. During non-Critical Times, KMIP will waive daily penalties applicable to bumped volumes on the Day of the bump. KMIP will also waive penalties if it fails to provide appropriate notice of the bump.

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(d) For services that provide for Intraday nominations and scheduling, there is no limitation as to the number of Intraday nominations (line items as per NAESB WGQ Standard 1.2.1) which a service requester may submit at any one standard nomination cycle or in total across all standard nomination cycles.

(e) Revised predetermined allocations (described in Section 7 hereof) may need to be submitted in conjunction with the Intraday Nomination in order to properly allocate the gas received at the nominated Receipt Point.

(f) Unless KMIP agrees to the contrary, the revised nomination under an Intraday nomination may be limited by Section 6.5(c). KMIP and the interconnecting party will agree on the hourly flows of the Intraday nomination.

(g) An Intraday nomination is only effective for a single Gas Day (Intraday nominations do not rollover). There is no need to re-nominate if the Intraday nomination is intended to modify the existing nomination on that Gas Day only. The Shipper should submit a new timely or Intraday nomination if the Shipper wants to replace the previously submitted standing nomination or commence service for the next Gas Day.

(h) Intraday nominations can be used to request increases or decreases in total flow, changes to Receipt Points, or changes to Delivery Points of scheduled gas

6.7 END-OF-GAS-DAY SCHEDULED QUANTITY DOCUMENT

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

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6.8 OVERRUN QUANTITIES

Shippers submitting nominations via Interactive Website or EDI for transportation of overrun volumes (volumes in excess of the applicable point or Agreement MDQ) must submit separate nominations for such overrun volumes. the Shipper should mark that nomination as being for overrun volumes.

6.9 DELEGATION

A Shipper may delegate to any third party responsibility for submitting and receiving notices or nominations or performing other administrative duties under any Agreement, and an entity which controls a point of interconnection with KMIP may delegate to any third party responsibility for administering agreements regarding allocation of gas volumes at the point and/or for administering any point operator agreement, subject to the following conditions:

(a) Any designation of such a representative, and any change in such designation, must be in writing and must be submitted at least two (2) Business Days prior to the requested effective date.

(b) The written designation shall specify any limits on the authority of the representative, including any time limit on the designation; provided, however, that KMIP may reject any such limited designation if the limitations specified in the designation would result in an undue administrative burden.

(c) KMIP may rely on communications from the designated representative of a Shipper or interconnecting entity for all purposes except to the extent the designation is explicitly limited as specified in the preceding Section 6.9(b). Communications by KMIP to such designated representative shall be deemed notice to Shipper or the interconnecting entity except to the extent the representative's authority is explicitly limited with respect to the receipt of notice under the procedure set out in said Section 6.9(b).

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(d) Any third party may administer multiple Agreements as the designated representative for one or more Shippers and/or interconnecting entities. However, such representative shall separately administer and account for each such Agreement.

6.10 TRANSFER NOMINATIONS

(a) Whenever gas is purchased at a Receipt Point on KMIP's System by an entity that is not going to nominate that gas for receipt by KMIP under a transportation Agreement, that entity must submit a transfer nomination to KMIP through its Interactive Website (or EDI), identifying the quantities (in Dth) and the entities from whom the gas is being bought and the entities to whom the gas is being sold. Such transfer nominations are needed in order to be able to confirm the nominated receipts at that point and thus such transfer nominations are due by the deadlines applicable to Shipper nominations, subject to Section 6.2. In addition to the transfer nomination, the purchasing entity should submit a predetermined allocation in accordance with Section 7 of these General Terms and Conditions if there is more than one buyer of the purchasing entity's gas.

(b) A third party may provide title tracking services on KMIP's system as follows:

(1) The entity seeking to provide such a service (Third Party Account Administrator) shall so notify KMIP in writing, in which event KMIP shall establish an identification number for nominations involving the Third Party Account Administrator.

(2) Transfer nominations consistent with this Section 6.10 must be made by the Shipper tendering gas for delivery to the Third Party Account Administrator, where subsequent title to such gas is to be tracked by the Third Party Account Administrator; and

(3) The Third Party Account Administrator shall maintain records of any title transfers after delivery of gas to it and shall submit a nomination consistent with this Section 6.10 for delivery of gas to the last party in the chain of title, which party shall also submit a nomination for receipt of the gas consistent with this Section 6.10.

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6.11 NOMINATION PRIORITIES

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

6.12 OPERATIONAL BALANCING

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

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

(b) The Balance Operator must meet the same creditworthiness standards as Shipper;

(c) KMIP and Balance Operator must not have previously entered into such an agreement which was terminated because of Balance Operator's failure to perform. Nothing herein is intended to restrict KMIP's right to terminate in accordance with its terms any agreement entered into hereunder, including without limitation the right to terminate for Balance Operator's failure to perform consistent with its obligations under the agreement.

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7. DETERMINATION OF DAILY RECEIPTS

7.1 To the extent feasible, all volumes received by KMIP at a Receipt Point identified in Section 1.28 of these General Terms and Conditions shall be allocated in accordance with the confirmed nominations for that point. In the event the actual volumes received by KMIP do not equal the confirmed nominations for that point, any underage or overage will be allocated as follows:

(a) First, in accordance with the effective predetermined allocations (PDAs) submitted by those entities (Allocators) owning or controlling the gas being delivered to KMIP. An operational balancing agreement (OBA) is one type of a PDA. Shipper agrees that such an allocation is binding on Shipper.

(b) Then, if there is no effective PDA, pro rata to the extent applicable based on confirmed nominations or transfer nominations, as applicable. Shipper agrees that such an allocation is binding on Shipper.

7.2 The upstream or downstream party providing the point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the Gas Day, except that no other PDAs need be submitted if an OBA is in effect at a point. Unless otherwise agreed, all PDAs must be submitted to KMIP through KMIP's Interactive Website or through EDI before the start of the Gas Day the PDA is to be effective. Such PDA shall specify how any underage or overage from the confirmed nominated volumes should be allocated among the entities listed on the PDA. KMIP shall acknowledge receipt and acceptance of the PDA through KMIP's Interactive Website or EDI if received through KMIP's Interactive Website or via EDI if received via EDI. Such notification of acknowledgment and acceptance will be within fifteen (15) minutes of receipt via KMIP's Interactive Website if received via KMIP's Interactive Website or via EDI if received via EDI. KMIP's acceptance is contingent on KMIP being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods which can be used are matching of supply sources with specified customers, and combinations of methodology types. Different methods may be submitted for overages or underages. If the parties cannot agree, Section 7.1(b) shall apply.

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7.3 A PDA will be effective as of the date specified thereon (which may not be earlier than the date on which the PDA is submitted to KMIP unless otherwise agreed) and will continue in effect through the end of the calendar Month unless the Allocator submits a new PDA that is accepted by KMIP. PDAs may be submitted to KMIP on any Business Day or Days during the Month and should be submitted if necessary to reflect any changes in the Shippers or the allocation method at the point.

7.4 Allocators who should submit PDAs include the operator of the upstream facilities, the shippers or producers/owners of the gas being delivered by the upstream entity, buyers of the gas who are in turn selling the gas at that point, and Shippers who are using more than one transportation Agreement at that point.

7.5 After the end of each Month, KMIP shall provide each Allocator who submits effective PDA(s) with a Monthly allocation statement showing the volumes allocated in accordance with such PDA(s).

7.6 KMIP may rely conclusively on effective PDAs in allocating the gas received at a point. No retroactive changes to the PDA may be made unless KMIP and all affected parties agree.

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8. DETERMINATION OF DAILY DELIVERIES

8.1 PREDETERMINED ALLOCATIONS

In accounting for the volumes delivered by KMIP, in circumstances where multiple services are provided at the Delivery Point set out in Section 1.8 of these General Terms and Conditions, the sequence of volumes delivered shall be determined by a predetermined allocation agreement (PDA) between KMIP and the operator of the facilities immediately downstream of the point at which KMIP delivers gas. The upstream or downstream party providing the point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the Gas Day. In the absence of such an agreement, Sections 8.2 and 8.3 shall control. Any new or proposed change to the methodology should be sent to KMIP before the start of the Gas Day on which the methodology is to be effective. KMIP shall confirm receipt of the methodology within fifteen (15) minutes via KMIP's Interactive Website if received via KMIP's Interactive Website or via EDI if received via EDI. KMIP's acceptance is contingent on KMIP being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods that can be used are combinations of methodology types. Different methods may be submitted for overages and underages.

8.2 DELIVERY SEQUENCE

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

(a) Volumes scheduled under FTS Agreements consistent with confirmed nominations and within MDQ;

(b) Volumes scheduled under ITS Agreements consistent with confirmed nominations and within MDQ;

(c) Authorized Overrun Gas consistent with confirmed nominations;

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(d) Additional volumes shall be allocated pro rata based on confirmed nominations, but not to exceed the applicable MDQ, among ITS Agreements under which Shippers nominated that Gas Day; and

(e) Any remaining volumes shall be allocated as Unauthorized Overrun Gas pro rata based on confirmed nominations among ITS Agreements under which Shippers nominated that Gas Day.

8.3 POINT OPERATOR ALLOCATION AGREEMENT

(a) The operator of facilities immediately downstream of the Delivery Point which has physical control of the volumes taken away from KMIP and is willing to take responsibility for disposition of the volumes it receives from KMIP has the option to elect a predetermined allocation pursuant to this Section 8.3. Allocation agreements under this Section 8.3 may apply to physical Delivery Point(s). To perfect such an election, such point operator must execute a Point Operator Allocation Agreement which adheres to the delivery sequences set out herein, except as such sequence may be modified by mutual agreement between KMIP and the point operator, and which covers deliveries under all Agreements pursuant to which gas is delivered by KMIP at the point other than those specifically excluded by mutual agreement of KMIP and the point operator (Applicable Agreements).

(b) In the event that volumes delivered by KMIP under Applicable Agreements at any Delivery Point equal or exceed the sum of confirmed nominations at such point on any Gas Day, the delivery sequence for that Gas Day shall be as follows:

(1) First, confirmed nominations under all Applicable Agreements shall be deemed delivered for that Gas Day; provided, however, that volumes deemed delivered for that Gas Day are subject to adjustment.

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(2) Volumes equal to up to the percentage of the confirmed nominations under step (1) which corresponds to the percentage for the Balancing Service Charge tier under Section 9 of these General Terms and Conditions for which no additional charge is assessed under then prevailing circumstances are the next volumes deemed delivered on any Day (which absorbs any allowable balancing service provided without additional charge under Section 9 of these General Terms and Conditions) and are allocated to the point operator's account, but volumes shall be deemed delivered to the point operator's account only to the extent necessary to account for deliveries on that Day. The point operator's account is available for the allocation of volumes hereunder on any Day except during a Critical Time or as otherwise provided in an Operational Flow Order. Moreover, allocations under this step (2) to a point operator's account shall not be made to the extent such an allocation would be inconsistent with an Operational Flow Order nor shall any such allocation be made during a Critical Time. The cumulative volumes for operator's account hereunder over any Month may not exceed two percent (2%) of cumulative confirmed nominations for that Month or any lesser amount specified in an Operational Flow Order. The determination related to the prior sentence shall be made at the end of the Month and any volumes in excess of the 2% cashed-out. Such cash-out shall be effectuated without offset, netting or trading, in accordance with Section 10.3 of these General Terms and Conditions, except that imbalances from 2% to 5% shall be cashed-out in the "5% to 10%" tier.

(3) Volumes under Applicable Agreements equal to available rights to withdraw and deliver gas to the point pursuant to a Third Party Balancing Agreement held by the point operator shall be the next volumes deemed delivered that Day.

(4) Any additional volumes delivered at the point on any Day which are not accounted for by applying steps (1) through (3) shall be allocated for that Day as overrun deliveries to the point operator's account and shall be subject to charges under Section 9 of these General Terms and Conditions [it being understood that the allowable balancing service to be provided without additional charge under Section 10 has already been provided under step (2) above].

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(c) In the event that volumes delivered by KMIP under Applicable Agreements at any Delivery Point are less than the sum of confirmed nominations at the point on any Day, the delivery sequence for that Day shall be as follows:

(1) First, confirmed nominations under all Applicable Agreements shall be deemed delivered on that Day; provided, however, that volumes deemed delivered for that Day are subject to adjustment.

(2) Of the volumes nominated but not delivered, volumes equal to up to the percentage of the confirmed nominations under step (1) which corresponds to the percentage for the Balancing Service Charge tier under Section 9 of these General Terms and Conditions for which no additional charge is assessed under then prevailing conditions shall be allocated to the point operator's account on any Day (such allocation absorbs any allowable balancing service provided without additional charge under Section 9 of these General Terms and Conditions), but only to the extent necessary to account for deliveries on that Day. The point operator's account is available for the allocation of volumes hereunder on any Day except during a Critical Time or as otherwise provided in an Operational Flow Order. Moreover, allocations under this step (2) to a point operator's account shall not be made to the extent such an allocation would be inconsistent with an Operational Flow Order nor shall any such allocation be made during a Critical Time. The cumulative volumes for operator's account hereunder over any Month may not exceed two percent (2%) of cumulative confirmed nominations for that Month or any lesser amount specified in an Operational Flow Order.

The determination related to the prior sentence shall be made at the end of the Month and any volumes in excess of the 2% cashed-out. Such cashout shall be implemented without offset, netting, trading, in accordance with Section 10.3 of these General Terms and Conditions, except that imbalances from 2% to 5% shall be cashed-out in the "5% to 10%" tier.

(3) Volumes under Applicable Agreements equal to available rights to inject gas to the storage point of a qualified third party pursuant to a Third Party Balancing Agreement held by the point operator shall next be deemed injected for that Day on behalf of the point operator.

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(4) To the extent less volumes have been delivered on any Day which are not accounted for by applying steps (1) through (3), such shortfall shall be allocated for that Day to the point operator's account and shall be subject to charges under Section 9 of these General Terms and Conditions [it being understood that the allowable balancing service to be provided without additional charge under Section 9 has already been provided under step (2) above].

(d) To be eligible for a Point Operator Allocation Agreement, a prospective point operator must meet the same creditworthiness standards as a Shipper. Further, KMIP and the point operator must not have previously entered into such an agreement which was terminated because of point operator's failure to perform.

(e) Unless otherwise agreed by KMIP or otherwise provided herein, cash-out procedures shall not apply to volumes in a point operator's account; provided, however, that any volume remaining in operator's account upon termination of a Point Operator Allocation Agreement shall be cashed-out based on the cash-out prices for the last Month such agreement was in effect. The point operator may transfer gas out of its account by submitting nominations for transportation subject to ordinary confirmation and scheduling procedures.

(f) KMIP may cancel any Point Operator Allocation Agreement in the event that point operator's account exceeds a reasonable level in relation to the MDQ at the point(s) covered, if the point operator does not take reasonable steps to rectify imbalances on a timely basis, or if the point operator exceeds with unreasonable frequency the 2% Monthly restriction under this Section. Nothing herein is intended to restrict KMIP's right to terminate in accordance with its terms any Point Operator Allocation Agreement entered into hereunder, including without limitation the right to terminate because of point operator's failure to perform consistent with its obligations under the Point Operator Allocation Agreement.

(g) Aggregators of supply at any point which do not control physical operation of the point may request that they be allowed to enter into allocation agreements similar to Point Operator Allocation Agreement(s) as to specified volumes or Agreements delivering gas at the point, but any such request must include a consent by the physical point operator and other entities which could receive an allocation of gas under such agreement and is subject to review by KMIP as to its practicability.

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8.4 FAILURE TO DELIVER GAS

(a) To the extent that KMIP is not able to deliver at least 98% of the service levels nominated within Shipper's MDQ by Shipper at its primary points, Shipper shall not be liable for reservation charges for those volumes, up to 98% of its MDQ, which it nominated but which KMIP was not able to provide; provided, if KMIP's inability to provide service as contemplated herein was the result of a properly noticed Force Majeure event, described in Section 20 of these General Terms and Conditions, event the reduction of Shipper's reservation charges shall not begin until the earlier of: (a) ten (10) Days after the commencement of the interruption of service caused by the Force Majeure event, and (b) the date on which such Force Majeure event should have been cured by KMIP, using its reasonable efforts; provided, further, that Shipper shall not be entitled to reservation charges reduction if KMIP's inability to provide service as contemplated herein has occurred as a result of a failure by upstream entities to deliver gas to KMIP or of an inability of a downstream entity to accept gas from KMIP.

(b) KMIP (1) shall exercise reasonable diligence to schedule maintenance so as to minimize or avoid service interruptions and (2) shall not schedule routine, non-emergency maintenance except during the period between April 1 and December 1, which action shall not be an excuse of performance or event as defined under this section. No later than fifteen days prior to the scheduled activity, KMIP will post on the Informational Postings portion of its Interactive Website a tentative schedule of planned maintenance, construction, test, rehabilitation or repair activities to be performed which KMIP anticipates may cause to fail to tender delivery of Shipper's scheduled quantities of gas. The schedule will include the dates the activities are scheduled to begin and end as well as the portions of the system and capacity expected to be affected. KMIP will endeavor to perform the activities in accordance with the posted schedule.

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9. BALANCING SERVICE AND OVERRUN CHARGES

9.1 GENERAL

This Section applies to transportation services provided under Rate Schedules FTS and ITS. Each Shipper has the obligation to ensure actual volumes delivered to KMIP at Receipt Points and actual volumes taken from KMIP at the Delivery Point conform to the volumes nominated by the Shipper and confirmed by KMIP each Day.

9.2 BALANCING SERVICE AND OVERRUN CHARGES DURING NON-CRITICAL TIMES

(a) During periods when a Critical Time is not in effect, if actual receipts and deliveries under an Agreement at a point on any Day do not conform to a Shipper's rights under its Agreement(s) or to the sum of its confirmed nominations after receipts and deliveries are allocated consistent with Section 7 or 8 of these General Terms and Conditions, as applicable, the following Overrun Charges and Balancing Service Charges shall apply:

(1) In the event that receipts or deliveries allocated to a Shipper under said Section 7 or 8 at any point or under any Agreement exceed Shipper's available firm contractual rights (MDQ), an Overrun Charge shall apply. Specifically, the Overrun Charges set out herein shall apply to volumes taken or tendered in excess of MDQ under Rate Schedule FTS. Overrun charges shall also apply to volume taken or tendered in excess of Shipper's MDQ or nominations under Rate Schedule ITS. Overrun volumes shall be deemed authorized overrun if tendered or taken pursuant to confirmed nominations. In the case of authorized overrun, as reflected in overrun requests properly submitted by Shipper and accepted by KMIP (i.e., a confirmed nomination), the applicable maximum Overrun Charge for transportation under Rate Schedule ITS shall be the stated Authorized Overrun Rate (which shall equal the maximum Rate Schedule ITS rate), and for firm transportation shall be a maximum Authorized Overrun Rate determined on the same basis as the maximum rate for Rate Schedule ITS (i.e., the maximum Authorized Overrun Rate for Rate Schedule FTS would equal the maximum rate for Rate Schedule ITS) multiplied by the number of Dth of the authorized overrun gas. Such Authorized Overrun Rates may be discounted on a

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non-discriminatory basis to any level between zero and the maximum Authorized Overrun Rate. In the case of an Unauthorized Overrun, the Shipper shall pay KMIP the applicable Authorized Overrun Rate and, in addition, an Unauthorized Overrun Charge equal to the volume of the overrun multiplied by an Unauthorized Overrun Rate. The maximum Unauthorized Overrun Rate is 200% of the maximum Rate Schedule ITS rate; provided, however, that the Unauthorized Overrun Rate may be discounted to any level between zero and this maximum rate. Only a single Overrun Charge shall apply to any volume even though it may represent a overrun of more than one restriction under the applicable Rate Schedule.

(2) If the volumes allocated to any FTS or ITS Agreement fail to equal the confirmed nomination under such Agreement, the following charges [in addition to any charges applicable under subsection (1)] shall apply based on the degree of variance between actual deliveries, and Shipper's rights and/or confirmed nominations (no charge hereunder shall apply for variances at Receipt Points):

<u>VARIANCE</u>	<u>CHARGE</u>
0% to 5%	No additional charges
5% to 10%	\$0.10/Dth
10% to 20%	\$0.20/Dth
20% to 50%	\$0.30/Dth
Above 50%	\$0.50/Dth

(3) Tiered Balancing Service Charges under Sections 9.2, 9.3 and 9.4 shall be applied on a graduated basis, i.e., the specified charge shall apply only to that portion of the variance which is within the corresponding tier between its lower and upper percentage boundaries (variances within a range greater than the lower boundary and equal to or less than the upper boundary) and not to any portion of the variance falling within other tiers.

(4) KMIP may discount charges under Sections 9.2, 9.3 and 9.4 on a basis which is not unduly discriminatory to a level between zero and the applicable variance charges.

GENERAL TERMS AND CONDITIONS

(b) A Shipper subject to any Overrun Charges and/or Charge(s) under subsection (a) shall, in addition, pay an applicable transportation commodity charge on takes from KMIP in excess of applicable rights and shall be obligated to return any volumes taken from KMIP in excess of volumes delivered to KMIP. The volume of any imbalance remaining at the end of the Month will be cashed out under Section 10 of these General Terms and Conditions.

9.3 BALANCING CHARGES WITH OPERATIONAL FLOW ORDERS

(a) On any Day when an Operational Flow Order (but not a Critical Time) is in effect, if actual receipts and deliveries allocated to a Shipper at any point or under any Agreement do not conform to the sum of such Shipper's confirmed nominations to such point and/or Agreement, Balancing Service Charges will be assessed on such variances that are detrimental to KMIP's system, based on the conditions described in or giving rise to the Operational Flow Order. Notwithstanding the foregoing, Balancing Service Charges shall not be assessed for variances at Receipt Points unless explicitly stated in the Operational Flow Order. The Operational Flow Order shall also state whether the charges are to be based on variances at individual points, by zone or by other aggregation. Balancing Service Charges during this period will be as follows, based on the variance between actual receipts and deliveries and the applicable confirmed nominations:

<u>VARIANCE</u>	<u>CHARGE</u>
0% to 3%	No additional charges
3% to 10%	Greater of \$1.00/Dth or 50% of AMIP
10% to 20%	Greater of \$2.00/Dth or 1 times AMIP
20% to 50%	Greater of \$4.00/Dth or 2 times AMIP
Above 50%	Greater of \$8.00/Dth or 4 times AMIP

(b) Shipper shall in addition pay all applicable charges specified in Sections 9.2(a) (1) and 9.2(b). Where Balancing Service Charges apply under this Section 9.3, they shall be in lieu of Balancing Service Charges under Section 9.2(a) (2), but the charges identified in the prior sentence shall still apply.

