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**Kinder Morgan Louisiana Pipeline LLC**  
**First Revised Volume No. 1**  
**Tariff**

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**GENERAL TERMS AND CONDITIONS**

**1. DEFINITIONS**

**1.1 AGREEMENT**

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

**1.2 AUTHORIZED OVERRUN GAS**

"Authorized Overrun Gas" shall mean those volumes of Gas nominated and confirmed for transportation by Shipper on any Day in excess of its currently effective MDQ for Shipper's Rate Schedule FTS and/or Rate Schedule PALS Agreements, to the extent such Gas is scheduled under Section 6 of these General Terms and Conditions.

**1.3 AVERAGE WEEKLY INDEX PRICE OR "AWIP"**

"Average Weekly Index Price" or "AWIP" shall be determined using the Daily Index Prices (DIPs) defined in Section 1.7 of the General Terms and Conditions. For purposes of determining the AWIPs, a week shall be defined as a seven-day period beginning on a Saturday and ending on the following Friday ("Seven Day Period"). The AWIP for any week shall be the simple arithmetic average of the DIPs for such week.

**1.4 BUSINESS DAY**

Monday through Friday, 8:00 a.m. to 4:30 p.m. Central Clock Time excluding Federal Banking Holidays.

**1.5 COMMENCEMENT DATE**

"Commencement Date" shall mean the first date on which any Shipper has commenced service under a long-term firm FTS Agreement.

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**1.6 CONTRIBUTION IN AID OF CONSTRUCTION OR CIAC**

"Contribution in Aid of Construction" or "CIAC" shall, unless otherwise mutually agreed, mean the payment made to KMLP for the installation of new or expanded facilities at interconnection points for the receipt by KMLP or the delivery by KMLP of gas on behalf of Shipper or the construction of line heater equipment (where applicable) on behalf of Shipper. Unless otherwise agreed, the CIAC shall include all construction costs, including any filing fee (Investment Costs), on a mutually agreed payment schedule. In addition, if applicable, Shipper shall provide a reimbursement amount to compensate for income tax effects associated with such facilities (Tax Reimbursement). The Tax Reimbursement, where applicable, shall be an amount to compensate for the income tax effects of the CIAC, according to the following formula;

$$\text{Tax Reimbursement} = [\text{tax rate} \times (\text{Investment Cost} - \text{present value of tax depreciation})] \times [1 + \{\text{tax rate}/(1 - \text{tax rate})\}]$$

**1.7 DAILY INDEX PRICE OR DIP**

"Daily Index Price" or "DIP" shall mean for any Day the volume weighted average of the prices published for such Day, using flow Day and volume data as reported under the "AVG" and "VOL" columns, respectively, in Intelligence Press' "NGI's Daily Gas Price Index" in the table entitled "NGI Cash Market Prices" for the following indices under the East Texas and South Louisiana price categories:

Transco Zone 2 (less intrazone IT and fuel  
rates for Zone 2 set out in Transco's  
FERC Gas Tariff)  
Columbia Gulf Mainline  
Columbia Gulf Onshore  
Transco Zone 3 (less intrazone IT and fuel  
rates for Zone 3 set out in Transco's  
FERC Gas Tariff)  
Texas Eastern W. La  
ANR SE

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In the event that any index referenced above is unavailable or if the indices in the aggregate do not meet FERC requirements as to liquidity, KMLP will post that information on its Interactive Website and shall discontinue use of that referenced index in computing the Daily Index Price. During any period when an index is unavailable, KMLP shall compute the Daily Index Price using the published index prices that remain available. If any index remains unavailable for sixty (60) days, KMLP shall make a limited tariff filing pursuant to Section 4 of the Natural Gas Act requesting Commission authorization to adopt an appropriate replacement index to use in the computation of the Daily Index Price.

**1.8 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.

**1.9 DELIVERY POINT**

The term "Delivery Point" shall mean any point at which KMLP delivers to or for the account of Shipper Gas which has been transported by KMLP under any Rate Schedule in this Tariff, as specified in an Agreement or as applicable to service under such Agreement by operation of this Tariff.

**1.10 DTH**

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

**1.11 ELECTRONIC DATA INTERCHANGE ("EDI")**

The term "EDI" shall mean Electronic Data Interchange.

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**1.12 EQUIVALENT VOLUMES**

"Equivalent Volumes" shall be determined individually for each Shipper and shall mean the sum of the volumes of Gas measured in Dth received by KMLP for the account of that Shipper at the Receipt Points during any given period of time: (a) reduced by (i) that Shipper's share of Unaccounted For Gas resulting from the operations of KMLP hereunder during the same period of time, and (ii) that Shipper's share of applicable Fuel Gas during that 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.

In determining Equivalent Volumes for redelivery, KMLP shall formulate a thermal balance evaluating inputs to, and deliveries from, the System at least once each Month. Unaccounted For Gas and Fuel Gas shall be determined pursuant to Section 36 of these General Terms and Conditions.

**1.13 FERC**

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

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**1.14 FUEL GAS**

"Fuel Gas" means the thermal equivalent of that volume of Gas actually used by KMLP to effect the transportation of Gas hereunder from the Receipt Points to the Delivery Points, as determined by KMLP.

**1.15 GAS**

"Gas" shall mean combustible hydrocarbon Gas.

**1.16 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.

**1.17 INTERACTIVE WEBSITE**

The term "Interactive Website" shall mean the interactive internet web site maintained by KMLP for communication regarding its transportation services 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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1.18 LEG 1

"Leg 1" shall mean the pipeline facilities to be constructed and operated by KMLP as part of its System from a point of interconnection with the Sabine Pass LNG, L.P. Terminal in Cameron Parish, Louisiana to a point of terminus with the mainline transmission facilities of Columbia Gulf Transmission Company near Rayne, Louisiana.

1.19 LEG 2

"Leg 2" shall mean pipeline facilities to be owned, leased and operated by KMLP as part of its System, extending from a point of interconnection with the Sabine Pass LNG, L.P. Terminal in Cameron Parish, Louisiana, approximately one mile to a point of interconnection with Natural Gas Pipeline Company of America, LLC (NGPL) (NGPL Delivery Point), including Leased Capacity on NGPL extending from the NGPL Delivery Point to the Johnson's Bayou SW Loop area for deliveries to: (i) Bridgeline Holdings, L.P., and (ii) Southwest Loop Johnson's Bayou.

1.20 LINE HEATER GAS

"Line Heater Gas" shall mean the fuel utilized by KMLP in line heater equipment to maintain the temperature of Gas as necessary to make deliveries to downstream entities, consistent with the quality standards in these General Terms and Conditions. Line Heater Gas is a component of Unaccounted For Gas and shall be determined pursuant to Section 36 of these General Terms and Conditions.

1.21 MCF

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

1.22 MDQ

"MDQ" shall mean the maximum daily quantity of Gas which KMLP is obligated to transport and deliver in the aggregate, as specified in the Agreement, except for Authorized Overrun Gas.



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**1.23 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.

**1.24 NEGOTIATED RATE**

The term "Negotiated Rate" shall mean a rate provision under which KMLP and Shipper have agreed on the amount to be charged for the service under Rate Schedule FTS, ITS, or PALS 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, ITS, or PALS 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.

**1.25 NEGOTIATED RATE FORMULA**

The term "Negotiated Rate Formula" shall mean a rate formula provision which KMLP and Shipper have agreed will be applied to service under Rate Schedule FTS, ITS, or PALS 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, ITS, or PALS 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.

**1.26 NOMINATION**

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

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**1.27 OPERATIONAL BALANCING AGREEMENT ("OBA")**

An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect. KMLP will attempt to enter into OBAs at each Receipt and Delivery Point, as provided in the FTS and ITS Rate Schedules. KMLP shall not be obligated to enter into an OBA with any form of cashout.

**1.28 ORIGINAL CAPACITY**

The Original Capacity of the KMLP System shall be the capacity of Leg 1 and Leg 2 when originally placed into service.

**1.29 POINT MDQ**

Each FTS Agreement shall specify a Point MDQ for each Receipt Point and each Delivery Point. "Point MDQ" shall mean: (i) the maximum daily quantity of Gas which KMLP is obligated to deliver on a primary firm basis at Delivery Points; and (ii) the maximum daily quantity of Gas which KMLP is obligated to receive on a primary firm basis at Receipt Points, exclusive of Fuel Gas, and Unaccounted For Gas. At Receipt Points, KMLP shall be obligated to accept applicable Fuel Gas, and Unaccounted For Gas on a primary firm basis in addition to the Point MDQ volume.

**1.30 NORTH TO SOUTH TRANSPORTATION PATH**

"North to South Transportation Path" shall mean the direction of gas nominated to flow along a transportation path between a Primary Receipt Point at or downstream of PIN 44398 – Columbia Gulf Transmission Company and a Primary Delivery Point at or upstream of PIN 44544 – Sabine Pass LNG, L.P.

**1.31 RECEIPT POINT**

"Receipt Point" shall mean any point at which Gas is tendered by or for the account of Shipper to KMLP for transportation as specified in an Agreement or as applicable to service under such Agreement by operation of this Tariff.

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**1.32 RECURSE RATE**

"Recurse Rate" shall mean the applicable maximum rate which would apply to the service but for the rate flexibility allowed under Sections 30 and 34 hereof.

**1.33 SABINE PASS EXPANSION CAPACITY**

The term "Sabine Pass Expansion Capacity" shall refer to the firm capacity created by the Sabine Pass Expansion Project. The rates applicable to the Sabine Pass Expansion Project Capacity are set forth on the footnote on Sheet No. 5 of KMLP's Tariff.

**1.34 SABINE PASS EXPANSION PROJECT**

The term "Sabine Pass Expansion Project" shall mean the modification to KMLP's system resulting from the construction of facilities authorized by the Commission pursuant to the Order issued on November 20, 2017, in Docket No. CP17-22-000, 161 FERC Paragraph 61,205.

**1.35 SHIPPER**

The term "Shipper" shall mean a Shipper as defined in any of the Rate Schedules governed by these General Terms and Conditions. In addition, in a given context, Shipper may refer to an entity which is seeking to become a Shipper.

**1.36 STANDARD REPORTING BASIS**

"Standard Reporting Basis" for Btu shall mean 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). "Standard Reporting Basis" for gigacalorie shall mean 1.035646 Kg/cm squared and 15.6 degrees C, and dry.

"Standard Reporting Basis" for Gas volumes shall mean cubic foot at standard conditions of 14.73 psia, 60 degrees F, and dry. For Gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry.

**1.37 SYSTEM**

"System" shall mean the pipeline, any compression, and related facilities owned or leased by KMLP.

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**1.38 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 that can be attributed to an offending Shipper), Line Heater Gas and Gas lost as a result of an event of Force Majeure, the ownership of which cannot be reasonably identified. Unaccounted For Gas shall not include Fuel Gas (to the extent that compression is installed), which will be separately determined. Unaccounted For Gas shall be determined pursuant to Section 36 of these General Terms and Conditions.

**1.39 UNAUTHORIZED GAS**

"Unauthorized Gas" shall mean volumes delivered to or on behalf of Shipper at a Delivery Point in excess of confirmed nominations.

**1.40 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.

**1.41 ACADIANA EXPANSION PROJECT**

The term "Acadiana Expansion Project" shall refer to the modifications to KMLP's system resulting from the construction of facilities authorized by the Commission pursuant to the Order issued on September 17, 2020, in Docket No. CP19-484-000, 172 FERC Paragraph 61,259.

**1.42 ACADIANA PROJECT CAPACITY**

The term "Acadiana Project Capacity" shall refer to the firm capacity created by the Acadiana Expansion Project. The rates applicable to the Acadiana Project Capacity are set forth on the footnote on Sheet No. 5 of KMLP's Tariff.

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**2. PRIORITY OF SERVICE**

**2.1 ALLOCATION OF CAPACITY**

**(a) GENERAL**

This Section 2.1 governs the allocation of firm capacity on KMLP's System among entities requesting firm services in assigning priority to otherwise valid requests for any particular firm service.

(1) 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 30 of these General Terms and Conditions. KMLP 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) With respect to any quantities of Gas nominated for transportation through the Leased Capacity on NGPL as described in Section 1.19, Shipper's Gas will be required to comply with the quality specifications of NGPL's FERC Gas Tariff as in effect from time to time.

**(b) CAPACITY AWARD PROCEDURES**

This Section 2.1(b), together with Sections 2.1(c) and 16 of these General Terms and Conditions, sets out the procedures to be followed by KMLP in awarding all firm capacity becoming available on its System; provided, however, that these procedures do not apply to the initial allocation of such firm capacity created by the construction of new facilities (including both extensions and expansions of KMLP's System).

**GENERAL TERMS AND CONDITIONS**

**(1) UNSUBSCRIBED CAPACITY**

Unsubscribed capacity on KMLP's system will be posted on KMLP's Interactive Website. When a Shipper expresses interest in unsubscribed capacity, KMLP will post a notice on its Interactive Website, wherein it will state that KMLP will receive bids for the capacity in accordance with this Section 2.1(b)(2); provided, however, that KMLP is not required to post an open season notice where the capacity has been posted as available for at least five (5) days.

**(2) OPEN SEASONS**

This open season procedure shall not apply (and the capacity shall not be considered as available or becoming available) where an existing Shipper has the right of first refusal or other rollover right under Section 16 of these General Terms and Conditions unless and until all such rollover rights have expired or, if the right of first refusal is exercised, the right of first refusal process has concluded and the capacity has not been awarded, or if the capacity has been awarded pursuant to a request for capacity where the capacity has been posted as available for at least five (5) days.

(i) An open season, under this Section, shall be conducted so that the open season would end at least two (2) Business Days before the date the firm capacity becomes available. Such capacity may not be awarded, except as otherwise provided in this Section 2.1 or Section 16 of these General Terms and Conditions, until after an open season has been conducted.

(ii) In an open season, under this Section, the minimum posting and bidding period applicable to firm capacity available for less than one (1) Year is from 9:00 a.m. to 2:00 p.m. Central Clock Time on a Business Day and the minimum posting and bidding period for firm capacity available for one (1) Year or longer is four (4) Business Days, with the minimum posting periods each day being from 9:00 a.m. to 2:00 p.m. Central Clock Time.

(iii) The posting for an open season, under this Section, shall include the following items:

(A) The bidding procedure to be used, including an explanation of how bids are to be submitted, a bid form, instructions for satisfying the request criteria under the applicable rate schedule, and the complete bid evaluation criteria consistent with this Section 2.1.

(B) The timetable for posting and bidding, which timetable must be consistent with Section 2.1(b)(2)(ii).

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(C) The location, duration and amount of firm capacity to be covered by the open season, and the date on which such firm capacity will be available.

(D) Contingencies, if any, which will be accepted in open season bids.

(E) Any other bid requirements, conditions, criteria, restrictions or parameters.

(iv) Unless otherwise specified in the posting, a bidder may bid on all or any portion of the term for which the firm capacity is available and on all or any portion of the capacity available. KMLP shall make firm capacity available without any term limit unless that firm capacity is committed at some future time under a then existing contract or that firm capacity is operationally available only for a limited period of time. Any term limit shall reflect such a contractual or operational constraint. KMLP shall specify any such term limit, and the reasons for the term limit, in the posting. KMLP may only impose minimum volume, geographical or term requirements on bids for operational reasons, such as maintaining pressure or sustaining the minimum level of prudent facility operations on any affected portion(s) of its System.

(v) KMLP shall have the right to terminate an open season through a termination posting if there is a material error in the open season posting, which error shall be explained in the termination posting. KMLP shall have the right to extend an open season for good cause, as explained in the extension posting, or as specified in the original open season posting.

(vi) All bids received during the open season period remain binding on the bidder through the end of the open season unless withdrawn by bidder. At the end of any open season, all bids either withdrawn or not accepted shall be deemed null and void. A bidder may withdraw its bid at any time during the open season, utilizing the same medium through which a bid can be submitted. A bidder which has withdrawn a bid may submit a bid with a higher value during the open season, but neither that bidder nor any of its affiliates may submit during that open season a bid with a lower value than the withdrawn bid [value is to be determined applying the criteria in Section 2.1(c), consistent with the posting for that open season], except if the withdrawn bid was withdrawn due to a material error. A bidder may withdraw a bid for a material error by notifying KMLP by the deadline for bids that the bid contains a material error, which notification shall explain the material error.

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(vii) If an open season is extended, a bidder is free to submit a new bid without restriction in the extended open season even if that bidder withdrew its bid in the original open season. If a bidder withdraws its bid in an extended open season, the same rules as in an original open season apply to that bidder.

**(3) RESERVATION OF CAPACITY**

Transporter reserves the right, but shall not be obligated, to reserve for expansion projects capacity which is or will become available. For purposes of this Section 2.1(b)(3), Transporter may reserve capacity currently posted on Transporter's Interactive Website as unsubscribed, available capacity ("Unsubscribed Capacity).

Any capacity reserved by Transporter must first be posted on its Interactive Website as reserved. The reservation posting shall be posted for five (5) business days and shall include, but not be limited to, the following information: (1) a description of the expansion project for which the capacity is being reserved; (2) the quantity of capacity being reserved; (3) the location of the reserved capacity on the pipeline system; and (4) the estimated in-service date of the expansion project. The reservation posting shall also include a non-binding solicitation for turnback capacity to serve the expansion project, provided that Transporter shall post the non-binding solicitation for turnback capacity no later than ninety (90) days after the close of the expansion project open season. Transporter shall make reasonable efforts to update the reservation posting up to the in-service date of the expansion project to reflect any material changes in the scope of the expansion project. Transporter is only permitted to reserve capacity up to twelve (12) months prior to the filing of a certificate application, and thereafter until the project goes into service, the application is withdrawn, or the application is denied. Transporter will not, absent Commission approval, accept advance payments to reserve capacity under this Section 2.1(b)(3).

Any capacity reserved under this Section 2.1(b)(3) shall be made available for transportation service pursuant to these General Terms and Conditions, on a limited-term basis up to the in-service date of the expansion project(s). For such limited-term agreements, Transporter reserves the right to limit, in accordance with Section 2.1(b)(8) any extension rights provided in the service agreement and pursuant to Section 16 commensurate with the proposed in-service date of the expansion project. Transporter will indicate in any open season posting of the capacity any limitations on extension rights that will apply to such limited term transportation service.

**(4) REQUEST PROCEDURE**

For firm capacity which is not awarded in an open season process and for existing firm capacity which is not subject to the open season process in Section 16 of these General Terms and Conditions, KMLP may award capacity posted, pursuant to Section 2.1(b)(1), on KMLP's Interactive Website through the Request Procedures in Section 2.1(b)(4) of these General Terms and Conditions and Section 3 of the applicable Rate Schedule.



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(i) KMLP may award such firm capacity in response to request(s) for firm service in writing or on its Interactive Website which conform to the requirements in the applicable rate schedule for valid requests (including meeting credit criteria). A request may be unsolicited or pre-negotiated, but no communication will be considered a request hereunder unless it constitutes a valid request for service consistent with the applicable rate schedule and has been submitted in writing or via KMLP's Interactive Website.

(ii) Unless otherwise agreed to by KMLP, a Shipper can request available capacity for a later start date only within the following periods:

(a) For service for one year or longer, the requested service must commence no later than six months from the date the request is granted; and

(b) For service for greater than ninety-two (92) days but less than one (1) Year, the requested service must commence no later than thirty (30) days from the date the request is granted.

To the extent KMLP holds an open season, KMLP will define variations from these defined periods in the posting. In addition, unless otherwise agreed to by Transporter, all awards of capacity must be for continuous service at a constant MDQ for the entire term of the service and maximum rates. If Transporter agrees to consider varying from the periods above by conducting an open season, then Transporter is still free to reject bids meeting the previous minimum terms if the request is for less than the period defined in the open season posting. Any deviations from these time periods or minimum terms shall only be done in a not unduly discriminatory manner consistent with Commission regulations.