GENERAL TERMS AND CONDITIONS

9.4 CHARGES DURING CRITICAL TIMES

(a) On any Day when a Critical Time is in effect, if actual receipts and/or actual deliveries allocated to Shipper at any point or under any Agreement for services provided by KMIP under the Commission's Regulations at 18 C.F.R. Part 284 do not conform to the sum of confirmed nominated volumes applicable to such point or Agreement, Balancing Service Charges will be assessed for the variances that are to the detriment of KMIP's system. Balancing Service Charges in effect during a Critical Time will be as follows:

<u>VARIANCE</u>	<u>CHARGE</u>
0% to 3%	Greater of \$4.00/Dth or 2 times AMIP
3% to 10%	Greater of \$12.00/Dth or 6 times AMIP
10% to 20%	Greater of \$40.00/Dth or 20 times AMIP
20% to 50%	Greater of \$80.00/Dth or 40 times AMIP
Above 50%	Greater of \$200.00/Dth or 100 times AMIP

(b) Shipper shall in addition pay all applicable charges specified in Sections 9.2(a)(1) and 9.2(b). Charges hereunder shall be in lieu of any otherwise applicable Balancing Service Charges under Sections 9.2(a)(2) and 9.3, but the charges identified in the prior sentence shall still apply.

(c) Any imbalance created during a Critical Time that is not eliminated before the end of the Month will be subject to the cashout and offsetting provisions of Section 10; provided, however, that any remaining imbalance created during a Critical Time which helped the System will be cashed out at 100% of the AMIP.

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9.5 DECLARATION OF A CRITICAL TIME

(a) A Critical Time may be declared (1) when the total physical receipts to all or a portion of the System are approaching or expected to approach, a level that is in excess of the total physical deliveries KMIP can transport without jeopardizing the integrity of its facilities; (2) when system pressure is falling and approaching a level or is expected to fall and approach a level that is at or below the minimum that KMIP considers necessary for system integrity or to fulfill its firm contractual obligations; (3) when System pressure is rising and approaching a level or is expected to rise and approach a level that is at or above the maximum pressure at which any portion of KMIP's facilities may be safely operated; or (4) at other times when KMIP is unable or anticipates it may not be able to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a portion of KMIP's System. A Critical Time may not be declared on all or a portion of the System for the purpose of maintaining interruptible services on that portion of the system, but interruptible gas may flow at times or on portions of the system when such flow would not violate any operational control restrictions or provisions of this Tariff. KMIP shall notify Shippers on the Informational Postings portion of its Interactive Website as to the reason(s) why a Critical Time was declared.

(b) Notice of a Critical Time will be posted on the Informational Postings portion of KMIP's Interactive Website. KMIP will endeavor to post such notice before 4:00 p.m. Central Time or otherwise will endeavor to notify Shippers via its Interactive Website by 4:00 p.m. Central Time that they should check its Interactive Website again at a specified later time to see whether a Critical Time will be in effect for the next Day. KMIP must attempt to give actual notice of a Critical Time via telefax or telephone (provided a Shipper has given the numbers to KMIP as required in Section 32) at least four (4) hours prior to the start of the Day before a Critical Time will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Critical Time and whether the Critical Time Balancing Service Charges will apply to over-receipts and under-deliveries vis-a-vis confirmed nominations or to under-receipts and over-deliveries vis-a-vis confirmed nominations. A Critical Time will be effective at the start of a Day and will continue until the end of the Day and through the end of successive Days until KMIP notifies Shippers via its Interactive Website that there is no longer a Critical Time.

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9.6 BILLING

(a) In the event KMIP does not have all actual information by the time the billings are to be sent, KMIP may bill Balancing Service Charges applicable to non-Critical Times based on reasonable estimates. Such non-Critical Time Balancing Service Charges will be assessed or revised as a result of the receipt or revision of actual information.

(b) During a Critical Time, KMIP and Shippers shall rely on KMIP's operational data posted on KMIP's Interactive Website to determine whether a Critical Time Balancing Service Charge is applicable; provided, however, if a Shipper is convinced that KMIP's operational data is erroneous and promptly (by the end of the next Business Day following the posting) communicates the error to KMIP, KMIP and the Shipper shall work to resolve the discrepancy and determine the appropriate measure of the Shipper's compliance with applicable tolerances.

(c) For a point operator under Section 8.3 of these General Terms and Conditions, Balancing Service Charges shall be applied to point operator's account as though point operator were a Shipper, with percentage variances measured in relationship to total confirmed nominations and delivery rights under Applicable Agreements at the Delivery Point.

9.7 PASS BACK OF PENALTY REVENUE

All amounts collected by KMIP for penalties, commencing with the initial in-service date of KMIP, shall be determined for each annual period ending December 31 and distributed, through a credit to current billings wherever feasible, within ninety (90) days after each December 31, with the first such determination and distribution being made within ninety (90) days after the end of the partial annual period commencing with the initial in-service date of KMIP and ending the ensuing December 31. For purposes of this Section 9.7, penalties shall include: Unauthorized Overrun Charges, Balancing Service Charges, charges for failure to comply with an Operational Flow Order (including during a Critical Time) and charges for cashout of imbalances. Such distribution shall be made as follows:

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(a) These amounts shall be used first to compensate KMIP for any cashout expenses and for any extraordinary out-of-pocket costs it has incurred (including any compensation KMIP agreed to provide for voluntary actions) to alleviate the conditions which were created by the imbalance or the Unauthorized Overrun or other violation or which resulted in the issuance of an Operational Flow Order or the declaration of Critical Time or other operational action taken by KMIP under Section 32 of these General Terms and Conditions. Costs that may be netted against penalty revenue may include only actual, verifiable and prudent incremental costs incurred to resolve the reliability concerns actually caused by the particular party or parties against which the penalty has been assessed and must relate to a circumstance which resulted in the penalty revenue to be credited under this provision. If these amounts are not adequate to reimburse KMIP for cashout expenses, the unreimbursed cashout expenses shall be carried forward to future Years until recouped.

(b) (1) Any remaining amounts will be refunded pro rata to all Shippers, except as provided below, through a credit to current billing wherever feasible, based on the ratio of a Shipper's total base reservation and base commodity charges paid during each Month to all such charges paid by all Shippers during such Month; provided, however, that such calculation shall exclude charges paid by any Shipper during any Month in which such Shipper failed to comply with an Operational Flow Order or had an Unauthorized Overrun. The refunds in the prior sentence shall be calculated on a Monthly basis but distribution of the credit shall be annual. If the costs to be netted against penalty revenue exceed the penalty revenue in any Month, the excess costs may be carried forward to be applied against penalty revenue in subsequent months. Thus, while distribution is made annually, the net penalty revenue credit shall be calculated on a Monthly basis, subject to the carry forward of costs as stated in the prior sentence. A Shipper which failed to comply with an Operational Flow Order or which had an Unauthorized Overrun shall be excluded from distribution of net penalty revenues only for the Month in which that violation occurred. In the event that, for any Month, no penalty revenues were distributed because all Shippers failed to comply with Operational Flow Orders for that Month, then the amount of the penalty revenue for that Month shall be held by KMIP for application under Section 9.7(a) for a period of up to two (2) years, at the end of which time the remaining amount will be included in the amount for distribution in the then current annual period.

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(2) Where capacity has been released, any amounts distributed to the Original Shipper and the calculation and amounts distributed to the Original Shipper shall be based on the gross base reservation and base commodity charges paid by that Shipper (without considering any credits from Replacement Shippers) during the relevant annual period; provided, however, that in the case of a permanent release, any amounts distributed hereunder with respect to the released capacity shall be distributed to the Replacement Shipper and the calculation and the amounts distributed to the Replacement Shipper shall be based on the base reservation and base commodity charges paid by that Replacement Shipper during the relevant annual period.

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10. IMBALANCES

10.1 RESPONSIBILITY FOR BALANCING

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

10.2 MONTHLY IMBALANCES, NETTING AND OFFSETTING

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

(a) Imbalances under a Shipper's different Agreements will then be netted together to obtain the Shipper's Total Monthly Imbalance. The Total Monthly Imbalance will be shown with the Monthly billings sent to Shippers.

(b) To assist Shippers in arranging offsets, KMIP will post on its Interactive Website the Total Monthly Imbalance of any Shipper which has notified KMIP that it has elected to have such information posted. Notification by the Shipper may be in writing or on KMIP's Interactive Website and shall be effective by 8:00 a.m. on the next Business Day (Central Clock Time) if the notification is received by 11:45 a.m. on a Business Day. Imbalance information authorized for posting through such notification shall be posted no later than the ninth Business Day of the Month after the imbalance occurred. Shippers shall have the ability to post and trade imbalances, and imbalance information shall remain posted, until the seventeenth Business Day of the Month after the imbalance occurred.

(c) KMIP shall enable the imbalance trading process via its Interactive Web Site or via EDI by:

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(1) Receiving the Request for Imbalance Trade,
(2) Receiving the Imbalance Trade Confirmation,
(3) Sending the Imbalance Trade Notification, and
(4) Reflecting the trade prior to or on the next
Monthly Shipper Imbalance or cashout.

(d) Imbalance trades can only be withdrawn by the
initiating trader and only prior to the confirming trader's
confirmation of the trade. Imbalance trades are considered final
when confirmed by the confirming trader and effectuated by KMIP.

(e) After receipt of an Imbalance Trade Confirmation,
KMIP shall send the Imbalance Trade Notification to the initiating
trader and the confirming trader no later than noon (Central Clock
Time) the next Business Day.

(f) Shipper imbalances remaining after the imbalance
netting and trading procedures set out in subsections (a)-(e) shall
be cashed out as described in Section 10.3 of these General Terms
and Conditions.

10.3 CASHOUT PROCEDURES

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

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

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(b) Following any offsetting with other Shippers, a Shipper's remaining imbalance will be cashed out based on the percentage of that imbalance compared to the total receipts for that Shipper during the Month. For example, if the total receipts were 1,000 Dth and the remaining underage imbalance after offsetting with other Shippers was 100 Dth, the total Imbalance Level would be 10%. The first 5% (50 Dth) would be cashed out at 100% of the AMIP and the remaining 50 Dth would be cashed out at 110% of the AMIP.

(c) The Average Monthly Index Price (AMIP) is the arithmetic average of the Weekly Index Prices (WIPs). The WIP for any week is the average index price reported in Intelligence Press' "NGI's Weekly Gas Price Index" in the table entitled "NGI Cash Market Prices" under the caption "Midwest, Chicago Citygate."

In calculating the AMIP, the WIPs will be based on the prices reported in the issue of "NGI's Weekly Gas Price Index" dated on or after KMIP's nomination deadline for first of the Month service for that Month, and the subsequent issues dated prior to KMIP's nomination deadline for the following Month's first of the Month service.

(d) Following the ten (10) Day period for offsetting imbalances, Shippers with remaining imbalances shall pay KMIP or will be credited with the appropriate cashout amounts.

(e) In the event "NGI's Weekly Gas Price Index" ceases to be published entirely or fails to report the index prices listed in subsection (c) above, the following procedures shall apply in determining a Month's AMIP:

(1) Should, in any given week, "NGI's Weekly Gas Price Index" fail to report the index price used in determining that week's WIP, there will be no WIP for that week used in determining the Month's AMIP.

(2) Should, in a given Month, there be less than two WIP's available for the AMIP calculation, the following alternate AMIP procedures will apply: The AMIP will be defined as the arithmetic average of:

(i) The closing price for the NYMEX natural gas futures contract applicable to the Month in which the imbalance was created (i.e., the price at which that Month's contract "went off the board"); and

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

10.4 OPERATIONAL DATA VS. ACTUALS

In determining the cashout tier applicable under Section 11.3 above, KMIP will utilize the operational data posted on its Interactive Website as of the end of the Month or the actual flow volumes, whichever results in a lower cashout tier.

10.5 PRIOR PERIOD ADJUSTMENTS

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

10.6 PURCHASE AND SALE OF GAS

KMIP is not providing a supply service under any Rate Schedule of this Tariff. Without limitation of the foregoing, KMIP may buy and sell gas to the extent necessary to maintain System pressure, to implement the cashout procedures under this Section 10 and to perform other functions in connection with providing transportation service and operating its system. The point of any such sale shall occur at Receipt Points on a Shipper Agreement. Such sales shall be authorized pursuant to KMIP's blanket sales certificate. Nothing herein shall impose on KMIP any obligation to provide a supply function to any of its Shippers.

10.7 THIRD PARTY BALANCING

At any time during the term of its firm Agreement(s) on KMIP, a firm Shipper may request that KMIP enter into a Third Party Balancing Agreement. A Third Party Balancing Agreement is a contract executed by KMIP, the firm Shipper and one or more third parties which agree to manage imbalances of that Shipper under specified firm Agreement(s) on KMIP. KMIP will enter into a Third Party Balancing Agreement, subject to the following conditions:

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(a) The third party provider(s) must obtain all requisite regulatory approvals of any service (certification, approval of tariffs, establishment of rates, etc.) which is being relied upon to perform the imbalance management;

(b) The Third Party Balancing Agreement must be executed by KMIP, the firm Shipper and any third party performing imbalance management. The Third Party Balancing Agreement must allow the third party imbalance management to be integrated into KMIP's operations.

(1) KMIP must have the right to call on the third party provider(s) for the agreed imbalance management on short notice, within defined parameters, to effectuate necessary operational changes.

(2) KMIP must be given timely notice of the nature and level of the imbalance management being provided by the third party provider(s) pursuant to the Third Party Balancing Agreement on any Day.

(3) The Third Party Balancing Agreement must:
(i) define the operational changes the third party provider(s) will effectuate to offset the operational effects on KMIP of imbalances at points on the system covered by the Third Party Balancing Agreement; and (ii) identify the resources or services which the third party provider(s) will utilize to implement such changes.

(4) Any third party providing imbalance management must be able to deliver or receive gas, as applicable, at the prevailing operating pressure on KMIP's system at the relevant point(s) and the Third Party Balancing Agreement must so specify.

(c) The Third Party Balancing Agreement shall specify the firm Agreements and the points to be balanced and must set out the agreement of the parties as to how imbalances are to be allocated to and accounted for at the point(s) covered by the Third Party Balancing Agreement and any limitations on the level of imbalances to be managed under the Third Party Balancing Agreement.

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(d) (1) The physical facilities of the third party provider(s) (or used by such third party or parties) to perform the imbalance management must include physical storage facilities and must be directly connected to KMIP's facilities and the storage facilities must be in close enough physical proximity to KMIP's system to support, and of a type capable of supporting, the operational effects necessary to perform imbalance management, which may require almost instantaneous operational changes on KMIP.

(2) Bi-directional flow must be available at the delivery and/or receipt points involved.

(3) The third party provider(s) must have the ability to get gas onto or off of KMIP's system in order to effectuate a true physical balancing.

(4) The firm Shipper or third party provider(s) may utilize services on another entity to perform imbalance management so long as all conditions of this Section 10.7 are satisfied; provided, however, that if any such entity is relying on facilities it does not own or control, the entity which does own or control those facilities must become a party to the Third Party Balancing Agreement.

(e) If KMIP is required to backstop the third party service provider(s), either by agreement or because the imbalance management services specified by the Third Party Balancing Agreement are not performed, KMIP must be authorized to assess charges and penalties against Shipper, the third party provider(s), or both, and the Third Party Balancing Agreement shall so provide.

(f) The Third Party Balancing Agreement will terminate if the Shipper no longer has firm service on KMIP under the firm Agreements specified in the Third Party Balancing Agreement.

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11. STATEMENTS, BILLING, PAYMENT AND DISCOUNTING POLICY

11.1 STATEMENT AND INVOICES

KMIP shall, on or before the ninth (9th) Business Day of each Month, render to Shipper a bill or bills for service under each applicable Rate Schedule during the preceding Month. As used in this Section 11, "render" is defined as sent electronically to an electronic address provided by Shipper or, if such electronic means are unavailable, as postmarked, time-stamped and delivered to the designated site. Invoices will be based on actuals (if available) or best available data. Quantities at points where OBAs exist will be invoiced based on scheduled quantities.

11.2 SHIPPER INFORMATION

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

11.3 IMBALANCE STATEMENT

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

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11.4 PAYMENT

Shipper shall pay to KMIP by wire transfer to a bank designated by KMIP, the amount due KMIP for services provided pursuant to an Agreement during the appropriate calendar Month as reflected in the billing described above, within ten (10) calendar days after the date of receipt of such billing. For purposes of this Section, the bill is deemed to be received by Shipper at the date and time transmitted electronically by KMIP or, if electronic communications are unavailable, on the date sent to Shipper's designated site if sent by EDI, or three (3) days after the postmark date if sent by mail. The invoice number should be identified on all payments and the Shipper should submit supporting documentation identifying what is being paid. KMIP shall apply payment per such supporting documentation. If payment differs from the invoiced amount, remittance detail should be provided with the payment except when payment is made by electronic funds transfer in which case the remittance detail is due within two (2) Business Days of the payment due date. Should Shipper fail to pay any undisputed portion of any bill as herein provided when such amount is due, interest on the unpaid portion of the bill shall accrue at the maximum allowable interest permitted under the Commission's Regulations. For any amount to be considered "disputed," Shipper must provide appropriate documentation supporting and identifying the basis for the dispute. If Shipper fails to make payment in accordance with this Section, KMIP may, in addition to any other remedy it may have under this Tariff or under commercial law: (a) suspend deliveries as provided in Section 2.7 of these General Terms and Conditions; and (b) offset such deficient payments against any payments, refunds or credits owed by KMIP to Shipper.

11.5 ADJUSTMENT OF ERRORS

(a) The time limitation for disputes of allocations shall be six (6) Months from the date of the initial Month-end allocation with a three (3) Month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods.

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(b) Prior period adjustment time limits shall be six (6) Months from the date of the initial transportation invoice and seven (7) Months from date of initial sales invoice with a three (3) Month rebuttal period, excluding government-required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods.

(c) In no event will any changes be made after twenty-four (24) Months from the date of statements, billings or payment, based on actualized volumes, unless the parties mutually agree.

(d) Any error discovered as a result of a timely claim shall be corrected within thirty (30) days of the determination thereof. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

11.6 DISCOUNTING POLICY FOR RATES AND CHARGES

KMIP reserves the right to provide, by contract with any Shipper, for adjustment at any time of the rates for service to a level below the maximum rates applicable to such service, as stated in this Tariff, but no less than the minimum rates as applicable to such service, as stated in this Tariff. To the extent KMIP agrees to a discount of any reservation rates and reservation surcharges for firm transportation service, the discount will be apportioned first to the base reservation rate, and second, if the discount is greater than such base reservation rate, to any applicable reservation surcharge. To the extent KMIP agrees to discount any commodity rates and commodity surcharges for firm transportation service, the discount will be apportioned first to the base commodity rate, and second, if the discount is greater than such base commodity rate, to the commodity surcharge. To the extent KMIP agrees to a discount of any commodity rates and commodity surcharges for interruptible transportation service, the discount will be apportioned first to the base commodity rate, and second, if the discount is greater than such base commodity rate, to any applicable commodity surcharge. Nothing herein will require KMIP to agree to any discount.

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12. EVALUATION OF CREDIT

12.1 In evaluating requests for service and for certain other purposes under this Tariff, including Sections 2.7 and 12.2 of these General Terms and Conditions, KMIP will perform a credit appraisal of Shipper.

(a) Acceptance of a Shipper's request for service and the continuation of service are contingent upon the Shipper satisfying creditworthiness requirement on an on-going basis. KMIP's credit appraisal procedures involve the establishment of dollar credit limits on a standardized, nondiscriminatory basis. To the extent that a Shipper's accounts with KMIP do not exceed such limit, and Shipper has met all creditworthiness requirements as determined in periodic credit reviews by KMIP, which reviews may be conducted on at least an annual basis, new credit appraisals may be required when an existing Agreement is amended or a request for a new Agreement is made, subject to the provisions of Section 2.7 and 12.2 of these General Terms and Conditions. To determine creditworthiness, a credit appraisal shall be performed in accordance with the following criteria:

(1) KMIP shall apply consistent evaluation practices to all similarly situated Shippers to determine the Shipper's financial ability to perform the payment of obligations due to KMIP over the term of the requested or existing Agreement(s). The creditworthiness requirements of this Section 12 shall apply to any assignment (in whole or in part) of any Agreement or any release of an Agreement.

(2) A Shipper will be deemed creditworthy if (i) its long-term unsecured debt securities are rated at least BBB- by Standard & Poor's Corporation ("S&P") and at least Baa3 by Moody's Investor Service ("Moody's") (provided, however, that if the Shipper's rating is at BBB- or Baa3 and the short-term or long-term outlook is Negative, KMIP may require further analysis as discussed below); and (ii) the sum of reservation fees, commodity fees and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth. In the event Shipper is rated by both S&P and Moody's, the lower rating applies. For the purposes of this Section, the term "tangible net worth" shall mean for a corporation the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and

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other intangible assets. Only actual tangible assets are included in KMIP's assessment of creditworthiness. In comparing the overall value of a Shipper's contract to tangible net worth for credit evaluation purposes, KMIP will compare the net present value of the demand or reservation charge obligations under such contracts to Shipper's current tangible net worth. If a Shipper has multiple service agreements with KMIP, then the total potential fees and charges of all such service agreements shall be considered in determining creditworthiness.

(3) If Shipper does not meet the criteria described above, then Shipper may request that KMIP evaluate its creditworthiness based upon the level of service requested relative to the Shipper's current and future ability to meet its obligations. Such credit appraisal shall be based upon KMIP's evaluation of the following information and credit criteria:

(i) S&P and Moody's opinions, watch alerts, and rating actions and reports, rating, opinions and other actions by Dun and Bradstreet and other credit reporting agencies will be considered in determining creditworthiness.

(ii) Consistent financial statement analysis will be applied by KMIP to determine the acceptability of Shipper's current and future financial strength. Shipper's balance sheets, income statements, cash flow statements and auditor's notes will be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability.

(iii) Results of bank and trade reference checks and credit reports must demonstrate that a Shipper is paying its obligations in a timely manner.

(iv) Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws and there must not be pending any petition for involuntary bankruptcy. An exception may be made for a Shipper who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act if KMIP is assured that the service billing will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment.

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(v) Whether Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent.