(iii) A request for firm capacity will be binding on the entity requesting firm capacity for two (2) Business Days or until the request is accepted or rejected by KMLP, whichever is earlier. KMLP shall respond to any request for firm capacity within two (2) Business Days. Unless granted by KMLP, all requests submitted are void effective the earlier of the time when KMLP rejects the request or two (2) Business Days after the request is submitted. KMLP cannot grant any request which has become void, but a request becoming void hereunder is without prejudice to any future request by that Shipper or any other Shipper.

(iv) The rate form under a request may be either the basic rate design then in effect on KMLP's System or a Negotiated Rate or Negotiated Rate Formula rate form.

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(v) KMLP is not obligated to award firm capacity based on a request at less than the applicable maximum rate, but any capacity award must be consistent with Section 2.1(c) of these General Terms and Conditions if there are competing valid requests pending. For purposes of applying the evaluation criteria in Section 2.1(c) of these General Terms and Conditions, only pending valid requests which have not become void under (ii) are considered to be competing.

(vi) Requests shall not be accepted or valid as to any firm capacity which is subject to an open season during any period between the posting of that open season and the award of capacity (or the decision not to award capacity) under that open season.

**(5) CONDITIONS ON REQUESTS AND BIDS**

This subsection sets out conditions applicable to all requests and bids for firm capacity. KMLP shall reject any request or bid for service which may detrimentally impact the operational integrity of KMLP's System (if KMLP rejects a bid or request on this basis, it will provide a written explanation of the operational basis for this action); which does not satisfy all the terms of an applicable posting or tariff provision and/or does not provide all the information required by the posting or tariff provision; which contains terms and conditions other than those in KMLP's Tariff and/or any applicable posting; which would not constitute a valid request under the applicable rate schedule (it

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being understood that a bid in an open season cannot be rejected for incompleteness if all information required by the bid form and applicable posting has been provided); or is in any way inconsistent with KMLP's Tariff and/or any applicable posting. Any Shipper wishing to bid in an open season or submit a request for capacity must satisfy the creditworthiness requirements in Section 12 of these General Terms and Conditions prior to submitting a bid or request. A Shipper cannot bid for or request services which exceed its pre-qualified level of creditworthiness. KMLP shall process - and encourages - applications from potential bidders or requesters seeking prequalification for bids or requests they may make in the future. Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in KMLP's rate schedule covering the applicable service. Should a potential bidder or requester fail to satisfy such credit criteria, it may still qualify by providing a prepayment, letter of credit, security interest or guarantee satisfactory to KMLP as further set forth in Section 12.1(b) of these General Terms and Conditions. Based on KMLP's continuing review of a Shipper's financial records, KMLP shall have the right to amend a Shipper's line of credit and lower or increase the quantity and term.

**(6) SECTION 16 RIGHTS**

The capacity allocation procedures of this Section 2.1(b) shall not apply where a Shipper is utilizing with respect to its existing capacity the Right of First Refusal procedures or contractual rollover rights pursuant to Section 16 of these General Terms and Conditions. Instead, the procedures in said Section 16 will govern the award of capacity in such instances.

**(7) CAPACITY AWARDED FOR INTERIM PERIOD**

This provision applies in situations where firm capacity is awarded for an interim time period ending on a date no later than the date on which such capacity is required to provide service under one or more preexisting FTS Agreements or where firm capacity is operationally available only for an interim time period.

(i) KMLP may market such capacity for all or any portion of the interim time period until service under the capacity award becomes effective, or until the capacity is no longer operationally available.

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(ii) KMLP shall limit the rights of the Shipper awarded the capacity to the interim time period, so that the Shipper has no rollover rights or rights of first refusal which extend beyond the interim time period. KMLP will indicate in any open season posting for such capacity the limitation on rights which will apply to such firm capacity awarded for the interim time period.

(c) **EVALUATION OF COMPETING BIDS AND REQUESTS**

In comparing valid bids received in an open season or in comparing two or more valid and competing pending requests for service under the Request Procedure, KMLP will award firm capacity based on the highest economic value, as defined in this Section 2.1(c).

(1) **HIGHEST ECONOMIC VALUE**

The highest economic value is the highest net present value of the stream of incremental revenue produced in the aggregate by a valid bid or request, or combination of valid bids or requests, received by KMLP for firm capacity which is consistent with the reserve price where one has been established. Incremental revenue is the additional revenue KMLP would collect from a Shipper under any bid or request over and above the revenue KMLP would otherwise have received after taking into account any revenue lost or affected by the bid or request (i.e., where an existing capacity holder submits a bid or request which is contingent upon turnback by that existing capacity holder of an existing capacity commitment, only the value of such a bid or request net of the revenue which would be lost to KMLP due to the turnback of the existing contractual commitment will be considered).

(2) **ONLY GUARANTEED REVENUE CONSIDERED**

In the determination of highest economic value, KMLP shall consider only reservation charge revenue and any other guaranteed revenue under bids or requests which meet any applicable reserve price. In the case of a bid or request for firm service involving a Negotiated Rate or Negotiated Rate Formula, the rules for calculating net present value set out in Section 30 of these General Terms and Conditions shall apply.

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**(3) POSTING OF CRITERIA**

(i) KMLP shall post the criteria to be used in the determination of highest economic value for comparing valid bids in any open season and for comparing pending requests which are valid and competing. The posting will consist of a net present value formula, together with all relevant factors and parameters, such as discount rates. These criteria shall be posted continuously on the Informational Postings portion of KMLP's Interactive Website. KMLP may change the criteria at any time in a manner not inconsistent with the other provisions of this Section 2.1(c), but the revised criteria may only be applied to an open season the posting of which commenced at least one (1) Business Day after the change in criteria has been posted. KMLP cannot change the criteria for any on-going open season. The revised criteria shall apply immediately to all requests received after the change has been posted. In addition, the posting for each individual open season will include the following elements: the date to which all bids are discounted in the calculation of net present value; the discount rate utilized; how a Shipper's willingness or unwillingness to prorate will affect its bid; whether the open season is binding or non-binding; whether KMLP is willing to accept negotiated rate bids (pursuant to Section 30.2 bids submitted as Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be treated, for capacity award purposes, as if the rate(s) paid had been equal to the Recourse Rate); the extent to which advance payments will be considered in evaluating bids; how surcharges and optional service charges will be taken into account; and the procedure to be used in breaking ties.

(ii) KMLP shall also post whether a prearranged transaction is involved and, if so, whether the prearranged Shipper has the right to match any bids that exceed the net present value of the posted prearranged transaction. If a Shipper submits a bid with a higher net present value to KMLP, the prearranged Shipper will have a one-time right within two (2) business days of notification to match the higher bid's net present value in order to obtain the capacity. If the prearranged Shipper elects not to match the higher competing bid, the capacity will be awarded to the prearranged Shipper, or to the Shipper with the highest bid that, if accepted, would have the highest net present value to Transporter.

**(4) OBLIGATION TO AWARD CAPACITY**

(i) KMLP shall only be obligated to award firm capacity if the applicable maximum rate is submitted for the entire term of a valid bid in a binding open season or is requested for the entire term of a valid request under the Request Procedure, up to the firm capacity covered by the maximum rate bid(s) or request(s), without regard to any reserve price (if applicable). If such a maximum rate bid or request is received, KMLP shall be obligated to award the capacity either to the Shipper submitting such a valid bid or request or to a competing bidder or requestor. However, all capacity award will be based on the application of the posted criteria outlined in Section (3)(i) and (ii) for evaluating bids or requests.

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(ii) KMLP shall be obligated to award firm capacity if the reserve price is met in a valid bid for the capacity being posted for open season, up to the firm capacity covered by the bid(s) meeting the reserve price. However, all capacity awards will be based on the application of the posted criteria outlined in Section (3)(i) and (ii).

(iii) Notwithstanding the foregoing, KMLP may, but shall not be obligated to, award firm capacity based on the following types of otherwise valid bids or requests: (a) any bid or request for a term of less than one Year, under which service is to commence more than ninety (90) days following close of the open season; and (b) any bid or request for a term which is not continuous from the commencement of service date to the termination of service date reflected in the bid.

**(5) RESERVE PRICE MATRIX**

In an open season, KMLP may establish a reserve price or reserve price matrix.

(i) A reserve price defines the minimum price(s) at which KMLP will award the firm capacity covered by the open season, which price(s) must be equal to or less than the applicable maximum rate(s). KMLP is not obligated to award capacity at less than the applicable maximum rate unless a lower rate is set out in the reserve price matrix. In determining whether a reserve price has been met by any bid, KMLP will compare the net present value of the requested prices in the bid with the net present value of the applicable reserve price(s). If the reserve price is met, KMLP will award firm capacity to valid bids consistent with the posted bid evaluation criteria and this Section 2.1(c).

(ii) Reserve prices in a reserve price matrix may vary by relevant elements, including but not limited to term, service type, Receipt Points, Delivery Points and markets. Differences in "markets", as that term is used in the prior sentence, shall refer to differences relating to any of the following: (A) defined geographical areas, where the value of KMLP's services may vary among such geographical areas due to current or projected differences in competitive alternatives, regulation, or operational, supply or capacity factors; (B) customers, where the value of KMLP's services may vary by customer due to current or projected differences in competitive alternatives available to them or demand their characteristics (including access to alternative fuels); (C) contract time periods, where the value of KMLP's services may vary due to current or projected differences in competitive alternatives or market demand at or over different contract time periods (for example, winter season versus multi-Year); (D) products and services, where the value of KMLP's product and service offerings may vary due to current or projected

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differences in competitive alternatives or market demand (provided that this is not intended to tie separate service together for bidding purposes); or (E) volumes, where the value of KMLP's services may vary due to current or projected differences in competitive alternatives, market demand or other factors related to contract volume levels. The reserve price matrix in an open season may include multiple terms, from one Month or less to multi-Year, and shall indicate if firm capacity is only available for a limited time due to operational or physical constraints or due to the contractual commitment of such capacity in the future.

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

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(d) POINT CHANGES

Any Shipper with an FTS Agreement may request a permanent change in primary point at any time. KMLP will respond to such a request within two (2) Business Days. KMLP shall grant such a request if firm transportation and point capacity is available to do so; provided that the revised primary points are consistent with the Shipper's capacity and provided further that the parties can mutually agree on the rate unless the applicable FTS Agreement or related discount or Negotiated Rate or Negotiated Rate Formula agreement does not permit a rate change when there is such a permanent primary point change. Any such permanent point change shall be reflected in an amendment to the FTS Agreement.

2.2 REDUCTIONS IN 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. KMLP 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 quality requirements under Section 19 of these General Terms and Conditions;
- (2) For reasons of Force Majeure;
- (3) Pursuant to Sections 2.7 or 2.8 of these General Terms and Conditions;
- (4) To rectify imbalances, to conform physical flows to nominations or to effectuate payback of imbalances, to the extent consistent with the specific Rate Schedule;
- (5) If there is a dispute over title, ownership or right to tender or to receive Gas.



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(b) Without limitation to the foregoing, unless otherwise agreed by contract, KMLP shall have the right to reduce receipts or deliveries of Gas on any Day below Shipper's MDQ to permit maintenance, repair, overhaul, replacement, or construction of pipelines, compressors, metering, regulating, or other transmission facilities and equipment, or to maintain System integrity; provided, however, that with respect to routine repair and maintenance, KMLP 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.

(c) Unless otherwise agreed by contract, no later than fifteen days prior to the scheduled activity, KMLP 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 KMLP 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. KMLP will endeavor to perform the activities in accordance with the posted schedule.

(d) (1) Except as provided in subsection (d)(2), in the event of any failure or inability of KMLP to deliver on any Day under any firm contract all of a Shipper's nomination of firm service up to Shipper's MDQ, Shipper shall be relieved of its payment obligations hereunder in the proportion that Shipper's nominations of firm service up to Shipper's MDQ are not complied with by KMLP, for so long as such service is unavailable; provided, however, that these charges shall not be eliminated to the extent that the Shipper uses secondary point service.

(2) KMLP shall not be obligated to adjust the Reservation Charge under any contract pursuant to Section 2.2(d)(1) when KMLP's failure to deliver on any Day is:

- (i) solely the result of the conduct of the Shipper;
- (ii) solely the result of the inability or unwillingness of any upstream or downstream operator of the facilities at the Receipt Point or Delivery Point to receive or deliver Gas that is not operated or controlled by KMLP (i.e., where KMLP is otherwise ready and able to perform); or
- (iii) occurs either (a) within ten (10) days following a force majeure event as contemplated by Section 20 of the General Terms and Conditions, or (b) prior to the date KMLP has or should have, in the exercise of due diligence, overcome the force Majeure event, whichever occur first.

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**2.3 SCHEDULING OF SERVICES**

(a) For the purposes of scheduling and curtailing deliveries of Gas, firm service shall have priority over interruptible service. Priority to use of capacity on KMLP shall be in accordance with the following priority, in descending order from highest to lowest priority (all deliveries within each category are to have the same priority and be treated pro rata as provided herein, except as provided in Section 2.5):

- (1) Firm service at primary points and primary paths (scheduled pro rata based on MDQ);
- (2) Firm service at secondary points (scheduled pro rata based on nominations) within the primary path;
- (3) Firm service at secondary points (scheduled pro rata based on nominations) outside the primary path;
- (4) Interruptible service under Rate Schedules ITS and PALS, and Authorized Overrun service under firm rate schedules (allocation of service under Section 2.5 Rate Schedule ITS).

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(b) In applying steps (2) and (3) under subsection (a), scheduling of Receipt and Delivery points will be pro rated based on nominations; points within the primary path are scheduled before points outside the primary path;

(c) For Shippers under Rate Schedule FTS, KMLP shall provide notice of any curtailment or of any scheduling restriction as far in advance as feasible. KMLP 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. In addition to notifying the Shippers affected, KMLP will post anticipated and effective curtailment and scheduling restrictions on the Informational Posting section of its Interactive Website.

(d) Firm Intraday nominations are entitled to bump scheduled interruptible volumes, as defined in Sections 2.4 and 2.5, 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.

**2.4 SECONDARY POINTS**

(a) Subject to the priorities set out in Section 2.3 of the General Terms and Conditions, Shippers under Rate Schedule FTS shall have the right to use all Receipt and Delivery Points on KMLP's System as secondary Receipt and Delivery Points, to the extent transmission and point capacity is available. The MDQ at any secondary point shall be equal to the MDQ. The priority of service at secondary points under Rate Schedule FTS shall be governed by Section 2.3 above.

(b) If nominations by all Shippers for secondary point service for which such Shippers are eligible exceed KMLP's available capacity on the applicable path, available capacity shall be allocated and scheduled pro rata based on a Shipper's nominations within MDQ within the applicable priority category as defined in Section 2.3 of these General Terms and Conditions.

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

(d) Shipper shall have the right, subject to the availability of capacity, to utilize on a secondary firm point basis any Receipt or Delivery Point along Leg 1 and/or Leg 2 and the right to utilize Leg 2 rights on a secondary firm point out of path basis on Leg 1 and Leg 1 capacity rights on a secondary firm point basis on Leg 2, provided that the total quantities nominated by Shipper for transportation do not exceed its MDQ (subject to segmenting rights set out in Section 6.14 of these General Terms and Conditions). Such secondary point usage shall be superior in priority to any authorized overrun, interruptible transportation or other non-firm service offered by KMLP.

(e) Shippers under Rate Schedule ITS have access to all Points on KMLP's System to the extent provided in Section 2.5(c) of these General Terms and Conditions. Shippers under Rate Schedule PALS have access to all Points on KMLP's System, but the Points actually utilized for any specific service will be specified in the Request Order for Rate Schedule PALS.

**2.5 RATE SCHEDULE ITS**

This Section 2.5 governs the priority of interruptible services under Rate Schedule ITS on KMLP's System.

(a) Service under Rate Schedules ITS and PALS shall be provided to the extent capacity is available, if any, after scheduling all of KMLP's firm transportation service at primary and/or secondary points and after scheduling any overrun service under Rate Schedule FTS. KMLP 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;

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- (2) For reason of Force Majeure;
  - (3) Due to routine repair and maintenance to be reasonably determined by KMLP;
  - (4) Pursuant to Section 2.8 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;
- (b) (1) To the extent there is insufficient capacity available to schedule all properly nominated and confirmed services under Rate Schedules ITS, PALS and firm Authorized Overrun Service, KMLP shall schedule such service based on the rate to be paid, from highest to lowest unit rate, with service for which the highest unit rate being paid is scheduled first; provided however, KMLP shall permit a Shipper nominating such interruptible services to increase its rate prior to the Timely Nomination Cycle deadline only, as defined in Section 6.2(a) of the GT&C hereof. This right shall also apply to firm Shippers' authorized overrun volumes. 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. In the event there is insufficient capacity to schedule all Rate Schedules ITS, PALS and Authorized Overrun services for which the same rate is to be paid, KMLP shall allocate the available capacity pro rata based on the nominated volume.
- (2) In interrupting or curtailing service under Rate Schedule ITS due to lack of capacity, KMLP shall interrupt such service based on the rate being paid, from lowest to highest unit rate, with service for which the lowest unit 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. In the event there is insufficient capacity to continue all Rate Schedules ITS and PALS service for which the same rate is being paid, KMLP shall allocate the available capacity pro rata based on the nomination volume.

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(c) An Agreement under Rate Schedule ITS will include all Receipt and all Delivery Points available on KMLP's System.

(d) Service under Rate Schedule PALS shall not be scheduled if doing so would have an adverse effect on any firm or secondary point service. Service under Rate Schedule PALS shall be scheduled and curtailed based on KMLP's system operational and System operational capability. Service hereunder shall be interrupted and curtailed if continuation of such service would be detrimental to KMLP's ability to provide any firm service or any secondary point service. While service hereunder is not ordinarily expected to affect transportation capacity, if providing service hereunder would have an adverse effect on providing interruptible transportation service, a PALS Agreement shall for scheduling and allocation purposes be assigned the same priority as service under Rate Schedule ITS. The same priority shall be applied for scheduling and allocation in relation to service under Rate Schedule other PALS Agreements. Once a park or loan has been scheduled on any day under Rate Schedule PALS, that park or loan shall not be interrupted or curtailed to effectuate any other interruptible service, except for secondary point service.

**2.6 UNAUTHORIZED GAS**

No Shipper shall have any right to take Unauthorized Gas at Delivery Points. Unauthorized Gas is subject to the charges set out in Section 9.2 of these General Terms and Conditions. To the extent KMLP is unable to transport Unauthorized Gas without jeopardizing the safety of KMLP'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 KMLP, KMLP shall have the right to limit deliveries at the Delivery Point, curtail receipts of Gas at Receipt Points and/or to vent, without incurring any liability to Shipper, or any third party, such Unauthorized Gas as it is unable to transport or take such other action as is necessary to manage the System. However, KMLP shall use its best efforts to avoid or minimize such venting. Volumes at Delivery Points which can be accommodated under an OBA shall not be considered Unauthorized Gas.

**2.7 OTHER FACTORS**

KMLP's service obligation hereunder shall be subject to Shipper providing nominations under Section 6 of these General Terms and Conditions, to the confirmation of nominations by upstream and downstream entities and to the circumstances identified in Section 2.2(d)(2) of these General Terms and Conditions.

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**2.8 DELINQUENCY IN PAYMENT**

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

(1) KMLP shall give Shipper written notice of the delinquency and of KMLP's intent to suspend service if the deficiency is not cured. If the delinquency is not remedied within ten (10) days of such notice, KMLP may suspend service. KMLP 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 KMLP 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, KMLP 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 2.8(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) KMLP may not take any action under this Section 2.8 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 KMLP, KMLP 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 KMLP, Section 5 of these General Terms and Conditions shall apply.

**3.2 OBLIGATION**

Except as otherwise provided in this Tariff, KMLP's maximum obligation to receive Gas at a Receipt Point under an Agreement shall not exceed the lesser of: (a) the applicable Point MDQ at that Receipt Point (plus applicable Fuel Gas and Unaccounted For Gas) as specified in the Agreement or as applicable at such Receipt Point under this Tariff; or (b) the total daily volume Shipper or its designee is able and willing to tender at the Receipt Point.