(vi) Whether Shipper has or has had any delinquent balances outstanding for services provided previously by KMIP and whether Shipper is paying and has paid its account balances according to the terms established in its Agreements (excluding amounts as to which there is a good faith dispute).

(vii) The nature of the Shipper's business and the effect on that business of general economic conditions and economic conditions specific to it, including Shipper's ability to recover the costs of KMIP's services through filings with regulatory agencies or otherwise to pass on such costs to its customers.

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

(4) Information which KMIP may request to be provided by Shipper to KMIP in connection with such a credit evaluation includes the following:

(i) Audited Financial Statements;

(ii) Annual Report;

(iii) Most recent filed statements with the Securities and Exchange Commission (or an equivalent authority) or other similar publicly available information;

(iv) For public entities, the most recent publicly available interim financial statements, with an attestation by its Chief Financial Officer, Controller, or equivalent (CFO) that such statements constitute a true, correct, and fair representation of the Shipper's financial condition prepared in accordance with Generally Accepted Accounting Principles (GAAP) or equivalent;

(v) For non-public entities, including those that are state-regulated utilities, the most recent available interim financial statements, with an attestation by its CFO that such statements constitute a true, correct, and fair representation of the Shipper's financial condition prepared in accordance with GAAP or equivalent;

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(vi) For non-public entities, including those that are state-regulated utilities, an existing sworn filing, including the most recent available interim financial statements and annual financial reports filed with the respective regulatory authority, showing the Shipper's current financial condition;

(vii) For state-regulated utility local distribution companies, documentation from their respective state regulatory commission (or an equivalent authority) of an authorized Gas supply cost recovery mechanism;

(viii) List of affiliates, parent companies, and subsidiaries;

(ix) Publicly available credit reports from credit and bond rating agencies;

(x) Private credit ratings, if obtained by the Shipper;

(xi) Bank references;

(xii) Trade references;

(xiii) Statement of legal composition; and

(xiv) Statement of the length of time the business has been in operation.

(5) Upon receipt of any request from KMIP for information to be used for creditworthiness evaluation, the Shipper's authorized representative(s) shall acknowledge receipt of KMIP's request; provided, however, that KMIP and the Shipper may mutually agree to waive this requirement. The Shipper's authorized representative(s) shall respond to KMIP's request for credit information as allowed by this Tariff, on or before the due date specified in the request. The Shipper shall provide all the credit information requested by KMIP or provide the reason(s) why any of the requested information was not provided. Upon receipt from the Shipper of all credit information provided pursuant to this Section,

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KMIP shall notify the Shipper's authorized representative(s) that it has received such information; provided, however, that KMIP and the Shipper may mutually agree to waive this requirement. The Shipper shall designate up to two representatives who are authorized to receive notices regarding the Shipper's creditworthiness, including requests for additional information, pursuant to this Section 12.1 and to provide to KMIP the Internet e-mail address of such representatives prior to the initiation of service. Written requests and responses shall be provided via Internet E-mail, unless otherwise agreed to by the parties. In complying with the creditworthiness related notifications pursuant to this Section 12.1, the Shipper and KMIP may mutually agree to other forms of communication in lieu of Internet E-mail notification. The obligation of KMIP to provide creditworthiness notifications is waived until the above requirement has been met. The Shipper is to manage internal distribution of any creditworthiness notices that are received. KMIP shall designate, on its Interactive Website or in written notices to the Shipper, the Internet e-mail address of up to two representatives who are authorized to receive notices regarding the Shipper's creditworthiness. The Shipper's obligation to provide confirmation of receipt is met by sending such confirmation to such representatives and KMIP is to manage internal distribution of any such confirmations. The provisions of this paragraph relating to representatives and notification also apply to any notice related to creditworthiness under Sections 2.7 and 12.2 of these General Terms and Conditions.

(6) If KMIP concludes that a Shipper is non-creditworthy, KMIP shall provide written notice to Shipper within ten (10) days after that determination is made. If requested by Shipper, KMIP shall provide a written explanation of the reasons for this determination. A Shipper may challenge KMIP's determination by providing a written rebuttal to KMIP's explanation within ten (10) days after the explanation is provided by KMIP. KMIP shall respond to such a rebuttal in writing within ten (10) days. Any reevaluation of credit by KMIP in response to such a rebuttal by the Shipper shall be based on the credit criteria set out in this Section and shall be performed as provided in this Section of these General Terms and Conditions.

(b) (1) If a Shipper fails to satisfy the credit criteria, such Shipper may still obtain or continue service hereunder if Shipper, at its sole discretion, provides the security required under one of the following options:

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(i) payment in advance for all fees and charges for three (3) Months of service except to the extent otherwise agreed;

(ii) a standby irrevocable letter of credit covering all fees and charges for three (3) Months of service drawn upon a bank acceptable to KMIP except to the extent otherwise agreed;

(iii) security interest covering all fees and charges for three (3) Months of service in collateral provided by the Shipper found to be satisfactory to KMIP except to the extent otherwise agreed; or

(iv) guarantee of all fees and charges for three (3) Months of service by a person or another entity which does satisfy the credit appraisal, except to the extent otherwise agreed.

(2) Nothing herein shall be read to preclude KMIP from requiring, and enforcing for the term of the initial contracts, a greater amount of security in agreements supporting an application for a certificate to construct new or expanded facilities, including any replacement contract entered into upon a permanent release of capacity under such an initial contract, any assignment of such an initial contract or any resale of capacity subject to such an initial contract in the event of a default.

(c) Where a Shipper selects the prepayment option under Section 12.1(b) of these General Terms and Conditions, the prepayment amounts shall be deposited in an interest-bearing escrow account if such an account has been established by Shipper which meets the criteria set out in this paragraph. The costs of establishing and maintaining the escrow account shall be borne by Shipper. The escrow bank must be rated at least AA or better and shall not be affiliated with Shipper. The escrow arrangement shall provide for the prepayment amounts to be applied against the Shipper's obligation under its service agreement(s) with KMIP and shall grant KMIP a security interest in such amounts as an assurance of future performance. The escrow agreement shall specify the permitted investments of escrowed funds so as to protect principal, and shall include only such investment options as corporations typically use for short-term deposit of their funds. Such escrow account shall at all times maintain the amount of prepayments required under Section 12.1(b) of these General Terms and Conditions. If KMIP is required to draw down the funds in escrow, it will notify the Shipper and Shipper must replenish such funds within three (3) Business Days after such notice.

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(d) In the event KMIP constructs new lateral facilities to accommodate a Shipper, KMIP may (unless otherwise agreed) require from the Shipper security in an amount up to the cost of the facilities. This provision does not apply to mainline expansions. Such security may be in any of the forms available under Section 12.1(b) of these General Terms and Conditions, at Shipper's choice. KMIP is only permitted to recover the cost of facilities once, either through rates or through this provision. As KMIP recovers the cost of these facilities through its rates, the security required shall be reduced accordingly. Specifically, collateral provided by Shipper related to new facilities shall be returned to that Shipper in equal Monthly amounts over the term of its contract for service related to the new facilities or as otherwise mutually agreed by KMIP and Shipper. Where facilities are constructed to serve multiple Shippers, an individual Shipper's obligation hereunder shall be for no more than its proportionate share of the cost of the facilities. This requirement is in addition to and shall not supersede or replace any other rights that KMIP may have regarding the construction and reimbursement of facilities.

(e) KMIP may not take any action under this Section 12.1 which conflicts with any order of the U.S. Bankruptcy Court.

12.2 (a) (1) If at any time KMIP reasonably determines based on adequate information available to it that a Shipper is not creditworthy under Section 12.1(a) of these General Terms and Conditions or if Shipper fails to maintain assurance of future performance under Section 12.1(b) of these General Terms and Conditions, KMIP may notify such Shipper in writing that it has five (5) Business Days to provide KMIP with security consistent with Section 12.1(b) of these General Terms and Conditions which is adequate to cover all charges for one Month's advance service. In addition, within thirty (30) days after such notification, the Shipper must fully comply with the means for adequate assurance of future performance, covering the full level of collateral provided for under Section 12.1(b) of these General Terms and Conditions. If the Shipper has not satisfied the requirements in either of prior two (2) sentences by the end of the specified prior notice period, KMIP may immediately suspend service to Shipper. KMIP may terminate service if it has complied with the procedures in Section 12.2(d) of these General Terms and Conditions.

(2) If KMIP does not have sufficient information to determine whether Shipper is creditworthy, it may request

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additional information in writing from the Shipper consistent with Section 12.1(a) of these General Terms and Conditions, and Shipper must provide such information within five (5) Business Days.

(i) If KMIP requests additional information to be used for credit evaluation after the initiation of service, KMIP, contemporaneous with the request, shall provide its reason(s) for requesting the additional information to the Shipper and designate to whom the response should be sent; provided that KMIP and the Shipper may mutually agree to waive this requirement.

(ii) Upon receipt of a request from KMIP for information to be used for creditworthiness evaluation, the Shipper's authorized representative(s) shall acknowledge receipt of KMIP's request; provided, however, that KMIP and the Shipper may mutually agree to waive this requirement.

(iii) The Shipper's authorized representative(s) shall respond to KMIP's request for credit information, as allowed by this Tariff, on or before the due date specified in the request, which due date must be consistent with the requirement of this Section 12.2(a)(2). The Shipper should provide all the credit information requested by KMIP or provide the reason(s) why any of the requested information was not provided.

(iv) Upon receipt from the Shipper of all credit information provided pursuant hereto, KMIP shall notify the Shipper's authorized representative(s) that it has received such information; provided, however, that KMIP and the Shipper may mutually agree to waive this requirement.

(v) Representatives and notices regarding Shipper creditworthiness shall be as provided in Section 12.1(a) of these General Terms and Conditions.

(vi) If Shipper fails to provide the requested information or if KMIP determines that the Shipper is not creditworthy based on such information, Section 12.2(a)(1) of these General Terms and Conditions shall apply for suspension of service and Section 12.2(d) of these General Terms and Conditions shall apply for termination of service.

(b) Any suspension of service hereunder shall continue until KMIP is reasonably satisfied that Shipper is creditworthy under Section 12.1(a) of these General Terms and Conditions or until Shipper has provided adequate assurance of future performance under

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Section 12.1(b) of these General Terms and Conditions. A Shipper shall not be obligated to pay any reservation or demand charges for suspended service attributable to the period when that service is suspended.

(c) At any time after a Shipper is determined to be noncreditworthy by KMIP, the Shipper may initiate a creditworthiness re-evaluation by KMIP. As part of the Shipper's re-evaluation request, the Shipper must either update or confirm in writing the prior information provided to KMIP related to the Shipper's creditworthiness. Such update should include any event(s) that the Shipper believes could lead to a material change in the Shipper's creditworthiness. Such reevaluation shall be performed consistent with Section 12.1(a) of these General Terms and Conditions. After KMIP's receipt of such a request for credit reevaluation including all required information under this Tariff for evaluation of credit, KMIP shall provide a written response to Shipper within five (5) Business Days. Such written response should include either a determination of creditworthiness status, clearly stating the reason(s) for KMIP's decision, or an explanation supporting a future date by which a reevaluation determination will be made. In no event should such reevaluation determination exceed twenty (20) Business Days from the date of the receipt of Shipper's Request unless specified in this tariff or if the parties mutually agree to some later date. If KMIP determines that Shipper is now creditworthy without security, any security requirements under Section 12.1(b) of these General Terms and Conditions shall be terminated and any prepayment amounts (including any applicable interest) released to Shipper from escrow within five (5) Business Days after such determination.

(d) In addition to suspension, KMIP may terminate service if the Shipper fails to provide adequate assurance of future performance consistent with Section 12.1(b) of these General Terms and Conditions. Any such termination requires thirty (30) days' prior notice to Shipper and to the Commission. To avoid termination, the Shipper must satisfy Section 12.1(b) of these General Terms and Conditions within this notice period. Such notice may be given simultaneously with the notice provided for in Section 12.2(a) (1) of these General Terms and Conditions.

(e) In addition to any prior notice provided for above, KMIP shall simultaneously notify the Commission in writing of any suspension or termination of service under this Section 12.2.

(f) KMIP may not take any action under this Section 12.2 which conflicts with any order of the U. S. Bankruptcy Court.

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13. INTERACTIVE WEB SITE

13.1 WEB SITE DESCRIPTION

(a) KMIP maintains the Interactive Website, a FERC compliant interactive internet web site which is available for use by Shippers and other interested parties. The web site has both secure and non-secure regions. Information of a general nature is included in the non-secure region while confidential Shipper specific data is accessible only through the secure region, which requires a logon and password. Daily back-up records of information displayed or entered through this web site are archived, and non-secure information is accessible to customers on a non-discriminatory basis. The data is kept for a three (3) Year period, inclusive of both current and archived data.

KMIP posts gas quality information as follows:

(1) KMIP provides on the Informational Postings portion of its Interactive Website a link to the natural gas quality provisions of this Tariff.

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

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

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

The information available for the identified location(s) is provided in a downloadable format. In any event, compliance with gas quality requirements is in accordance with KMIP's Tariff, including these General Terms and Conditions. Listed below are examples of gas quality attributes:

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

(3) Data posted pursuant to the prior paragraph, Section 13.1(a)(2), are made available on KMIP's Interactive Website for the most recent three-Month period. Beyond the initial three-Month period, the historical data is made available offline in accordance with regulatory requirements. Such posted data are provided in a tabular downloadable file described by KMIP in the posting. The first row of the file contains the column headers and data should begin on the second row of the file. In addition, one of the columns should contain the applicable Gas Day. For any location(s), KMIP may, at its discretion, elect to provide gas quality information in addition to that specified in the prior paragraph. KMIP may choose how to provide the information.

(b) The non-secure information is primarily comprised of FERC mandated informational postings. KMIP may add informational sections to this web site in order to facilitate timely and complete communications with customers. The secure region provides access to Nominations, Flowing Gas/Volume Inquiry data, Invoicing, Contracting and Capacity Release Processing. Logons and passwords required to enter the secure region of the web site may be obtained per the procedures outlined in Section 13.2.

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(1) INFORMATION POSTINGS AND PLANNING TOOLS

The types of information available through the Informational Postings selection of this web site include: (i) all affiliated marketer information, including names and addresses for affiliated marketing companies; (ii) reports on operationally available capacity, design capacity, unsubscribed capacity and released capacity at Receipt/Delivery Points; (iii) critical notices concerning capacity related issues and non-critical notices, providing relevant contracts and customer information; (iv) the FERC Index of Customers and the FERC Contract Transactional Postings, (v) the tariff, with search, download and print capabilities; (vi) imbalance volumes available for trading among Shippers prior to cashout as provided in Section 10.2(b) of these General Terms and Conditions and (vii) point catalog.

(2) NOMINATIONS

This feature allows for submittal of all transportation nominations, transfer nominations, predetermined allocations and nomination priorities as required in Section 6 of these General Terms and Conditions.

(3) VOLUME INQUIRY

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

(4) INVOICING

The system allows Shippers to view and download invoices and a statement of account. Additionally, using this component, Shipper can create and submit a payment remittance.

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(5) CONTRACT REQUEST PROCESSING

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

(6) CAPACITY RELEASE REQUEST AND BID PROCESSING

This interactive feature allows Shippers to submit Capacity Release Requests and Bids, which, in turn, are automatically posted to this web site as provided in Section 14. Additionally, Shipper with recall provisions in a release of capacity can initiate the recall process using this feature.

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

13.2 ACCESS

Shippers and other interested parties may obtain access to the interactive transactional web pages by contacting a representative of KMIP's Electronic Customer Services Department in Houston. The internet address for this web site is <http://pipeline.kindermorgan.com>. Should a Subscriber require access to confidential information (such as Agreement, points, nomination, volume, or other customer-specific information deemed to be of a confidential nature requiring controlled access), KMIP will require the Subscriber to provide a written request and officer level approval for issuance of a company-level computer access (logon) identification code and password. Upon receipt of such request, KMIP will ensure return of a confidential logon code and password within one Business Day.

13.3 AUTHORITY

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

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13.4 INSTALLATION

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

13.5 CONFIDENTIALITY

Certain information contained in this web site is proprietary and confidential. KMIP and each Subscriber shall not reproduce, disclose or otherwise make available confidential information contained therein to any other company, corporation, individual, or partnership.

13.6 RELIANCE BY KMIP

KMIP may act, and shall be fully protected by a Subscriber in acting, in reliance upon any acts or things done or performed by Subscriber's employees or designated agents on behalf of Subscriber and in respect to all matters conducted through this web site.

13.7 LOGON

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

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13.8 BREACH OF SECURITY

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

13.9 LIMITATION TO ACCESS

A Subscriber may attempt to access only that data for which Subscriber has authorization. A Subscriber shall provide supporting legal documentation prior to being given access to data of other subsidiaries, affiliates, or companies for whom it has an agency relationship. See Section 6 of these General Terms and Conditions for information on delegation.

13.10 LIMITS OF RESPONSIBILITY

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

13.11 RESERVATION

KMIP reserves the right to add, modify or terminate functions of this web site at any time subject to compliance with Commission Regulations.

13.12 AGREEMENT BY NON-SHIPPER

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

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13.13 INDEMNITY

KMIP and each Subscriber shall indemnify and hold each other harmless for all damages, losses, and liabilities arising out of:

(a) KMIP's or Subscriber's or its employees' or agents' breach of any of KMIP's or Subscriber's obligations under this Section 13, including any breach of confidentiality with respect to the assignment of logon(s) and passwords(s) to KMIP's or Subscriber's authorized employees and agents and any unauthorized use by a formerly authorized person or by any unauthorized person who gained knowledge of KMIP's or Subscriber's logon(s) and password(s) through no fault of KMIP or Subscriber's.

(b) any omission or failure by KMIP's or Subscriber's employees or agents to act or perform any duty required by an interactive website function; and

(c) any action taken by KMIP or Subscriber, its employees or agents, its former authorized employees and agents or unauthorized persons who gained knowledge of KMIP's or Subscriber's logon(s) and password(s) through no fault of KMIP or Subscriber, which interferes with the proper operation of KMIP's Interactive Website.

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

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14. CAPACITY RELEASE BY FIRM SHIPPERS

14.1 GENERAL

(a) Subject to the terms, conditions and limitations set forth in this Section 14, a Shipper holding capacity rights under an Eligible Firm Transportation Agreement shall have the right to release all or a portion of such capacity rights and, if a capacity release is effectuated under this Section 14, to receive a credit for reservation charge revenues received by KMIP from that other Shipper for such released capacity.

(b) The capacity release timeline set forth in this Section 14 applies to all parties involved in the capacity release process provided that: 1) all information provided by the parties to the transaction is valid and the Replacement Shipper (or Subreplacement Shipper, if applicable) has been determined to be creditworthy before the Qualified Bid is tendered, 2) for index-based capacity release transactions, the Releasing Shipper has provided KMIP with sufficient instructions to evaluate the corresponding bids according to the timeline, and 3) there are no special terms or conditions of the release. Further, KMIP may complete the capacity release process on a different timeline if the offer includes unfamiliar or unclear terms and conditions (e.g., designation of an index not supported by KMIP).

(c) Following is a summary of the capacity release process and deadlines set forth in greater detail in the remainder of this Section 14 (all times are Central Clock Time):

(1) For biddable releases (one (1) Year or less):

(i) The Capacity Release Request should be tendered by no later than 9:00 a.m. on a Business Day;

(ii) The open season ends at 10:00 a.m. on the same or subsequent Business Day (evaluation period begins at 10:00 a.m. during which any contingency is eliminated, determination of winning Qualified Bid(s) is made, and ties are broken);

(iii) Evaluation period ends and award posting if no match required at 11:00 a.m.;

(iv) Match or award, if required, is communicated by 11:00 a.m.;

(v) Match response by 11:30 a.m.;

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(vi) Award posting where match required by
12:00 (noon);

(vii) Contract issued within one (1) hour of
award posting (with new contract number when applicable),
nomination is possible beginning at the next available nomination
cycle for the effective date of the contract, consistent with
Section 14.9(d) hereof (nomination is not contingent on a contract
being issued or executed so long as the Replacement Shipper has
preapproved credit).

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

(i) The Capacity Release Request should be
tendered by no later than 9:00 a.m. on a Business Day;

(ii) The open season shall include no less
than three 9:00 a.m. to 10:00 a.m. time periods on consecutive
Business Days;

(iii) Evaluation period begins at 10:00 a.m.
during which any contingency is eliminated, determination of best
bid is made, and ties are broken;

(iv) Evaluation period ends and award
posting if no match required by 11:00 a.m.;

(v) Match, if required, or award is
communicated by 11:00 a.m.;

(vi) Match response by 11:30 a.m. Central
Clock Time;

(vii) Award posting where match required by
12:00 (noon) Central Clock Time;

(viii) Contract issued within one (1) hour
of award posting (with new contract number when applicable),
nomination possible beginning at the next available nomination
cycle, for the effective date of the contract, consistent with
Section 14.9(d) hereof (nomination is not contingent on a contract
being issued or executed so long as the Replacement Shipper has
preapproved credit).

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(3) For prearranged releases not requiring bidding under this Section 14:

(i) The posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle, pursuant to Section 6.2. The posting deadlines are:

(A)	Timely Cycle	12:00 Noon
(B)	Evening Cycle	5:00 p.m.
(C)	Intraday 1 Cycle	9:00 a.m.
(D)	Intraday 2 Cycle	1:30 p.m.
(E)	Intraday 3 Cycle	6:00 p.m.

(ii) The contract is issued within one hour of the Award posting (with a new contract number, when applicable).

(iii) Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

(d) (1) KMIP will not award capacity release offers to a Shipper until and unless the Shipper meets KMIP's creditworthiness requirements applicable to all services that it receives from KMIP, including the service represented by the capacity release.

(2) KMIP shall provide the original Releasing Shipper with Internet E-mail notification reasonably proximate in time with any of the following formal notices given by KMIP to the Releasing Shipper's Replacement Shipper(s), of the following:

(i) Notice to the Replacement Shipper regarding the Replacement Shipper's past due, deficiency, or default status pursuant to KMIP's tariff;

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(ii) Notice to the Replacement Shipper regarding the Replacement Shipper's suspension of service notice;

(iii) Notice to the Replacement Shipper regarding the Replacement Shipper's contract termination notice due to default or credit-related issues; and

(iv) Notice to the Replacement Shipper that the Replacement Shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to KMIP's tariff.