**3.3 LOCATION**

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



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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 KMLP of Gas delivered by or on behalf of Shipper at the Receipt Point(s) pursuant to an Agreement, and continuing thereafter during the term of that Agreement, KMLP shall deliver Equivalent Volumes, or cause Equivalent Volumes to be delivered to Shipper, or to a mutually agreeable third party for Shipper's account, at the Delivery Point(s) described in the Agreement or applicable to the Agreement under this Tariff. In determining Equivalent Volumes, KMLP shall (if applicable) retain Gas in kind for Unaccounted For Gas, and for Fuel Gas (to the extent compression is installed), based on the method set out in Section 36 of the General Terms and Conditions of this Tariff.

**4.2 DELIVERY FACILITIES**

Unless otherwise agreed by KMLP, KMLP 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 KMLP, Section 5 of these General Terms and Conditions shall apply. Unless otherwise agreed by contract, if Shipper desires Gas to be delivered at a minimum temperature of 40 degrees F, Shipper will bear the cost of such facilities through a CIAC.

**4.3 OBLIGATION**

Except as otherwise provided in this Tariff, KMLP's maximum obligation to deliver Gas at a Delivery Point under an Agreement shall not exceed the lesser of: (a) the applicable Point MDQ at that Delivery Point as specified in the Agreement or as applicable to that Delivery Point under this Tariff; or (b) the total daily volume Shipper or its designee is willing and able to receive at the Delivery Point.

**4.4 LOCATION**

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

**4.5 DELIVERY CONDITIONS**

Delivery conditions are set out in Section 18 of these General Terms and Conditions.

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**5. NEW FACILITIES CHARGE**

5.1 (a) With respect to new or expanded interconnection facilities, when such new and/or expanded facilities are required to accommodate receipt and/or delivery of Gas under a request for new or revised service, and KMLP determines that installation of such facilities will not impair service to any existing Shipper or threaten the integrity of KMLP's System, KMLP will construct such facilities but, unless otherwise provided by contract, KMLP shall require Shipper to pay as the CIAC as defined in Section 1.6 of these General Terms and Conditions, except that KMLP will pay the cost of such facilities when the criteria set forth in Section 5.2 are satisfied.

5.2 (a) KMLP may, but is not obligated to pay all or a portion of the cost of the modification or construction of new facilities required at Receipt or Delivery Point(s) to effectuate the receipt or delivery of Gas hereunder when the construction or modification of such facilities is economically beneficial to KMLP. KMLP may conclude that a portion of the facilities are economically beneficial.

(b) (1) For the purposes of determining whether a project for access to Gas supply is economically beneficial to KMLP, KMLP 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 KMLP, and the incremental revenues which KMLP estimates will be generated as a result of constructing and/or modifying such facilities.

(2) For purposes of determining whether a project to deliver Gas is economically beneficial to KMLP, KMLP will evaluate each prospective project based upon the incremental cost of service of the facilities to be constructed by KMLP, and the incremental revenues which KMLP 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, KMLP 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. KMLP will consider volumes to be incremental if the volumes which will be transported (or equivalent volumes from other sources) would not otherwise flow through KMLP'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 KMLP'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, KMLP 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 provided by contract, when KMLP has previously paid for Receipt or Delivery Point facilities under this facilities reimbursement policy, Shipper shall, nevertheless, promptly pay KMLP for KMLP's net book value of such facilities when either of the following events occurs: (a) when KMLP's ability to fully recover such costs is denied in any rate proceeding under Section 4 or Section 5 of the Natural Gas Act; or (b) when Shipper ceases operations at the facilities.

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**6. NOMINATION/REPORTING, BALANCING AND SEGMENTATION**

**6.1 GENERAL**

(a) KMLP 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-days-a-week, twenty-four-hours-a-day nomination process is dependent on the availability of affected parties' scheduling personnel on a similar basis. Party contact need not be at their ordinary work sites but should be available by telephone or other electronic means. Whenever Shipper desires service, Shipper shall furnish to KMLP a separate nomination for each nominated Receipt and Delivery Point under each Agreement with a beginning and end date 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) 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 should be based on a Daily quantity and all volumes shall be expressed in Dth per Day and shall be stated for each Receipt and Delivery Point.

(c) If an upstream or downstream party requires additional information, if the volumes transported are subject to a discounted rate, or if additional information is otherwise required by KMLP, then, upon notification by KMLP, Shipper must include in each nomination such additional information as is specified by KMLP. Nominations must be submitted to KMLP through KMLP's Interactive Website, or such other electronic means as are mutually agreed upon by KMLP 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.

(d) Nominations may include payback volumes as provided in Rate Schedule PALS.

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(e) 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**

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

(a) The Timely Nomination Cycle: 1:00 p.m. for nominations leaving control of the nomination party; 1:15 p.m. for receipt of nominations by KMLP (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 KMLP 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 flow). Scheduled quantities resulting from Timely Nomination 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 KMLP (including from TTTSPs); 6:30 p.m. to send Quick Response; 8:30 p.m. for receipt of completed confirmations by KMLP from upstream and downstream connected parties; 9:00 p.m. for KMLP to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (on the day prior to flow).

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Scheduled quantities resulting from Evening Nomination should be effective at the start of the next Gas Day.

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

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

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

(f) Out of Cycle Nominations: KMLP will use all reasonable efforts to accommodate requests for changes to nominations received after any nomination cycle deadline as identified in this Section 6.2 provided that (i) requests are received prior to the end of the applicable Gas Day; (ii) confirmation of the receipt and delivery quantities is obtained from the affected point operators; (iii) it is operationally feasible to accommodate the requested change; and (iv) other Shippers' entitlements are not impacted. If such request is accepted prior to the Intraday 3 nomination deadline, Shipper will be required to submit a nomination that reflects the approved change(s) on the next available scheduling cycle. If the request is accepted after the Intraday 3 nomination deadline, KMLP will adjust the Shipper's scheduled quantity to reflect the approved change(s). This service is to be provided on a non-discriminatory basis.

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(g) For purposes of Section 6.2 (b), (c), (d), and (e) "provide" shall mean, for transmittals pursuant to NAESB WGQ Standards 1.4.x, receipt at the designated site, via KMLP's Interactive Website or EDI, and for purposes of other forms of transmittal, it shall mean send or post.

(h) 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.

(i) 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 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 KMLP with a nomination as required in accordance with Section 6.2 hereof.

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**6.4 CONFIRMATION BY KMLP**

(a) Nominations made in accordance with Sections 6.2, 6.3, and 6.5 hereof shall not become effective until KMLP 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 KMLP and, if requested by KMLP, the appropriate person(s) to confirm nominations. Confirmations must be submitted to KMLP through its Interactive Website, or such other electronic means as are mutually agreed upon by KMLP and Shipper.

(b) Subject to Section 6.2 and the other provisions of this Tariff, KMLP 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) Unless otherwise provided in an Operational Flow Order, 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.



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(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 6.4(c)(i), (ii), and (iii), if there is no response to a Request For Confirmation or an unsolicited Confirmation Response, KMLP will provide the Shipper with the following information to explain why the nomination failed, as applicable;

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

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

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

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

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

**6.5 INTRADAY NOMINATIONS**

(a) An Intraday nomination is a nomination submitted after the nomination deadline whose effective time is no earlier than the beginning of the Gas Day and which runs through the end of that Gas Day.

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(b) KMLP 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) KMLP will provide notification of bumped volumes through the Scheduled Quantity document, as posted on KMLP'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 29 of these General Terms and Conditions. Except during a Critical Time, KMLP will waive any daily penalties applicable to bumped volumes on the day of the bump. KMLP will also waive penalties if it fails to provide appropriate notice of the bump.

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

(e) Revised predetermined allocations are to be submitted consistent with Section 7 of these General Terms and Conditions.

(f) Unless KMLP agrees to the contrary, the revised nomination under an Intraday Nomination may be limited by Section 6.4(c). KMLP 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 roll over). There is no need to re-nominate if the Intraday nomination is intended to modify the existing nomination. The Shipper should submit a new timely nomination if the Shipper wants to replace the previously submitted standing nomination or commence service for the next Gas Day.

(h) 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.

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**6.6 END-OF-GAS-DAY SCHEDULED QUANTITY DOCUMENT**

At the end of each Gas Day, KMLP will provide the final scheduled quantities for the just completed Gas Day. KMLP will send an End of Gas Day Scheduled Quantity document and Scheduled Quantity for Operator document. Receivers of either of these documents can waive the sender's requirement to send these documents.

**6.7 OVERRUN QUANTITIES**

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

**6.8 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 KMLP 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 KMLP may reject any such limited designation if the limitations specified in the designation would result in an undue administrative burden.

(c) KMLP 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 6.8(b). Communications by KMLP 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 6.8(b).

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

**6.9 TRANSFER NOMINATIONS**

(a) Whenever Gas is purchased at a Receipt Point on KMLP's System by an entity that is not going to nominate that Gas for receipt by KMLP under a transportation Agreement, that entity must submit a transfer nomination to KMLP 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 must 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 KMLP's system as follows:

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

(2) Transfer nominations consistent with this Section 6.9 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 6.9 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 6.9.

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**6.10 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 must 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 must identify which delivery should be cut in the event Gas is not or cannot be received as nominated (i.e., ranking). Ranking is to be included in the list of data elements. KMLP is to use Shipper provided rankings when making reductions during the scheduling process when this does not conflict with tariff-based rules.

**6.11 OPERATIONAL BALANCING**

KMLP agrees that it will negotiate with each entity that operates facilities interconnecting with KMLP at Receipt Points or Delivery Points (Balance Operator) in a good faith effort to reach an agreement to deal with imbalances at such Receipt Point(s) or Delivery Point(s). At Receipt Points, KMLP may rely on PDAs under Section 7 of these General Terms and Conditions, which OBA Agreement 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 at the Delivery Point(s) or Receipt Point(s), as between KMLP and Balance Operator, with any difference between confirmed nominations and actual physical Gas flow caused by operational conditions; such an agreement may include imbalances charges and penalties, and/or limitations on the volume of imbalance which may be accommodated, but KMLP is not obligated to agree to include any provisions for cashout of imbalances;

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

(c) KMLP and Balance Operator must not have previously entered into such agreement which was terminated because of Balance Operator's failure to perform. Nothing herein is intended to restrict KMLP'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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**6.12 SEGMENTATION**

(a) A Shipper may segment its firm capacity to the extent operationally feasible through the nomination process. In addition, any Shipper may segment its firm capacity by releasing one or more segments of that capacity (the Releasing Shipper may retain one or more segments of its capacity), to the extent operationally feasible, by following the procedures set out in Section 14 of these General Terms and Conditions. In the case of segmentation through release, the Original Shipper may segment by nomination any portion of the capacity it retains to the extent operationally feasible and the Replacement Shipper may segment by nomination any portion of the capacity it obtains in the release to the extent operationally feasible.

(b) For the purposes of this Section 6.12 and subject to the other provisions hereof, whether segmentation is through nomination or results from the release of firm capacity on a segmented basis, the primary path under an Agreement may be segmented, and segmentation may extend outside the primary path to the extent consistent with this Sections 6.12, and such segmentation shall be deemed operationally feasible unless:

(1) the segmentation would result in an increase in firm contractual obligation by KMLP on any segment or portion of its system (through an overlap of segments); or

(2) the segmentation would result in a forward-haul in a direction opposite to the primary path of the Agreement being segmented [backhauls are addressed in (d) below].

(c) In the event a firm capacity path is segmented under this Section 6.12, each segment shall have access to all secondary points on KMLP's system. Any point which is outside the primary path for the segment shall be treated as out-of-path secondary in relation to nominations for that segment. In the case of a segmented release, if nominations result in an overlapping path, through nomination at out-of-path secondary points, overrun charges for volumes in excess of the MDQ under the original Agreement in the area of overlap shall be applied as follows:

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(1) if a Shipper is nominating or flowing within the primary path under its segment, overrun shall not apply to that segment so long as such Shipper is within its MDQ on that segment and any overrun shall be assigned to the segment on which Shipper is nominating and flowing outside its path; (ii) if a Shipper is nominating or flowing in excess of its MDQ on a segment under the segmented release, the Shipper shall be assessed overrun based on the volume in excess of its MDQ; and (iii) where the Shipper on each segment is within its MDQ, but is nominating on a secondary out-of-path basis so as to create an overlap in nominated paths, and aggregate nomination by the Releasing and Replacement Shipper in the area of overlap are in excess of the original contract MDQ, then except as provided in (i) and (ii), overrun charges will be assessed to the Releasing Shipper unless the release specifies that such overrun charges are to be assessed to the Replacement Shipper.

(d) The direction of flow for path segments must be the same direction of flow as for the original path unless KMLP agrees otherwise or unless such a change in direction of flow is consistent with the Agreement. A Shipper may segment a backhaul, but such segmentation shall be subject to review by KMLP on a case-by-case basis as to whether a backhaul on each resulting segment is operationally feasible. The Shipper (or Replacement Shipper in the case of a release) may nominate service at Receipt and Delivery Points for the path segment that results in a reverse flow from the original path; however, such a nomination will be treated as being secondary outside of the path. Subject to the availability of point capacity and to ordinary nomination procedures, deliveries may be made at the same point for a forward haul on the upstream segment and a backhaul of the downstream segment. The forward haul will have priority at the point if the point capacity is not adequate. At the point of segmentation, deliveries may be nominated on the upstream segment up to MDQ and receipts may be nominated on the downstream segment up to MDQ, subject to constraints on point capacity and ordinary scheduling procedures and priorities.

(e) (1) Subject to the remainder of this subsection 6.12(e), the Releasing and Replacement Shipper involved in a segmented release may each choose primary Receipt Points and primary Delivery Points equal to their respective contract MDQs after the release; provided, however, that the resulting segments may not overlap in a way that exceeds the MDQ of the original contract on a segment. If

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the points chosen are within the path of the original Agreement and do not involve changing a primary point thereunder, the point designations shall be accepted, subject only to the availability of firm capacity at those points and agreement on the rate applicable at the new primary points. If one or more points are within the applicable zone but outside the path of the original Agreement, then KMLP's generally applicable point change procedures in Section 2.1(d) of these General Terms and Conditions and the provisions of subsection 6.12(e)(2) shall apply. Any primary point established under this subsection 6.12(e) which was not a primary point under the original Agreement and is not reflected in a point change which affects the original Agreement, will have the same priority and rights as any other primary point, but shall be a primary point only until the term of the release ends or until that primary point is changed by Shipper pursuant to the provisions of this Tariff, as applicable. Such an additional primary point may not be designated if a Shipper is releasing to itself. If firm capacity is not available at the point or to the point, the Shipper may designate such points (not overlapping with other segments) in defining a segment, but the points shall have secondary point priority (either in-path or out-of-path, as applicable).

(2) A Shipper, a Replacement Shipper or a Subreplacement Shipper may change the primary Receipt or Delivery Point(s) listed in the Agreement to new primary point(s) subject to the point change provisions of Section 2.1(d) of these General Terms and Conditions, if the Shipper (or in the case of a release, the Original Shipper) and KMLP agree to amend the Agreement to change the primary Receipt and Delivery Point(s) accordingly; provided, however, that the consent of the Original Shipper shall not be required in the case of a permanent release by that Original Shipper of its firm capacity. KMLP shall not be obligated to reserve firm capacity to reinstate the former primary point(s) upon expiration of the segmentation or the capacity release.

(3) Where a Replacement Shipper selects a primary point which is outside the primary path under the Releasing Shipper's contract (and thus creates a new primary path at least partially outside the original primary path), any recall by the Releasing Shipper will be of capacity which contains the changed primary points, not the Releasing Shipper's original primary points.



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**7. DETERMINATION OF DAILY RECEIPTS**

7.1 To the extent feasible, all volumes received by KMLP at a Receipt Point shall be allocated in accordance with the confirmed nominations for that point. In the event the actual volumes received by KMLP 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 KMLP. An OBA may be 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 KMLP through KMLP'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. KMLP shall acknowledge receipt and acceptance of the PDA through KMLP's Interactive Website or EDI if received through KMLP'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 KMLP's Interactive Website if received via KMLP's Interactive Website or via EDI if received via EDI. KMLP's acceptance is contingent on KMLP being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which 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 KMLP unless otherwise agreed) and will continue in effect through the end of the Month unless the Allocator submits a new PDA that is accepted by KMLP. PDAs may be submitted to KMLP 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, KMLP shall provide via KMLP's Interactive Website each Allocator who submits effective PDA(s) with a Monthly allocation statement showing the volumes allocated in accordance with such PDA(s).

7.6 KMLP may rely conclusively on effective PDAs in allocating the Gas received at a point. No retroactive changes to the PDA or to any allocation under a PDA may be made unless KMLP and all affected parties agree.

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**8. DETERMINATION OF DELIVERIES**

**8.1 PREDETERMINED ALLOCATIONS**

In accounting for the volumes delivered by KMLP, in circumstances where multiple services are provided at any Delivery Point, the sequence of volumes delivered shall be determined by a predetermined allocation agreement (PDA) between KMLP and the operator of the facilities immediately downstream of the point at which KMLP delivers Gas. An OBA may be one form of a PDA. 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, Section 8.2 shall control. Any new or proposed change to the methodology should be sent to KMLP before the start of the Gas Day on which the methodology is to be effective. Unless otherwise agreed, KMLP shall confirm receipt of the methodology within fifteen (15) minutes via KMLP's Interactive Website if received via KMLP's Interactive Website or via EDI if received via EDI. KMLP's acceptance is contingent on KMLP 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. No retroactive charge to the PDA or to any allocation under a PDA shall be made unless KMLP and all affected parties agree.

**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 firm transportation Agreements consistent with nominations and within MDQ;
- (b) Authorized Overrun Gas under FTS Agreements consistent with nominations and volumes scheduled under interruptible agreements under Rate Schedules ITS, and volumes scheduled under Rate Schedule PALS consistent with nominations and within MDQ;
- (c) Additional volumes shall be allocated pro rata based on nominations amongst Rate Schedule PALS Agreements Authorized Overrun under which Shippers nominated for that Gas Day.

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**9. OVERRUN AND UNAUTHORIZED GAS CHARGES AND PENALTY REVENUE**

**9.1 AUTHORIZED OVERRUN CHARGES**

If deliveries to a Shipper exceed its MDQ under an Agreement but represent volumes properly nominated and confirmed, an Authorized Overrun Charge shall apply. The applicable maximum Authorized Overrun Charge for transportation under Rate Schedule FTS shall be a maximum Authorized Overrun Rate determined as the 100% load factor derivative of the maximum reservation and commodity rates. The maximum Authorized Overrun Rate under Rate Schedule PALS shall equal the maximum rate for Rate Schedule PALS multiplied by the number of Dth of the Authorized Overrun Gas. Such Authorized Overrun Rates may be discounted on a non-discriminatory basis to any level between zero and the maximum Authorized Overrun Rate or may be determined pursuant to a Negotiated Rate or Negotiated Rate Formula agreement.

**9.2 UNAUTHORIZED GAS CHARGES**

In light of Shipper's obligations to remain in balance under Section 10 of these General Terms and Conditions, to the extent that Receipt Point or Delivery Point imbalances are not accommodated under an OBA, an Unauthorized Gas Charge set out herein shall apply to all volumes taken at Delivery Points in excess of confirmed nominations, under either an FTS Agreement or an ITS Agreement. Swings accommodated under an OBA shall not be subject to a charge under this provision. If an Unauthorized Gas Charge applies, the Shipper shall pay KMLP an Unauthorized Gas Charge equal to the volume of the Gas the Shipper delivered in excess of confirmed nominations multiplied by the Unauthorized Gas Rate. The maximum Unauthorized Gas Rate is twice the maximum rate under Rate Schedule ITS; provided, however, that the Unauthorized Gas Rate may be discounted to any level between zero and this maximum rate or may be determined pursuant to a Negotiated Rate or Negotiated Rate Formula agreement.

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**9.3 PENALTY REVENUE**

All amounts collected by KMLP for penalties, commencing with the in-service date of KMLP's System facilities, 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 (the initial period shall be the partial annual period commencing with the in-service date of facilities and ending on the ensuing December 31). For purposes of this Section 9.3, penalties shall include Unauthorized Gas Charges, Balancing Service Charges and charges for failure to comply with an Operational Flow Order (including during a Critical Time). Such distribution shall be made as follows:

(a) These amounts shall be used first to compensate KMLP for any cashout expenses and for any extraordinary out-of-pocket costs it has incurred (including any compensation KMLP agreed to provide for voluntary actions) to alleviate the conditions created by the violation or which resulted in the issuance of an Operational Flow Order or the declaration of Critical Time or other operational action taken by KMLP under Section 31 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 KMLP for its expenses, the unreimbursed such expenses shall be carried forward to future annual periods 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 each Shipper's total MDQ under FTS Agreements plus nominated and confirmed volumes under ITS Agreements in effect during each Month (relative to the total of such volumes for all Shippers), plus the volume of gas parked or loaned each month under each PALS Agreement; provided, however, that such calculation shall exclude volumes for any Shipper during any Month in which such Shipper failed to comply with an Operational Flow Order. In the event that for any Month, no penalty revenues are distributed because all Shippers failed to comply with Operational Flow Orders that Month, then the amount of penalty revenue for that Month may be held by KMLP for application under Section 9.3(a) for

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a period of up to two (2) years, at which time that amount will be included in the amounts for distribution in the then current annual period to the extent not offset by costs under Section 9.3(a). The refunds in the prior sentence shall be calculated on a Monthly basis but distribution of the credit shall be annual. KMLP shall also distribute interest on the principal refund amount calculated through the distribution date consistent with 18 C.F.R. Section 154.501. 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 incurred Unauthorized Gas Charges or failed to comply with an Operational Flow Order shall be excluded from distribution of net penalty revenues only for the Month in which that violation occurred.

(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 MDQ and flowing volumes of Gas for that Shipper (without considering any contracts of 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 MDQ and flowing volume for that Replacement Shipper during the relevant annual period. KMLP shall file with the Commission a refund report for each annual distribution of penalty revenue under this Section 9.3.

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**10. IMBALANCES**

**10.1 RESPONSIBILITY FOR BALANCING**

Shippers are obligated to deliver and receive Gas in conformance with their nominations. KMLP will attempt to enter into OBAs at Receipt Points and Delivery Points which deal with imbalances. If an OBA is not feasible or the imbalance is beyond the terms of the OBA, however, in addition to delivering and receiving volumes of Gas in conformance with nominations, Shippers are responsible for conforming their takes at Delivery Points with their deliveries to KMLP at Receipt Points each Gas Day. KMLP has no obligation to deliver for the account of a Shipper more volumes of Gas than KMLP 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 Gas Day.

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**10.2 NETTING AND OFFSETTING OF IMBALANCES**

To the extent the net receipts (with the appropriate deductions for Unaccounted For Gas and Fuel Gas) do not equal deliveries under an Agreement on a Dth basis, the following netting and offsetting procedures will apply:



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(a) Imbalances under a Shipper's different Agreements will then be netted together to obtain the Shipper's Total Aggregate Imbalance.

(b) To assist Shippers in arranging offsets, KMLP will post on its Interactive Website the Total Aggregate Imbalance of any Shipper which has notified KMLP that it has elected to have such information posted. Notification by the Shipper may be in writing or on KMLP'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. Shippers shall have the ability to post and trade imbalances at any time until the seventeenth Business Day of the Month after the imbalance occurred, even if the Shipper Total Aggregate Imbalance is less than the sum of the Maximum Imbalance for all Agreements, and imbalance information shall remain posted for the period requested by Shipper until notified that Shipper no longer wants posting.

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

- (1) Receiving the Request for Imbalance Trade,
- (2) Receiving the Imbalance Trade Confirmation,
- (3) Sending the Imbalance Trade Notification, and

(4) Reflecting the trade as soon as feasible prior to or on the next monthly Shipper Total Aggregate 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 KMLP.

(e) After receipt of an Imbalance Trade Confirmation, KMLP 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) All trade requests for trades and accommodations will be initiated via Interactive Website or other mutually agreeable electronic means.

(g) Subject to Section 10.3 below, any Shipper imbalance remaining after the netting and trading process will be cashed out each Month pursuant to Section 10.

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**10.3 SCHEDULING AND SEQUENCE OF ACTIONS**

In rectifying imbalances which jeopardize KMLP's ability to provide firm service, KMLP shall first attempt to control imbalances through the scheduling process. KMLP shall coordinate with the Shipper and with upstream and downstream entities to assure that the volume of Gas delivered to Shipper or for its account and the volume of Gas physically received by KMLP for Shipper are in close balance, subject only to the flexibility (including OBA swings) discussed in Section 10.2 above. In addition, Shipper may nominate quantities of Gas on any Gas Day during the month to rectify an imbalance, subject to KMLP's scheduling and curtailment provisions, and any operational considerations that may otherwise limit the amount of Gas that KMLP may receive or deliver on such Gas Day as payback volumes for such imbalance. In such event, KMLP shall have the right, via the confirmation process, to reduce all or a portion of such nominated payback volumes. To the extent Shipper does not take action in accordance with Sections 10.5 through 10.7 to correct such imbalances, KMLP may adjust nominations upon notice to Shipper and otherwise take actions as specified in Section 10.5 through 10.7. If Shipper is unavailable, adjustments will be made pursuant to a Shipper provided ranking or pro-rata if a Shipper provided ranking is not available. KMLP may also utilize Operational Control measures under Section 31 of these General Terms and Conditions to control imbalances to the extent consistent with Section 31. As set out in Section 13.1(b)(3) of these General Terms and Conditions, KMLP provides timely imbalance information to Shipper. KMLP will provide prior notice of any action taken under Section 31 of these General Terms and Conditions, consistent with the provisions of Section 31.

**10.4 CASHOUT PROCEDURES**

**(a) Definitions**

(1) Overage Imbalance - "Overage Imbalance" shall mean that excess receipts under an Agreement are owed to Shipper by KMLP.

(2) Underage Imbalance - "Underage Imbalance" shall mean that excess deliveries under an Agreement are due from Shipper to KMLP.

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(3) Monthly Index Price - "Monthly Index Price" or "MIP" is based on the applicable Average Weekly Index Price (AWIP) as defined in Section 1.3 of the General Terms and Conditions. KMLP shall use either the highest AWIP or the lowest AWIP determined for each Month as the MIP for all monthly imbalances subject to cashout hereunder, as described below. The AWIPs to be used in determining each Month's highest AWIP and lowest AWIP shall include the AWIPs for the Seven Day Periods prior to each Monday within the calendar month in which the imbalance occurred, plus the AWIP for the next Seven Day Period.

(i) For Gas owed KMLP (Underage Imbalance), the MIP shall be the highest of the AWIPs for the Month in which the imbalance occurred.

(ii) For Gas owed Shipper (Overage Imbalance), the MIP shall be the lowest of the AWIPs for the Month in which the imbalance occurred.

(b) Any Overage and/or Underage Imbalance remaining after trading of imbalances will be cashed out on a tiered basis pursuant to the following schedule:

<u>Imbalance Level</u>	<u>Overage (KMLP Pays Shipper)</u>	<u>Underage (Shipper Pays KMLP)</u>
0% to 5%	100% x MIP	100% x MIP
Greater than 5% to 10%	90% x MIP	110% x MIP
Greater than 10% to 15%	80% x MIP	120% x MIP
Greater than 15% to 20%	70% x MIP	130% x MIP
Greater than 20%	60% x MIP	140% x MIP

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A Shipper's remaining Overage and/or Underage Imbalance will be cashed out based on the percentage of the respective Overage or Underage Imbalance, as applicable, compared to the total allocated receipts for that Shipper during the Month. An Overage Imbalance or Underage Imbalance will be cashed out at the applicable Monthly Index Price (MIP) as defined above. For example, if the total allocated 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 applicable MIP and the remaining 50 Dth would be cashed out at 110% of the applicable MIP.

(c) Following the period for netting, offsetting, buying and/or selling imbalances, Shippers with a remaining imbalance shall pay KMLP or will be credited with the appropriate cashout amount, unless otherwise agreed to in writing by KMLP.

(d) In each instance when a Shipper(s) must cashout its remaining imbalance, KMLP shall have the right to review the circumstances surrounding such remaining imbalance and, in its judgment, waive all or a portion of the cashout amount. Any such waiver shall be granted on a non-discriminatory basis to all Shippers from whom cashout amounts were collected in that instance.

**10.5 DETERMINING IMBALANCES OR CASHOUT**

In determining imbalances and cashout, KMLP will utilize the operational data posted on its Interactive Website. Adjustments to actuals for a prior period will, if applicable, result in a current imbalance.

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**10.6 PURCHASE AND SALE OF GAS**

KMLP is not providing a supply service under any Rate Schedule of this Tariff. Nevertheless, without limitation of the foregoing, KMLP may buy and sell Gas to the extent necessary to maintain System pressure, to balance the system as necessary to assure KMLP's ability to perform and to continuing performing firm service, to implement the cashout procedures under this Section 10 and to perform other functions in connection with providing transportation service and operating its transmission System. The point of any such sale shall occur at existing Receipt or Delivery Points on the KMLP System. Such sales shall be authorized pursuant to KMLP's blanket sales certificate. Nothing herein shall impose on KMLP any obligation to provide a supply function to any of its Shippers. In any such instance, on the next Monthly invoice, KMLP will reflect the purchase and sales amounts as an additional charge or credit, as applicable. The amounts reflected shall be supported by information which show that the price was reasonably consistent with one or more price indices commonly utilized in the industry for the area or by a detailed explanation as to why the available indices were not appropriate under the circumstances.

**10.7 THIRD PARTY BALANCING**

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

(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 KMLP, 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 KMLP's operations.

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(1) KMLP 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) KMLP 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 KMLP 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 KMLP'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.

(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 KMLP's facilities and the storage facilities must be in close enough physical proximity to KMLP'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 KMLP.

(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 KMLP's System in order to effectuate a true physical balancing.

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(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 KMLP 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, KMLP 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 KMLP under the firm Agreements specified in the Third Party Balancing Agreement.

**10.8 BALANCING SERVICE CHARGES**

(a) During periods when a Critical Time or an Operational Flow Order is not in effect, Balancing Service Charges apply as set out in this subsection (a).

(1) If the volumes allocated to any FTS or ITS Agreement fail to equal the confirmed nomination under such Agreement or if volumes allocated to any PALS Agreement are inconsistent with confirmed nominations and/or available rights, as applicable, the following Balancing Service Charges 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

(2) Tiered Balancing Service Charges under this Section 10.8 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

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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.

(b) On any day when an Operational Flow Order (but not a Critical Time) is in effect, if actual receipts or deliveries allocated to a Shipper at any point or under any Agreement do not conform to such Shipper's confirmed nominations applicable to such point and/or Agreement, Balancing Service Charges will be assessed on such variances that are detrimental to KMLP'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 variance 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 or by other aggregation. Where Balancing Service Charges apply under this subsection (b), they shall be in lieu of Balancing Service Charges under subsection (a). Balancing Service Charges during this period will be as follows, based on the variance between actual receipts or 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 DIP
10% to 20%	Greater of \$2.00/Dth or 1 times DIP
20% to 50%	Greater of \$4.00/Dth or 2 times DIP
Above 50%	Greater of \$8.00/Dth or 4 times DIP

(c) On any day when a Critical Time is in effect, if actual receipts or actual deliveries allocated to Shipper at any point or under any Agreement do not conform to confirmed nominated volumes and rights applicable to such point or Agreement, Balancing Service Charges will be assessed for the variances that are to the detriment of KMLP's system. Charges hereunder shall be in lieu of any otherwise applicable Balancing Service Charges under subsections (a) and (b). The 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 DIP
3% to 10%	Greater of \$12.00/Dth or 6 times DIP
10% to 20%	Greater of \$40.00/Dth or 20 times DIP
20% to 50%	Greater of \$80.00/Dth or 40 times DIP
Above 50%	Greater of \$200.00/Dth or 100 times DIP



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Any imbalance created during a Critical Time that is not eliminated before the end of the month will be subject to the cashout provisions of Section 10.4; provided, however, that any remaining imbalance created during a Critical Time which helped the System will be cashed out at 100% of the MIP used for calculating Underage or Overage Imbalances, as applicable.

(d) KMLP may discount or waive any charges under this Section 10.8 on a basis which is not unduly discriminatory.

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**11. STATEMENTS, BILLING, PAYMENT AND DISCOUNTING POLICY**

**11.1 STATEMENT AND INVOICES**

KMLP 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 transmitted electronically to the designated site unless electronic communication is unavailable, in which case bills will be sent by mail. 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 KMLP, 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, KMLP 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.

**11.4 PAYMENT**

Shipper shall pay to KMLP by wire transfer to a bank designated by KMLP, the amount due KMLP 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; provided, however, that if the date which is ten (10) calendar days from the Shipper's (or other payor's) receipt of the invoice is a Saturday, Sunday, or Federal holiday, the Shipper (or other payor) will be deemed to have satisfactorily complied with this requirement as long as payment is received and Transporter has available funds on the first business day immediately following the date which is ten (10) calendar days from the Shipper's (or other payor's) receipt of the invoice. For purposes of this Section, the bill is deemed to be received by Shipper on the date sent to Shipper's designated site if sent by EDI or by e-mail, 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.

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KMLP 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, KMLP may, in addition to any other remedy it may have under this Tariff or under commercial law: (a) suspend deliveries or terminate service as provided in Sections 2.8 or 12.2 of these General Terms and Conditions; and (b) offset such deficient payments against any payments, refunds or credits owed by KMLP to Shipper.

### **11.5 ADJUSTMENT OF ERRORS**

(a) The time limitation for notifying KMLP of any dispute relating to billing including disputes regarding allocations, shall be six (6) Months from the date the bill is received with a three (3) Month rebuttal period. This time period shall also apply to any adjustments by KMLP in billings. 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.

(b) 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. However, 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.

### **11.6 DISCOUNTING POLICY FOR RATES AND CHARGES**

KMLP 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 (except as permitted under

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Section 30 of these General Terms and Conditions) no less than the minimum rates as applicable to such service, as stated in this Tariff. To the extent KMLP 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 KMLP 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 KMLP 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 KMLP to agree to any discount.

11.7 In addition to KMLP's allocation of costs to interruptible and overrun service under its cost of service, KMLP and Shippers may agree to a crediting mechanism including interruptible and authorized overrun revenues as part of a Negotiated Rate Agreement pursuant to the provisions of Section 30 of the General Terms and Conditions of KMLP's FERC Gas Tariff.

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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 2.8 and 12.2 of these General Terms and Conditions, KMLP 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. KMLP'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 KMLP do not exceed such limit, and Shipper has met all creditworthiness requirements as determined in periodic credit reviews by KMLP, 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 Sections 2.8 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) KMLP 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 KMLP 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, KMLP 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 12, 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

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costs, and other intangible assets. Only actual tangible assets are included in KMLP's assessment of creditworthiness. In comparing the overall value of a Shipper's contract to tangible net worth for credit evaluation purposes, KMLP 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 KMLP, 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 KMLP evaluate its creditworthiness based upon the level of service requested relative to the Shipper's current and future ability to meet its obligations.

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The credit appraisal pursuant to the first sentence of this subsection (3) shall be based upon KMLP'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 KMLP 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 KMLP 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.

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

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(vi) Whether Shipper has or has had any delinquent balances outstanding for services provided previously by KMLP 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 KMLP'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 KMLP may request to be provided by Shipper to KMLP 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 KMLP for information to be used for creditworthiness evaluation, the Shipper's authorized representative(s) shall acknowledge receipt of KMLP's request; provided, however, that KMLP and the Shipper may mutually agree to waive this requirement. The Shipper's authorized representative(s) shall respond to KMLP'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 KMLP 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 12, KMLP shall notify the Shipper's authorized representative(s) that it has received such information; provided, however,

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that KMLP 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 KMLP 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 KMLP may mutually agree to other forms of communication in lieu of Internet E-mail notification. The obligation of KMLP 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. KMLP 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 KMLP 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 2.8, 12.2, or 14.1 of these General Terms and Conditions.

(6) If KMLP concludes that a Shipper is non-creditworthy, KMLP shall provide written notice to Shipper within ten (10) days after that determination is made. If requested by Shipper, KMLP shall provide a written explanation of the reasons for this determination. A Shipper may challenge KMLP's determination by providing a written rebuttal to KMLP's explanation within ten (10) days after the explanation is provided by KMLP. KMLP shall respond to such a rebuttal in writing within ten (10) days. Any reevaluation of credit by KMLP in response to such a rebuttal by the Shipper shall be based on the credit criteria set out in this Section 12.1(a) and shall be performed as provided in Section 12.2 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 for those Shippers subscribing to capacity after the pipeline is in service, except to the extent otherwise agreed;

(ii) a standby irrevocable letter of credit covering all fees and charges for three (3) Months for those Shippers subscribing to capacity after the pipeline is in service drawn upon a bank acceptable to KMLP; except to the extent otherwise agreed;

(iii) security interest covering all fees and charges for three (3) Months for those Shippers subscribing to capacity after the pipeline is in service in collateral provided by the Shipper found to be satisfactory to KMLP except to the extent otherwise agreed; or

(iv) guarantee of all fees and charges for three (3) months for those Shippers subscribing to capacity after the pipeline is in 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 KMLP 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.

(3) KMLP may also request security from noncreditworthy Shippers for the value of imbalance Gas under an OBA or under Rate Schedules FTS and/or ITS and the value of gas loaned under Rate Schedule PALS. The value of imbalance Gas and loaned Gas shall be determined in accordance with this subsection (3). KMLP may require security from noncreditworthy Shippers for the value of imbalance Gas either under an OBA or under Rate Schedules FTS and/or ITS and of Gas loaned under Rate Schedule PALS. The amount of security necessary to collateralize imbalance Gas and Gas loans shall be equal to the outstanding quantities of imbalance Gas and of Gas previously loaned to the Shipper plus any additional quantities of imbalance Gas which KMLP reasonably expects to incur during the ensuing 12 months based on prior experience and any additional quantities of loaned Gas which KMLP is obligated to loan Shipper pursuant to an executed Request Order, times the Index Price. The Index Price as used herein shall mean the Daily Index Price on the Day the imbalance volume is calculated or the loan is agreed upon (which will generally reflect the previous Business Day's activity).

(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

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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 KMLP and shall grant KMLP 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 KMLP 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.

(d) In the event KMLP constructs new lateral facilities to accommodate a Shipper, KMLP 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. KMLP is only permitted to recover the cost of facilities once, either through rates or through this provision. As KMLP 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 KMLP 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 KMLP may have regarding the construction and reimbursement of facilities.

(e) KMLP 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 KMLP 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

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of future performance under Section 12.1(b) of these General Terms and Conditions, KMLP may notify such Shipper in writing that it has five (5) Business Days to provide KMLP 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; provided, however, that KMLP shall not be authorized to send such a notice to any Shipper which meets criteria for satisfying credit requirements set out in Section 12.1(a)(3). 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, KMLP may immediately suspend service to Shipper. KMLP may terminate service if it has complied with the procedures in Section 12.2(d) of these General Terms and Conditions.

(2) If KMLP does not have sufficient information to determine whether Shipper is creditworthy, it may request 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 KMLP requests additional information to be used for credit evaluation after the initiation of service, KMLP, 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 KMLP and the Shipper may mutually agree to waive this requirement.

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

(iii) The Shipper's authorized representative(s) shall respond to KMLP'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 KMLP or provide the reason(s) why any of the requested information was not provided.