14.2 DEFINITIONS

(a) BID VALUE

The value assigned to a Qualified Bid or a Prearranged Release according to the bid evaluation procedures set forth in Section 14.10 or, if applicable, the bid evaluation procedures set forth in the Capacity Release Request.

(b) CAPACITY RELEASE REQUEST

The request that a Releasing Shipper submits to initiate the capacity release procedure under this Section 14.

(c) ELIGIBLE FIRM TRANSPORTATION AGREEMENT

A transportation agreement under Rate Schedule FTS.

(d) MAXIMUM BID VOLUME

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

(e) MINIMUM BID VOLUME

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

(f) ORIGINAL SHIPPER

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

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(g) PREARRANGED RELEASE

The binding written release agreement between a Releasing Shipper and a Prearranged Shipper covering Eligible Firm Transportation Agreement capacity rights, the effectiveness of which is subject only to: (1) the prequalification of the Prearranged Shipper under Section 14.15; and (2) the release of such capacity rights to the Prearranged Shipper as provided by this Section 14.

(i) A Prearranged Release between a Releasing Shipper and an Asset Manager as that term is defined in 18 C.F.R. Section 284.8(h) (3), shall be defined for purposes of this Section 14, as a "Prearranged Asset Manager Release".

(ii) A Prearranged Release between a Releasing Shipper and a Marketer Participating in a State-Regulated Retail Access Program, as that term is defined in 18 C.F.R. Section 284.8(h) (4), shall be defined for purposes of this Section 14, as a "Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program".

(iii) A Prearranged Asset Manager Release and a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program are exempt from the Open Season Requirements set forth in this Section 14.

(h) PREARRANGED SHIPPER

A person or entity prequalified under Section 14.15 who has entered into a Prearranged Release with a Releasing Shipper for Eligible Firm Transportation Agreement capacity rights, including a Replacement Shipper under either a Prearranged Asset Manager Release, or a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program.

(i) QUALIFIED BID

A binding bid prequalified under Section 14.15 by a Qualified Bidder for capacity rights subject to a Capacity Release Request under this Section 14.

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(j) QUALIFIED BIDDER

Any person or entity prequalified under Section 14.15 who bids for capacity rights being released under this Section 14, including a Replacement Shipper under either a Prearranged Asset Manager Release, or a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program.

(k) RELEASED FIRM TRANSPORTATION AGREEMENT

The agreement between KMIP and a Replacement Shipper or a Subreplacement Shipper by which the Replacement Shipper or Subreplacement Shipper confirms the receipt of capacity rights under an Eligible Firm Transportation Agreement released by a Releasing Shipper under this Section 14.

(l) RELEASING SHIPPER

Any Shipper holding capacity rights under an Eligible Firm Transportation Agreement or Released Firm Transportation Agreement who has released or seeks to release such capacity rights pursuant to this Section 14.

(m) REPLACEMENT SHIPPER

A Shipper receiving capacity rights under an Eligible Firm Transportation Agreement pursuant to a direct release from an Original Shipper under this Section 14.

(n) SHORT-TERM PREARRANGED RELEASE

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

(o) SUBREPLACEMENT SHIPPER

A Shipper receiving capacity rights released from an Eligible Firm Transportation Agreement by a Replacement Shipper or a Subreplacement Shipper under this Section 14.

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(p) WINNING BID VALUE

The highest possible total Bid Value achievable under Section 14.10 for the Capacity Release Request from the Qualified Bids consistent with the Capacity Release Request and this Section 14.

14.3 RELEASE WITHOUT A PREARRANGED SHIPPER

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

(a) The Releasing Shipper's legal name, address and phone number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individual responsible for authorizing the capacity release;

(b) The quantity of the capacity (in Dth per Day) and the transportation path(s) [or segment(s) thereof] being released, including identification by KMIP's PIN Number of the Receipt Points, Delivery Points defining the release path and the firm capacity to be released at each such point;

(c) Whether the capacity being released is subject to recall and/or reput, and if so, the exact conditions for such recall and/or reput (which conditions must conform to Sections 14.5 and 14.14) should be specified at the time of the deal. Reput method and rights are individually negotiated between the Releasing Shipper and the Replacement Shipper;

(d) The proposed effective date and proposed term of the release;

(e) Whether the Releasing Shipper wants KMIP to actively market the Releasing Shipper's capacity rights pursuant to Section 15 of these General Terms and Conditions;

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(f) Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the subsequent purchase of upstream or downstream capacity), and if so, what events and the last date by which such contingency must be fulfilled;

(g) The starting date for the open season and the length of time for the open season (which must conform to Section 14.7);

(h) Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);

(i) Which of the bid evaluation procedures set forth in Section 14.10 the Shipper wishes to use, if any;

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

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

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

(k) Under a release of storage capacity, whether the capacity being released is subject to certain conditions on the sale and/or repurchase of gas in storage inventory and on there being a certain amount of gas left in storage at the end of the release and if so, any such conditions; and

(l) Any other applicable conditions (which must conform to Section 14.5), including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different than the bid evaluation procedure set forth in Section 14.10 for evaluating Qualified Bids for its capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted a computer diskette or other mutually agreeable method of electronic communication for such bid evaluation procedure pursuant to Section 14.5(a).

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14.4 PREARRANGED RELEASE

Subject to Section 14.6, a Shipper seeking to release its Eligible Firm Transportation Agreement capacity rights to a Prearranged Shipper shall deliver a Capacity Release Request to KMIP's Interactive Website at KMIP's designated site for an open season. The Capacity Release Request shall set forth:

(a) The Releasing Shipper's legal name, address and phone number, the Prearranged Shipper's legal name, and where applicable, identification of the Prearranged Replacement Shipper as an "Asset Manager", as that term is defined in 18 C.F.R. 284.8(h)(3), or a "Marketer Participating in a State-Regulated Retail Access Program", as that term is defined in 18 C.F.R. 284.8(h)(4), address, phone number, and telefax number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individuals at the Releasing Shipper and the Prearranged Shipper responsible for authorizing the capacity release;

(b) A statement that the Prearranged Shipper has agreed to be bound by a capacity award to the Prearranged Shipper under this Section 14 by KMIP and to execute a Released Firm Transportation Agreement, which consists of KMIP's standard form of FTS Agreement and the terms and conditions of the Prearranged Release, in accordance with KMIP's Tariff. Such statement shall also set forth:

(1) The quantity of the capacity (in Dth per Day) and the transportation path(s) being released, including identification by KMIP's PIN Number (or Common Code) of the Receipt Points and the Delivery Point defining the released path and the firm capacity to be released at each such point;

(2) The fixed reservation charge and/or volumetric charge the Prearranged Shipper has agreed to pay for the released capacity;

(3) Whether the capacity being released is subject to recall and/or reput in the Prearranged Release and, if so, the exact conditions of such recall and/or reput (which conditions must conform with Sections 14.5 and 14.14) should be specified at the time of the deal. Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper; and

(4) The proposed effective date of the Prearranged Release and the proposed term of the Prearranged Release.

(c) Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the purchase of upstream or downstream capacity), and if so, what events and the last date by which such contingency must be fulfilled;

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(d) Whether the Releasing Shipper will accept Qualified Bids with longer terms or larger volumes, and if so, what is the maximum volume and the longest term the Releasing Shipper will accept;

(e) Whether the Releasing Shipper wants KMIP to actively market its capacity rights subject to the Prearranged Release pursuant to Section 15 of these General Terms and Conditions;

(f) The starting date for and the length of time for the open season (which must conform to Section 14.7) and the length of time [consistent with Section 14.9(b)] for the Prearranged Shipper to be able to match a winning Qualified Bid;

(g) Whether the Releasing Shipper will accept Qualified Bids whose revenues will vary by the volume transported, and if so, any minimum amount to be billed as a reservation charge even if there is no flow (or insufficient flow);

(h) Which of the bid evaluation procedures set forth in Section 14.10 the Shipper wishes to use, if any;

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

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

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

(j) Under a release of storage capacity, whether the capacity being released is subject to certain conditions on the sale and/or repurchase of gas in storage inventory and on there being a certain amount of gas left in storage at the end of the release and if so, any such conditions;

(k) Whether the release is a Prearranged Asset Manager Release and the Asset Manager's obligation to deliver gas to, or purchase gas from, the Releasing Shipper;

(l) Whether the release is a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program; and

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(m) Any other applicable conditions (which must conform with Section 14.5), including any minimum price condition and whether the Releasing Shipper wishes to apply a bid evaluation procedure different than the bid evaluation procedure set forth in Section 14.10 for evaluating Qualified Bids for its capacity rights, and if so, all the factors to be used in evaluating Qualified Bids, including how its capacity rights are to be awarded in the event of a tie for the highest valued Qualified Bid and whether the Releasing Shipper has presubmitted a computer diskette or other mutually agreeable method of electronic communication for such bid evaluation procedure pursuant to Section 14.5(a).

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14.5 CAPACITY RELEASE REQUIREMENTS

(a) All terms and conditions relating to a release which is the subject of a Capacity Release Request: (1) must be nondiscriminatory and applicable to all potential bidders; (2) must be made available to KMIP for posting; (3) must relate to the details of acquiring or maintaining the transportation capacity rights on KMIP consistent with this Tariff and Order No. 712, which are the subject of the release; and (4) must not place any obligations or burdens on KMIP in addition to the terms and conditions applicable to a capacity release under this Section 14 which are specified in KMIP's Tariff. Any bid evaluation procedure elected by a Releasing Shipper different from KMIP's bid evaluation procedure set forth in Sections 14.10(b) through 14.10(d) must be objective, nondiscriminatory in all circumstances and contain a complete description of the bid evaluation procedure for posting on the Public Information portion of KMIP's Interactive Website. KMIP may require the Releasing Shipper to submit a working computer program to KMIP in diskette form or other mutually agreeable method of electronic communication which is compatible with KMIP's Interactive Website computer which will enable KMIP to make such alternative bid evaluation entirely through KMIP's Interactive Website. The Releasing Shipper shall warrant that the computer diskette or other mutually agreeable method of electronic communication conforms to the bid evaluation procedure in the Capacity Release Request.

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

(b) The term of any release of capacity sought under this Section 14 shall be at least one full Day and shall not exceed the remaining term of the Eligible Firm Transportation Agreement.

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(c) The quantity sought to be released under a Capacity Release Request shall not be less than the minimum quantity required for the Eligible Firm Transportation Agreement under KMIP's Tariff.

(d) (1) No capacity release under this Section 14 shall result in an increase in the total capacity set forth in the Eligible Firm Transportation Agreement with the Original Shipper for any segment of a path covered by such Eligible Firm Transportation Agreement.

(2) Unless otherwise agreed, in no event shall any negotiated rate which is less than the recourse rate apply to overrun quantities.

(3) No Replacement Shipper or Subreplacement Shipper shall have the right to change the primary Receipt or Delivery Points listed in the Eligible Firm Transportation Agreement, unless the Original Shipper and KMIP agree to amend the Eligible Firm Transportation Agreement to accordingly change the primary Receipt and Delivery Points.

(4) (i) The maximum rates that may be bid and charged for a Released Firm Transportation Agreement that is for a term greater than one (1) year are the maximum lawful rates applicable to the Eligible Firm Transportation Agreement held by the Original Shipper. If the Original Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 31 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the applicable Recourse Rate or is less than the applicable minimum rate. A qualified Bidder may bid a rate form which would be a Negotiated Rate or Negotiated Rate Formula if and only if the rate form is one explicitly recognized in KMIP's Tariff as available for capacity releases (such as volumetric rates); provided the resulting charges must be within the range set by the applicable maximum and minimum rates.

(ii) There is no maximum rate limitation applicable to bids for capacity release for a term of one (1) year or less, if the release is to take effect on or before one (1) year from the date on which KMIP is notified of the release.

(e) A Capacity Release Request may include the right by a Releasing Shipper to recall all or part of the capacity, and/or to reput all or part of the recalled capacity, at any time and from time to time. All recalls or reputs must be made in accordance with the other provisions of KMIP's Tariff, including Section 14.14 of these General Terms and Conditions and should be specified at the time of the deal. Reput methods and rights are individually negotiated between the Releasing Shipper and Replacement Shipper.

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(f) (1) The Releasing Shipper may withdraw its posted Capacity Release Request during an open season under this Section 15 where unanticipated circumstances justify and no minimum bid has been received; following the close of the open season, a Releasing Shipper may not reject a winning Qualified Bid.

(2) Request shall be binding until written or electronic notice of withdrawal is received by KMIP. Offers should be binding until notice of withdrawal is received by KMIP on its Interactive Website.

(3) Notice of a withdrawal of a Capacity Release Request must be delivered to KMIP's Interactive Website no later than the end of the open season for the Capacity Release Request.

(g) A Replacement Shipper or Subreplacement Shipper may release the capacity on the same terms and basis as the primary release under the provisions of this Section 14 (except as prohibited by the Federal Energy Regulatory Commission Regulations).

(h) Any Capacity Release Request not in compliance with this Section 14.5 and the other provisions of KMIP's Tariff shall be null and void and, even if posted, may be removed from KMIP's Interactive Website by KMIP at any time.

14.6 OPEN SEASON EXCEPTIONS

An open season is not required for: (a) a Prearranged Release for more than one (1) year at the maximum reservation charge applicable to the capacity being released, (b) a Short-term Prearranged Release, (c) a Prearranged Asset Manager Release, as defined in Section 14.2(g) (i) hereof or (d) a Prearranged Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 14(g) (ii) hereof. A Capacity Release Request which is not subject to an open season need only contain the information required in Sections 14.4(a) and (b). Such Capacity Release Request must be delivered to KMIP's Interactive Website (or in writing for posting on KMIP's Interactive Website if KMIP's Interactive Website is unavailable for receiving Capacity Release Requests) sufficiently in advance so that the release may become effective under Section 14.9 before the release transaction is to commence. A Releasing Shipper may not rollover, extend or in any way continue a Short-term Prearranged Release, exempt from bidding under subsection (b) hereof, with the same Replacement or Subreplacement Shipper until twenty-eight (28) days after the Short-term Prearranged Release has ended unless the Releasing Shipper complies with the Capacity Release Request provisions in Sections 14.3 and 14.4, or the re-release qualifies for any of the other exemptions from bidding, referenced in subsections (a), (c) or (d) hereof.

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14.7 POSTINGS; OPEN SEASON

(a) A Capacity Release Request received by KMIP through the Interactive Website prior to the starting time of the open season requested by the Releasing Shipper in its Capacity Release Request in conformance with this Section 14 shall be posted on the Informational Postings portion of KMIP's Interactive Website as requested. The posting shall contain the information contained in the Capacity Release Request, except that the minimum price in any minimum price condition requested to be held confidential by the Releasing Shipper (but not the existence of the minimum bid condition), shall be kept confidential and shall not be posted. The posting shall also include the maximum reservation charge, if applicable, (including all applicable reservation surcharges) to the capacity subject to the Capacity Release Request, the beginning and ending time for the open season and the time the notice was posted. KMIP shall post the Capacity Release Request upon receipt, unless the Releasing Shipper requests otherwise. If the Releasing Shipper requests a posting time, KMIP will comply with that request as long as it comports with the deadlines set forth in this Section 14.

(b) An open season shall consist of: (1) a one (1) hour period on a Business Day between 9:00 a.m. and 10:00 a.m. Central Clock Time or (2) any number (no fractions) of Business Days running from 9:00 a.m. Central Clock Time on a Business Day to 10:00 a.m. Central Clock Time on the following Business Day, as requested by the Releasing Shipper in its Capacity Release Request; provided, however, that any capacity release for a period of one (1) Year or longer must have an open season of at least three (3) Business Days, each running from 9:00 a.m. Central Clock Time on a Business Day to 10:00 a.m. Central Clock Time two (2) Business Days later.

(c) A Releasing Shipper may not specify an extension of an open season or the match period for a Prearranged Release. Rather, the Releasing Shipper must submit a new Capacity Release Request.

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14.8 QUALIFIED BIDS FOR RELEASED CAPACITY RIGHTS

(a) At any time during an open season, a Qualified Bidder may submit a Qualified Bid to KMIP's Interactive Website (or in writing for posting on KMIP's Interactive Website if KMIP's Interactive Website is unavailable for receiving Qualified Bids) seeking released capacity rights under a Capacity Release Request. In addition to being prequalified for credit pursuant to Section 14.15, each Qualified Bid must include the following:

(1) The Qualified Bidder's legal name, address, phone number, telefax number, the name and title of the individual responsible for authorizing the Qualified Bid and identification of the capacity rights for which the Qualified Bid is made;

(2) The term for the purchase;

(3) A Minimum Bid Volume and a Maximum Bid Volume (in Dth per Day);

(4) The fixed reservation charge and/or volumetric charge that the Qualified Bidder agrees to pay for the capacity (and if a volumetric charge, any minimum amount to be billed as a reservation charge, which must be equal to or greater than any such amount designated by the Releasing Shipper);

(5) A statement that the Qualified Bidder agrees to all the terms and conditions of the Capacity Release Request, with only the modifications as expressly provided in its Qualified Bid, which modifications must be permitted by the Capacity Release Request and must conform with the requirements in Section 14. In the event that the Releasing Shipper has stated that Qualified Bid(s) may be contingent upon subsequent events and the Qualified Bidder submits such a contingent Qualified Bid, then the Qualified Bidder must state in full the nature of the condition and the last date by which the Qualified Bid is null and void if the contingency does not occur; and

(6) Agreement that the Qualified Bidder is bound by the terms and conditions of the capacity award by KMIP pursuant to this Section 14 to the Qualified Bidder, including KMIP's standard form of Agreement covering the Rate Schedule applicable to the released capacity and the terms and conditions of the Qualified Bid and the Capacity Release Request, in accordance with KMIP's Tariff. Bids should be binding until notice of withdrawal is received by KMIP on its Interactive Website.

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(b) The volume in a Qualified Bid may not be less than the minimum volume required for an Eligible Firm Transportation Agreement under KMIP's Tariff. Neither the volume nor the release term specified in a Qualified Bid may exceed the maximum volume or term specified in a Capacity Release Request, unless the Capacity Release Request specifically allows otherwise. A Qualified Bidder must accept all the terms and conditions of a Capacity Release Request submitted under Section 14.4 (involving a Prearranged Release) except for the level of the reservation charge and the MDQ, unless the Capacity Release Request specifically allows otherwise.

(c) For releases of a term of more than one (1) year, a Qualified Bidder may not bid rates which would exceed KMIP's maximum reservation charge applicable to the Eligible Firm Transportation Agreement capacity, even if the Original Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 31 of these General Terms and Conditions. The maximum Qualified Bid reservation charge includes all demand surcharges, including all direct-billed charges which are or may become applicable to the Eligible Firm Transportation Agreement capacity.

(d) All Qualified Bids shall provide for payment of maximum commodity charges under KMIP's Tariff for the capacity bid, as well as all other applicable add-on charges and surcharges under KMIP's Tariff, such as, but not limited to, ACA, and Fuel Gas and Unaccounted For Gas, if applicable.

(e) A Qualified Bid received by KMIP during an open season shall be posted by KMIP on its Interactive Website system, without the name of the Qualified Bidder. A Qualified Bid may be withdrawn by the Qualified Bidder prior to the close of the open season, but may not be withdrawn thereafter. Following such withdrawal, the Qualified Bidder cannot bid for the same capacity during the open season at a lower rate.

(f) All Qualified Bids must be consistent with all provisions of KMIP's Tariff. Any Qualified Bid inconsistent with KMIP's Tariff or the applicable Capacity Release Request shall be null and void.

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**14.9 AWARDING OF RELEASED CAPACITY; EFFECTIVE DATE; GAS
NOMINATIONS**

(a) For a Prearranged Release for which no open season is required under Section 14.6 and which is received at least one (1) hour prior to a nomination deadline on a Gas Day, KMIP shall award the capacity to the Prearranged Shipper within one (1) hour after release notification, provided that all applicable provisions of this Section 14 have been complied with.

(b) As to any other Prearranged Release, in the event there was no winning Qualified Bid(s) with a higher total Bid Value than the Prearranged Shipper's Bid Value, KMIP shall notify the Prearranged Shipper. If, during an open season, the winning Qualified Bid(s) have a higher total Bid Value than the Bid Value of the Prearranged Release under the bid evaluation procedure selected by the Releasing Shipper, KMIP shall notify the Prearranged Shipper of the terms and conditions of the winning Qualified Bid(s), except for any identification of the Qualified Bidder(s). The Prearranged Shipper may elect to match any or all of such winning Qualified Bid(s), but may not elect to match only a portion of a winning Qualified Bid. Such election shall consist of the Prearranged Shipper submitting notice to KMIP of its unconditional agreement to the terms and conditions of one or more of such winning Qualified Bid(s) in writing or electronic means. In the event of a timely match, then the Prearranged Shipper shall be awarded the released capacity. To the extent that the Prearranged Shipper fails to timely match (within the required time frame) the winning Qualified Bid(s) with a higher Bid Value, then the Qualified Bidder(s) who made the winning Qualified Bid shall be awarded the capacity. The timelines for the above actions shall be as provided in Section 14.1 of these General Terms and Conditions.

(c) For any other Capacity Release Request, the capacity rights shall be automatically awarded to the winning Qualified Bidder(s) when KMIP has identified the entity(s) to receive the released capacity under this Section 14.

(d) A capacity release shall become effective upon the awarding of capacity consistent with this Section 14. Nominations for gas service utilizing the released capacity shall be accepted at the next available nomination opportunity which occurs on or after the time the release becomes effective hereunder, consistent with 18 C.F.R. Section 284.12(c) (1) (ii); provided that nominations cannot be effectuated prior to the beginning time specified in the release.

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KMIP shall issue a contract to the winning Qualified Bidder within one (1) hour after the capacity has been awarded. So long as the winning bidder has pre-approved credit, that bidder can submit a nomination consistent with the above regardless of whether a contract with KMIP covering the capacity awarded has been issued or executed; provided, however, that a contract must be executed under the provisions of the relevant rate schedule regarding timely execution of a contract tendered by KMIP in order for a Shipper to have continued service beyond the maximum time specified for timely contract execution. If the original Shipper has already submitted a nomination on a Gas Day under the Agreement being released, and if the Replacement Agreement covering the released capacity is effective that same Gas Day, the original Shipper may incur overrun charges if his nomination exceeds the reduced contractual parameters under the original Agreement resulting from the release (i.e., if the original Shipper fails to reduce its nomination, or does not adequately reduce its nomination, at the first opportunity the Replacement Shipper has to nominate).