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(iv) Upon receipt from the Shipper of all credit information provided pursuant hereto, KMLP shall notify the Shipper's authorized representative(s) that it has received such information; provided, however, that KMLP 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 KMLP 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 KMLP 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 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 non-creditworthy by KMLP, the Shipper may initiate a creditworthiness re-evaluation by KMLP. As part of the Shipper's re-evaluation request, the Shipper must either update or confirm in writing the prior information provided to KMLP 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 KMLP's receipt of such a request for credit reevaluation including all required information under this Tariff for evaluation of credit, KMLP 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 KMLP's decision, or an explanation supporting a future date by which a reevaluation

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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 KMLP 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, KMLP 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, except as otherwise provided regarding adequate assurance of future performance in Section 12.1(a)(3) 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. If the contract is terminated, KMLP shall net and/or set off, as allowed by law, all positions calculated in accordance with the provisions of the applicable Rate Schedule (i.e., invoiced transportation amounts, invoiced imbalance amounts, park and loans, rate refunds, etc.) prior to settling outstanding account balances with the Shipper. KMLP shall have the right to assert any liens or other interests, consistent with applicable law, against any gas remaining on its system.

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

(f) KMLP 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 WEBSITE**

**13.1 WEB SITE DESCRIPTION**

(a) KMLP 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.

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

(2) KMLP 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 KMLP 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 KMLP.

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 KMLP's Tariff, including these General Terms and Conditions. Listed below are examples of Gas quality attributes:



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Heating Value  
Interchangeability index(ices)/factor(s)  
Hydrocarbon liquid drop out control parameter(s)/factor(s)  
Hydrocarbon Components, % of C1 - Cnn, as used in determining  
    Heating Value  
Specific Gravity  
Water  
Nitrogen  
Carbon Dioxide  
Oxygen  
Hydrogen  
Helium  
Total Sulfur  
Hydrogen Sulfide  
Carbonyl Sulfide  
Mercaptans  
Mercury and/or any other contaminants being measured  
Other pertinent Gas quality information that is specified in KMLP'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 KMLP'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 KMLP in the posting. The first row of the file contains the column headers, and data begin on the second row of the file. In addition, one of the columns contains the applicable Gas Day. For any location(s), KMLP may, at its discretion, elect to provide Gas quality information in addition to that specified in the prior paragraph. KMLP may choose how to provide the information.

(b) The non-secure information is primarily comprised of FERC mandated informational postings. KMLP 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) INFORMATIONAL POSTINGS AND PLANNING TOOLS**

The types of information available through the Informational Postings selection of this web site include: (i) all Marketing Affiliate information, including names and addresses for Marketing Affiliates; (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 as provided in Section 10 hereof and (vii) point catalog.

**(2) NOMINATIONS**

This feature allows for submittal of all transportation nominations, transfer nominations, predetermined allocations and nomination priorities as required in Section 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 two (2) hours 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.

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**(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.

**(5) CONTRACT REQUEST PROCESSING**

Using this feature, Shippers can review their existing Agreement information.

**(6) CAPACITY RELEASE REQUEST AND BID PROCESSING**

This interactive feature allows Shippers to submit Capacity Release 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 KMLP hereunder should be made via the electronic method(s) (Interactive Website, EDI, email) specified in NAESB standards for a particular NAESB document/process or via some other mutually agreeable means.

**13.2 ACCESS TO INTERACTIVE WEBSITE**

Shippers and other interested parties may obtain access to the Interactive Website by contacting a representative of KMLP's Gas Transportation Department in Houston. Logons, passwords and access instructions will be supplied upon request under the following terms and conditions set forth in Sections 13.3 through 13.14.

**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. A 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 KMLP**

KMLP 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. KMLP may correct errors in information entered into this web site by a Subscriber promptly after receiving notice of the corrections or may require Subscribers to enter the corrections directly into this web site.

**13.7 ACCESS**

Shippers and other interested parties may obtain access to the interactive transactional web pages by contacting a representative of KMLP'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), KMLP 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, KMLP will ensure return of a confidential logon code and password within one Business Day.

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**13.8 LOGON**

A Subscriber's logon and password are confidential and are used to identify that Subscriber. A Subscriber shall keep its logon and password confidential. A Subscriber will ensure that only authorized employees and agents of Subscriber will be given Subscriber's logon and password and only these authorized persons will be permitted to access this 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 KMLP 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 if the security breach was the result of Shipper's failure to take reasonable precautions to protect security, consistent with Section 24 of these General Terms and Conditions.

**13.9 BREACH OF SECURITY**

A Subscriber shall promptly notify KMLP 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 KMLP's Electronic Customer Services Department.

**13.10 LIMITATION TO ACCESS**

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

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**13.11 LIMITS OF RESPONSIBILITY**

Neither KMLP nor Shipper shall be responsible for an omission or failure by the other 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 KMLP's computer system, power failures, failure of backup systems, or any other event beyond the reasonable control of KMLP or Shipper, as applicable.

**13.12 RESERVATION**

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

**13.13 AGREEMENT BY NON-SHIPPER**

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

**13.14 INDEMNITY**

(a) Each Subscriber shall indemnify KMLP and hold KMLP harmless for all damages, losses, and liabilities arising out of:

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

(2) any omission or failure by Subscriber's employees or agents to act or perform any duty required by an interactive website function.

(b) Notwithstanding Sections (a)(1) and (a)(2) above, neither KMLP nor Subscriber shall be liable to the other if an unauthorized user gains access to KMLP's Interactive Website through no fault of either KMLP or Subscriber, consistent with Section 24 of these General Terms and Conditions.

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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 KMLP 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 KMLP with sufficient instructions to evaluate the corresponding bids according to the timeline, 3) and there are no special terms or conditions of the release. Further, KMLP 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 KMLP).

(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 CCT):

(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 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 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 so that they can be posted by 9:00 a.m. on a Business Day;
  - (ii) The open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days;
  - (iii) Evaluation period begins at 10:00 a.m. 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 at 11:00 a.m.;
  - (v) Match or award is communicated by 11:00 a.m.;
  - (vi) Match response by 11:30 a.m.;
  - (vii) Award posting where match required by 12:00 noon;
  - (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) KMLP will not award capacity release offers to a Shipper until and unless the Shipper meets KMLP's creditworthiness requirements applicable to all services that it receives from KMLP, including the service represented by the capacity release.

(2) KMLP shall provide the original Releasing Shipper with Internet E-mail notification reasonably proximate in time with any of the following formal notices given by KMLP 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 KMLP's tariff;

(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

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

**(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.

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(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.

**(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 KMLP 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.

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**(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.

**(p) UNIT BID VALUE**

The unit value per Dth assigned to a Qualified Bid or a Prearranged Release according to the bid evaluation procedures set forth in Section 14.10.

**(q) WINNING BID VALUE**

The highest total Bid Value 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 KMLP's Interactive Website (or in writing for posting on KMLP's Interactive Website if KMLP's Interactive Website is unavailable for receiving Capacity Release Requests) which sets forth:

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(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 KMLP's PIN Number of the Receipt Points, Delivery Points defining the release path/segment and the firm capacity to be released at each such point;

(c) Whether the capacity being released is subject to recall and/or reput, and if so, the exact conditions for such recall and/or reput (which conditions must conform to Sections 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 KMLP to actively market the Releasing Shipper's capacity rights pursuant to Section 15 of these General Terms and Conditions;

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

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

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(k) Whether the Qualified Bids are to specify dollars and cents and/or percentage of the maximum tariff rate, or an index based formula as detailed in the Capacity Release Request;

(l) 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

(m) 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 for such bid evaluation procedure pursuant to Section 14.5(a).

**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 KMLP's Interactive Website at KMLP'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 KMLP and to execute a Released Firm Transportation Agreement, which consists of KMLP's standard form of FTS Agreement and the terms and conditions of the Prearranged Release, in accordance with KMLP's Tariff. Such statement shall also set forth:

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

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

(3) Whether the capacity being released is subject to recall and/or reput in the Prearranged Release and, if so, the exact conditions of such recall and/or reput (which conditions must conform with Sections 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; and

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

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

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

(e) Whether the Releasing Shipper wants KMLP 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);

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(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 as defined in Section 14.2(g)(i) hereof and the Asset Manager's obligation to deliver gas to, or purchase gas from, the Releasing Shipper;

(l) Whether the release is a Prearranged Release to a Marketer Participating in a State Regulated Retail Access Program, as defined in Section 14.2(g)(ii) hereof; and (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 for such bid evaluation procedure pursuant to Section 14.5(a).

**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 KMLP for posting; (3) must relate solely to the details of acquiring or maintaining the transportation capacity rights on KMLP, which are the subject of the release; and (4) must not place any obligations or burdens on KMLP in addition to the terms and conditions applicable to a capacity release under this Section 14 which are specified in KMLP's Tariff. Any bid evaluation procedure elected by a Releasing Shipper different from KMLP's bid evaluation



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procedure set forth in Sections 14.10(b) through 14.10(e) 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 KMLP's Interactive Website. KMLP may require the Releasing Shipper to submit a working computer program to KMLP in diskette form which is compatible with KMLP's Interactive website computer which will enable KMLP to make such alternative bid evaluation entirely through KMLP's Interactive Website. The Releasing Shipper shall warrant that the computer diskette conforms to the bid evaluation procedure in the Capacity Release Request.

For the capacity release business process timing model, only the following methodologies are supported by KMLP 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 KMLP. However, KMLP is not required to offer other choices or similar timeline treatment for other choices, nor is KMLP 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.

(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 KMLP'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. Segmented releases are subject to Section 6.12 of these General Terms and Conditions. If the capacity release is for a segment, then a break point must be designated. The break point must be a physical location on the original path.

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(2) Except as set out in Sections 2.1(d) and 6.12 of these General Terms and Conditions, 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 KMLP agree to amend the Eligible Firm Transportation Agreement to accordingly change the primary points.

(3) (i) The maximum rates that may be bid and charged for a Released Firm Transportation Agreement that is for a term greater than one (1) year are the higher of the maximum lawful rates applicable to the Eligible Firm Transportation Agreement held by the Original Shipper or the Negotiated Rate (or rate under a Negotiated Rate Formula) being paid by the Releasing Shipper. If the Releasing Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 30 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the higher of such rate or the applicable Recourse 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 KMLP's Tariff as available for capacity releases (such as volumetric 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 KMLP is notified of the release.

(4) Unless otherwise agreed, in no event shall any Negotiated Rate (or rate under a Negotiated Rate Formula) which is less than the Recourse Rate apply to overrun quantities.

(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 KMLP's Tariff, including Section 14.14 of these General Terms and Conditions, and should be specified at the time of the deal. Reput method and rights are individually negotiated between the Releasing Shipper and the Replacement Shipper.

(f) (1) The Releasing Shipper may withdraw its posted Capacity Release Request during an open season under this Section 14 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.

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(2) Request shall be binding until written or electronic notice of withdrawal is received by KMLP.

(3) Notice of a withdrawal of a Capacity Release Request must be delivered to KMLP'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 in turn release the capacity it obtains under the provisions of this Section 14 on the same terms and basis as the primary release (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 KMLP's Tariff shall be null and void and, even if posted, may be removed from KMLP's Interactive Website by KMLP 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 higher of the maximum reservation charge or the Negotiated Rate (or rate under a Negotiated Rate Formula) 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 Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 14.2(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 14.4(b). Such Capacity Release Request must be delivered to KMLP's Interactive Website (or in writing for posting on KMLP's Interactive Website if KMLP'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 Sub-replacement 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 KMLP 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 KMLP'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 (including all reservation surcharges) applicable to the capacity subject to the Capacity Release Request, the beginning and ending time for the open season and the time the notice was posted. KMLP shall post the Capacity Release Request upon receipt, unless the Releasing Shipper requests otherwise. If the Releasing Shipper requests a posting time, KMLP 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.

**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 KMLP's Interactive Website (or in writing for posting on KMLP's Interactive Website if KMLP's Interactive Website is unavailable for receiving

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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 KMLP pursuant to this Section 14 to the Qualified Bidder, including KMLP'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 KMLP's Tariff. Bids shall be binding until notice of withdrawal is received by KMLP 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 KMLP'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 and/or Point MDQ, unless the Capacity Release Request specifically allows otherwise.

(c) Except as provided herein for releases for a term of more than one (1) year, a Qualified Bidder may not bid rates which would exceed KMLP's maximum reservation charge applicable to the Eligible Firm Transportation Agreement capacity. If the Releasing Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 30 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the higher of: (i) the rate under the Negotiated Rate or Negotiated Rate Formula in the Releasing Shipper's contract; or (ii) the applicable Recourse Rate. The maximum Qualified Bid reservation charge includes all demand surcharges, including all direct-billed charges which are or may become applicable to the Eligible Firm Transportation Agreement capacity.

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

(e) A Qualified Bid received by KMLP during an open season shall be posted by KMLP 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 KMLP's Tariff. Any Qualified Bid inconsistent with KMLP'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, KMLP 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, KMLP 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 valuation procedure selected by the Releasing Shipper, KMLP 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 KMLP 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 KMLP 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. KMLP shall issue

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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 KMLP 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 KMLP in order for a Shipper to have continued service beyond the maximum time specified for timely contract execution. If the Releasing 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 Releasing 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 Releasing 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 KMLP shall constitute Shipper's binding acceptance of the terms and conditions of the capacity award by KMLP pursuant to this Section 14, including KMLP'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 KMLP'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(g) below. Any Qualified Bid which does not meet a minimum price condition stated in the Capacity Release Request shall be



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rejected outright. Any Qualified Bid with a contingency must have such contingency eliminated before 11:00 a.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) KMLP shall calculate a Bid Value and Unit 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 KMLP's Interactive Web Site (or if KMLP's Interactive Web Site is not available and the Qualified Bid is submitted in writing, the time KMLP 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 Volume</u>	<u>Term</u>	<u>Unit Bid Value</u>	<u>Minimum 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 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.

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(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 KMLP's reservation charge shall be evaluated by KMLP based solely on the maximum reservation charge being charged by KMLP 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, KMLP shall determine the winning Qualified Bid(s) pursuant to the Releasing Shipper's bid evaluation procedure in its Capacity Release Request and computer diskette (if any) submitted by the Releasing Shipper pursuant to Section 14.5(a).

**14.11 CONFIRMATIONS; RELEASED FIRM TRANSPORTATION  
AGREEMENT**

At the time the award of capacity under this Section 14 is posted, KMLP 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 KMLP 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, KMLP 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 KMLP of any error in the award of capacity within one Business Day after such posting on KMLP's Interactive Website. In the event of an error, the capacity shall be re-awarded by KMLP. As between KMLP and the Releasing Shipper, the Releasing Shipper shall

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indemnify and hold KMLP 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 KMLP by the Releasing Shipper hereunder, except in circumstances where the error results from KMLP has not having satisfied the standard of care in Section 24 of these General Terms and Conditions. KMLP 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) KMLP 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 KMLP. KMLP shall not be responsible for billing the Replacement Shipper for any amounts attributable to gas purchase or gas inventory volumes tied to a transportation or storage capacity release. Such charges shall be between the Releasing Shipper and Replacement Shipper. KMLP shall have the right to discount the commodity rates under the Released Firm Transportation Agreement. KMLP will support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations of the Federal Energy Regulatory Commission.

(b) A Releasing Shipper shall be billed the reservation charge associated with the entire amount of released capacity pursuant to its contract rate, which includes all non-commodity based charges under KMLP'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 KMLP's commodity rates under KMLP's Tariff such as ACA, Fuel Gas (if applicable, subject to compression being installed), Unaccounted For Gas, which are incurred by a Replacement Shipper or Subreplacement Shipper which received the released capacity.

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(c) If a Replacement Shipper or Subreplacement Shipper does not make payment to KMLP of the reservation portion of the charges due as set forth in its Released Firm Transportation Agreement, KMLP 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 KMLP'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) KMLP's rights against the delinquent Replacement/Subreplacement Shipper shall be subrogated to the related rights of the Releasing Shipper. KMLP shall make a reasonable effort to collect from the Replacement/ Subreplacement Shipper the amount(s) due. Such reasonable effort shall not include incurring costs from outside attorneys, collection agents or other third parties.

(d) All payments received from a Replacement or Subreplacement Shipper shall first be applied to reservation charges, then to late charges on reservation charges, then to scheduling charges and cashout amounts, then to late charges not on the reservation charges, and then last to commodity-based charges. Except as may otherwise be provided pursuant to Section 30.4 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 KMLP, or a refund if requested in writing and no such outstanding balance exists.

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

If KMLP is obligated to refund any amounts attributable to reservation charges for capacity which has been released under releases greater than one (1) year, KMLP shall make the applicable refund to the Replacement Shipper to the extent that KMLP 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 30.4 of these General Terms and Conditions, KMLP 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

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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 30.4 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 KMLP 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, KMLP shall make the applicable refund to the Releasing Shipper notwithstanding the amount that KMLP has actually received from the Replacement Shipper (which amounts are credited to the account of the Releasing Shipper under Section 14.13(d) above). KMLP 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 30.4 of these General Terms and Conditions, commodity rate refunds shall go to the party which paid the commodity charge.

**14.14 NOMINATIONS/SCHEDULING; RECALLS AND REPUTS**

(a) **RECALLING CAPACITY - GENERAL**

KMLP supports the ability of a Releasing Shipper to specify as a condition of a capacity release offer which recall notification periods as set out below will be available for use by the parties to the release and whether recall notices must be provided on a Business Day. All Replacement and Subreplacement Shippers shall nominate and schedule Gas for service hereunder directly with KMLP 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 reput to be effective for a Gas Day, a Releasing Shipper must give prior notice of such recall or reput and any allocation of the capacity for a partial recall or reput to KMLP.

(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

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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 KMLP and to the first Replacement Shipper no later than 8:00 a.m. on the day that Timely Nominations are due;

(ii) KMLP 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 KMLP and to the first Replacement Shipper no later than 3:00 p.m. on the day that Evening Nominations are due;

(ii) KMLP 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 KMLP and to the first Replacement Shipper no later than 5:00 p.m. on the day that Evening Nominations are due;

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

**(4) INTRADAY 1 RECALL NOTIFICATION**

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



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(ii) KMLP 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; and

**(5) INTRADAY 2 RECALL NOTIFICATION**

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

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

**(6) INTRADAY 3 RECALL NOTIFICATION**

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

(ii) KMLP 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 KMLP prior to the recall notification deadline specified in (1)-(6) of this Section 14.14(b) and received by KMLP between 7:00 a.m. and 5:00 p.m., KMLP shall provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification. For recall notifications provided to KMLP after 5:00 p.m. and prior to 7:00 a.m., KMLP 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 KMLP 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 KMLP to provide notification is waived until at least one of the addresses has been provided. When KMLP sends Internet E-mail notification for recalling of capacity to each affected Replacement Shipper, the subject line of the E-mail should include the following information separated by commas in the following order: (1) "Recall", (2) the recall notification period, (3) the Effective Date in YYYYMMDD format, (4) KMLP's name or abbreviation (excluding commas), and (5) KMLP's D-U-N-S number. The body of such E-mail notification is to contain at least the affected Replacement Shipper's

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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 KMLP 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 KMLP.

(2) The Releasing Shipper shall provide capacity recall notification to KMLP through KMLP's Interactive Website. The Releasing Shipper shall provide notice to its affected Replacement Shipper at the same time it provides notification to KMLP. 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, KMLP 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 KMLP's tariff, services, and/or operational characteristics. In any recall notification provided to KMLP, the quantity should be expressed in terms of the adjusted total released capacity entitlements based upon EPC. EPC means that portion of the capacity that would have theoretically been available for use prior to the effective time of the Intraday recall based upon a cumulative uniform hourly use of the capacity. The amount of the capacity allocated to the Replacement Shippers(s) should equal the original released capacity less the recalled capacity that is adjusted based upon the EPC. KMLP 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.

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(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, KMLP 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 KMLP harmless from any costs, damages or expenses relating to KMLP'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 12.1(a) 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 creditworthiness. KMLP shall process--and encourages--applications from potential Qualified Bidders seeking prequalification for bids they may make in the future.

(b) Credit applications shall be completed in full with all information required to establish creditworthiness under the credit criteria included in Section 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 KMLP as further set forth in Section 12.1(b) of these General Terms and Conditions.