(e) Gas nominations for transportation pursuant to released capacity are subject to the provisions of Section 6 of these General Terms and Conditions. Gas nominations by a Shipper utilizing released capacity awarded by KMIP shall constitute Shipper's binding acceptance of the terms and conditions of the capacity award by KMIP pursuant to this Section 14, including KMIP's standard form of Agreement covering the Rate Schedule applicable to the released capacity and the terms and conditions of the Qualified Bid and the Capacity Release Request, in accordance with KMIP's Tariff.

(f) Subject to the other provisions in this Section 14, in the event that there is no Qualified Bidder or Prearranged Shipper for posted Eligible Firm Transportation Agreement capacity during an open season, no capacity release will be awarded and the Releasing Shipper shall retain the capacity sought to be released.

14.10 BID EVALUATION PROCEDURE

(a) Unless specifically requested otherwise by a Releasing Shipper in its Capacity Release Request, Qualified Bids for released capacity shall be evaluated pursuant to Sections 14.10(b) through 14.10(h) below. Any Qualified Bid which does not meet a minimum price condition stated in the Capacity Release

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Request shall be rejected outright. Any Qualified Bid with a contingency must have such contingency eliminated before 3:00 p.m. Central Clock Time following the close of the open season, unless the Releasing Shipper's offer has specified a later time; otherwise, such Qualified Bid will be rejected.

(b) KMIP shall calculate a Bid Value for each Qualified Bid and Prearranged Release (if any), and shall calculate the Winning Bid Value, as follows:

(1) For each Month, the volume and reservation charge per Dth stated in the Qualified Bid shall be multiplied together to derive a gross Monthly revenue figure. If the Qualified Bids contain volumetric-based charges permitted by the Capacity Release Request, then the gross Monthly revenue figure shall be equal to any minimum amount designated by the bidder to be billed as a reservation charge even if there is no (or insufficient) flow.

(2) Each gross Monthly revenue figure shall be discounted to a net present value figure as of the first Day of the capacity release as sought in the Capacity Release Request, using the current Federal Energy Regulatory Commission interest rate as defined in 18 C.F.R. Section 154.501(d) (1).

(3) The net present value figures for the proposed release shall be summed, and such sum shall be the Bid Value.

(c) Capacity shall be awarded among the bids, best bid first (highest Bid Value or other evaluation criteria as specified by the Shipper in the Capacity Release Offer), until all offered capacity is awarded. The best qualified bid will be awarded its Maximum Bid Volume and any subsequent bids will be awarded up to their Maximum Bid Volume but no less than their Minimum Bid Volume.

(d) In the event ties exist among Qualified Bids, the Qualified Bid submitted and received earliest by KMIP's Interactive Web Site (or if KMIP's Interactive Web Site is not available and the Qualified Bid is submitted in writing, the time KMIP received the Qualified Bid) shall be the winning bid.

(e) The following are examples of how (c) and (d) are applied:

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EXAMPLE (1) - Awarding by Best Bid

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

Qualified Bids:

	<u>Maximum Bid</u> <u>Volume</u>	<u>Term</u>	<u>Unit Bid</u> <u>Value</u>	<u>Minimum</u> <u>Bid Volume</u>
Bid (a)	40,000/Day	5 Years	\$.18	0
Bid (b)	40,000/Day	5 Years	\$.17	0
Bid (c)	40,000/Day	5 Years	\$.15	0

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

EXAMPLE (2) - Awarding with Minimum Bid Volumes

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

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

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EXAMPLE (3) - Awarding using the tie-breaker

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

Qualified Bids:

	<u>Maximum Bid Volume</u>	<u>Term</u>	<u>Bid Price</u>	<u>Minimum Bid Volume</u>	<u>Time Bid Received</u>
Bid (a)	60,000/Day	5 Years	\$.18	0	13:57:40
Bid (b)	50,000/Day	5 Years	\$.17	50,000	13:55:05
Bid (c)	35,000/Day	5 Years	\$.17	0	13:56:40
Bid (d)	35,000/Day	5 Years	\$.17	0	13:56:30

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

(f) In no event shall this Section 14.10 result in winning Qualified Bids with a total volume in excess of the capacity specified in the Capacity Release Request.

(g) The bid evaluation procedure set forth in this Section 14.10 shall only consider Qualified Bids to the extent they provide for an objectively quantifiable payment by the Qualified Bidder. A Qualified Bid based on a percentage of KMIP's reservation charge shall be evaluated by KMIP based solely on the maximum reservation charge being charged by KMIP for such service as of the end of the open season.

(h) If the Releasing Shipper selected a bid evaluation procedure which is different from the procedure set forth in this Section 14.10, which procedure must comply with Section 14.5, KMIP shall determine the winning Qualified Bid(s) pursuant to the Releasing Shipper's bid evaluation procedure in its Capacity Release Request and computer diskette or other mutually agreeable method of electronic communication (if any) submitted by the Releasing Shipper pursuant to Section 14.5(a).

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14.11 CONFIRMATIONS; RELEASED FIRM TRANSPORTATION AGREEMENT

At the time the award of capacity under this Section 14 is posted, KMIP shall send the winning Qualified Bidder or the Prearranged Shipper confirmation of the capacity release awarded to such Qualified Bidder or Prearranged Shipper. Prior to KMIP awarding capacity on a Prearranged Release, the Prearranged Shipper shall confirm electronically the terms of the Prearranged Release.

14.12 COMPLETED TRANSACTIONS

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

14.13 BILLING

(a) KMIP shall bill the Replacement Shippers and the Subreplacement Shippers the rate(s) specified in the Released Firm Transportation Agreements and any other applicable charges and each such Replacement Shipper and Subreplacement Shipper shall pay the billed amounts directly to KMIP. KMIP shall not be responsible for billing the Replacement Shipper for any amounts attributable to gas purchase or gas inventory volumes tied to a transportation capacity or storage release. Such charges shall be between the Releasing Shipper and Replacement Shipper. KMIP shall have the right to discount the commodity rates under the Released Firm Transportation Agreement. KMIP will support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Federal Energy Regulatory Commission.

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(b) A Releasing Shipper shall be billed the reservation charge associated with the entire amount of released capacity pursuant to its contract rate, which includes all non-commodity based charges under KMIP's Tariff for such released capacity including but not limited to additional direct-bill charges, with a concurrent conditional credit for payment of the reservation charge due from the Replacement or Subreplacement Shipper(s), as applicable, which received the released capacity. Releasing Shipper shall also be billed a marketing fee, if applicable, pursuant to the provisions of Section 15 of these General Terms and Conditions. As to any capacity released by a Releasing Shipper, the Releasing Shipper shall not be billed or be responsible for: (1) commodity charges; (2) scheduling charges or cashouts of imbalances; and (3) add-on charges and surcharges applicable to KMIP's commodity rates under KMIP's Tariff such as ACA, and Fuel Gas and Unaccounted For Gas, if applicable, which are incurred by a Replacement Shipper or Subreplacement Shipper which received the released capacity.

(c) If a Replacement Shipper or Subreplacement Shipper does not make payment to KMIP of the reservation portion of the charges due as set forth in its Released Firm Transportation Agreement, KMIP shall bill the Releasing Shipper(s) from whom such Replacement or Subreplacement Shipper received the capacity for the amount(s) due, including all applicable late charges authorized by KMIP's Tariff, and such amount shall be paid by such Releasing Shipper within ten (10) days of the receipt of such billing, or interest shall continue to accrue. In the event that the Replacement or Subreplacement Shipper has not paid such amount(s) due by the end of such ten (10) day period, then: (1) the Releasing Shipper has the right to recall the capacity; and (2) KMIP's rights against the delinquent Replacement/Subreplacement Shipper shall be subrogated to the related rights of the Releasing Shipper. KMIP shall make a reasonable effort to collect from the Replacement/Subreplacement Shipper the amount(s) due. Such reasonable effort shall not include incurring costs from outside attorneys, collection agents or other third parties.

(d) All payments received from a Replacement or Subreplacement Shipper shall first be applied to reservation charges, then to late charges on reservation charges, then to scheduling charges and cashout amounts, then to late charges not on the reservation charges, and then last to commodity-based charges.

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Except as may otherwise be provided pursuant to Section 31.4 of these General Terms and Conditions, payments by Replacement or Subreplacement Shippers in excess of the total amount(s) due for the Released Firm Transportation Agreement capacity shall be a credit applied to any outstanding balance owed under any contract with KMIP, or a refund if requested in writing and no such outstanding balance exists.

(e) REFUNDS DUE UNDER RELEASES GREATER THAN ONE (1) YEAR

If KMIP is obligated to refund any amounts attributable to reservation charges for capacity which has been released, KMIP shall make the applicable refund to the Replacement Shipper to the extent that KMIP has actually received reservation charge amounts from the Replacement Shipper in excess of the amounts assessable under the revised maximum reservation charge rates (which amounts are credited to the account of the Releasing Shipper under Section 14.13(d) above). Except as may otherwise be provided pursuant to Section 31.4 of these General Terms and Conditions, KMIP shall make a corresponding adjustment to the capacity release credit provided to the Releasing Shipper, and may reflect the reduced capacity release credit in a lower refund or adjusted billings to the Releasing Shipper. Any other applicable reservation charge refunds shall go to the Releasing Shipper. Except as may otherwise be provided pursuant to Section 31.4 of these General Terms and Conditions, commodity rate refunds shall go to the party which paid the commodity charge.

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

If KMIP is obligated to refund any amounts attributable to reservation charges for capacity which has been released above the maximum rate for one year or less, KMIP shall make the applicable refund to the Releasing Shipper notwithstanding the amount that KMIP has actually received from the Replacement Shipper (which amounts are credited to the account of the Releasing Shipper under Section 14.13(d) above). KMIP shall reflect the same credit from the Replacement Shipper but shall adjust its billing to the Releasing Shipper to reflect the revised maximum reservation rates. Except as may otherwise be provided pursuant to Section 31.4 of these General Terms and Conditions, commodity rate refunds shall go to the party which paid the commodity charge.

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14.14 NOMINATIONS/SCHEDULING; RECALLS AND REPURCHASES

(a) RECALLING CAPACITY - GENERAL

KMIP supports the ability of a Releasing Shipper to specify as a condition of a capacity release offer which recall notification periods as set out below will be available for use by the parties to the release and whether recall notices must be provided on a Business Day. All Replacement and Subreplacement Shippers shall nominate and schedule natural gas for service hereunder directly with KMIP in accordance with the applicable procedures set forth in Section 6 of these General Terms and Conditions. In order for any capacity recall or capacity repurchase to be effective for a Day, a Releasing Shipper must give prior notice of such recall or repurchase and any allocation of the capacity for a partial recall or repurchase to KMIP.

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(b) RECALL NOMINATION TIMELINE

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

(1) TIMELY RECALL NOTIFICATION

(i) A Releasing Shipper recalling capacity must provide notice of such recall to KMIP and to the first Replacement Shipper no later than 8:00 a.m. on the day that Timely Nominations are due;

(ii) KMIP shall provide notification of such recall to all affected Replacement Shippers no later than 9:00 a.m. on the day that Timely Nominations are due;

(2) EARLY EVENING RECALL NOTIFICATION

(i) A Releasing Shipper recalling capacity must provide notice of such recall to KMIP and to the first Replacement Shipper no later than 3:00 p.m. on the day that Evening Nominations are due;

(ii) KMIP shall provide notification of such recall to all affected Replacement Shippers no later than 4:00 p.m. on the day that Evening Nominations are due;

(3) EVENING RECALL NOTIFICATION

(i) Releasing Shipper recalling capacity must provide notice of such recall to KMIP and to the first Replacement Shipper no later than 5:00 p.m. on the day that Evening Nominations are due;

(ii) KMIP shall provide notification of such recall to all affected Replacement Shippers no later than 6:00 p.m. on the day that Evening Nominations are due;

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(4) INTRADAY 1 RECALL NOTIFICATION

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

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

(5) INTRADAY 2 RECALL NOTIFICATION

(i) A Releasing Shipper recalling capacity must provide notice of such recall to KMIP and to the first Replacement Shipper no later than 12:00 p.m. on the day that Intraday 2 Nominations are due;

(ii) KMIP shall provide notification of such recall to all affected Replacement Shippers no later than 1:00 p.m. on the day that Intraday 2 Nominations are due; and

(6) INTRADAY 3 RECALL NOTIFICATION

(i) A Releasing Shipper recalling capacity must provide notice of such recall to KMIP and to the first Replacement Shipper no later than 4:00 p.m. on the day that Intraday 3 Nominations are due;

(ii) KMIP shall provide notification of such recall to all affected Replacement Shippers no later than 5:00 p.m. on the day that Intraday 3 Nominations are due.

(7) OTHER

For recall notifications provided to KMIP prior to the recall notification deadline specified in (1)-(6) of this Section 14.14(b) and received by KMIP between 7:00 a.m. and 5:00 p.m., KMIP shall provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification. For recall notifications provided to KMIP after 5:00 p.m. and prior to 7:00 a.m., KMIP should provide notification to all affected Replacement Shippers no later than 8:00 a.m. after receipt of such recall notification.

(c) METHODS OF NOTIFICATION

(1) The Replacement Shipper is to provide KMIP with no more than two Internet E-mail addresses to be used for recall notification under Section 14.14(b) of these General Terms and Conditions. The obligation of KMIP to provide notification is waived until at least one of the addresses has been provided. When

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KMIP sends Internet E-mail notification for recalling of capacity to each affected Replacement Shipper, the subject line of the E-mail should include the following information separated by commas in the following order: (1) "Recall", (2) the recall notification period, (3) the Effected Date in YYYYMMDD format, (4) KMIP's name or abbreviation (excluding commas), and (5) KMIP's D-U-N-S number. The body of such E-mail notification is to contain at least the affected Replacement Shipper's Contract Number, the quantity of capacity being recalled, and the Offer Number or Award Number, if necessary to uniquely identify the capacity being recalled. For recalls that are effective at non-standard times, the appropriate recall notification period is to be included in the subject line and the effective time of the recall is to be in the body of the E-mail. If KMIP allows capacity recall notification mechanisms in addition to Internet E-mail, the notification is to include at least the same level of information. Affected Replacement Shippers are to manage internal distribution of notifications of recall received from KMIP.

(2) The Releasing Shipper shall provide capacity recall notification to KMIP through KMIP's Interactive Website. The Releasing Shipper shall provide notice to its affected Replacement Shipper at the same time it provides notification to KMIP. The recall notification must specify the recall notification period for the specified effective Gas Day, as well as any other information needed to uniquely identify the capacity being recalled. The mode of notification is to be mutually agreed upon between the Releasing and the Replacement Shipper.

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

(d) QUANTITY ALLOCATION

In the event of an Intraday capacity recall, KMIP shall determine the allocation of capacity between the Releasing Shipper and the Replacement Shipper(s) based upon the Elapsed Prorata Capacity (EPC). Variations to the use of EPC may be necessary to reflect the nature of KMIP's Tariff, services, and/or operational characteristics. In any recall notification provided to KMIP, the quantity should be expressed in terms of the adjusted total released capacity entitlements based upon EPC. EPC means that portion of the capacity that would have theoretically been available for use prior to the effective time of the intraday recall based

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upon a cumulative uniform hourly use of the capacity. The amount of the capacity allocated to the Replacement Shippers(s) should equal the original released capacity less the recalled capacity that is adjusted based upon the EPC. KMIP shall not be obligated to deliver in excess of the total daily contract quantity of the release as a result of any recall. The service flexibility available to either the Releasing Shipper or the Replacement Shipper for the subject capacity shall not be less as a result of the recall.

(e) REPUTS

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

(f) DISPUTES

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

**14.15 QUALIFICATION FOR PARTICIPATION IN THE CAPACITY
RELEASE PROGRAM**

(a) Any person wishing to become a Qualified Bidder and make a Qualified Bid must satisfy the creditworthiness requirements in Section 12 of these General Terms and Conditions prior to submitting a Qualified Bid under this Section 14. A person cannot bid for services which exceed its pre-qualified level of credit-worthiness. KMIP shall process--and encourages--applications from potential Qualified Bidders seeking prequalification for bids they may make in the future.

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(b) Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in Section 12.1(a) of these General Terms and Conditions. Should a potential bidder fail to satisfy such credit criteria, the potential bidder may still become a Qualified Bidder by providing a prepayment, letter of credit, security interest or guarantee satisfactory to KMIP as further set forth in Section 12.1(b) of these General Terms and Conditions.

(c) Based on KMIP's continuing review of a Shipper's financial records, KMIP shall have the right to amend a Shipper's line of credit and lower or increase the quantity and term.

(d) KMIP's determination of a Shipper's creditworthiness is solely for KMIP's purposes under KMIP's Tariff and such determination is neither a representation nor a guarantee to a Releasing Shipper or any other entity as to the ability of a Replacement or Subreplacement Shipper to pay any outstanding amount under a Released Firm Transportation Agreement.

14.16 COMPLIANCE BY SHIPPER

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

14.17 OBLIGATIONS OF RELEASING SHIPPER

(a) The Releasing Shipper shall continue to be liable and responsible for all reservation charges associated with the released capacity up to the reservation charge specified in such Releasing Shipper's Agreement with KMIP. The Releasing Shipper agrees that the award of capacity to a Replacement Shipper or Subreplacement Shipper shall automatically reduce the Releasing Shipper's firm capacity rights under the Agreement with KMIP effective on the effective date of the release for the period of the release, except for any period that the firm capacity is recalled by the Releasing Shipper (if the successful bid so permits) until such capacity is reput to the Replacement or Subreplacement Shipper, in accordance with this Section 14.

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(b) A release by a Replacement Shipper shall not relieve the Original Shipper or the Replacement Shipper of their obligations under this Section 14.

(c) In the event that a Released Firm Transportation Agreement covers the remaining term of the Eligible Firm Transportation Agreement maximum rate, if applicable, then the Original Shipper may request in writing that the Original Shippers' rights and obligations under the Eligible Firm Transportation Agreement shall be prospectively assigned to, and be assumed by, the Replacement Shipper. Following such request, KMIP shall send the Original Shipper and Replacement Shipper an assignment agreement to so provide. In the event that the Original Shipper and the Replacement Shipper execute such assignment agreement, the Original Shipper shall be released from all liability under the Eligible Firm Transportation Agreement arising after such execution date.

14.18 DISCHARGE OF RELEASING SHIPPER IN PERMANENT RELEASES

The Releasing Shipper shall remain liable and responsible for the payment of all reservation charges applicable to the Agreement unless and until the following conditions have been met, in which case, the Releasing Shipper shall be discharged from such obligation:

(a) The Capacity Release shall be for the remaining term of the Agreement;

(b) The Replacement Shipper shall agree to pay a rate equal to or greater than the reservation rate which the Releasing Shipper paid under the Agreement; and

(c) The Replacement Shipper shall meet the creditworthy standards of the General Terms and Conditions of KMIP's Tariff.

14.19 CONVERSIONS BETWEEN MONTHLY AND DAILY RESERVATION RATES

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

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decimal place. Converting a Monthly rate to a daily rate is accomplished by multiplying the Monthly rate by number of Months in rate period, dividing the result by number of days in rate period and taking the remainder out to five (5) decimal places and rounding up or down to KMIP's specified decimal place.

14.20 KMIP'S RIGHT TO TERMINATE A CAPACITY RELEASE

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

(a) The Releasing Shipper has failed to make timely payment or maintain credit (or provide adequate assurance of payment) in accordance in Sections 2.7 and/or 12 of these General Terms and Conditions and KMIP has suspended or terminated service to the Releasing Shipper or has provided notice under Section 2.7 which ultimately results in suspension or termination of service; and

(b) The rate stated in the Replacement Shipper's Agreement is less than the rate for service under KMIP's contract with the Original Shipper; provided, however, that a Replacement Shipper which is creditworthy can continue an existing capacity release by notifying KMIP that it agrees to pay a rate which it specifies that equals the lower of: (i) the applicable maximum rate; or (ii) the same rate as is in the original Agreement between KMIP and the Releasing Shipper. Alternatively, KMIP and the Replacement Shipper may agree upon other pricing terms which are equal to or less than the lower of: (i) the applicable maximum rate; or (ii) the same rate as is in the original Agreement between KMIP and the Releasing Shipper, in which case the release shall continue. Such notification or agreement must be effectuated prior to the end of the notice period.

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15. ADVERTISEMENT AND MARKETING FEES

15.1 ADVERTISEMENTS

Any person may advertise for the purchase of capacity on KMIP's System on KMIP's Interactive Website by submitting the desired advertisement (up to one page) to KMIP. KMIP shall post such advertisement on KMIP's Interactive Website no later than the Business Day following receipt thereof if so requested, so long as the advertisement is not unlawful or inconsistent with KMIP's Tariff. The posted period requested may be for a period of time not to exceed one Month. There will be no posting fee for such advertisements seeking to purchase capacity on KMIP. A response in and of itself to an advertisement seeking to purchase capacity never constitutes a capacity release; to release capacity, the Shipper holding the capacity rights must utilize the release procedures set forth in Section 14 of these General Terms and Conditions.

15.2 FEE FOR ACTIVE MARKETING

When a Releasing Shipper under Section 14 of these General Terms and Conditions requests that KMIP actively market capacity to be released, the Releasing Shipper and KMIP shall negotiate the terms of the marketing service to be provided by KMIP and the marketing fee to be charged therefore.

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16. PRE-GRANTED ABANDONMENT, CONTRACT ROLLOVERS AND RIGHT OF FIRST REFUSAL

16.1 GENERAL

Subject to Section 16.3, service performed by KMIP under Part 284 of the Commission's Regulations shall expire, and shall be automatically abandoned, upon contract termination under:

(a) any FTS transportation Agreement with a primary term of less than one (1) Year; and (b) any ITS transportation Agreement regardless of term. Service under any FTS transportation Agreement with a term of one (1) Year or greater shall expire, and shall be automatically abandoned, on contract termination unless service is continued pursuant to Sections 16.2 or 16.3.

16.2 RIGHT OF FIRST REFUSAL

(a) Any Shipper under an FTS Agreement with a term of one (1) Year or greater shall have the right to continue receiving service after the expiration of its existing Agreement if, pursuant to the Right of First Refusal procedures set forth in this Section 16.2, it matches the price and term offered for such service by any other bidder; provided, however, that (irrespective of the price offered by the existing Shipper or any bidder) KMIP shall not be required to provide service at a discount from its applicable maximum rate unless it otherwise agrees; and, provided further that if a bid is submitted for a Negotiated Rate or Negotiated Rate Formula under Section 31 of these General Terms and Conditions, the existing Shipper need match only the value of that bid utilizing the Recourse Rate in lieu of the Negotiated Rate or Negotiated Rate Formula consistent with said Section 31.

(b) To exercise the Right of First Refusal, Shipper must provide KMIP with notice of its intent to do so in a form specified by KMIP and must submit such notice at least six (6) Months prior to the expiration of the existing Agreement. KMIP shall advise Shipper in writing of the date by which such notice must be submitted at least three (3) Months prior to the last day on which such notice can be made on a timely basis. Such notice must specify a desired term of service and the desired MDQ in total and at each Receipt and Delivery Point. If the requested MDQ is greater than the existing MDQ in total and at each Receipt and Delivery Point, any such increase shall be treated as a request for new service under the applicable Rate Schedule and only the original MDQ shall be subject to the Right

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of First Refusal under this Section. The Right of First Refusal may apply to a portion of the existing Shipper's then effective service. Any notice specifying a decrease in MDQ in total or at any point shall not affect the existing Agreement during its remaining term.

(c) Within fifteen (15) days after receipt of a notice under Section 16.2(b), KMIP shall post on the Informational Postings portion of its Interactive Website an Announcement of Capacity Availability Subject to Right of First Refusal (Capacity Announcement) which shall: (1) specify the existing Shipper's service rights; (2) indicate the availability of such service as of the date the existing Agreement expires, subject to the Right of First Refusal; (3) state the maximum rate applicable to such service; (4) set out any other information required by this Section; and (5) solicit bids for such service. Such Capacity Announcement shall be maintained, and bids accepted via KMIP's Interactive Website, for a period of one (1) Month from the initial posting.

(d) (1) Within one (1) week after the end of the one Month period during which the Capacity Announcement is posted, KMIP shall convey to the existing Shipper a term sheet for the best bid (based on price and term) which would qualify for such service in all respects (including meeting applicable credit criteria), which is a bona fide bid and which KMIP is willing to accept. KMIP may, but is not required to, accept any bid which reflects a discount from the applicable maximum rate. In assessing which is the best bid if more than one bid is received, KMIP shall apply the same criteria as are utilized to allocate firm capacity pursuant to Section 2.1 (except that contract terms in excess of five Years shall not increase the value of any bid). If a bid is received for a Negotiated Rate or Negotiated Rate Formula pursuant to Section 31 of these General Terms and Conditions, the value of the bid shall be assessed utilizing the Recourse Rate in lieu of the Negotiated Rate or Negotiated Rate Formula consistent with said Section 31.

(2) KMIP's term sheet shall contain any and all terms of the bid but shall not identify the bidder; provided, however, such bid sheet shall indicate if the best bid was submitted by an affiliate of KMIP. Except for the providing of such term sheet to the existing Shipper, all terms and conditions of any bid and the identity of the bidder shall remain confidential; provided that the Commission may on request have access to such information on a confidential basis.

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(3) The existing Shipper shall have two (2) weeks to notify KMIP whether or not it desires to match the best bid. To match the best bid, the existing Shipper must agree to a price (up to the applicable maximum rate or Recourse Rate) and a term (up to five Years) which at least equals the bid on all or any portion of the service the existing Shipper desires to retain; provided, however, that if the existing Shipper seeks to retain only a portion of its MDQ, the analysis of whether the existing Shipper has matched the best bid may take into account the MDQ requested under the best bid relative to the MDQ the existing Shipper seeks to retain. The existing Shipper may provide a counteroffer which contains either a higher price than the best bid or a longer term than the best bid to offset a shorter term or a lower price than that offered in the best bid. KMIP shall determine whether such a counteroffer constitutes a match, utilizing the same criteria as were applied to determine the best bid.

(e) (1) If the existing Shipper matches the best bid, it shall be entitled to continuation of service and shall be obligated to sign an Agreement tendered by KMIP which reflects the best bid or any counteroffer by the existing Shipper which matches such best bid.

(2) If the existing Shipper fails to match the best bid, the existing Agreement shall terminate at the end of its term and service to the existing Shipper shall be automatically abandoned.

(3) Submission of a bid shall be binding on the bidder. The bidder submitting the best bid shall be obligated to sign an Agreement reflecting its bid if the existing Shipper fails to match. Nothing herein shall preclude negotiation of a more acceptable Agreement by mutual consent of KMIP and such bidder; provided, however, that service may not be agreed upon under terms and conditions less favorable to KMIP than the best bid without providing the existing Shipper an additional opportunity to match such revised terms and conditions.

(f) In the absence of a qualified bid, KMIP shall so notify the existing Shipper and the term shall be negotiated between KMIP and the existing Shipper. No discount or other special terms shall apply to a rollover Agreement unless KMIP and existing Shipper mutually agree. If no agreement is reached prior to the end of the two (2) week period following KMIP's notice to the existing Shipper, the existing Shipper may, at that time, require that KMIP enter into an Agreement to provide service at the applicable maximum rate for a term specified by the existing Shipper and running from the

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date the existing Agreement expires. Unless the existing Shipper so elects at the end of the two (2) week period following KMIP's notice to it, KMIP may negotiate with any Shipper, with the existing Shipper having no further rights under this Section 16 and service under the existing Agreement shall be terminated and automatically abandoned at the expiration thereof.

(g) If the existing Shipper is eligible to receive continued service under this Section 16.2, KMIP shall tender a rollover Agreement which conforms to the requirements of this Tariff prior to the expiration of the existing Agreement. The existing Shipper and KMIP shall execute such rollover Agreement, or any modified Agreement upon which KMIP and Shipper may mutually agree which is not inconsistent with this Tariff, within two (2) weeks. If the existing Shipper fails to execute the rollover Agreement on a timely basis, the existing Shipper shall (in addition to all other remedies available to KMIP for Shipper's failure to fulfill its obligation to execute such Agreement) forfeit any right to continuation of service after the expiration of the existing Agreement.

16.3 CONTRACTUAL ROLLOVERS

The term of service under any firm or interruptible transportation Agreement may be extended pursuant to a rollover or evergreen provision in such Agreement, which provision supersedes any otherwise applicable rollover or Right of First Refusal pursuant to this Section. In addition, the parties may subsequently negotiate rollover, right of first refusal or evergreen provisions which differ from this Section. KMIP is not obligated to offer or agree to any such provisions; provided, however, that to the extent it offers or agrees to any such provision, it must do so on a non-discriminatory basis for similarly situated Shippers.

16.4 VALID REQUEST CRITERIA

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

16.5 FURTHER ROLLOVER

Any Agreement entered into pursuant to this Section 16 shall be evaluated on a stand-alone basis hereunder for purposes of determining whether it, in turn, is eligible for the Right of First Refusal under this Section.

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17. MEASUREMENT

17.1 UNIT OF MEASUREMENT AND METERING BASE

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

17.2 ATMOSPHERIC PRESSURE

For the purpose of measurement, calculations, and meter calibration, the atmospheric pressure shall be based on the actual altitude of each point of measurement irrespective of variations in natural atmospheric pressure from time to time.

17.3 TEMPERATURE

The temperature of the gas shall be determined at the points of measurement by means of a continuous electronic transducer input to a EFM of standard manufacture selected by KMIP in the exercise of its reasonable judgment to be installed in accordance with the recommendations contained in ANSI/API 2530 First Edition (Orifice Metering of Natural Gas). Hourly average temperature will be computed as a running average of data determined during each computer scan.

17.4 DETERMINATION OF HEATING VALUE AND SPECIFIC GRAVITY

The Heating Value and specific gravity of the gas will be determined by a chromatograph. In the event a continuous gas sampling device is used, intervals mutually agreed upon should not be less than once every Month. The readings from an online chromatograph, if installed, shall input continuously into the EFM for volume calculations. In the event a continuous gas sampler is installed, then the Heating Value and specific gravity shall be determined in the laboratory by chromatograph. Such determinations shall be considered as the Heating Value and specific gravity of all gas delivered during the applicable period of sampling. All Heating Value and specific gravity determinations made with a chromatograph shall use physical gas constants for gas compounds as outlined in GPA Standard 2145-00 Rev 2, Table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas and any subsequent amendments or revisions which KMIP may adopt in exercise of its

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reasonable judgment. The calculations (for Btu) shall be based on dry gas if the gas at the measurement points contain less than five (5) pounds of water per MMcf. If the gas at the measurement points contains more than five (5) pounds of water per MMcf, the appropriate factor determined by KMIP in the exercise of its reasonable judgment for the actual water vapor content may be applied to the Btu calculations to correct for this water content.

17.5 SUPERCOMPRESSIBILITY

The measurement hereunder shall be corrected for deviation from Boyle's Law at the pressures and temperatures under which gas is measured hereunder by use of the AGA Report No. 8 as referenced in the AGA Reports Nos. 3, 7 and 9.

17.6 MEASURING EQUIPMENT

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

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17.7 METERING STANDARDS

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

(a) Measurement of Gas by Multipath Ultrasonic Meters-AGA 9

(b) Orifice Metering of Natural Gas-Specifications and Installation Requirements-AGA 3, Part 2

(c) Orifice Metering of Natural Gas - Natural Gas Applications-AGA 3, Part 3

(d) Measurement of Gas by Turbine Meters-AGA 7

17.8 NEW MEASUREMENT TECHNIQUES

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

17.9 CALIBRATION AND TEST OF METERS

The accuracy of all measuring equipment shall be verified by KMIP at reasonable intervals, and if requested, in the presence of representatives of Shipper, but neither Shipper nor KMIP shall be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. If either party at any time desires a special test of any measuring equipment, it will promptly notify the other, and the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment.

17.10 CORRECTION OF METERING ERRORS

If, upon any test, any measuring equipment is found to be inaccurate, such equipment shall be adjusted immediately to measure accurately. If, upon any test, the measuring equipment in the aggregate is found to be inaccurate by one percent (1%) or more at a recording corresponding to the average hourly rate of gas flow for the period since the last preceding test, any payments based thereon shall be corrected pursuant to Section 11.5 hereof, at the rate of such inaccuracy for any period which is known definitely or

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agreed upon, but in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half (1/2) of the time elapsed since the date of the last test. Measurement data corrections should be processed within six (6) Months of the production Month with a three (3) Month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods.

17.11 FAILURE OF MEASURING EQUIPMENT

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

(a) By correcting the error if the percentage of error is ascertainable by calibration, special test, or mathematical calculation, or in the absence of (a);

(b) By using the registration of any check meter or meters, if installed and accurately registering, or in the absence of both (a) and (b), then;

(c) By estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

17.12 PRESERVATION OF RECORDS

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

17.13 THE SEQUENCE OF GAS RECEIPT

All gas delivered to KMIP by any Shipper under Rate Schedule FTS shall be deemed to have been received by KMIP prior to the receipt of any gas delivered under Rate Schedule ITS.

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18. PRESSURE AND DELIVERY CONDITIONS

18.1 RECEIPT POINT PRESSURE

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

18.2 DELIVERY POINT PRESSURE

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

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19. QUALITY OF GAS

19.1 SPECIFICATIONS

Unless otherwise stated in an Agreement, natural gas delivered by or on behalf of Shipper to KMIP at any Receipt Point meter shall be of pipeline quality and shall conform to the following specifications:

(a) OXYGEN

The oxygen content shall not exceed ten parts per million (10 ppm) by volume of uncombined oxygen, and the parties shall make reasonable efforts to maintain the gas free from oxygen.

(b) HYDROGEN SULFIDE

The hydrogen sulfide content shall not exceed one-quarter (1/4) grain per hundred (100) cubic feet of gas.

(c) MERCAPTANS

The mercaptan content shall not exceed one-quarter (1/4) grain per one hundred (100) cubic feet of gas.

(d) TOTAL SULFUR

The total sulfur content, including mercaptans and hydrogen sulfide, shall not exceed one-half (1/2) grain per one hundred (100) cubic feet of gas.

(e) CARBON DIOXIDE

The carbon dioxide content shall not exceed two percent (2%) by volume.

(f) LIQUIDS

The gas shall be free of water and hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered. In addition, the gas shall not contain any hydrocarbons which might condense to free liquids in the pipeline under normal pipeline conditions and shall in no event contain water vapor in excess of seven (7) pounds per one million (1,000,000) cubic feet.

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(g) DUST, GUM AND SOLID MATTER

The gas shall be commercially free of dust, gum, gum-forming constituents and other solid matter.

(h) HYDROCARBON DEWPOINT

(1) KMIP may, from time to time, as operationally necessary, establish and post on the Informational Postings portion of its Interactive Website an upper limit on the dewpoint for receipts on its system to prevent hydrocarbon fallout, consistent with Section 19.1(f) hereof. KMIP will include in such posting the anticipated duration of the limitation. Points with an actual flow of 100 Dth/d or less will be exempt from the limitation in any such posting. KMIP will provide as much prior notice of any such limitation as reasonably practicable and will attempt to provide this prior notice in the posting at least ten (10) days before the beginning of the month in which the limitation is to be effective. If prior notice by posting at least ten (10) days before the beginning of the month is not practicable, KMIP will explain the reason in the posting why it was unable to give such prior notice.

(2) Notwithstanding the foregoing, KMIP may not decline to accept gas based on its dewpoint if the dewpoint of that gas is equal to or less than fifteen degrees Fahrenheit (15 F). In addition, KMIP shall continuously post "safe harbor" dewpoint values based on operational and engineering considerations and shall make any changes in these "safe harbor" values effective no sooner than 30 days after the revised "safe harbor" values have been posted. KMIP may not decline to accept gas which conforms to such posted "safe harbor" values if the gas meets the other quality standards set out in this Section 19. No such posting may set out a dewpoint "safe harbor" of less than fifteen degrees Fahrenheit (15 F).

(3) Where any posting of a limitation under Section 19.1(h) (1) includes a dewpoint limitation, KMIP will calculate the dewpoint at any point of receipt into KMIP's system affected by the posting on request of the operator of that point or any producer, purchaser, supply aggregator or Shipper with gas being tendered at that point.

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(4) In addition, KMIP shall post on its Interactive Website, within twenty-four (24) hours after making the calculations, the following: every receipt point dewpoint value KMIP calculates, along the method by which the dewpoint was calculated; and every blended dewpoint KMIP calculates for a line segment of its system.

(i) BTU VALUE

(1) Gas delivered to KMIP or by KMIP shall contain a daily, monthly and yearly average Btu value of no less than nine hundred fifty (950) Btu per cubic foot. KMIP may, from time to time, establish and post on the Informational Postings portion of its Interactive Website an upper Btu limit for receipts at specified locations on its system to assure that gas will be accepted for delivery in interconnects with interstate and intrastate pipelines, plants, end-users or directly connected local distributions companies, consistent with the delivery requirement set out in subsection (2) below. KMIP will include in any such posting the anticipated duration of the limitation. Points with and actual flow of 100 Dth/d or less will be exempt from the limitation in any such posting. KMIP will provide as much prior notice of any such limitation as reasonably practicable and will attempt to provide this prior notice in the posting at least ten (10) days before the beginning of the month in which the limitation is to be effective. If prior notice by posting at least ten (10) days before the beginning of the month is not practicable, KMIP will explain the reason in the posting why it was unable to give such prior notice.

(2) Except as otherwise agreed with the downstream entity receiving the gas, KMIP will deliver gas with a Btu Value of not greater than 1,065 Btu per cubic foot.

(3) If KMIP posts a Btu Value limitation under subsection (1) hereof, KMIP will calculate the Btu Value at any point of receipt into KMIP's system affected by the posting on request of the operator of that point or any producer, purchaser, supply aggregator or shipper with gas being tendered at that point.

(j) TEMPERATURE

The gas shall not be delivered at a temperature of less than forty degrees Fahrenheit (40 F.) or more than one hundred twenty degrees Fahrenheit (120 F.).

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(k) HYDROGEN

The gas shall contain no carbon monoxide, halogens, or unsaturated hydrocarbons, and no more than four hundred parts per million (400 ppm) of hydrogen.

(l) HEAVIER HYDROCARBON

The gas shall have a combined composition of not more than one and one-half (1.5) mole percentage of butane plus, including isobutene, normal butane and all heavier hydrocarbons (C4+).

(m) INERT GAS

The gas shall have a combined composition of total inert gases (principally nitrogen and carbon dioxide) of not more than four (4) mole percent.

(n) WOBBE INDEX

Wobbe Index is calculated using Higher Heating Value (HHV), dry, based on the following mathematical definitions:

$$\text{HHV} / (\text{Sqrt SGgas})$$

Where:

HHV = Higher Heating Value (Btu/scf)
SGgas = Specific Gravity
Sqrt = Square Root of

The gas shall have a Wobbe Index of not greater than 1,380 and not less than 1,274.

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19.2 TOXIC HAZARDOUS SUBSTANCES

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

19.3 NON-CONFORMING GAS

(a) If at any time, gas tendered under an Agreement shall fail to conform to any of the quality specifications set forth above the receiving party may, at its option exercised on a non-discriminatory basis, refuse to accept delivery pending correction of the deficiency by the delivering party.

(b) If gas tendered under an Agreement fails to conform to any of the quality specifications set forth above, the party tendering the gas shall be responsible for any damage to the facilities of KMIP caused by such tender of non-conforming gas; provided, however, that if KMIP has consented to receive the non-conforming gas, the tendering party shall not be liable to the extent expressly stated in the consent.

19.4 POSTING OF GAS QUALITY INFORMATION

KMIP posts information on gas quality on its System as described in Section 13.1(a) of these General Terms and Conditions.

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20. FORCE MAJEURE

20.1 EFFECT OF FORCE MAJEURE

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

20.2 DEFINITION OF FORCE MAJEURE

(a) The term "Force Majeure" as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include acts of God, strikes, lockouts or other industrial disturbances, inability to obtain pipe or other material or equipment or labor, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and people, interruptions by government or court orders, present or future orders of any regulatory body having proper jurisdiction, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome.

(b) Nothing contained herein, however, shall be construed to require either party to settle a strike against its will. Such causes or contingencies affecting the performance by either party, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies relieve either party of liability otherwise unless such party shall give notice and full particulars of the same in writing or by electronic means to the other party as soon as possible after the occurrence relied on.

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21. POSSESSION OF GAS, TITLE AND RESPONSIBILITY

Shipper warrants that it will at the time of delivery to KMIP have good title to all gas so delivered free and clear of all liens, encumbrances and claims whatsoever. As between Shipper and KMIP, Shipper shall be deemed to be in control and possession of the gas and responsible for and hold KMIP harmless of and from any damage or injury caused thereby until it shall have been delivered to KMIP at the Receipt Point(s), after which KMIP shall be deemed to be in control and possession of such gas until its delivery to Shipper, or for Shipper's account at the Delivery Point and while in such possession KMIP shall be responsible therefore and hold Shipper harmless of and from any damage or injury caused thereby. KMIP shall have no responsibility with respect to any gas on account of anything which may be done, happen or arise with respect to said gas until it is received by KMIP. Shipper shall have no responsibility with respect to said gas after its receipt by KMIP or on/account of anything which may be done, happen or arise with respect to said gas after such receipt until its delivery to Shipper, or for Shipper's account, at the Delivery Point. The point of the division of responsibility shall be the point of interconnection between the facilities of KMIP and the upstream or downstream entity, or their respective agents, at the Receipt or Delivery Point(s), as applicable. The foregoing provisions of this Section shall not relieve either party from responsibility for acts of gross negligence or willful misconduct of such party, its agents or employees.

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22. NOTIFICATION

22.1 GENERAL

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

22.2 NOTIFICATION PROCEDURES

(a) PRICING

(1) The availability and pricing of services on KMIP's System is governed by this Tariff. From time to time, KMIP changes or updates its Tariff by filings with the FERC. Each Shipper is notified by KMIP of such filings and is provided a copy of each filing.

(2) Telephone inquiries related to the availability or pricing of services are answered by representatives of KMIP and upon request, potential Shippers are provided copies of KMIP's Tariff filings.

(3) Shippers desiring a rate under any Agreement other than the maximum rate on file with the FERC are required to submit such requests in writing or by electronic medium to the Manager, Gas Transportation, in Houston. Any lower rate agreed to by KMIP is evidenced in writing to such Shipper, and such rate is

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considered confidential until it is reported to the FERC as required by the Regulations. In order to attract or determine interest in the use of any particular service, representatives of KMIP from time to time contact Shippers by telephone. Such conversations are confidential and may or may not result in Shipper submitting a request for a discounted rate for a particular service.

(b) CAPACITY

(1) Capacity available for firm service is communicated to requestors of that service under the provisions of Rate Schedule FTS. The general availability of firm capacity is also communicated by KMIP's Interactive Website which is described in Section 13 of these General Terms and Conditions.

(2) Capacity available for interruptible service under Rate Schedule ITS is communicated to holders of interruptible Agreements by representatives of KMIP in response to the Shippers' nominations for service. The nomination and confirmation procedure is detailed in Section 6 of these General Terms and Conditions. The general availability of interruptible capacity is also communicated by KMIP's Interactive Website, which is described in Section 13 of these General Terms and Conditions.

(3) When available capacity is affected by construction projects or unforeseen conditions, KMIP communicates such information primarily via its Interactive Website to its Shippers. KMIP also uses letters or telephone calls to communicate capacity information when such means are appropriate.

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23. FACILITIES/OBLIGATION TO CARRY OUT AGREEMENT/FILINGS

23.1 FACILITIES

The nature of, and responsibility for, any facilities which must be acquired, modified or constructed to effectuate an Agreement are to be set out in a separate agreement between KMIP and Shipper or the operator of a point. To the extent that Shipper builds facilities to interconnect with KMIP's System, such facilities shall be in conformance with Department of Transportation regulations, and any other applicable governmental regulations, and shall be subject to inspection and prior approval by KMIP.

23.2 OBLIGATIONS TO CARRY OUT AGREEMENT

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

23.3 REGULATORY FILINGS

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

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24. INDEMNIFICATION

24.1 GENERAL

Shipper will indemnify and hold KMIP harmless from and against any and all suits, actions, causes of action, claims and demands, damages, costs, losses, expenses (including reasonable attorney fees) and regulatory proceedings arising from or out of any adverse claims by third parties claiming ownership of or an interest in the gas tendered under an Agreement. KMIP will indemnify and hold Shipper harmless from and against any and all suits, actions, causes of action, claims and demands, damages, costs, losses, expenses (including reasonable attorney fees) and regulatory proceedings arising from or out of any adverse claims by third parties claiming ownership of or an interest in the gas delivered to Shipper, or for Shipper's account, under an Agreement.