(c) Based on KMLP's continuing review of a Shipper's financial records, KMLP shall have the right to amend a Shipper's line of credit and lower or increase the quantity and term, subject to Section 12.2 of these General Terms and Conditions.

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(d) KMLP's determination of a Shipper's creditworthiness is solely for KMLP's purposes under KMLP'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 KMLP's Tariff and all applicable Commission orders, rules and regulations. Such Shipper also agrees to be responsible to KMLP for compliance with all applicable terms and conditions of KMLP'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 KMLP. 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 KMLP 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.

(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 at the higher of: the (i) applicable maximum rate under a release for more than one year, (ii) a rate in excess of any applicable maximum rate under a release for one year or less, or (iii) or any applicable Negotiated Rate or Negotiated Rate Formula, 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

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such request, KMLP 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 both execute such an assignment agreement, the Original Shipper shall be released from all liability under the Eligible Firm Transportation Agreement arising after such execution date. Except as provided in Section 14.18 hereof, KMLP may, but is not obligated to, agree to an assignment where the released Firm Transportation Agreement covers the remaining term of the Eligible Firm Transportation Agreement but specifies a lower rate.

**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, upon consent by KMLP, 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 (or such other rate as KMLP shall agree to accept); and
- (c) The Replacement Shipper shall meet the creditworthy standards set forth in Section 12 of the General Terms and Conditions of KMLP's Tariff and KMLP must be finally indifferent to the release in order to consent to such release.

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**14.19 CONVERSIONS BETWEEN MONTHLY AND DAILY  
RESERVATION RATES**

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

**14.20 KMLP'S RIGHT TO TERMINATE A CAPACITY RELEASE**

KMLP may elect to terminate a Replacement Shipper's Agreement with KMLP 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 2.8 and/or 12 of these General Terms and Conditions and KMLP has suspended or terminated service to the Releasing Shipper or has provided notice under Section 2.8 or 12.2 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 KMLP's contract with the Original Shipper; provided, however, that a Replacement Shipper which is creditworthy can continue an existing capacity release by notifying KMLP that it agrees to pay the same rate as is in the original Agreement between KMLP and the Releasing Shipper. Alternatively, notwithstanding Sections 14.8(c) of these General Terms and Conditions, KMLP and the Replacement Shipper may agree upon other pricing terms, including payment of the maximum tariff rate or some other rate that is acceptable to the pipeline, in which case the release shall continue. Such an arrangement 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 KMLP's System on KMLP's Interactive Website by submitting the desired advertisement (up to one page) to KMLP. KMLP shall post such advertisement on KMLP'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 KMLP'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 KMLP. 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 Shipper is seeking to release capacity under Section 14 of these General Terms and Conditions, such a Shipper may request that KMLP actively market capacity to be released. The Releasing Shipper and KMLP shall negotiate the terms of the marketing service to be provided by KMLP 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 KMLP 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. Rights under this Section 16 shall not be available to the extent provided in Section 2.1(b)(8) of these General Terms and Conditions (relating to interim time period contracts).

**16.2 RIGHT OF FIRST REFUSAL**

(a) Any Shipper under a firm service Agreement with a term of one (1) Year or greater and with a rate equal to the applicable maximum rate shall have the right to continue receiving service after the expiration of its existing Agreement to the extent consistent with this Section 16.2 setting out the Right of First Refusal procedure. KMLP shall set out in the posting described in subsection 16.2(b) below the forms of bids which may be submitted in the Right of First Refusal. Bids may always be submitted in the rate form underlying the applicable maximum rate. Bids in the form of a Negotiated Rate or Negotiated Rate Formula may only be submitted if permitted in the posting. A match by the existing Shipper must be made in a bid form permitted under the posting. KMLP shall not be required to provide service under the Right of First Refusal procedure at a discount from the applicable maximum rate unless it otherwise agrees. If a bid is submitted for a Negotiated Rate or Negotiated Rate Formula, the value of that bid for evaluation purposes shall be capped at, and the existing Shipper need only match, the lesser of the value of the bid at the Negotiated Rate or Negotiated Rate Formula or the value of that bid utilizing the Recourse Rate in lieu of the Negotiated Rate or Negotiated Rate Formula.



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(b) To exercise the Right of First Refusal, the existing Shipper must provide KMLP with notice of its intent to do so in a form specified by KMLP and must submit such notice at least nine (9) Months prior to the expiration of the existing Agreement. KMLP shall advise Shipper in writing of the date by which such notice must be submitted at least one (1) Month 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, the desired MDQ and the desired Point MDQ at each Receipt and Delivery Point. If the requested MDQ is greater than the existing MDQ and/or if the Point MDQ is greater than the existing Point MDQ at any 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 quantity shall be subject to the Right of First Refusal under this Section. The Right of First Refusal may apply to a portion of the Original Shipper's then effective service. Any notice specifying a decrease in MDQ or Point MDQ 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), KMLP 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 KMLP's Interactive Website, for a period of at least ten (10) days from the initial posting.

(d) (1) Within one (1) week after the end of the ten (10) day period during which the Capacity Announcement is posted, KMLP 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 KMLP is willing to accept. KMLP 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, KMLP shall apply the same criteria as are utilized to allocate firm capacity pursuant to Section 2.1 of these General Terms and Conditions.

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(2) KMLP'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 KMLP. 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.

(3) The existing Shipper shall have two (2) weeks to notify KMLP whether or not it desires to match the best bid. To match the best bid, the existing Shipper must agree to both a price (up to the applicable maximum rate or Recourse Rate) and a term 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 Original Shipper seeks to retain.

(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 KMLP 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 KMLP and such bidder; provided, however, that service may not be agreed upon under terms and conditions less favorable to KMLP than the best bid without providing the existing Shipper an additional opportunity to match such revised terms and conditions.

(f) KMLP shall notify the existing Shipper if no qualified bid is received within one (1) week after the end of the ten (10) day period the Capacity Announcement is posted. In the absence of a qualified bid, the rate (within applicable maximums and minimums) and the term for continued service shall be negotiated

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between KMLP and the existing Shipper. No discount or other special terms shall apply to a rollover Agreement unless KMLP and the existing Shipper mutually agree. If no agreement is reached prior to the end of the three (3) week period following KMLP's notice to the existing Shipper, the existing Shipper may, at that time, require that KMLP enter into an Agreement to provide service at the applicable maximum rate for a term specified by Shipper and running from the date the existing Agreement expires. Unless the existing Shipper so elects at the end of the three (3) week period following KMLP's notice to it, KMLP may negotiate with any Shipper, with the Original 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, KMLP 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 KMLP shall execute such rollover Agreement, or any modified Agreement upon which KMLP and Shipper may mutually agree which is not inconsistent with this Tariff, within two (2) weeks. If it fails to execute the rollover Agreement on a timely basis, the existing Shipper shall (in addition to all other remedies available to KMLP for such 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 (including service under PALS) may be extended pursuant to a rollover or evergreen provision in such Agreement, which provision may supersede any otherwise applicable rollover or Right of First Refusal pursuant to this Section. In addition, the parties may subsequently negotiate rollover or evergreen provisions which differ from this Section. KMLP is not obligated to offer or agree to any such rollover or evergreen provisions; provided, however, that to the extent it offers or agrees to any such provision, it must do so on a not unduly discriminatory manner. Without limitation of the foregoing, a contractual rollover provision may include provisions under which the Shipper has a unilateral right to extend the term of the Agreement by notice to KMLP by a time specified and rights of first refusal in addition to those specified in this Section 16.

If the term of service under any firm or interruptible transportation Agreement (including service under PALS) is extended pursuant to this Section 16.3, then the parties may also mutually agree to renegotiate the terms of such Agreement(s). Such restructured agreement(s) shall be negotiated on a case-by case basis in a not unduly discriminatory manner.

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**16.4 VALID REQUEST CRITERIA**

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

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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 degrees F.), and without adjustment for water vapor.

**17.2 ATMOSPHERIC PRESSURE**

For the purpose of measurement, calculations, and meter calibration, the average absolute atmospheric (barometric) pressure shall be based on the actual altitude of each point of measurement irrespective of variations in natural atmospheric pressure from time to time. In the event electronic computer measurement is used, the absolute Gas pressure will be measured directly, using an absolute pressure measuring device for continuous input to the electronic computer.

**17.3 TEMPERATURE**

The temperature of the Gas shall be determined at the points of measurement by means of a properly installed recording thermometer or continuous electronic transducer input to a computer of standard manufacture selected by KMLP to be installed in accordance with the recommendations applicable to the standards for the metering equipment. The arithmetic average of hourly temperatures for each Day shall be used in computing temperatures of the Gas during such Day for conventional chart measurement. In the event electronic computer measurement is used, average Daily temperature will be computed as a running average of data determined during each computer scan.

**17.4 DETERMINATION OF HEATING VALUE AND SPECIFIC GRAVITY**

At the option of KMLP, the heating value of the Gas may be determined by the use of a chromatograph, a continuous Gas sampler or by taking spot Gas samples.

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(a) In the case where an online chromatograph is used, the results will be applied continuously during calculation. The average of the hourly heating value during periods of flow each Day shall be recorded and considered as the heating value of the Gas delivered to KMLP or Shipper.

(b) In the event a continuous Gas sampler is installed, then the heating value of the composite sample so taken shall be considered as the heating value of the Gas for the applicable period. Alternatively, the results may be applied prospectively beginning on the Day the results become available after agreement by both parties.

(c) If spot samples are taken, the samples shall be run on the measuring party's chromatograph at another location. The result of a spot sample shall be applied to Gas deliveries as of the Day the results are available and for all succeeding Days until a new sample is taken.

(d) All heating value determinations made with a chromatograph shall use physical gas constants for Gas compounds as outlined in the GPA Std 2145-00 Rev 1 Table of Physical Constants of Paraffin Hydrocarbons and other Compounds of Natural Gas and any subsequent amendments or revisions to such Report to which the parties may mutually agree. The moisture content of the Gas shall be determined as often as necessary and practical to determine the actual heating value of the Gas stream.

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

(f) The specific gravity of the Gas flowing through the meter or meters may be determined by the use of a chromatograph or by analysis of Gas collected in spot and continuous samplers. Specific gravity shall be updated whenever the heating value of the Gas is updated. All specific gravity determinations made with

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a chromatograph shall use physical Gas constants for Gas compounds as outlined in the GPA Std 2145-00 Rev 1 Table of Physical Constants of Paraffin Hydrocarbons and other Compounds of Natural Gas with any subsequent amendments or revisions to such Report to which the parties may mutually agree. Specific gravity shall be determined to the nearest one thousandth (0.001).

**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 the use of the AGA Report Nos. 3 and 9.

**17.6 MEASURING EQUIPMENT**

KMLP 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.

**17.7 METERING**

(a) Where measurement is by orifice meter, all fundamental constants, observations, records and procedures involved in the determination and/or verification of the quantity and other characteristics of Gas delivered hereunder shall be in accordance with the standards prescribed in the latest edition of A.G.A. Report No. 3 (ANSI/API 2530) on "Orifice Metering of Natural Gas," with any revisions, amendments or supplements as may be mutually acceptable to KMLP and Shipper, unless otherwise specified herein.

(b) Where measurement is by turbine meter, unless specified otherwise, shall be in accordance with A.G.A. Report No. 7, with any revisions, amendments or supplements as may be mutually agreeable to the parties hereto.

(c) Where measurement is by ultrasonic meter, all fundamental constants, observations, records and procedures involved in the determination and/or verification of the quantity and other characteristics of Gas delivered hereunder shall be in accordance with the standards prescribed in the latest edition of A.G.A. Report No. 9 on "Measurement of Gas by Multi Path Ultrasonic Meters" with any revisions, amendments or supplements as may be mutually acceptable to KMLP and Shipper, unless otherwise specified herein.

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(d) Where measurement is by other than orifice, turbine or ultrasonic meter, standards commonly acceptable in the natural gas industry and mutually agreeable to the parties shall be used in the determination of all factors involved in the computation of Gas volumes.

**17.8 ELECTRONIC FLOW COMPUTERS**

It is recognized that electronic or other types of flow computers have been developed that permit the direct computation of Gas flows. KMLP may use such devices for custody transfer.

**17.9 NEW MEASUREMENT TECHNIQUES**

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

**17.10 CALIBRATION AND TEST OF METERS**

The accuracy of all measuring equipment shall be verified by KMLP at reasonable intervals, and if requested, in the presence of representatives of Shipper, but KMLP shall not be required to verify the accuracy of such equipment more frequently than once per Month. 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. If, upon testing, the challenged equipment is found to be in error, then it shall be repaired and calibrated. The cost of any such special testing, repair and calibration shall be borne by the party requiring the special test if the percentage of inaccuracy is found to be one percent (1%) or less; otherwise, the cost shall be borne by the party operating the challenged measuring equipment.

**17.11 CORRECTION OF METERING ERRORS**

If, upon any test, any measuring equipment is found to be inaccurate, such equipment shall be adjusted immediately to measure accurately. 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



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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 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.

**17.12 FAILURE OF MEASURING EQUIPMENT**

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

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

**17.13 PRESERVATION OF RECORDS**

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

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**18. PRESSURE AND DELIVERY CONDITIONS**

**18.1 RECEIPT POINT PRESSURE**

Unless otherwise agreed in writing by KMLP and Shipper, Shipper shall deliver gas to KMLP at the prevailing pressure in KMLP's System at the Receipt Point, as such pressure may vary from time to time.

**18.2 DELIVERY POINT PRESSURE**

Unless otherwise agreed by contract, KMLP shall deliver Gas to Shipper at the Delivery Point at the pressure available in KMLP's pipeline at such point.

**18.3 HOURLY TAKES**

On any Gas Day, Gas shall be delivered by KMLP in uniform hourly quantities, based on Shipper's confirmed Daily nomination quantity divided by twenty-four (24), subject to the operating conditions on KMLP's System. At a Shipper's request, KMLP will deviate from such uniform hourly quantities to the extent in KMLP's judgment it can support such deviations operationally without adversely affecting other Shippers. If, after written request by KMLP, Shipper fails to restrict its hourly takes as specified herein, KMLP 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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**19. QUALITY OF GAS**

**19.1 SPECIFICATIONS**

(a) In order to permit delivery into downstream facilities, the Gas received by KMLP under any Agreement shall meet the following requirements, unless otherwise agreed:

(1) shall be free from objectionable liquids, odors, solid matter, dust, gums, and gum forming constituents, or any other substance which might interfere with the merchantability of the Gas stream, or cause interference with proper operation of the lines, meters, regulators, other appliances through which it may flow, or transportation through any downstream pipeline;

(2) shall contain not more than seven (7) pounds of water vapor per one thousand (1,000) MCF;

(3) Gas received into KMLP's mainline shall contain not more than one half (0.50) grain of hydrogen sulfide per one hundred (100) cubic feet of Gas and Gas delivered by KMLP shall contain not more than one quarter (0.25) grain of hydrogen sulfide per one hundred (100) cubic feet of gas;

(4) shall contain not more than twenty (20) grains of total sulphur per one hundred (100) cubic feet of Gas, including mercaptans and hydrogen sulfide;

(5) shall contain not more than four percent (4%) by volume of nitrogen;

(6) shall contain not more than two percent (2%) by volume of carbon dioxide;

(7) shall contain not more than four percent (4%) by volume of total inerts;

(8) shall contain not more than 0.2% by volume of combined oxygen;

(9) shall have a temperature of not more than one hundred twenty degrees Fahrenheit (120 degrees F) and shall have a minimum temperature of not less than forty degrees Fahrenheit (40 degrees F);

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(10) 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+); and

(11) Gross Heating Value:

The Gas shall contain a daily average heating content of not less than nine hundred fifty (950) Btus per cubic foot and not more than twelve hundred (1200) Btus per cubic foot.

(b) KMLP 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 dew point for receipts on specified segments or other specified locations on its system to prevent hydrocarbon fallout, or to assure that Gas will be accepted for delivery into downstream entities. KMLP will include in such posting the anticipated duration of the limitation. KMLP will provide as much prior notice as reasonably practicable and will attempt to provide in the posting at least ten (10) Business Days prior notice before the limitation becomes effective. If such prior notice is not practicable, KMLP will explain the reason in the posting why it was unable to give such prior notice. Upon request, KMLP will provide current information regarding the dew point at any point of receipt into KMLP's System affected by the posting to the operator of that point or any producer, purchaser, supply aggregator or Shipper with Gas being tendered at that point. KMLP shall not post, under this section, a cricondenthem dew point temperature of less than fifteen degrees Fahrenheit (15 degrees F).

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(c) With respect to any quantities of Gas nominated for transportation through the Leased Capacity on NGPL referenced in Section 1.19, Shipper's Gas will be required to comply with the quality specifications of Natural Gas Pipeline Company of America LLC's FERC Gas Tariff as in effect from time to time.

**19.2 LIQUIDS SAMPLE**

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

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**19.3 SUSPENSION OF RECEIPTS**

Should any Gas delivered by or on behalf of Shipper to KMLP at any Receipt Point fail at any time to conform to any of the specifications provided for in this Section 19, KMLP may, at its option, suspend all or a portion of the receipt of any such Gas. KMLP shall be relieved of any of its obligations for the duration of such suspension. Upon receipt of KMLP's notice of such a failure, Shipper shall make a diligent effort to correct the failure by treatment or dehydration consistent with prudent operation so as to tender Gas conforming to the specifications provided for in this Section 19.

**19.4 NONCOMPLIANCE WITH SPECIFICATIONS**

Non-conforming Gas will likely enter KMLP's system from time-to-time. Once KMLP becomes aware based on periodic quality measurements that non-conforming Gas is entering its system, it will promptly advise the Shipper(s) and point operators involved that the Gas they are tendering is non-conforming, identifying the nature and extent of the non-conformity, and that the Gas quality standards herein must be met. Where operationally feasible, KMLP will continue to accept non-conforming Gas for a limited period of time while the Shipper(s) or point operators involved take steps to adjust operations so as to address the Gas quality issues.

(a) Should Shipper tender for receipt any Gas that causes the composite Gas stream in KMLP's facilities to fail the requirements of any downstream pipeline, KMLP may take whatever action necessary on KMLP's own accord or use of a third party, as solely determined by KMLP, at Shipper's sole cost and expense, to treat and/or process the Gas stream such that the Gas stream can be delivered to the downstream pipeline. Until remedial action is taken to make Gas acceptable to the downstream pipeline, KMLP may refuse to accept receipt of any Gas, in KMLP's sole discretion, which prevents KMLP from making deliveries into the downstream pipeline. KMLP shall not have any obligation to provide service with respect to Gas which does not satisfy the requirements of this Section 19. Any reduction in the energy content of the Gas treated and/or processed shall be determined and deducted from KMLP's transportation volumes tendered for delivery to the downstream pipeline. In addition, where operationally feasible KMLP may, from time to time, on a not unduly discriminatory basis, accept non-conforming Gas to the extent it is able to blend Gas received at Receipt Points, as long as KMLP reasonably anticipates, in its sole judgment, that such blended Gas will not cause operational or downstream problems at its Delivery Points.

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(b) No waiver by KMLP of any default by Shipper in any of the specifications set forth above or in any other provision of this Tariff shall operate as a continuing waiver of such specification or as a waiver of any subsequent default whether of a like or different character.

**19.5 POSTINGS**

(a) KMLP posts Gas quality information as set out in Section 13.1(a) of these General Terms and Conditions.

(b) If KMLP agrees to accept non-conforming Gas for a more extended time than is contemplated under Section 19.4, KMLP shall make a posting on the informational postings section of its Interactive Website which sets out: (1) that KMLP is accepting non-conforming Gas; (2) the nature and extent of the non-conformity; and (3) the expected duration of the arrangement to accept non-conforming Gas.

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**20. FORCE MAJEURE**

**20.1 EFFECT OF FORCE MAJEURE**

In the event of either KMLP 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, 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" means any event or condition or combination of events and/or conditions which prevents, hinders, or delays the performance of any obligation subject hereto, in whole or in part, which is not within the reasonable control of the person claiming suspension by reason of Force Majeure, and which the party claiming suspension is unable to prevent or overcome by the exercise of due diligence. For the purposes of the definition of "Force Majeure," the exercise of due diligence shall mean acting in good faith with the intention of performing contractual obligations, and the exercise of a degree of skill, diligence, prudence, and foresight that would reasonably and ordinarily be exercised by a skilled and experienced person complying with applicable law and engaged in the same type of undertaking under the same or similar circumstances and conditions. Such events or conditions, provided that the foregoing requirement are met, include, but are not limited to acts of God, strikes, lockouts acts of a public enemy, acts of sabotage, wars, blockades, riots, insurrections, epidemics, landslides, subsidence, earthquakes, fires, hurricanes, storms, tornadoes, storm warnings, floods, washouts, accidents, civil disturbances, and explosions. An event associated with compliance with any court order, law, regulation or ordinance promulgated by any governmental authority having jurisdiction, either federal, Indian, state or local, civil or military and/or the necessity for testing (as required by governmental authority or as deemed necessary for safe operation by the testing party) shall be considered a force majeure event only when the event is outside of KMLP's control. Failure by the party claiming suspension to prevent or settle any strike or strikes shall not be considered to be an event or condition within the control of such party.



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(b) If either party is rendered unable, in whole or in part, by Force Majeure to carry out its obligations, then such party shall give notice and reasonably full particulars of such Force Majeure in writing or by facsimile or telephone to the other party within a reasonable time after it becomes aware of the occurrence of the Force Majeure, and the obligations of such party, insofar as they are affected by such Force Majeure, shall be suspended from the commencement of such Force Majeure through the continuance of any inability so caused, but for no longer period, and such Force Majeure shall so far as possible be remedied with all reasonable dispatch. Any suspension of obligation for reasons of Force Majeure shall be proportional to the effect of such Force Majeure on the particular obligation relief from which is sought.

**20.3 POSTING**

KMLP shall post on the Public Informational Posting section of its Interactive Website any declaration by it of a Force Majeure situation. This posting will address the nature of the Force Majeure, the facilities and services affected, the anticipated extent of the impact and its likely duration.

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**21. POSSESSION OF GAS, TITLE AND RESPONSIBILITY**

(a) Shipper warrants that it will at the time of delivery to KMLP have good title to all Gas so delivered free and clear of all liens, encumbrances and claims whatsoever. As between Shipper and KMLP, Shipper shall be deemed to be in control and possession of the Gas and responsible for and hold KMLP harmless of and from any damage or injury caused thereby until it shall have been delivered to KMLP at the Receipt Point(s), after which KMLP shall be deemed to be in control and possession of such Gas until its delivery to Shipper, or for Shipper's account at the Delivery Point(s) and while in such possession KMLP shall be responsible therefor and hold Shipper harmless of and from any damage or injury caused thereby and shall be responsible for any loss of Gas other than Unaccounted For Gas. KMLP 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 KMLP. Shipper shall have no responsibility with respect to said Gas after its receipt by KMLP or on/account of anything which may be done, happen or arise with respect to said Gas after such receipt until its delivery to Shipper, or for Shipper's account, at the Delivery Point(s). The point of the division of responsibility shall be the point of interconnection between the facilities of KMLP and Shipper, or their respective agents, at the Receipt or Delivery Point(s), as applicable. The foregoing provisions of this Section shall not relieve either party (which includes its agents and employees) from responsibility as provided under Section 24 of these General Terms and Conditions.

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

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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 29 of these General Terms and Conditions. Such delivery shall: (a) be sent to KMLP at the address specified in the Agreement, or through such electronic means as are available and authorized by KMLP, or at an address otherwise stated in a notice by KMLP to Shipper; and (b) be sent to Shipper at the address in the Agreement pursuant to the applicable Rate Schedule, through Electronic Notice Delivery or at an address otherwise stated in a notice by Shipper to KMLP.

**22.2 NOTIFICATION PROCEDURES**

**(a) PRICING**

(1) The availability and pricing of services on KMLP's System is governed by this Tariff. From time to time, KMLP changes or updates its Tariff by filings with the FERC. Each Shipper is notified by KMLP 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 KMLP and upon request, potential Shippers are provided copies of KMLP's Tariff filings.

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(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 Director, Business Management, in Houston. Any lower rate agreed to by KMLP is evidenced in writing to such Shipper, and such rate is considered confidential until it is reported to the FERC as required by the Regulations. In order to attract or determine interest in the use of any particular service, representatives of KMLP from time to time contact Shippers by telephone. Such conversations are confidential and may or may not result in Shipper submitting a request for a discounted rate for a particular service.

**(b) CAPACITY**

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

(2) Capacity available for interruptible services is communicated to holders of interruptible Agreements by representatives of KMLP 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 KMLP'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, KMLP communicates such information primarily via its Interactive Website to its Shippers. KMLP 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/LINE PACK**

**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 KMLP and Shipper or the operator of a point. To the extent that Shipper builds facilities to interconnect with KMLP'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 KMLP.

**23.2 OBLIGATIONS TO CARRY OUT AGREEMENT**

KMLP shall be under no obligation to commence service thereunder unless and until: (a) all facilities, of whatever nature, as are required to permit (as applicable) the receipt, measurement, transportation and delivery of Gas under the Agreement have been installed and are in operating condition; (b) any payments due KMLP thereunder have been received; and (c) KMLP 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.

**23.4 LINE PACK**

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

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**24. LIABILITY**

(a) Except to the extent otherwise expressly agreed, no party shall be liable for special, punitive, exemplary, or consequential damages, whether based on contract, tort, strict liability, other law or otherwise and whether or not arising from any other party's sole, joint, concurrent or other negligence, strict liability or other fault.

(b) Except to the extent otherwise expressly agreed, no party shall be liable for the damages not waived pursuant to (a) above except to the extent that such damages are attributable to such party's negligence, gross negligence, or willful misconduct.

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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 KMLP shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under any Agreement; provided, however, that KMLP reserves the right to evaluate and approve the creditworthiness of the new entity in accordance with the Evaluation of Credit section of these General Terms and Conditions. No other assignment of an Agreement of any of the rights or obligations thereunder shall be made by Shipper unless there first shall have been obtained the written consent thereto of KMLP, which consent shall not be unreasonably withheld. Any assignment shall not be accepted if inconsistent with Commission policy regarding capacity release. Shipper or KMLP 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. 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. Except to the extent provided in Section 24 of these General Terms and Conditions, Shipper will indemnify KMLP and hold KMLP harmless from all suits, actions, damages, costs, losses, expenses (including reasonable attorney fees) and regulatory proceedings arising from its breach of this warranty.

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**28. COMPLAINT PROCEDURE**

**28.1 COMPLAINT PROCEDURE**

It is the goal of KMLP, as a provider of transportation services for others, that each of its existing and potential Shippers receive service that is in accordance with KMLP's Tariff and is fully satisfactory to it. To that end, it is the policy of KMLP that customer concerns and problems, communicated in any form to any representative of KMLP, 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 28.1(a) through 28.1(e) should be followed.

(a) Formal complaints by Shippers and potential Shippers shall be addressed to the Vice President, Regulatory, 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, KMLP'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, KMLP 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. COMPLIANCE WITH 18 C.F.R., SECTION 284.12

29.1 KMLP 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 notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the following tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

29.2 Pursuant to NAESB's Copyright Procedure Regarding Member and Purchaser Self-Executing Waiver as adopted by the NAESB Board of Directors on April 4, 2013, KMLP 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 KMLP includes appropriate citations in the submission.

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

29.3 STANDARDS NOT INCORPORATED BY REFERENCE AND THEIR LOCATION IN TARIFF:

<u>NAESB Standard</u>	<u>Tariff Record</u>	<u>GT&amp;C Section</u>
0.3.3	Original Sheet No. 172	12.2(a)(2)(i) - Deterioration of Credit
0.3.4	Original Sheet No. 172	12.2(a)(2)(ii) - Deterioration of Credit
0.3.5	Original Sheet No. 172	12.2(a)(2)(iii) - Deterioration of Credit
0.3.6	Original Sheet No. 173	12.2(a)(2)(iv) - Deterioration of Credit
0.3.7	Original Sheet No. 168	12.1(a)(5) - Evaluation of Credit
0.3.8	Original Sheet No. 173	12.2(c) - Deterioration of Credit
0.3.9	Original Sheet No. 173	12.2(c) - Deterioration of Credit
0.3.10	Original Sheet No. 168	12.1(a)(5) - Evaluation of Credit
1.2.4	First Revised Sheet No. 138	6.5(a) - Intraday Nominations
1.2.12	First Revised Sheet No. 138	6.4(c)(iii) - Confirmation by KMLP
1.3.1	First Revised Sheet No. 102	1.8 - Day or Gas Day
1.3.2(i-vi)	First Revised Sheet No. 134	6.2(a)-(f) - Standard Nomination Cycles
1.3.3	First Revised Sheet No. 140	6.6 - End-of-Gas-Day Scheduled Quantity Document
1.3.4	Second Revised Sheet No. 133	6.1(a) - General
1.3.5	Second Revised Sheet No. 133	6.1(b) - General
1.3.7	Second Revised Sheet No. 133	6.1(a) - General
1.3.8	First Revised Sheet No. 139	6.5(b) - Intraday Nominations
1.3.9	Second Revised Sheet No. 133	6.1(b) - General
1.3.9	First Revised Sheet No. 138	6.5(a) - Intraday Nominations
1.3.9	First Revised Sheet No. 139	6.5(f) - Intraday Nominations
1.3.11	First Revised Sheet No. 139	6.5(h) - Intraday Nominations
1.3.13	First Revised Sheet No. 139	6.5(g) - Intraday Nominations
1.3.14	First Revised Sheet No. 134	6.1(d) - General
1.3.19	First Revised Sheet No. 140	6.7 - Overrun Quantities
1.3.21	Second Revised Sheet No. 133	6.1(c) - General
1.3.22	Second Revised Sheet No. 137	6.4(c) - Confirmation by KMLP
1.3.23	First Revised Sheet No. 142	6.10 - Nomination Priorities
1.3.26	Original Sheet No. 249	31.4(a) - Operational Control Sequence
1.3.32	First Revised Sheet No. 139	6.5(d) - Intraday Nominations
2.2.1	First Revised Sheet No. 107	1.27 - Operational Balancing Agreement
2.3.3	First Revised Sheet No. 146	7.2 - Determination of Daily Receipts
2.3.5	First Revised Sheet No. 146	7.2 - Determination of Daily Receipts
2.3.5	Second Revised Sheet No. 148	8.1 - Predetermined Allocations
2.3.6	Second Revised Sheet No. 148	8.1 - Predetermined Allocations
2.3.9	First Revised Sheet No. 108	1.33 - Standard Reporting Basis
2.3.10	First Revised Sheet No. 104	1.16 - Heating Value
2.3.14	Original Sheet No. 223	17.11 - Correction of Metering Errors
2.3.16	Second Revised Sheet No. 148	8.1 - Predetermined Allocations
2.3.17	Second Revised Sheet No. 148	8.1 - Predetermined Allocations
2.3.18	First Revised Sheet No. 146	7.2 - Determination of Daily Receipts
2.3.26	First Revised Sheet No. 162	11.5(a) - Adjustment of Errors
2.3.28	Original Sheet No. 161	11.3 - Imbalance Statement
3.2.1	First Revised Sheet No. 100	1.4 - Business Day

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3.3.9	Original Sheet No. 161	11.1 - Statement and Invoices
3.3.14	Original Sheet No. 161	11.1 - Statement and Invoices
3.3.14	Original Sheet No. 161	11.3 - Imbalance Statement
3.3.15	First Revised Sheet No. 162	11.5(a) - Adjustment of Errors
3.3.17	Original Sheet No. 161	11.4 - Payment
3.3.18	Original Sheet No. 161	11.4 - Payment
3.3.19	Original Sheet No. 161	11.4 - Payment
4.3.89	Second Revised Sheet No. 175, Interactive Website	13.1(a)(1) - Web Site Description
4.3.90	Second Revised Sheet No. 175, Interactive Website	13.1(a)(2) - Web Site Description
4.3.91	Second Revised Sheet No. 176	13.1(a)(3) - Web Site Description
4.3.92	Second Revised Sheet No. 176	13.1(a)(3) - Web Site Description
5.3.1	Third Revised Sheet No. 182, Advertisement and Marketing Fees	14.1(b) - General
5.3.2	Third Revised Sheet No. 182, Advertisement and Marketing Fees	14.1(c) - General
5.3.3	Second Revised Sheet No. 191	14.5(a) - Capacity Release Requirements
5.3.4	First Revised Sheet No. 200	14.10(c) - Bid Evaluation Procedure
5.3.5	First Revised Sheet No. 204	14.13(a) - Billing
5.3.8	Third Revised Sheet No. 188	14.3(c) - Release Without a Prearranged Shipper
5.3.8	First Revised Sheet No. 190	14.4(b)(3) - Prearranged Release
5.3.8	Second Revised Sheet No. 193	14.5(e) - Capacity Release Requirements
5.3.11	First Revised Sheet No. 203	14.11 - Confirmations; Released Firm Transportation Agreement
5.3.14	Third Revised Sheet No. 194	14.5(f)(2) - Capacity Release Requirements
5.3.15	First Revised Sheet No. 197	14.8(e) - Qualified Bids for Released Capacity Rights
5.3.16	Second Revised Sheet No. 193	14.5(f)(1) - Capacity Release Requirements
5.3.19	Third Revised Sheet No. 194, General Terms and Conditions - Section 14.6	14.5(g) - Capacity Release Requirements
5.3.25	Second Revised Sheet No. 195, General Terms and Conditions - Sections 14.7 and 14.8	14.7(c) - Postings; Open Season
5.3.26	Third Revised Sheet No. 188	14.3(j) - Release Without a Prearranged Shipper
5.3.26	Second Revised Sheet No. 191	14.4(i) - Prearranged Release
5.3.26	Second Revised Sheet No. 193	14.5(d)(3) - Capacity Release Requirements
5.3.28	Third Revised Sheet No. 188	14.3(b) - Release Without a Prearranged Shipper
5.3.28	First Revised Sheet No. 190	14.4(b)(1) - Prearranged Release
5.3.44	Second Revised Sheet No. 206	14.14(b) - Recall Nomination Timeline
5.3.45	First Revised Sheet No. 208	14.14(b)(6) - (Recall) Other
5.3.46	First Revised Sheet No. 208	14.14(c)(1) - Methods of Notification
5.3.47	First Revised Sheet No. 208	14.14(c)(1) - Methods of Notification
5.3.48	First Revised Sheet No. 209	14.14(c)(2) - Methods of Notification
5.3.49	First Revised Sheet No. 209	14.14(c)(3) - Methods of Notification
5.3.50	Second Revised Sheet No. 206	14.14(a) - Recalling Capacity - General
5.3.51	Second Revised Sheet No. 206	14.14(a) - Recalling Capacity - General
5.3.52	First Revised Sheet No. 208	14.14(c)(1) - Methods of Notification
5.3.53	First Revised Sheet No. 210	14.14(e) - Reputations
5.3.55	First Revised Sheet No. 209	14.14(d) - Quantity Allocation
5.3.56	First Revised Sheet No. 209	14.14(d) - Quantity Allocation
5.3.57	First Revised Sheet No. 209	14.14(d) - Quantity Allocation
5.3.58	First Revised Sheet No. 209	14.14(d) - Quantity Allocation
5.3.59	First Revised Sheet No. 210	14.15(a) - Qualification for Participation in the Capacity Release Program

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29.4 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, 0.2.26, 0.3.27, 0.3.28, 0.3.29

(B) Datasets: 0.4.4

(6) Storage Information:

(A) Datasets: 0.4.1

(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, 1.3.27, 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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- 1.4.7 (C) Datasets: 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6,
- (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, 5.3.13, 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

29.5 STANDARDS FOR WHICH WAIVER OR EXTENSION OF TIME TO COMPLY HAVE BEEN GRANTED:

(a) None.

29.6 (a) KMLP shall utilize the standard data sets provided by the standards incorporated by reference in 18 CFR Section 284.12. KMLP's implementation guide for the standardized data sets specifies KMLP'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) KMLP 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).

29.7 KMLP'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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**30. NEGOTIATED RATES**

**30.1 PRECONDITIONS TO NEGOTIATED RATES**

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

(a) KMLP 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 30) of Rate Schedule FTS, ITS, or PALS of this Tariff, as applicable; and

(c) No later than the Business Day on which KMLP commences service at such Negotiated Rate(s) or Negotiated Rate Formula (or if the Day on which KMLP commences service is not a Business Day, then no later than the next Business Day after KMLP commences service), KMLP 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, the beginning and ending dates of the contract term 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. As an alternative to filing the tariff sheet, KMLP may file the contract setting out the Negotiated Rate or Negotiated Rate Formula.



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**30.2 AWARD OF FIRM CAPACITY**

To the extent the revenue level pursuant to the Negotiated Rate(s) or Negotiated Rate Formula provided for in Section 30.1 above should equal or 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 capacity award purposes, as if the rate(s) paid had been equal to the Recourse Rate. Any Shipper, existing or new, paying the Recourse Rate(s) has the same right to capacity for capacity award purposes as a Shipper willing to pay an equal or higher Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula. If the Negotiated Rate or the rate under a Negotiated Rate Formula are always higher than the corresponding Recourse Rate, the Recourse Rate rather than the Negotiated Rate will be used as the price cap for release capacity pursuant to Section 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 for capacity award purposes 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 for capacity award purposes shall be evaluated based on such lower revenue and shall be afforded a correspondingly lower priority in a capacity award procedure than bids or requests at the Recourse Rate.

**30.3 ACCOUNTING FOR COSTS AND REVENUES**

The allocation of costs to and the recording of revenues from service at Negotiated Rate(s) or under a Negotiated Rate Formula will follow KMLP's normal practices associated with all of its services under this Tariff. KMLP will maintain separate records of Negotiated Rate and Negotiated Rate Formula transactions for each billing period.

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These records shall include the volumes transported, the billing determinants (contract MDQ), the rates KMLP charged and the revenue received associated with such transactions. KMLP will separately identify such transactions in Statements G, I and J (or their equivalent) filed in any general rate proceeding. Should KMLP 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.

**30.4 CAPACITY RELEASE REVENUE**

KMLP 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 of these General Terms and Conditions. Nothing in the foregoing sentence, however, shall authorize KMLP or Shipper to violate the Commission's policy with respect to the negotiation of terms and conditions of service.

**30.5 UNACCOUNTED FOR GAS AND FUEL GAS**

Under this Section, KMLP and Shipper may agree upon retainage or surcharge components, including percentage charges for Unaccounted For Gas (and for Fuel Gas if KMLP installs compression), different from those otherwise determined under this Tariff. KMLP will credit the full maximum rate retainage or surcharge amounts to its accounts for any such transactions where such retainage or surcharge amounts would apply if the transaction were not entered into under this authority.

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**31. OPERATIONAL CONTROL**

**31.1 GENERAL**

(a) KMLP shall endeavor to maintain adequate pressure throughout its System and to preserve the overall operational integrity of its System; provided, however, that KMLP shall not be obligated to buy or sell Gas or, unless otherwise contractually obligated, to install compression or otherwise modify its System for these purposes except as otherwise agreed by contract. Operating personnel for Shippers and other entities which are physically taking delivery of Gas from KMLP or tendering Gas to KMLP shall cooperate with KMLP in furtherance of this Section. Each Shipper shall designate the telephone, e-mail address and/or telefax numbers of one or more persons [but not more than two (2) primary and two (2) backup persons] for KMLP 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 KMLP'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.

**31.2 FACILITY CONTROL**

KMLP shall maintain actual physical and operational control of all transmission and other facilities on its System.