24.2 ELIGIBILITY FOR SERVICE

Shipper warrants that its requested service meets the requirement for service under the applicable Rate Schedule and these General Terms and Conditions and conforms to applicable Regulations of the FERC. Shipper further agrees to abide by the terms of the applicable Rate Schedule and these General Terms and Conditions.

24.3 CURTAILMENT

Shipper further agrees to indemnify KMIP and save KMIP harmless from any claims asserted by any person because of any curtailment or interruption of service which is consistent with the applicable Rate Schedule and these General Terms and Conditions. Shipper, however, shall have no obligation to indemnify KMIP for the results of any intentional or unintentional acts by KMIP that contravene the applicable Rate Schedule or these General Terms and Conditions.

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25. SUCCESSORS AND ASSIGNS

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

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26. REGULATION

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

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27. LINE PACK

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

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28. COMPLAINT PROCEDURE

It is the goal of KMIP, as a provider of transportation services for others, that each of its existing and potential shippers receives service that is in accordance with KMIP's Tariff and is fully satisfactory to the customer. To that end, it is the policy of KMIP that customer concerns and problems, communicated in any form to any representative of KMIP, be satisfactorily resolved as informally, as rapidly and at as low a level as is possible. If attempts to resolve problems and concerns through such normal communication channels are unsuccessful, the procedures set forth in Sections 28 (a) through 28 (e) should be followed.

(a) Formal complaints by Shippers and potential shippers shall be addressed to the Vice President, Business Management, located in Downers Grove, Illinois. A complaint should contain as much specific information as is possible in order to facilitate the appropriate resolution of the matter. Anyone making a verbal complaint should specifically identify the communication as a complaint.

(b) The Vice President, or his designee, shall acknowledge the receipt of the complaint within forty-eight (48) hours of receipt. If appropriate, KMIP's resolution of the matter will be communicated tentatively to the complainant at that time.

(c) The Vice President, or his designee, shall communicate, as necessary, with others concerning the complaint and the formation of an appropriate response to it.

(d) The timing and nature of subsequent communications with the complainant, including final resolution of the matter, shall be at the discretion of the Vice President. Every effort shall be made to resolve finally each complaint in writing within thirty (30) days after the complaint was originally received. At a minimum, KMIP shall notify Shipper in writing of the status of the complaint within thirty (30) days of its receipt.

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

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29. ANNUAL CHARGES ADJUSTMENT (ACA) SURCHARGE

29.1 PURPOSE

This Section of the General Terms and Conditions is filed pursuant to Section 154.402 and Subpart B of Part 382 of the Commission's regulations under the Natural Gas Act (NGA) and the Natural Gas Policy Act of 1978. The intent and purpose of this Section is to establish an Annual Charges Adjustment (ACA) provision under which KMIP can recover from its customers annual charges assessed to it by the Commission pursuant to Part 382 of the Commission's regulations (ACA Cost). All amounts assessed pursuant to Part 382 of the Commission's regulations shall be recorded in Account 928. KMIP will not seek to recover annual charges assessed to it pursuant to Part 382 of the Commission's regulations in an NGA Section 4 rate case. For its transportation Rate Schedules, KMIP will collect an ACA unit charge, as calculated by the Commission, for the purpose of recovering its ACA cost. This Section establishes an ACA surcharge as set forth in the Currently Effective Rates section of this Tariff.

29.2 APPLICABILITY

The ACA surcharge shall be applicable to all transportation transactions performed by KMIP.

29.3 BASIS OF THE ACA SURCHARGE

The rates for all transactions specified in Section 29.2 hereof shall be adjusted by an ACA unit charge to recover ACA Cost. Such ACA unit charge, as revised annually and posted on the Commission website ^{1/}, is incorporated by reference into KMIP's FERC Gas Tariff, Volume No. 1. The ACA unit charge shall be applied to the commodity component of rates.

29.4 EFFECTIVE DATE OF CHARGES

The effective date of charges pursuant to this Section shall be October 1.

1/ KMIP incorporates by reference into its Tariff the ACA unit charge, as revised annually and posted on the Commission's website, located at <http://www.ferc.gov> on the Annual Charges page of the Natural Gas section.

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

30.1 KMIP has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ, Version 3.1, which are required by the Commission in 18 CFR, Section 284.12(a), as indicated below. Standards without accompanying identification or notation are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

30.2 Pursuant to NAESB's Copyright Procedure Regarding Member and Purchaser Self-Executing Waiver adopted by the NAESB Board of Directors on April 4, 2013, KMIP may publish in its tariff, compliance filings, in communications with customers or stakeholders in conducting day to day business or in communications with regulatory agencies some or all of the language contained in NAESB standards protected by copyright, provided that KMIP includes appropriate citations in the submission.

KMIP has elected to reproduce only the following Business Practices and Electronic Communication Standards, NAESB WGQ Version 3.1, that are protected by NAESB's copyright. With respect to each reproduced standard, KMIP incorporates the following: Copyright 1996-2017 North American Energy Standards Board, Inc., all rights reserved (including minor corrections).

30.3 Standards not Incorporated by Reference and Their Location in Tariff:

**NAESB
Standard**

GT&C

2.3.10	Original Sheet No. 102, General Terms and Conditions - Sections 1.13 through 1.16	1.15 - Definitions - Heating Value
2.2.1	Original Sheet No. 104, General Terms and Conditions - Sections 1.22 through 1.25	1.24 - Definitions - Operational Balancing Agreement ("OBA")
2.3.9	First Revised Sheet No. 106, General Terms and Conditions - Sections 1.29 through 1.32	1.32 - Definitions - Standard Reporting Basis
3.2.1	First Revised Sheet No. 100, General Terms and Conditions - Sections 1, 1.1 through 1.7	1.4 - Definitions - Business Day
1.3.1	First Revised Sheet No. 100, General Terms and Conditions - Sections 1, 1.1 through 1.7	1.6 - Definitions - Day or Gas Day
1.3.23	Original Sheet No. 130, General Terms and Conditions - Sections 6.11 and 6.12	6.11 - Nomination/Reporting and Balancing - Nomination Priorities
1.3.3	First Revised Sheet No. 127, General Terms and Conditions - Section 6.7	6.7 - Nomination/Reporting and Balancing - End-of-Gas-Day Scheduling Gas Document
1.3.19	First Revised Sheet No. 128, General Terms and Conditions - Sections 6.8 and 6.9	6.8 - Nomination/Reporting and Balancing - Overrun Quantities
2.3.3	First Revised Sheet No. 131, General Terms and Conditions - Sections 7, 7.1 and 7.2	7.2 - Determination of Daily Receipts
2.3.18	First Revised Sheet No. 131, General Terms and Conditions - Sections 7, 7.1 and 7.2	7.2 - Determination of Daily Receipts
2.3.6	First Revised Sheet No. 133, General Terms and Conditions - Sections 8, 8.1 and 8.2	8.1 - Determination of Daily Deliveries - Predetermined Allocations
2.3.16	First Revised Sheet No. 133, General Terms and Conditions - Sections 8, 8.1 and 8.2	8.1 - Determination of Daily Deliveries - Predetermined Allocations
3.3.9	Original Sheet No. 153, General Terms and Conditions - Sections 11, 11.1 through 11.3	11.1 - Statements, Billings, Payment and Discounting Policy - Statement and Invoices
2.3.28	Original Sheet No. 153, General Terms and Conditions - Sections 11, 11.1 through 11.3	11.3 - Statements, Billings, Payment and Discounting Policy - Imbalance Statement
3.3.17	First Revised Sheet No. 154, General Terms and Conditions - Sections 11.4 and 11.5	11.4 - Statements, Billings, Payment and Discounting Policy - Payment
3.3.18	First Revised Sheet No. 154, General Terms and Conditions - Sections 11.4 and 11.5	11.4 - Statements, Billings, Payment and Discounting Policy - Payment
3.3.19	First Revised Sheet No. 154, General Terms and Conditions - Sections 11.4 and 11.5	11.4 - Statements, Billings, Payment and Discounting Policy - Payment
3.3.15	First Revised Sheet No. 155, General Terms and Conditions - Sections 11.4 and 11.5	11.5(b) - Statements, Billings, Payment and Discounting Policy - Adjustment of Errors
5.3.11	First Revised Sheet No. 194, General Terms and Conditions - Sections 14.11, 14.12 and 14.13	14.11 - Capacity Release by Firm Shippers - Confirmations; Released Firm Transportation Agreement
2.3.14	First Revised Sheet No. 213, General Terms and Conditions - Sections 17, 17.1 through 17.4	17.10 - Correction of Metering Errors
3.3.14	Original Sheet No. 153, General Terms and Conditions - Sections 11, 11.1 through 11.3	11.3 - Statements, Billings, Payment and Discounting Policy - Shipper Information
2.3.26	First Revised Sheet No. 154, General Terms and Conditions - Sections 11.4 and 11.5	11.5(a) - Statement, Billings, Payment and Discounting Policy - Adjustment of Errors
0.3.7	Original Sheet No. 159, General Terms and Conditions - Section 12.1	12.1(a)(5) - Evaluation of Credit
0.3.10	Original Sheet No. 159, General Terms and Conditions - Section 12.1	12.1(a)(5) - Evaluation of Credit
0.3.3	Original Sheet No. 163, General Terms and Conditions - Section 12.2	12.2(a)(2)(i) - Evaluation of Credit
0.3.4	Original Sheet No. 163, General Terms and Conditions - Section 12.2	12.2(a)(2)(ii) - Evaluation of Credit
0.3.5	Original Sheet No. 163, General Terms and Conditions - Section 12.2	12.2(a)(2)(iii) - Evaluation of Credit
0.3.6	Original Sheet No. 163, General Terms and Conditions - Section 12.2	12.2(a)(2)(iv) - Evaluation of Credit
0.3.8	Original Sheet No. 164, General Terms and Conditions - Section 12.2	12.2(c) - Evaluation of Credit
0.3.9	Original Sheet No. 164, General Terms and Conditions - Section 12.2	12.2(c) - Evaluation of Credit
4.3.89	Third Revised Sheet No. 165, General Terms and Conditions - Sections 13 and 13.1	13.1(a)(1) - Interactive Web Site - Web Site Description
4.3.90	Third Revised Sheet No. 165, General Terms and Conditions - Sections 13 and 13.1	13.1(a)(2) - Interactive Web Site - Web Site Description
4.3.91	Third Revised Sheet No. 166, General Terms and Conditions - Section 13.1	13.1(a)(3) - Interactive Web Site - Web Site Description
4.3.92	Third Revised Sheet No. 166, General Terms and Conditions - Section 13.1	13.1(a)(3) - Interactive Web Site - Web Site Description
5.3.2	Third Revised Sheet No. 172, General Terms and Conditions - Sections 14 and 14.1	14.1(c) - Capacity Release by Firm Shippers - General
5.3.4	Original Sheet No. 191, General Terms and Conditions - Section 14.10	14.10(c) - Capacity Release by Firm Shippers - Bid Evaluation Procedure

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5.3.5	First Revised Sheet No. 194, General Terms and Conditions - Sections 14.11, 14.12 and 14.13	14.13(a) - Capacity Release by Firm Shippers – Billing
5.3.50	First Revised Sheet No. 198, General Terms and Conditions - Section 14.14	14.14(a) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Recall Nomination Timeline
5.3.51	Original Sheet No. 197, General Terms and Conditions - Section 14.14	14.14(a) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Recalling Capacity - General
5.3.44	First Revised Sheet No. 198, General Terms and Conditions - Section 14.14	14.14(b) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Recall Nomination Timeline
5.3.52	First Revised Sheet No. 199, General Terms and Conditions - Section 14.14	14.14(c)(1) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Methods of Notification
5.3.55	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(d) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Quantity Allocation
5.3.56	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(d) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Quantity Allocation
5.3.57	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(d) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Quantity Allocation
5.3.58	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(d) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Quantity Allocation
5.3.53	First Revised Sheet No. 201, General Terms and Conditions - Section 14.15	14.14(e) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Reputs
5.3.45	First Revised Sheet No. 199, General Terms and Conditions - Section 14.14	14.14(b)(7) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Recall Nomination Timeline
5.3.47	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(c)(1) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Methods of Notification
5.3.46	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(c)(2) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Methods of Notification
5.3.48	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(c)(2) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Methods of Notification
5.3.49	First Revised Sheet No. 200, General Terms and Conditions - Section 14.14	14.14(c)(3) - Capacity Release by Firm Shippers - Nominations/Scheduling; Recalls and Reputs - Methods of Notification
5.3.59	First Revised Sheet No. 201, General Terms and Conditions - Section 14.15	14.15(a) - Capacity Release by Firm Shippers - Qualifications for Participation in the Capacity Release Program
5.3.1	Third Revised Sheet No. 172, General Terms and Conditions - Sections 14 and 14.1	14.1b - Capacity Release by Firm Shippers - General
5.3.8	First Revised Sheet No. 178, General Terms and Conditions - Section 14.3	14.3(c) - Capacity Release by Firm Shippers - Release Without a Prearranged Shipper
5.3.8	Fourth Revised Sheet No. 180, General Terms and Conditions - Section 14.4	14.4(b)(3) - Capacity Release by Firm Shippers - Prearranged Release
5.3.8	First Revised Sheet No. 184, General Terms and Conditions - Section 14.5	14.5(e) - Capacity Release by Firm Shippers - Capacity Release Requirements
5.3.26	Third Revised Sheet No. 179, General Terms and Conditions - Section 14.3	14.3(j) - Capacity Release by Firm Shippers - Release Without a Prearranged Shipper
5.3.26	Third Revised Sheet No. 181, General Terms and Conditions - Section 14.4	14.4(i) - Capacity Release by Firm Shippers - Prearranged Release
5.3.28	First Revised Sheet No. 178, General Terms and Conditions - Section 14.3	14.3(b) - Capacity Release by Firm Shippers - Release Without a Prearranged Shipper
5.3.28	Fourth Revised Sheet No. 180, General Terms and Conditions - Section 14.4	14.4(b)(1) - Capacity Release by Firm Shippers - Prearranged Release
5.3.3	Second Revised Sheet No. 183, General Terms and Conditions - Section 14.5	14.5(a) - Capacity Release by Firm Shippers - Capacity Release Requirements
5.3.16	Second Revised Sheet No. 185, General Terms and Conditions - Section 14.6	14.5(f)(1) - Capacity Release by Firm Shippers - Capacity Release Requirements
5.3.14	Second Revised Sheet No. 185, General Terms and Conditions - Section 14.6	14.5(f)(2) - Capacity Release by Firm Shippers - Capacity Release Requirements
5.3.19	Second Revised Sheet No. 185, General Terms and Conditions - Section 14.6	14.5(g) - Capacity Release by Firm Shippers - Capacity Release Requirements
5.3.25	Second Revised Sheet No. 186, General Terms and Conditions - Section 14.7	14.7(c) - Capacity Release by Firm Shippers - Postings; Open Season

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5.3.15	Original Sheet No. 188, General Terms and Conditions - Section 14.8	14.8(e) - Capacity Release by Firm Shippers - Qualified Bids for Release Capacity Rights
5.3.13	First Revised Sheet No. 187, General Terms and Conditions - Section 14.8	14.8(a)(6) - Capacity Release by Firm Shippers - Qualified Bids for Release Capacity Rights
1.3.4	First Revised Sheet No. 121, General Terms and Conditions - Sections 6 and 6.1	6.1(a) - Nomination/Reporting and Balancing - General
1.3.7	First Revised Sheet No. 121, General Terms and Conditions - Sections 6 and 6.1	6.1(a) - Nomination/Reporting and Balancing - General
1.3.5	First Revised Sheet No. 121, General Terms and Conditions - Sections 6 and 6.1	6.1(b) - Nomination/Reporting and Balancing - General
1.3.9	First Revised Sheet No. 121, General Terms and Conditions - Sections 6 and 6.1	6.1(b) - Nomination/Reporting and Balancing - General
1.3.21	First Revised Sheet No. 121, General Terms and Conditions - Sections 6 and 6.1	6.1(c) - Nomination/Reporting and Balancing - General
1.3.14	First Revised Sheet No. 122, General Terms and Conditions - Section 6.2	6.1(d) - Nomination/Reporting and Balancing - General
1.3.2(i) - (ii)	First Revised Sheet No. 122, General Terms and Conditions - Section 6.2	6.2(a) - (b) - Nomination/Reporting and Balancing - Standard Nomination Cycle
1.3.2(iii) - (v)	First Revised Sheet No. 123, General Terms and Conditions - Section 6.2	6.2(c) - (e) - Nomination/Reporting and Balancing - Standard Nomination Cycle
1.3.2(vi)	Original Sheet No. 123A, General Terms and Conditions - Section 6.2	6.2(f) - Nomination/Reporting and Balancing - Standard Nomination Cycle
1.3.8	Second Revised Sheet No. 125, General Terms and Conditions - Section 6.5	6.5(b) - Nomination/Reporting and Balancing - Confirmation by KMIP
1.3.22	Second Revised Sheet No. 125, General Terms and Conditions - Section 6.5	6.5(c)(i) - Nomination/Reporting and Balancing - Confirmation by KMIP
1.2.12	Second Revised Sheet No. 125, General Terms and Conditions - Section 6.5	6.5(c)(iii) - Nomination/Reporting and Balancing - Confirmation by KMIP
1.2.4	First Revised Sheet No. 126, General Terms and Conditions - Section 6.6	6.6(a) - Nomination/Reporting and Balancing - Intraday Nominations
1.3.13	First Revised Sheet No. 127, General Terms and Conditions - Section 6.7	6.6(g) - Nomination/Reporting and Balancing - Intraday Nominations
1.3.11	First Revised Sheet No. 127, General Terms and Conditions - Section 6.7	6.6(h) - Nomination/Reporting and Balancing - Intraday Nominations
1.3.32	First Revised Sheet No. 127, General Terms and Conditions - Section 6.7	6.6(h) - Nomination/Reporting and Balancing - Intraday Nominations
2.3.5	First Revised Sheet No. 131, General Terms and Conditions - Sections 7, 7.1 and 7.2	7.2 - Determination of Daily Receipts
2.3.5	First Revised Sheet No. 133, General Terms and Conditions - Sections 8, 8.1 and 8.2	8.1- Determination of Daily Deliveries - Predetermined Allocations
2.3.17	First Revised Sheet No. 131, General Terms and Conditions - Sections 7, 7.1 and 7.2	7.2 - Determination of Daily Receipts
2.3.17	First Revised Sheet No. 133, General Terms and Conditions - Sections 8, 8.1 and 8.2	8.1- Determination of Daily Deliveries - Predetermined Allocations
30.4	Standards Incorporated by Reference:	
	(a)	Additional Standards
	(1)	General:
		(A) Definitions: 0.2.5
		(B) Standards: 0.3.1, 0.3.2, 0.3.16, 0.3.17
	(2)	Creditworthiness:
		(A) Standards:
	(3)	Gas/Electric Operational Communications:
		(A) Definitions: 0.2.1, 0.2.2, 0.2.3, 0.2.4
		(B) Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15
	(4)	Operating Capacity and Unsubscribed:
		(A) Standards: 0.3.18, 0.3.20, 0.3.21, 0.3.22
		(B) Datasets: 0.4.2, 0.4.3
	(5)	Location Data Downloads:
		(A) Standards: 0.3.23, 0.3.24, 0.3.25, 0.3.26, 0.3.27, 0.3.28, 0.3.29
		(B) Datasets: 0.4.4
	(6)	Storage Information:
		(A) Datasets: 0.4.1

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(7) Nominations Related Standards

(A) Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.5,
1.2.6, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.13, 1.2.14, 1.2.15, 1.2.16,
1.2.17, 1.2.18, 1.2.19

(B) Standards: 1.3.6, 1.3.15, 1.3.16, 1.3.17,
1.3.18, 1.3.20, 1.3.24, 1.3.25, 1.3.26, 1.3.27, 1.3.28, 1.3.29, 1.3.30,
1.3.31, 1.3.33, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.39, 1.3.40,
1.3.41, 1.3.42, 1.3.43, 1.3.44, 1.3.45, 1.3.46, 1.3.48, 1.3.51, 1.3.53,
1.3.55, 1.3.56, 1.3.58, 1.3.62, 1.3.64, 1.3.65, 1.3.66, 1.3.67, 1.3.68,
1.3.69, 1.3.70, 1.3.71, 1.3.72, 1.3.73, 1.3.74, 1.3.75, 1.3.76, 1.3.77,
1.3.79, 1.3.80, 1.3.81, 1.3.82

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(C) Datasets: 1.4.1, 1.4.2, 1.4.3, 1.4.4,
1.4.5, 1.4.6, 1.4.7

(8) Flowing Gas Related Standards:

(A) Definitions: 2.2.2, 2.2.3, 2.2.4, 2.2.5

(B) Standards: 2.3.1, 2.3.2, 2.3.4, 2.3.7,
2.3.8, 2.3.11, 2.3.12, 2.3.13, 2.3.15, 2.3.19, 2.3.20, 2.3.21, 2.3.22,
2.3.23, 2.3.25, 2.3.27, 2.3.29, 2.3.30, 2.3.31, 2.3.32, 2.3.40,
2.3.41, 2.3.42, 2.3.43, 2.3.44, 2.3.45, 2.3.46, 2.3.47, 2.3.48,
2.3.50, 2.3.51, 2.3.52, 2.3.53, 2.3.54, 2.3.55, 2.3.56, 2.3.57,
2.3.58, 2.3.59, 2.3.60, 2.3.61, 2.3.62, 2.3.63, 2.3.64, 2.3.65, 2.3.66

(C) Datasets: 2.4.1, 2.4.2, 2.4.3, 2.4.4,
2.4.5, 2.4.6, 2.4.7, 2.4.8, 2.4.9, 2.4.10, 2.4.11, 2.4.17, 2.4.18

(9) Invoicing Related Standards:

(A) Definitions:

(B) Standards: 3.3.3, 3.3.4, 3.3.5, 3.3.6,
3.3.7, 3.3.8, 3.3.10, 3.3.11, 3.3.12, 3.3.13, 3.3.16, 3.3.21, 3.3.22,
3.3.23, 3.3.24, 3.3.25, 3.3.26

(C) Datasets: 3.4.1, 3.4.2, 3.4.3, 3.4.4

(10) Quadrant Electronic Delivery Mechanism Related Standards:

(A) Definitions: 4.2.1, 4.2.2, 4.2.3, 4.2.4,
4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12, 4.2.13,
4.2.14, 4.2.15, 4.2.16, 4.2.17, 4.2.18, 4.2.19, 4.2.20

(B) Standards: 4.3.1, 4.3.2, 4.3.3, 4.3.16,
4.3.17, 4.3.18, 4.3.20, 4.3.22, 4.3.23, 4.3.24, 4.3.25, 4.3.26,
4.3.27, 4.3.28, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35,
4.3.36, 4.3.38, 4.3.40, 4.3.41, 4.3.42, 4.3.43, 4.3.44, 4.3.45,
4.3.46, 4.3.47, 4.3.48, 4.3.49, 4.3.50, 4.3.52, 4.3.53, 4.3.54,
4.3.55, 4.3.57, 4.3.58, 4.3.60, 4.3.61, 4.3.62, 4.3.66, 4.3.67,
4.3.68, 4.3.69, 4.3.72, 4.3.75, 4.3.78, 4.3.79, 4.3.80, 4.3.81,
4.3.82, 4.3.83, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 4.3.93, 4.3.94,
4.3.95, 4.3.96, 4.3.97, 4.3.98, 4.3.99, 4.3.100, 4.3.101, 4.3.102,
4.3.103, 4.3.104, 4.3.105, 4.3.106

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(11) Capacity Release Standards:

- (A) Definitions: 5.2.1, 5.2.2, 5.2.3,
5.2.4, 5.2.5
- (B) Standards: 5.3.7, 5.3.9, 5.3.10,
5.3.12, 5.3.18, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.24, 5.3.29, 5.3.31,
5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40,
5.3.41, 5.3.42, 5.3.54, 5.3.60, 5.3.62, 5.3.62a, 5.3.63, 5.3.64, 5.3.65,
5.3.66, 5.3.67, 5.3.68, 5.3.69, 5.3.70, 5.3.71, 5.3.72, 5.3.73
- (C) Datasets: 5.4.14, 5.4.15, 5.4.16,
5.4.17, 5.4.20, 5.4.21, 5.4.22, 5.4.23, 5.4.24*, 5.4.25, 5.4.26, 5.4.27

(12) Internet Electronic Transport Related
Standards:

- (A) Definitions: 10.2.1, 10.2.2, 10.2.3,
10.2.4, 10.2.5, 10.2.6, 10.2.7, 10.2.8, 10.2.9, 10.2.10, 10.2.11,
10.2.12, 10.2.13, 10.2.14, 10.2.15, 10.2.16, 10.2.17, 10.2.18, 10.2.19,
10.2.20, 10.2.21, 10.2.22, 10.2.23, 10.2.24, 10.2.25, 10.2.26, 10.2.27,
10.2.28, 10.2.29, 10.2.30, 10.2.31, 10.2.32, 10.2.33, 10.2.34, 10.2.35,
10.2.36, 10.2.37, 10.2.38
- (B) Standards: 10.3.1, 10.3.3, 10.3.4,
10.3.5, 10.3.6, 10.3.7, 10.3.8, 10.3.9, 10.3.10, 10.3.11, 10.3.12,
10.3.14, 10.3.15, 10.3.16, 10.3.17, 10.3.18, 10.3.19, 10.3.20, 10.3.21,
10.3.22, 10.3.23, 10.3.24, 10.3.25, 10.3.26, 10.3.27

30.5 Standards for Which Waiver or Extension of Time to
Comply Have Been Granted:

- (a) None.