**31.3 OPERATING INFORMATION**

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

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**31.4 OPERATIONAL CONTROL SEQUENCE**

(a) In the event KMLP'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, KMLP is empowered by this Section to take action to alleviate this situation. In responding to such a situation, KMLP shall first apply the Advisory Action procedures of Section 31.5. If such measures are not sufficient to address the situation fully, KMLP shall next employ Operational Flow Orders as provided in Section 31.6. In the event Operational Flow Orders alone are not adequate, KMLP may invoke the Critical Time procedures set out in Section 31.7. The procedures set out in such provisions, and their sequencing, are intended to be applied only to the extent any of the specific actions indicated, or such sequencing, would tend to alleviate the situation to be addressed. In issuing Advisory Actions, Operational Flow Orders or a Critical Time, KMLP shall describe the conditions and the specific responses required from the affected parties. Nothing herein shall preclude KMLP from bypassing any of the above procedures if, in its judgment, the situation so requires. KMLP will keep Shippers advised through postings on the Informational Posting portion of its Interactive Website on the status of the situation.

(b) To the extent practicable, KMLP shall direct its actions hereunder to Shippers creating or anticipated to create the situation to be addressed, including taking actions on a point-specific basis or at specific locations on the System. Shippers will endeavor to adjust nominations on every scheduling cycle at Receipt Points or Delivery Points or both to provide a balance of receipt and delivery volumes so that imbalances do not occur. In addition, Shippers will endeavor to cure existing imbalances that can be reasonably attributed to their FTS or ITS contracts as directed by KMLP.

**31.5 ADVISORY ACTIONS**

In the event KMLP 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, KMLP may take the Advisory Actions set out herein to forestall the development of such a situation.

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(a) KMLP 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:

- (i) Increase or decrease the supply mix of deliveries;
- (ii) Shift receipts to obtain better capacity balance;
- (iii) Utilize different Receipt or Delivery Points; or
- (iv) Such other voluntary action as would tend to alleviate or forestall the situation.

(b) KMLP may also take actions within its control which might tend to alleviate or forestall the situation. Such actions may include the following:

- (i) Advise any Shipper which is not maintaining receipts and deliveries in balance that such imbalances must not continue;
- (ii) Curtail or require adjustments or supply shifts in service under Rate Schedule ITS;
- (iii) Enter into agreements with Shippers or third parties under which such entity agrees to take voluntary action defined in such agreement which will help operation of the System, which agreement may include reasonable and adequate compensation for such entity; and
- (iv) Take such other actions as are within KMLP's control and discretion to alleviate or forestall the situation.

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**31.6 OPERATIONAL FLOW ORDERS**

(a) (1) In the event that the Advisory Actions under Section 31.5 are not sufficient to alleviate conditions, inter alia, which threaten or could threaten the safe operations of KMLP's System or KMLP's ability to provide firm service, KMLP is authorized to issue Operational Flow Orders. Notwithstanding the foregoing, KMLP 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 31 in response to adverse operational events on KMLP'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 KMLP to issue the Operational Flow Order. KMLP will issue Operational Flow Orders when 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; provided that Operational Flow Orders need not be lifted if doing so might result in a recurrence of the conditions sought to be addressed.

(2) 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 subject to Section 31.4(b).

(3) 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 the remainder of this Section 31.6, 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:

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(i) Commence or increase supply inputs into KMLP'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 KMLP's System or at specific points.

(iii) Commence or increase takes of Gas from KMLP's System or from specific points, or shift takes to different points.

(iv) Cease or reduce takes from KMLP's System or at specific points.

(v) Maintain flows on a ratable basis throughout the Day.

(vi) Rectify transportation imbalances.

(vii) Conform receipts or deliveries to the confirmed nominations, for any Shipper with a variance greater than a level stated in the Operational Flow Order.

(viii) Activate voluntary action agreement(s) previously entered into, including any related compensation.

(ix) Such other actions which would tend to alleviate the situation to be addressed.

(4) No Shipper will be required under an Operational Flow Order to exceed its MDQ and/or Point MDQ under its Agreements with KMLP under Part 284 of the Commission's Regulations or to take any action which is beyond its responsibility and control under its Agreements. Further, a Shipper subject to an Operational Flow Order issued to increase deliveries at Receipt Points will have the option to decrease takes at Delivery Points by a like amount instead, and vice versa. Similarly, a Shipper subject to an Operational Flow Order issued to decrease deliveries at Receipt Points will have the option to increase takes at Delivery Points by a like amount instead, and vice versa.

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(b) An entity other than the Shipper may agree to take responsibility for Operational Flow Orders on behalf of a Shipper or a point operator or on behalf of the operator of a specified end-use facility. To accept such responsibility, the entity must provide KMLP with written notification which includes: (i) written consent by the affected Shipper or operator; (ii) specification of any limits on the entity's responsibility; (iii) the term over which the notification is effective; and (iv) an identification of adequate resources which will be used to support the assumption of responsibility. Any notification or change in notification is effective on the second Business Day after delivery to KMLP. Notwithstanding the foregoing, KMLP may reject a notification upon written notice to such entity and any affected Shipper if such notification fails to comply with this Section or contains any provision which could adversely affect implementation of an Operational Flow Order or if the entity is not in a position to accept responsibility either operationally or financially for Operational Flow Orders. Such a rejection must be made by KMLP within two (2) Business Days after the notification is tendered to KMLP. If a notification is already in effect and KMLP reasonably determines that the conditions for such a notification are no longer met, KMLP may provide notice of rejection, which notice shall be effective within five (5) days or such later time as is specified in the notice. As part of any rejection of a notification hereunder, KMLP shall provide to the Shipper and to the entity which submitted the notification a written explanation of the rejection. Such explanation must be consistent with this paragraph. If such a notification is in effect, KMLP will direct any Operational Flow Order within the scope of the notification to the entity agreeing to take responsibility.

(c) Notice of an Operational Flow Order will be posted on KMLP's Interactive Website. KMLP 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.). KMLP shall provide as much advance warning as practicable 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. KMLP will endeavor to post the notice that it will issue an Operational Flow Order on its Interactive Website 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 KMLP's



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Interactive Website again at a specified later time to see whether an Operational Flow Order will be in effect for the next Day. Additionally, if Shipper has provided to KMLP the e-mail address as specified in NAESB Standard 5.3.35, such posting will be provided via e-mail in the format as defined in NAESB Standard 5.3.38 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 KMLP may issue an Operational Flow Order on as little as one (1) hours 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 KMLP notifies Shippers on its Interactive Website that the Operational Flow Order has been lifted.

(d) (1) If any Shipper fails to comply with an Operational Flow Order during any period which is not a Critical Time, it shall be subject to a penalty of 2 X DIP times any volume of Gas by which it deviated from the requirements of the Operational Flow Order; provided, however, that the penalty shall be 4 X DIP to the extent a Shipper exceeds a variance level stated in an Operational Flow Order. In assessing any penalty hereunder, KMLP shall apply the DIP applicable to the period(s) during which the violation occurred. A Shipper shall be exempt from such a penalty under this Section 31.6 to the extent the Operational Flow Order requires action beyond Shipper's contract limits under its Agreement with KMLP or if Shipper has complied within a reasonable range, which range will be specified in the Operational Flow Order.

(2) In taking action based on an Operational Flow Order, Shipper is entitled to rely on information (such as metering information) provided by KMLP.

(3) A Shipper shall not be subject to Unauthorized Gas charges from KMLP with respect to any action taken in reasonable conformance with an Operational Flow Order issued by KMLP during a Critical or non-Critical Time.

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

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**31.7 CRITICAL TIME**

(a) KMLP shall advise Shippers on its System if it is declaring a Critical Time, and shall specify the nature of the situation creating the Critical Time. KMLP shall provide as much advance notice as practicable of any declaration of Critical Time.

(b) A Critical Time may be declared (1) when the total physical receipts to all or a portion of the System are approaching or expected to approach, a level that is in excess of the total physical deliveries KMLP 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 KMLP considers necessary for System integrity or to fulfill its firm contractual obligations; (3) when System pressure on one or more pipeline segments 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 KMLP's facilities may be safely operated; or (4) at other times when KMLP 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 KMLP'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 Gas under interruptible service 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. KMLP shall notify Shippers on the Informational Postings portion of its Interactive Website as to the reason(s) why a Critical Time was declared.

(c) Notice of a Critical Time will be posted on the Informational Postings portion of KMLP's Interactive Website. KMLP will also provide notice via e-mail to Shippers which have provided e-mail addresses. KMLP 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. KMLP must attempt to give actual notice of a Critical Time via telefax or telephone (provided a Shipper has given the numbers to KMLP as

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required in Section 31 of these General Terms and Conditions) at least four (4) hours prior to the start of the Day before a Critical Time will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Critical Time. A Critical Time will be effective at the start of a Day and will continue until the end of the Day and through the end of successive Days until KMLP notifies Shippers via its Interactive Website that there is no longer a Critical Time.

(d) KMLP may issue Operational Flow Orders as described in Section 31.6 during a Critical Time.

(e) 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 8 X DIP. In assessing any penalty hereunder, KMLP shall apply the DIP index applicable to the period(s) during which the violation occurred.

**31.8 STANDARDS**

(a) In issuing Operational Flow Orders or taking other operational control action under this Section, KMLP 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, KMLP 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.

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**32. NON-WAIVER OF FUTURE DEFAULT**

No waiver by either Shipper or KMLP of any one or more defaults by the other in performance of any of the provisions of an 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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**33. ACQUIRED CAPACITY**

(a) KMLP may from time to time enter into transportation and/or storage agreements with upstream or downstream entities, including other interstate pipelines, intrastate pipelines, or local distribution companies (Acquired Capacity). KMLP may use Acquired Capacity for its System operational needs and/or to render service to its customers. Except as provided in subsection (c), KMLP states that, if it transports or stores Gas for others using Acquired Capacity, it will apply to such services the same rates and tariffs as are applicable to on-system customers, as such rates and tariffs may change from time to time. For purposes of any use of Acquired Capacity covered by this Section 33(a), the "Shipper must hold title" requirement is waived.

(b) Third Party Charges. Notwithstanding the provisions of Section 33 above, if Shipper and KMLP mutually agree, that KMLP shall, to provide service to Shipper, use service which KMLP has contracted for with third party(s) pursuant to this Section 33 for the benefit of Shipper, Shipper shall pay KMLP, in addition to any applicable rates and charges pursuant to KMLP's FERC Gas Tariff, an amount up to the charges KMLP is obligated to pay such third party(s), which charges may include, but are not limited to, reservation and/or usage charges and surcharges, fuel and power charges or retention, compression fees, balancing or storage fees, measurement fees, processing fees, and/or facility charges. Such charges shall be set forth as separate items on billings rendered to Shipper.

(c) Nothing herein shall be read to preclude KMLP from filing with the Commission for different tariff provisions applicable to any service which KMLP 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 KMLP will be required to seek a case-specific waiver of that requirement from the Commission.

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**34. DISCOUNTING**

In the event that KMLP agrees to discount its rate to Shipper below KMLP's maximum rate under Rate Schedules FTS and ITS, the discount terms shall be reflected in the applicable Agreements or associated discount agreements and will apply without the discount constituting a material deviation from KMLP's form of service agreement; provided, however, that any such discounted rates set forth below shall be between the minimum and maximum rates applicable to the service provided under the applicable rate schedule. Contracts with Negotiated Rates or a Negotiated Rate Formula are governed by Section 30 of these General Terms and Conditions. Without limitation of the foregoing, such discounted rates may be based on:

(a) The published index prices for specific Receipt and/or Delivery Points or other agreed-upon published pricing reference points for price determination the use of which is not inconsistent with Commission policy (such discounted rate may be based upon the differential between published index prices or arrived at by formula). Such discounted rate:

- (1) shall not change the underlying rate design;
- (2) shall not include any minimum bill or minimum take provision that has the effect of guaranteeing revenue;
- (3) shall define the rate component to be discounted; and
- (4) shall be limited by the applicable maximum and minimum rates.

(b) any of the factors set out in the Rates section of the form of service agreement.

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**35. ANNUAL CHARGES ADJUSTMENT (ACA) SURCHARGE**

**35.1 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 KMLP 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. KMLP 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, KMLP will collect an ACA unit charge, as calculated by the Commission, for the purpose of recovering its ACA costs. This Section establishes an ACA surcharge as set forth in the Currently Effective Rates section of this Tariff.

**35.2 APPLICABILITY**

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

**35.3 BASIS OF THE ACA SURCHARGE**

The rates for all transactions specified in Section 35.2 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's website 1/, is incorporated by reference into KMLP's FERC Gas Tariff, Volume No. 1. The ACA unit charge shall be applied to the commodity component of rates.

**35.4 EFFECTIVE DATE OF CHARGES**

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

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1/ KMLP 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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**36. PERIODIC RATE ADJUSTMENTS FOR UNACCOUNTED FOR GAS AND FUEL GAS**

**36.1 PURPOSE AND APPLICABILITY**

This Section 36 establishes a semi-annual rate adjustment provision for the recovery by KMLP of Unaccounted For Gas and Fuel Gas, respectively. These adjustments result in the Unaccounted For Gas Reimbursement Percentage and the Fuel Gas Reimbursement Percentage(s), as set forth on Sheet No. 6 of this Tariff. This Section 36 specifies the procedures to be utilized in adjusting such percentages to reflect changes in (a) Unaccounted For Gas per unit of service and (b) Fuel Gas per unit of service. All amounts for the reimbursement of Lost and Unaccounted For Gas and Fuel Gas shall be recovered by KMLP in-kind by applying the percentages to the volumes of Gas transported on its System under Rate Schedules FTS and ITS. If percentages which differ from those determined hereunder are established for any Shipper pursuant to Section 30 of these General Terms and Conditions (relating to Negotiated Rates or a Negotiated Rate Formula), that contractual percentage shall be used in determining delivery volumes for that Shipper (Equivalent Volumes, etc). No separate Fuel Gas or Unaccounted For Gas charges shall apply to service under Rate Schedule PALS.

**36.2 DEFINITIONS**

(a) "Unaccounted For Gas" and "Fuel Gas" shall have the meanings set out in Section 1 of these General Terms and Conditions.

(b) "Base Period" shall mean the six (6) Months ended two (2) Months prior to the commencement of a new Recovery Period.



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(c) "Recovery Period" shall mean the period during which the revised percentages are to be in effect, which shall be a six (6) Month period commencing with the effective date of the next redetermination as specified in Section 36.3.

(d) "Receipt Quantity" shall mean the volume of Gas received by KMLP at the various Receipt Points on its System, net of volumes received as Unaccounted For Gas and Fuel Gas.

(e) "Initial Effective Date" shall mean July 1, 2020 or the date the proposed change from an annual to semi-annual Periodic Rate Adjustment becomes effective.

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**36.3 PERIODIC RATE ADJUSTMENT**

(a) This Section 36 establishes a periodic rate adjustment provision for the recovery by KMLP of Fuel Gas and Unaccounted For Gas. These percentages shall be redetermined effective on each six (6) months anniversary of the Initial Effective Date, except that, at KMLP's election, these percentages may be redetermined on the quarterly anniversary of the Initial Effective Date.

(b) KMLP shall file its adjustment to each of these reimbursement percentages at least thirty (30) days prior to the effective date of the redetermination. The revised percentage(s) in any tracking filings shall be the sum of the Current Component determined under Section 36.4 and the Deferred Component determined under Section 36.5. Any tracking filing submitted in accordance with this Section shall become effective, subject to refund, on the designated effective date which is consistent with Section 36.3(a). Any changes from the prior tracking level shall be subject to review in the tracking filing proceeding.

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**36.4 CURRENT COMPONENT**

(a) The methodology used to derive the Current Component of the Unaccounted For Gas Reimbursement Percentage is as follows:

(1) Unaccounted For Gas is divided by the Receipt Quantity to calculate the Current Component of the Unaccounted For Gas Reimbursement Percentage.

(2) Unaccounted For Gas to be included in this calculation consists of the Unaccounted For Gas actually experienced in the Base Period, utilizing best available measurement information, as adjusted for changes reasonably anticipated to occur in the Recovery Period.

(3) The Receipt Quantity used in this calculation shall be the Receipt Quantity for the Base Period, adjusted for changes reasonably anticipated to occur in the Recovery Period.

(4) For the Base Period, adjusted for changes reasonably anticipated to occur in the Recovery Period.

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(b) The methodology used to derive the Current Component of the Fuel Gas Reimbursement Percentage is as follows:

(1) Fuel Gas is divided by the Receipt Quantity to calculate the Current Component of the Fuel Gas Reimbursement Percentage.

(2) Fuel Gas to be included in this calculation consists of the Fuel Gas actually consumed during the Base Period, utilizing best available measurement information, adjusted for changes reasonably anticipated to occur in the Recovery Period.

(3) The Receipt Quantity used in this calculation shall be the Receipt Quantity.

(4) For the Base Period, adjusted for changes reasonably anticipated to occur in the Recovery Period.

**36.5 DEFERRED COMPONENT**

(a) A Deferred Component shall be calculated separately for the Unaccounted For Gas Reimbursement Percentage and the Fuel Gas Reimbursement Percentage. A separate deferred subaccount shall be established and maintained for each of these reimbursement percentages. The Deferred Component for each reimbursement percentage shall be the balance of the deferred subaccount as of the end of the Base Period expressed as volumes divided by the Receipt Quantity, as applicable. The Receipt Quantity used in this calculation shall be the quantity for the Base Period, adjusted for changes reasonably anticipated to occur in the Recovery Period. The Deferred Component may be positive or negative.

(b) The accumulated deferred subaccount balances for each reimbursement percentage is to be adjusted as of the end of each calendar quarter, to reflect the following, as applicable:

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(1) The amount associated with KMLP's actual under- or over-recovery each Month during that quarter of Unaccounted For Gas and Fuel Gas, respectively.

(2) Adjustments to any prior Month's recoveries.

(c) The amount to be included as an adjustment in the deferral subaccounts for any Month shall be calculated as follows:

(1) KMLP shall determine the Unaccounted For Gas and Fuel Gas incurred that Month.

(2) KMLP shall then determine the amount of Unaccounted For Gas and Fuel Gas recovered for that Month, as follows: (i) the amount of Unaccounted For Gas recovered shall be determined by multiplying the Unaccounted For Gas Reimbursement Percentage in effect during the Month by the Receipt Quantity for the Month; and (ii) the amount of Fuel Gas recovered shall be determined by multiplying the Fuel Gas Reimbursement Percentage in effect during that Month by the Receipt Quantity, as applicable, for the Month.

(3) The adjustment to the deferral subaccounts for the Month shall be based on the difference between item (1) and item (2). This amount shall be recorded in the applicable deferral subaccount. Separate calculations and separate subaccount adjustments shall be made for Unaccounted For Gas and Fuel Gas. The adjustments shall be made as follows:

(i) KMLP shall debit the relevant deferral account in the event the current Month actual amounts exceed the amounts that KMLP recovered hereunder for that Month.

(ii) KMLP shall credit the relevant deferral account in the event the current Month actual amounts are less than the total amount KMLP recovered hereunder.

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**36.6 EFFECTIVE DATE**

The Unaccounted For Gas Reimbursement Percentage and the Fuel Gas Reimbursement Percentage will be assessed based on Receipt Quantities or Fuel Gas Quantities, as applicable, beginning on the Initial Effective Date [the Initial Effective Date as defined separately in Section 36.2(g) above for the Unaccounted For Gas Reimbursement Percentage and the Fuel Gas Reimbursement Percentages] and shall be revised hereunder on a periodic basis as set out in Section 36.3.

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**37. 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 KMLP's pro forma service agreements:

37.1 Sabine Pass Liquefaction, LLC, Transportation Rate Schedule FTS Agreement, dated December 8, 2017 (Contract No. 149140).

37.2 Sabine Pass Liquefaction, LLC, Transportation Rate Schedule FTS Agreement, dated October 1, 2020 (Contract No. 153075).

37.3 Chevron U.S.A. Inc., Transportation Rate Schedule ITS Agreement, dated September 6, 2007 (Contract No. 534515).

37.4 Reserved for future use.

37.5 Reserved for future use.

37.6 Total Gas & Power North America, Inc., Transportation Rate Schedule ITS Agreement, dated September 6, 2007 (Contract No. 534518).

**Sheet Nos. 269 through 299 are reserved for future use.**



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