30.6 (a) KMIP shall utilize the standard data sets
provided by the standards incorporated by reference in 18 CFR Section
284.12. KMIP's implementation guide for the standardized data sets
specifies KMIP's intended use, if any, of the data elements that are
coded as "business conditional" (BC) and "mutually agreeable" (MA) for
purposes of EDI. The implementation guide may be obtained by contacting
the Website Security Help Line and asking for the EDI coordinator. The
Website Security Help Line phone number can be found at
<http://pipeline.kindermorgan.com>.

(b) KMIP shall utilize the North American Energy
Standards Board Electronic Data Interchange Trading Partner Agreement -
Dated: June 15, 2009 (Version 1.9, Standard 6.3.3).

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

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31. NEGOTIATED RATES

31.1 PRECONDITIONS TO NEGOTIATED RATES

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

(a) KMIP and Shipper have executed a valid Agreement containing therein or in a related agreement a specific mutual understanding that Negotiated Rate(s) or a Negotiated Rate Formula will apply to service for that Shipper;

(b) At the time of execution of the Agreement (or the amendment to an Agreement), which first provides for the applicability to Shipper of the Negotiated Rate(s) or Negotiated Rate Formula, service was available pursuant to the terms and conditions (not modified by this Section 31) of Rate Schedule FTS or ITS of this Tariff, as applicable; and

(c) No later than the Business Day on which KMIP commences service at such Negotiated Rate(s) or Negotiated Rate Formula (or if the Day on which KMIP commences service is not a Business Day, then no later than the next Business Day after KMIP commences service), KMIP will file a tariff sheet advising the Commission of such Negotiated Rate or Negotiated Rate Formula, stating the name of Shipper, the type of service, the Receipt and Delivery Point(s) applicable to the service, the volume of the gas to be transported, any other charges, and specifying either: (i) the specific Negotiated Rate included in such Agreement; or (ii) the Negotiated Rate Formula included in such Agreement with sufficient specificity such that the rate in effect from time to time can be readily calculated. The tariff sheet must also incorporate a statement that the Agreement does not deviate from the form of Service Agreement in any material respect or, alternatively, KMIP may file the contract.

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31.2 CAPACITY ALLOCATION

To the extent the revenue level pursuant to the Negotiated Rate(s) or Negotiated Rate Formula provided for in Section 33.1 above should exceed the revenue level at the Recourse Rate, the Shipper paying such Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be treated, for all capacity award and allocation purposes as if the rate bid or paid had been equal to the Recourse Rate. Any Shipper, existing or new, paying the applicable Recourse Rate has the same right to capacity as a Shipper paying or willing to pay a Negotiated Rate or the rate under a Negotiated Rate Formula which is equal to or higher than the corresponding Recourse Rate. If the Negotiated Rate or rate under a Negotiated Rate Formula is equal to or higher than the corresponding Recourse Rate, the Recourse Rate rather than the Negotiated Rate or Negotiated Rate Formula will be used as the price cap for release capacity pursuant to Section 14.8 of these General Terms and Conditions and for the Right of First Refusal pursuant to Section 16.2 of these General Terms and Conditions. Where the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula results in revenue which is greater than the Recourse Rate during certain portions of the relevant evaluation period but less than the revenue at the Recourse Rate during other portions of the relevant evaluation period (but the revenue pursuant to the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula equals or exceeds that which would be generated at the Recourse Rate for the entire evaluation period), the value of bids and requests at the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be evaluated as though the Recourse Rate applied under such bid or request for the entire evaluation period. Where the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula result in revenue which is less than revenue at the Recourse Rate over the relevant evaluation period, the value of the bids or requests at the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula shall be evaluated based on such lower revenue and shall be afforded a correspondingly lower priority than bids or requests at the Recourse Rate.

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31.3 ACCOUNTING FOR COSTS AND REVENUES

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

31.4 CAPACITY RELEASE REVENUE

KMIP and Shipper may agree hereunder to a Negotiated Rate or Negotiated Rate Formula which includes payment obligations or crediting mechanisms in the event of a capacity release which vary from those set out in Section 14.13 of these General Terms and Conditions. Nothing in the foregoing sentence, however, shall authorize KMIP or Shipper to violate the Commission's policy with respect to the negotiation of terms and conditions of service.

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32. OPERATIONAL CONTROL

32.1 GENERAL

(a) KMIP shall endeavor to maintain adequate pressure throughout its System and to preserve the overall operational integrity of its System; provided, however, that KMIP shall not be obligated to buy or sell gas or to install compression or other facilities or otherwise modify its System for these purposes. Operating personnel for Shippers and other entities which are physically taking delivery of gas from KMIP or tendering gas to KMIP shall cooperate with KMIP in furtherance of this Section. Each Shipper shall designate the telephone and telefax numbers of one or more persons [but not more than two (2) primary and two (2) backup persons] for KMIP to contact on operating matters (including the receipt of Operational Flow Orders and notices of a Critical Time) at any time, on a 24-hour a day, 365-day a Year basis. Such contact persons must have adequate authority and expertise to deal with such operating matters.

(b) For the purpose of these General Terms and Conditions, the overall operational integrity of KMIP's System shall encompass the integrity of the physical System and the preservation of physical assets and their performance, the overall operating performance of the entire physical System as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of gas delivered.

32.2 FACILITY CONTROL

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

32.3 OPERATING INFORMATION

KMIP may request that Shippers periodically provide non-binding estimates of flow patterns and other operating parameters. Shippers will cooperate in providing such operating information.

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32.4 OPERATIONAL CONTROL SEQUENCE

In the event KMIP's observations or projections indicate that a situation is or may be developing in which adequate pressures may not be maintained or the overall operational integrity of its system (or any portion thereof) could be threatened, or in the event that such a situation actually occurs, KMIP is empowered by this Section to take action to alleviate this situation. In responding to such a situation, KMIP shall first apply the Advisory Action procedures of Section 32.5. If such measures are not sufficient to address the situation fully, KMIP shall next employ Operational Flow Orders as provided in Section 32.6. In the event Operational Flow Orders alone are not adequate, KMIP may invoke the Critical Time procedures set out in Section 32.7. Finally, KMIP may take unilateral action as provided in Section 32.8. The procedures set out in such provisions, and their sequencing, are intended to be applied only to the extent any of the specific actions indicated, or such sequencing, would tend to alleviate the situation to be addressed. In issuing Advisory Actions, Operational Flow Orders or declaring a Critical Time, KMIP shall describe the conditions and the specific responses required from the affected parties. To the extent practicable, KMIP shall direct its actions hereunder to Shippers creating or anticipated to create the situation to be addressed and shall act consistent with Sections 32.9 and 32.10. Nothing herein shall preclude KMIP from bypassing any of the above procedures if, in its judgment, the situation so requires. KMIP will keep Shippers advised through its Interactive Website on the status of the situation.

32.5 ADVISORY ACTIONS

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

(a) Before taking any other action hereunder, KMIP will interrupt, curtail or require adjustment to or supply shift in service to interruptible Shippers to the extent such action will address the situation creating operational concern.

(b) KMIP may request Shippers or other entities affecting its System to take any of the following actions, or other similar actions, to the extent such actions would tend to alleviate the situation, on a voluntary basis:

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- (1) Increase or decrease the supply mix of deliveries;
 - (2) Shift receipts to obtain better capacity balance between pipeline systems;
 - (3) Change Receipt or Delivery Points;
 - (4) Change usage patterns (e.g., end users switch to alternate fuels);
 - (5) Provide assistance from market area resources;
 - (6) Activate pre-negotiated voluntary arrangements under which gas is diverted from one Shipper to another or from a non-Shipper to a Shipper (which arrangements may specify appropriate compensation);
 - (7) Reconcile transportation imbalances; and/or
 - (8) Such other voluntary action as would tend to alleviate or forestall the situation.
- (c) KMIP may also take actions within its control which might tend to alleviate or forestall the situation. Such actions may include the following:
- (1) Advise any Shipper which is not maintaining receipts and deliveries in balance that such imbalances must not continue; or
 - (2) Take such other actions as are within KMIP's control and discretion to alleviate or forestall the situation.

32.6 OPERATIONAL FLOW ORDERS

- (a) (1) In the event that the Advisory Actions under Section 32.5 are not sufficient to alleviate conditions, inter alia, which threaten or could threaten the safe operations or integrity of KMIP's System or to maintain operations required to provide efficient and reliable firm service, KMIP is authorized to issue Operational Flow Orders. Notwithstanding the foregoing, KMIP shall take reasonable actions to minimize the issuance and the adverse impact of Operational Flow Orders, or of any other measure taken under this Section 32 in response to adverse operational events on

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KMIP's system, including issuance of Operational Flow Orders which, to the extent practicable and where appropriate under the circumstances, are directed only to the specific Shipper or Shippers whose actions caused or contributed significantly to the conditions which required KMIP to issue the Operational Flow Order. KMIP will issue Operational Flow Orders only if necessary to maintain the pressure of its System within the range of normal operating parameters, respond to changes (including anticipated changes) in weather conditions or respond to or prevent facility outages or other conditions which could have a detrimental impact on System reliability or service integrity on its System. Operational Flow Orders shall be lifted as soon as practicable once such conditions no longer prevail.

(2) The Operational Flow Order shall identify with specificity the situation to be addressed and shall (in addition to mandating specific actions) indicate voluntary actions by Shippers (increased takes or receipts/decreased takes or receipts, etc.) which would alleviate such situation. Operational Flow Orders shall also specify the time when compliance must be achieved. Such Operational Flow Orders may, subject to Section 32.11, require a Shipper to take any of the following actions, or similar actions, to the extent such actions would tend to alleviate the situation to be addressed:

(i) Commence or increase supply inputs into KMIP's system or at specific points, or shift such supply inputs (in whole or in part) to different points.

(ii) Cease or reduce supply inputs into KMIP's system or at specific points.

(iii) Commence or increase takes of gas from KMIP's system or from specific points, or shift takes to different points.

(iv) Cease or reduce takes from KMIP's system or at specific points.

(v) Reconcile transportation imbalances.

(vi) Such other actions as are within Shipper's control which would tend to alleviate the situation to be addressed.

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(3) No Shipper will be required under an Operational Flow Order to exceed its total firm MDQ under its Agreements with KMIP under Part 284 of the Commission's Regulations. Nor will a Shipper be required to accept delivery of gas which the Shipper cannot use in its plant or service territory. Shipper shall not be required by an Operational Flow Order to take any gas which does not conform to the quality standards in Section 19 of these General Terms and Conditions to the extent that taking such gas would create an operational or maintenance problem on its system. Further, a Shipper subject to an Operational Flow Order issued to increase deliveries at Receipt Points will have the option to decrease takes at the Delivery Point by a like amount instead, and vice versa. Similarly, a Shipper subject to an Operational Flow Order issued to decrease deliveries at Receipt Points will have the option to increase takes at the Delivery Point by a like amount instead, and vice versa.

(b) In issuing Operational Flow Orders to correct problems with either too much gas or insufficient gas being received vis-à-vis deliveries, KMIP will generally follow the following sequence, to the extent there is sufficient time:

(1) KMIP will require all Shippers out of balance to the detriment of the System to balance their Agreements.

(2) KMIP will seek voluntary action from Shippers, subject to the Shipper and KMIP negotiating adequate compensation.

(3) KMIP will interrupt interruptible services if that will restore system flexibility prior to issuance of generally applicable Operational Flow Orders or curtailment of firm services. This step will be taken when Shippers are failing to comply with previously issued Operational Flow Orders or when KMIP cannot identify which Shippers are creating the problem.

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(c) Notice of an Operational Flow Order will be posted on KMIP's Interactive Website, and will be the first item shown on the bulletin board feature of its Interactive Website. KMIP shall also post, as soon as available, information about operational parameters which affect when an Operational Flow Order will begin and end (e.g., significant changes in pressure on any pipeline segment, status of facility repairs, etc.). KMIP shall provide as much advance warning as possible of: (i) conditions which may create the need to issue an Operational Flow Order; and (ii) the issuance, termination or modification of an Operational Flow Order. KMIP will endeavor to post the notice that it will issue an Operational Flow Order on its Interactive Website before 4:00 p.m. Central Clock Time or otherwise will endeavor to notify Shippers via its Interactive Website by 4:00 p.m. Central Time that they should check KMIP's Interactive Website again at a specified later time to see whether an Operational Flow Order will be in effect for the next Day. KMIP must attempt to give actual notice of an Operational Flow Order via telefax or telephone (provided a Shipper has given the numbers to KMIP as required in Section 32.1) at least four (4) hours prior to the start of the Day before an Operational Flow Order will be effective as to a Shipper; provided, however, that KMIP may issue an Operational Flow Order on as little as one (1) hour's notice where operationally necessary. Such notice shall specify the anticipated duration of the Operational Flow Order. An Operational Flow Order will be effective at the start of a Day and will continue until the end of the Day and through the end of successive Days until KMIP notifies Shippers on its Interactive Website that the Operational Flow Order has been lifted.

(d) If any Shipper fails to comply with an Operational Flow Order [other than those described in subsection (e) below] during any period which is not a Critical Time, it shall be subject to a penalty based on a price per Dth equal to three (3) times the average of the price(s) listed under the "AVG" column for the Flow Date(s) during the period of non-compliance as reported in Intelligence Press' "NGI's Daily Gas Price Index" in the table entitled "NGI's Cash Market Prices" under the Caption "Midwest, Chicago Citygate" times any volume of gas by which it deviated from the requirements of the Operational Flow Order. A Shipper shall be exempt from such a penalty under this Section 32.6 to the extent the Operational Flow Order requires action beyond Shipper's contract limits under its Agreement with KMIP or if Shipper has complied within a reasonable range, which range will be specified in the Operational Flow Order.

(e) In addition to the Operational Flow Orders described in subsection (a) above, KMIP may issue Operational Flow Orders as follows:

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(1) In order to improve System operations, KMIP may require a Shipper which has a variance of twenty percent (20%) or more between actual deliveries to KMIP at a Receipt Point and the confirmed nomination at that Receipt Point to conform the deliveries to the confirmed nomination as of the Day that commences with the effectiveness of the Operational Flow Order.

(f) A Shipper shall not be subject to overrun penalties and charges from KMIP or Balancing Service Charges with respect to any action taken in reasonable conformance with an Operational Flow Order issued by KMIP during a Critical or non-Critical Time.

(g) Any Receipt or Delivery Point where the variance between the total confirmed nominations and actual flows is less than 500 Dth per Day or where KMIP does not have either daily metering or access to such information shall be exempt at all times, including during a Critical Time, from Operational Flow Orders requiring that gas flows be conformed to nominations or to some percentage of nominations.

(h) Within thirty (30) days after an Operational Flow Order has been lifted, KMIP will post on its Interactive Website a report which describes the specific operational factors which caused the Operational Flow Order to be issued and to be lifted.

32.7 CRITICAL TIME

(a) KMIP shall advise Shippers on its System if it is declaring a Critical Time, as described in Section 9.5 of these General Terms and Conditions, and shall specify the nature of the situation creating the Critical Time.

(b) KMIP may issue Operational Flow Orders as described in Section 32.6 during a Critical Time.

(c) The penalty for failure to abide by an Operational Flow Order issued during a Critical Time shall be equal to the volume (in Dth) by which Shipper deviated from the requirement of the Operational Flow Order multiplied by the greater of (i) \$15.00 or (ii) the sum of three hundred percent (300%) of the highest authorized overrun rate which can be applicable to an FTS Agreement on KMIP's system pursuant to Section 9 of these General Terms and Conditions plus three hundred percent (300%) of the highest Weekly Index Price used to determine the Average Monthly Index Price (as determined in accordance with Section 10 of these General Terms and Conditions) for the Month in which the violation occurred.

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32.8 UNILATERAL ACTION

In the event that the actions under Sections 32.4 through 32.7 are inadequate or there is insufficient time to carry out such procedures, KMIP may periodically have to take unilateral action to maintain System pressure and preserve the overall operational integrity of KMIP's System (or any portion thereof). KMIP is authorized to use all the resources of its system to such ends, through the integrated operation of line pack and supply received into KMIP's system, even though gas may be owned by a person other than the entity receiving delivery. KMIP shall not, however, be responsible as a supplier of gas to any Shipper.

32.9 APPLICABILITY OF ACTIONS

(a) In exercising its authority pursuant to Sections 32.4 through 32.8, KMIP shall generally direct its actions to Shippers in the following sequence, to the extent such actions and/or sequencing will tend to alleviate the situation to be addressed:

(1) First, to any Shipper which is causing disruption due to its failure to maintain receipts and deliveries in balance or to match physical flows with nominated receipts or deliveries;

(2) Second, to any Shipper which is operating in a manner which conflicts with sound operational practices in relation to KMIP's System; and

(3) Lastly, to all other Shippers.

(b) Notwithstanding subsection (a), any Shipper which has taken voluntary action to alleviate a situation shall be exempted from further action hereunder to the extent of its voluntary action until KMIP has applied equivalent measures to other Shippers.

(c) Operational Flow Orders shall require action within any Shipper class proportionate to appropriate and relevant parameters, such as applicable contract quantities or current or recent flowing gas volumes.

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32.10 STANDARDS

(a) In issuing Operational Flow Orders or taking other operational control action under this Section, KMIP shall apply consistent and objective engineering and operational criteria to define the overall operational integrity of the System and acceptable pressure levels to be protected, to evaluate the imminent nature of any threat to these factors, and to determine what steps are necessary to preserve such factors. Such criteria may be changed from time to time as operating experience indicates.

(b) In applying this Section, KMIP shall operate its System on a non-discriminatory manner, without regard to the source of supply, the identity or nature of any Shipper or the identity of any entity tendering or receiving gas except as otherwise explicitly provided herein.

32.11 LIABILITY

KMIP shall not be liable to any person for the manner in which it operates its System, or for any diversion of gas or capacity rights or any other adverse consequences to such person which may result from its actions, provided that KMIP's actions were undertaken in furtherance of and in accordance with this Section and provided further that such adverse consequences are not attributable to KMIP's negligence or misfeasance.

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33. NON-WAIVER OF FUTURE DEFAULT

No waiver by either Shipper or KMIP of any one or more defaults by the other in performance of any of the provisions of the Agreement shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or of a different character.

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34. ACQUIRED CAPACITY

(a) KMIP may from time to time enter into transportation agreements with upstream or downstream entities, including other interstate pipelines, intrastate pipelines, or local distribution companies (Acquired Capacity). KMIP may use Acquired Capacity for its system operational needs and to render service to its customers. Except as provided in subsection (b), KMIP states that, if it transports gas for others using Acquired Capacity, it will apply to such services the same rates and tariffs as are applicable to on-system customers, as such rates and tariffs may change from time to time. For purposes of any use of Acquired Capacity covered by this Section 34(a), the "shipper must hold title" requirement is waived.

(b) Nothing herein shall be read to preclude KMIP from filing with the Commission for different tariff provisions applicable to any service which KMIP provides using Acquired Capacity; provided, however, that the waiver of the "shipper must hold title" requirement hereunder shall not apply in such a circumstance and KMIP will be required to seek a case-specific waiver of that requirement from the Commission.

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35. Non-Conforming Agreements

The Commission has directed that the following Agreements be filed with the Commission because they contain provisions which do not conform to KMIP's pro forma service agreements: