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**GENERAL TERMS AND CONDITIONS**

**GENERAL TERMS AND CONDITIONS**

1. DEFINITIONS

The following terms, wherever used in any Rate Schedule or in these General Terms and Conditions, shall be defined as follows:

1.1 AGREEMENT

The term "Agreement" shall mean, as applicable, a DSS Agreement, FTS Agreement, FFTS Agreement, FTS-G Agreement, ITS Agreement, IBS Agreement, NSS Agreement, PALS Agreement, FRSS Agreement, BESS Agreement or LPS Agreement, as defined in the respective Rate Schedules, and an Agreement under any X Rate Schedule in Natural's Volume No. 2 Tariff to which these General Terms and Conditions may apply.

1.2 BUSINESS DAY

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

1.3 DAY OR GAS DAY

"Day" or "Gas Day" shall mean a period from 9:00 a.m. to 9:00 a.m. Central Clock Time.

1.4 DELIVERY POINT

The term "Delivery Point" shall mean any point at which Natural delivers to or for the account of Shipper gas which has been transported or stored by Natural 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.

1.5 DTH

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

1.6 ELECTRONIC DATA INTERCHANGE ("EDI")

The term "EDI" shall mean Electronic Data Interchange.

#### 1.7 EQUIVALENT VOLUMES

The term "Equivalent Volumes" shall mean the quantity of gas measured in Dth received by Natural for the account of Shipper at the Receipt Point(s) during any given period of time: (a) reduced by a percentage for Fuel Gas consumed and a percentage for Gas Lost and Unaccounted For in Natural's system; (b) reduced by any plant volume reductions assessed as a result of Shipper's or its supplier's election to process the gas; and (c) adjusted for any variations in Btu content. It is the intent of the parties that the volumes of gas delivered at the Delivery Point(s) shall be equivalent in Dth to the volumes of gas received at the Receipt Point(s) under an Agreement, as adjusted for items (a), (b) and (c) above.

#### 1.8 FUEL GAS

The term "Fuel Gas" shall mean, with respect to any transportation service, the quantities of gas consumed on Natural's system as a result of the transportation service provided and which includes, but is not limited to, Fuel Gas consumed in Natural's compressor stations. The term "Fuel Gas" shall mean, with respect to any storage service, the quantities of gas consumed in connection with the injection and withdrawal of gas.

#### 1.9 GAS LOST AND UNACCOUNTED FOR

The term "Gas Lost and Unaccounted For" shall mean the difference between the sum of all input quantities of gas to Natural's system and the sum of all output quantities of gas (including Fuel Gas) from Natural's system, which difference, after any appropriate adjustments, shall include but shall not be limited to gas vented and gas lost as a result of an event of Force Majeure, the ownership of which cannot be reasonably identified.

#### 1.10 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.

1.11 INTERACTIVE WEBSITE

The term "Interactive Website" shall mean the interactive internet web site maintained by Natural for communication regarding its transportation and storage service in accordance with applicable Commission Regulations and NAESB WGQ standards, as more fully described in Section 17 of these General Terms and Conditions.

1.12 MONTH

A period of one calendar month commencing on the first day of such month; provided, however, that the term "month" may be established as some other equivalent period by mutual agreement between Shipper and Natural or between Natural and the operator of any Receipt Point or Delivery Point, as applicable.

1.13 NATURAL GAS

The term "natural gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane.

1.14 NEGOTIATED RATE

The term "Negotiated Rate" shall mean a rate provision under which Natural and Shipper have agreed on the amount to be charged for the service under Rate Schedule FTS, FFTS, FTS-G, ITS, IBS, BESS, DSS, NSS, FRSS, PALS or LPS 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 after the effective date of this subsection which provides for a rate under Rate Schedule FTS, FFTS, FTS-G, ITS, IBS, BESS, DSS, NSS, FRSS, PALS or LPS 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.

**1.15 NEGOTIATED RATE FORMULA**

The term "Negotiated Rate Formula" shall mean a rate formula provision which Natural and Shipper have agreed will be applied to service under Rate Schedule FTS, FFTS, FTS-G, ITS, IBS, BESS, DSS, NSS, FRSS, PALS or LPS 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 after the effective date of this subsection which provides for a rate under Rate Schedule FTS, FFTS, FTS-G, ITS, IBS, BESS, DSS, NSS, FRSS, PALS or LPS 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.

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

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

**1.17 RECEIPT POINT**

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

**1.18 RECOURSE RATE**

The term "Recourse Rate" shall mean the applicable maximum rate(s) which would apply to the service but for the rate flexibility allowed under Section 49 hereof.

**1.19 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. In addition, "Shipper" may refer to Storage Expansion 2003, Sayre Storage Project, North Lansing NSS Project, and Herscher Galesville NSS Project Shippers.



1.20 STANDARD REPORTING BASIS

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

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

1.21 YEAR

A period of three hundred sixty-five (365) consecutive days; provided that any such year which contains the date of February 29 shall consist of three hundred sixty-six (366) consecutive days; and provided further that the term "year" may be established as some other equivalent period by mutual agreement between Shipper and Natural or between Natural and the operator of any Receipt Point or Delivery Point, as applicable.

1.22 STORAGE EXPANSION 2003

The term "Storage Expansion 2003" shall mean the expansion in Natural's Storage capacity resulting from the construction of facilities authorized by the Commission pursuant to orders issued in Docket No. CP02-391-000, 101 FERC 61,125 and 101 FERC 61,361.

1.23 STORAGE EXPANSION 2003 AGREEMENT

The term "Storage Expansion 2003 Agreement" shall mean a NSS Agreement entered into between Natural and a Shipper for capacity resulting from Storage Expansion 2003.

1.24 STORAGE EXPANSION 2003 SHIPPER

The term "Storage Expansion 2003 Shipper" shall mean a Shipper which has entered into a Storage Expansion 2003 Agreement. A Shipper's status as a Storage Expansion 2003 Shipper shall be determined on a contract-by-contract basis. Therefore, a given Shipper may be a Storage Expansion 2003 Shipper with respect to a specific contract and not a Storage Expansion 2003 Shipper with respect to other contracts.

1.25 STORAGE EXPANSION 2003 RATE

Under Rate Schedule NSS, separate rates are stated for Storage Expansion 2003 service. The rates for Storage Expansion 2003 shall apply to Storage Expansion 2003 Agreements.

1.26 SAYRE STORAGE PROJECT

The term "Sayre Storage Project" shall mean the modification to Natural's Storage capacity resulting from the construction of facilities authorized by the Commission pursuant to an Order issued on March 25, 2005, in Docket No. CP05-7-000, 110 FERC Paragraph 61,344.

1.27 SAYRE STORAGE PROJECT AGREEMENT

The term "Sayre Storage Project Agreement" shall mean an Agreement entered into between Natural and a Shipper for capacity resulting from Sayre Storage Project. Initially, all such Agreements are entered into under Rate Schedule NSS.

1.28 SAYRE STORAGE PROJECT SHIPPER

The term "Sayre Storage Project Shipper" shall mean a Shipper which has entered into a Sayre Storage Project Agreement. A Shipper's status as a Sayre Storage Project Shipper shall be determined on a contract-by-contract basis. Therefore, a given Shipper may be a Sayre Storage Project Shipper with respect to a specific contract and not a Sayre Storage Project Shipper with respect to other contracts.

1.29 Sayre Storage Project Rate

Under Rate Schedule NSS, separate rates are stated for Sayre Storage Project service. The rates for Sayre Storage Project shall apply to Sayre Storage Project Agreements.

1.30 NORTH LANSING NSS PROJECT

The term "North Lansing NSS Project" shall mean the modification to Natural's Storage capacity resulting from the construction of facilities authorized by the Commission pursuant to an Order issued on January 23, 2006, in Docket No. CP05-405-000, 114 FERC Paragraph 61,061.

1.31 NORTH LANSING NSS PROJECT AGREEMENT

The term "North Lansing NSS Project Agreement" shall mean an Agreement entered into between Natural and a Shipper for capacity resulting from North Lansing NSS Project. Initially, all such Agreements are entered into under Rate Schedule NSS.

1.32 NORTH LANSING NSS PROJECT SHIPPER

The term "North Lansing NSS Project Shipper" shall mean a Shipper which has entered into a North Lansing NSS Storage Project Agreement. A Shipper's status as a North Lansing NSS Project Shipper shall be determined on a contract-by-contract basis. Therefore, a given Shipper may be a North Lansing NSS Project Shipper with respect to a specific contract and not a North Lansing NSS Project Shipper with respect to other contracts.

1.33 NORTH LANSING NSS PROJECT RATE

Under Rate Schedule NSS, separate rates are stated for North Lansing NSS Project service. The rates for North Lansing NSS Project shall apply to North Lansing NSS Project Agreements.

1.34 HERSCHER GALESVILLE NSS PROJECT

The term "Herscher Galesville NSS Project" shall mean the modification to Natural's Storage capacity resulting from the construction of facilities authorized by the Commission pursuant to an Order issued on August 11, 2008, in Docket No. CP08-32-000, 124 FERC Paragraph 61,154.

1.35 HERSCHER GALESVILLE NSS PROJECT AGREEMENT

The term "Herscher Galesville NSS Project Agreement" shall mean an Agreement entered into between Natural and a Shipper for capacity resulting from Herscher Galesville NSS Project. Initially, all such Agreements are entered into under Rate Schedule NSS.

**1.36 HERSCHER GALESVILLE NSS PROJECT SHIPPER**

The term "Herscher Galesville NSS Project Shipper" shall mean a Shipper which has entered into a Herscher Galesville NSS Storage Project Agreement. A Shipper's status as a Herscher Galesville NSS Project Shipper shall be determined on a contract-by-contract basis. Therefore, a given Shipper may be a Herscher Galesville NSS Project Shipper with respect to a specific contract and not a Herscher Galesville NSS Project Shipper with respect to other contracts.

**1.37 HERSCHER GALESVILLE NSS PROJECT RATE**

Under Rate Schedule NSS, separate rates are stated for Herscher Galesville NSS Project service. The rates for Herscher Galesville NSS Project shall apply to Herscher Galesville NSS Project Agreements.

**1.38 CHICAGO MARKET EXPANSION PROJECT**

The term "Chicago Market Expansion Project" shall mean the expansion of Natural's transmission capacity resulting from the construction of facilities authorized by the Commission pursuant to orders issued in Docket No. CP15-505-000, 154 FERC Paragraph 61,220. The Chicago Market Expansion Project provides 238,000 Dth/day of firm northbound transportation service under Rate Schedule FTS from Natural's interconnect with Rockies Express Pipeline LLC in Piatt County, Illinois to the Market Delivery Zone.

**1.39 CHICAGO MARKET EXPANSION PROJECT CAPACITY**

The term "Chicago Market Expansion Project Capacity" shall refer to [the](#) 238,000 Dth/day of firm capacity created by the Chicago Market Expansion Project. The rates applicable to the Chicago Market Expansion Project Capacity are set forth on the footnotes to the rate sheets under Part 4.93 of Natural's Tariff.

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## GENERAL TERMS AND CONDITIONS

### 5. PRIORITY OF SERVICE

#### 5.1 ALLOCATION OF FIRM CAPACITY

This Section 5.1 governs the posting, the allocating among services and among entities requesting firm services, and the awarding of firm transmission and storage capacity on Natural's system.

(a) If at any time Natural has transmission capacity and/or storage capacity which would support additional firm services, Natural shall make such capacity available to perform firm open access services. The allocation of such capacity among firm services shall be determined by Natural, applying objective criteria of the relative engineering suitability and economic value of the various services.

(b) In assigning priority to otherwise valid bids or requests for any particular firm service, Natural shall allocate firm capacity to valid bids or requests which generate the highest economic value for Natural. The criteria for determining the highest economic value are discussed in Section 5.1(c). 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 49 of these General Terms and Conditions. The procedures to award firm capacity are described in Section 5.1(c). Certain posting requirements for firm capacity are set out in Section 5.1(e).

#### (c) CAPACITY AWARD PROCEDURES

This subsection sets out the procedures to be followed by Natural in awarding all firm forward haul transmission segment capacity and firm storage capacity 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 Natural's system). Prior to awarding capacity pursuant to these capacity award procedures, Natural shall first post all firm forward-haul transmission segment capacity and firm storage capacity currently available or becoming available or becoming available in the future on the Informational Posting portion of its Interactive Website for a period of five days ("Posted Capacity") as set forth in Section 5.1(e)(1). After such five-day period, Shipper may bid on or request and Natural may award any



capacity becoming available either via an open season procedure or the request procedure.

(1) OPEN SEASON Natural may conduct an Open Season for any Posted Capacity.

(i) In any Open Season, the minimum posting and bidding period applicable to firm capacity available for less than five (5) months is from 9 a.m. to 2 p.m. Central Clock Time on a business day. In any Open Season, the minimum posting and bidding period for firm capacity available for five (5) months or longer is four (4) business days, with the minimum posting periods each day being from 9 a.m. to 2 p.m. Central Clock Time.

(ii) The posting for an Open Season will include the following items:

(A) For transmission capacity, the location by pipeline segment of the firm capacity to be covered by the Open Season and any restriction on any segment or on any Receipt or Delivery Point.

(B) 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 Section 5.1(d).

(C) The timetable for posting and bidding, which timetable must be consistent with Section 5.1(c)(1)(ii). The timetable will specify any right Natural may have to extend the Open Season but in no event can the Open Season be extended if a valid bid has been submitted.

(D) The type, duration and amount of firm capacity to be covered by the Open Season, and the date on which such firm capacity will be available.

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

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

(iii) In an Open Season, bids may be submitted in the basic rate design then in effect on Natural's system constrained by the applicable maximum and minimum rates. Alternatively, bids may be on a Negotiated Rate or Negotiated Rate Formula basis to the extent specified in the posting. Natural may limit the form of Negotiated Rate or Negotiated Rate Formula submitted, in which case that limitation must be reflected in the posting.

(iv) Natural may, but is not obligated to, establish a reserve price or reserve price matrix in every Open Season, consistent with Section 5.1(d)(5).

(v) In an Open Season, Natural may make firm capacity available only for a specified term or range of terms, which limitation must be included in the posting.

(vi) Unless otherwise specified in the posting, a bidder may bid on all or any portion of the term for which the firm capacity is available and on all or any portion of the capacity available.

(vii) Natural 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. A bidder may withdraw a bid for a material error by notifying Natural by the deadline for bids that the bid contains a material error, which notification shall explain the material error.

(viii) All bids received during the open season period remain binding on the bidder through the end of the open season unless withdrawn by bidder. A bidder may withdraw its bid at any time during the open season, utilizing the same medium through which a bid can be submitted. A bidder which has withdrawn a bid may submit a bid with a higher value during the open season, but neither that bidder nor any of its affiliates may submit a bid with a lower value than the withdrawn bid, except if the withdrawn bid was withdrawn due to a material error, during that open season [value is to be determined applying the criteria in Section 5.1(d), consistent with the posting for

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

(ix) In an Open Season, Natural may post a prearranged transaction for bid, including a prearranged Negotiated Rate or Negotiated Rate Formula transaction and shall include a right on the part of the prearranged Shipper to match as specified in the posting. Natural may enter a prearranged transaction only after the capacity subject to the prearranged transaction has been posted as generally available.

(x) If contractual rollover rights are to be available to the winning bidder, or are agreed upon with a prearranged Shipper, the terms of such contractual rollover shall be included in the open season posting and such rollover rights shall be available to all bidders similarly situated.

(2) RESERVED FOR FUTURE USE

(3) REQUEST PROCEDURE Natural may award Posted Capacity through the Request Procedure in this Section 5.1(c)(3).

(i) Natural may award Posted Capacity in response to requests for firm service in writing or on DART which conform to the request requirements in the applicable rate schedule. Requests may be unsolicited or pre-negotiated, but no communication will be considered a request hereunder unless it constitutes a valid request for service consistent with the applicable rate schedule and has been submitted in writing or via Natural's Interactive Website or via email to an address specified by Natural.

(ii) Requests will be binding on the entity requesting firm capacity for two (2) business days unless the request states a shorter time period or until the request is accepted or rejected by Natural, whichever occurs first. In its request, the customer may specify that the request is binding for a stated period which is less than two (2) business days. Unless granted by Natural, all requests submitted are void effective the earlier of the time when Natural rejects the request or two (2) business days after the request is submitted. Natural cannot grant any request which has become void, but a request becoming void hereunder is without prejudice to any future request by that Shipper or any other Shipper.

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

(iv) Natural 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 5.1(d) if there are competing valid requests pending. For purposes of applying the evaluation criteria in Section 5.1(d), only pending valid requests which have not become void under (ii) are considered to be competing.

(v) Requests shall not be accepted or valid as to any firm capacity which is subject to an 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.

(4) RESERVED FOR FUTURE USE

(5) POINT CHANGES

(i) Natural and a Shipper under any firm service may add or delete primary Delivery or Receipt Points from time to time by mutual agreement. Subject to the availability of firm capacity at the requested point, Natural shall agree to any such change in primary Delivery or Receipt Point to the extent such new point is within the transportation path of the existing primary points. At other points, Natural shall agree to a change to the extent that firm transmission and point capacity is available after taking into account existing capacity commitments under other firm Agreements for the date requested if such capacity is not subject to or affected by any other pending valid request or pending open season. A point change is not subject to or affected by any pending request or open season if the available capacity equals or exceeds the amount necessary to satisfy both the pending request and/or open season and the point change, or if capacity could not be granted to any third party but for the point change. The rate applicable to the revised point(s) shall be the applicable maximum rate, unless the existing Agreement or related discount contract provides otherwise, or unless Natural and Shipper negotiate a different rate at the time of the point change. Unless otherwise specifically agreed, if the point change results in a shortened path which would reduce the applicable rate, the reservation rate applicable to the longer path shall apply for the remaining term of the Agreement, but the commodity rate applicable to the shortened path shall apply so long as the shortened path is in effect under the Agreement; provided, however, the Fuel Gas and Gas Lost and Unaccounted For for the path utilized

shall apply. Natural and Shipper may at any time agree on or modify discounts at secondary points. Notwithstanding the foregoing, a Shipper under Rate Schedule FTS-G may not change primary Delivery Points, except to a different location within Shipper's traditional market area, unless otherwise agreed by Natural.

(ii) From time to time, points are retired or eliminated for various reasons. In such a situation, Natural shall advise any affected Shipper as early as possible of the point retirement or elimination and the reason for the retirement or elimination and shall specify the alternate point(s) where adequate capacity is available in the reasonable geographic vicinity of (and within the same rate zone as) the point being eliminated. Capacity is not available if subject to any open season, pending request or open season award; provided, however, that point changes hereunder shall have priority over any open season which commences or any request for capacity which is submitted

after Natural advises Shippers of the point retirement or elimination. An affected Shipper may move to any point initially designated by Natural without any change in rate by notification to Natural. If capacity at any point is not adequate to satisfy all Shippers hereunder, allocation shall be pro rata based on the respective MDQs the various Shippers are seeking to move to that point. The process shall be reiterated at other designated points until each Shipper's MDQ affected by the point retirement or elimination is satisfied and Natural shall be obligated to designate additional points within the same rate zone which are in reasonable proximity and are operationally reasonably equivalent to the point being retired or eliminated as necessary to satisfy point changes desired by all affected Shippers. The rate at these additional points designated by Natural shall be the rate specified in the contract for services at that point or, if the contract is silent, the rate assessed to similarly situated customers for similar service involving that point. If a Shipper elects to change to a point which is not a point designated by Natural, then that Shipper must submit a point change request pursuant to Section 5.1(c)(5)(i) of these General Terms and Conditions; provided, however, that a Shipper shall not be required to submit a point change request if it desires a change to any other point within the same rate zone which is in reasonable proximity and is operationally reasonably equivalent to the point being retired or eliminated. Nothing herein shall be read to authorize, or to relieve Natural from any obligation to seek and obtain Commission authorization for, abandonment and termination of operations and/or facilities at any receipt or delivery point. Nothing herein shall be read to override or to modify in any way: (A) any obligation of Natural under the Natural Gas Act to treat similarly situated customers the same with respect to rates and discounting; (B) any other provision of Natural's Tariff governing or relating to rates and discounting; or (C) any discount to which Shipper is contractually entitled.

(6) RESERVED FOR FUTURE USE

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

(8) CONDITIONS ON REQUESTS AND BIDS This subsection sets out conditions applicable to all requests and bids for firm capacity.

(i) Natural shall reject any request or bid for service which may detrimentally impact the operational integrity of Natural's system (if Natural 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 and/or does not provide all the information

required by the posting; which contains terms and conditions other than those in Natural's Tariff and/or an applicable posting; which would not constitute a valid request under the applicable rate schedule (it being understood that a bid cannot be rejected for incompleteness if all information required by the bid form and the applicable posting has been provided); or is in any way inconsistent with Natural's Tariff and/or an applicable posting.

(ii) Any Shipper wishing to bid in an open season or submit a request for capacity must satisfy the creditworthiness requirements in Section 16 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. Natural

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 Natural'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 Natural as further set forth in Section 16 of these General Terms and Conditions. Based on Natural's continuing review of a Shipper's financial records, Natural shall have the right to amend a Shipper's line of credit and lower or increase the quantity and term.

(9) **POSTING OF AWARD** Natural will post on the Informational Postings portion of its Interactive Website the term, rate and description of any firm capacity awarded pursuant to any of the procedures in this Section 5.1(c) in accordance with applicable Commission regulations. Where applicable, Natural will also comply with Commission filing requirements regarding capacity awards which include a Negotiated Rate and Negotiated Rate Formula, as reflected in Section 49 of these General Terms and Conditions.

(10) **SECTION 22 RIGHTS; RESERVED CAPACITY**  
The capacity allocation procedures of this Section 5.1(c) shall not apply where a Shipper is utilizing unilateral rollover rights or the Right of First Refusal procedures provided in Section 22 of these General Terms and Conditions. Instead, the procedures in said Section 22 will govern the award of capacity.



(11) CAPACITY RESERVED FOR EXPANSION PROJECTS Notwithstanding any other provision of this Section 5, Natural reserves the right, but shall not be obligated, to reserve for expansion projects capacity which is or will become available. Expansion projects can encompass capacity on Natural's existing system which will or may be needed by a Shipper in conjunction with capacity which may be acquired by that Shipper in a future extension project. For purposes of this Section 5.1(c)(11), there are four types of capacity that Natural may reserve subject to the conditions detailed below. The four types of capacity are:

(i) Capacity currently posted on the Informational Postings portion of Natural's Interactive Website which is Posted Capacity;

(ii) Capacity which had previously been posted for bidding pursuant to the Right of First Refusal (Section 22.3) provisions of these General Terms and Conditions and for which no acceptable bids were received and as to which Shippers rights under Section 22.3(f) have expired ("ROFR Capacity");

(iii) Capacity which will be returned to Natural in response to a direct solicitation from Natural to existing Shippers for permanent releases of capacity to serve an expansion project ("Turnback Capacity"); and

(iv) Capacity which will be returned to Natural by an existing Shipper at the termination or expiration of that Shipper's Agreement term(s) ("Terminated Agreement Capacity").

(Hereinafter, any references to the term "capacity" in this Section 5.1(c)(11) shall mean the four types of capacity collectively unless noted otherwise).

Seven days prior to Natural reserving any capacity pursuant to this Section 5.1(c)(11) of these General Terms and Conditions, Natural must first post on the Informational Postings portion of Natural's Interactive Website the capacity which Natural proposes to reserve (Reservation Posting). After seven days, the capacity described in the Reservation Posting shall be deemed to be reserved by Natural and Natural's posting under Section 5.1(e) of these General Terms and Conditions shall be adjusted accordingly. The Reservation

Posting shall include (but not be limited to): (1) a description of the expansion project for which the capacity will be reserved; (2) the quantity of capacity to be reserved; (3) the location of the proposed reserved capacity on the pipeline system, including all mainline valves and associated quantities at those valves; and (4) the projected 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, however, Natural will only solicit Turnback Capacity if it is unable to acquire sufficient capacity from Posted Capacity, ROFR Capacity or Terminated Agreement Capacity (it being understood that solicitation of Turnback Capacity will only occur in instances where redundant construction could be avoided through the use of Turnback Capacity). Any non-binding solicitation for Turnback Capacity shall be posted on the Informational Postings portion of Natural's Interactive Website no later than 90 days after the close of any open season which may be conducted in connection with the expansion project. Natural shall post on the Informational Postings portion of Natural's Interactive Website the results of any non-binding solicitation for Turnback Capacity within ten (10) days after such results are known. While Natural's solicitation is non-binding, any response to a request for Turnback Capacity accepted by Natural shall be binding upon Shipper in the event Natural proceeds with the expansion project. The Reservation Posting shall remain on the Informational Postings portion of Natural's Interactive Website the entire period the capacity is being reserved and Natural 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. The updated Reservation Posting shall also indicate whether and how much of the reserved capacity has been sold on a limited-term basis.

Natural may reserve capacity for an expansion project for a period of up to one (1) year prior to submitting the application to the Commission for approval of the proposed expansion unless Natural posts an open season (or the public announcement by the project sponsor of its intention to construct has not been issued) before the expiration of such one (1) year period. After the commencement of the open season (or the public announcement), the reservation of capacity may continue until the in-service date of the expansion project. In addition, prior to reserving Terminated Agreement Capacity, Natural must make Terminated Agreement Capacity generally available through the procedures in this Section 5.1(c), unless such capacity has been previously subjected to the ROFR procedures. When a Terminated Agreement

Capacity auction is held prior to any expansion project open season, Natural shall have the right to state in the posting minimum terms and conditions for bids that would be acceptable for consideration that are the same as the minimum terms and conditions anticipated for any open season which may be held in connection with the future expansion project. In the event that any subsequent expansion project open season imposes minimum terms and conditions that are materially different from the terms and conditions imposed in the previous Terminated Agreement Capacity auction, Natural shall hold another open season under Section 5.1(c)(1) for the Terminated Agreement Capacity that uses the same minimum terms and conditions as were imposed for the expansion project open season. If any expansion project open season is held prior to or during the Terminated Agreement Capacity auction, Natural shall use the same minimum terms and conditions as used for the expansion project open season.

Natural will not, absent Commission approval, accept advance payments to reserve capacity under this Section 5.1(c)(11).

Any capacity reserved under this Section 5.1(c)(11) shall be made available 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, Natural reserves the right to limit any extension rights provided in the service agreement and pursuant to Section 22 commensurate with the in-service date of the expansion project. Natural will indicate in any auction posting of the capacity the limitations on extension rights that will apply to such limited-term transportation service. The projected in-service date of the expansion project shall be set out in any limited-term agreement (recognizing that the date could slip if construction is delayed). Reservation of capacity under this Section 5.1(c)(11) shall only modify other Shipper's rights to the extent specified in this Section and in Section 22.1 of these General Terms and Conditions.

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

This provision applies in situations where firm capacity is awarded commencing on a future date and such capacity is not already subject to firm contract(s) for the entire interim period before such future service commencement date. Nothing herein shall affect any Extension Right, as defined in Section 5.1(c)(2) hereof, in effect on the initial effective date of this provision.

(i) Natural may market such capacity for the interim period until service under the capacity award becomes effective.

(ii) If firm capacity is available for only an interim period for any reason (e.g., because the firm capacity is already contracted at a future date after such interim period or the firm capacity is only available physically or operationally for that interim period), then Natural may limit the Extension Rights of the Shipper awarded the capacity for that interim period. Natural will indicate in any open season posting for such capacity the limitation on Extension Rights which will apply to such firm capacity awarded for the interim period.

(d) **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, Natural will award firm capacity based on the highest economic value, as defined in this Section 5.1(d).

(1) **HIGHEST ECONOMIC VALUE** The highest economic value is the highest net present value of the stream of incremental revenue produced by a valid bid or request, or combination of valid bids or requests, received by Natural for firm capacity. Incremental revenue is the additional revenue Natural would collect from a Shipper under any bid or request over and above the revenue Natural 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 Natural due to the turnback of the existing contractual commitment will be considered).

(2) **POSTING OF NET PRESENT VALUE FORMULA AND OTHER CRITERIA** Natural will 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 Natural's Interactive Website. Natural may change the criteria at any time in a manner not inconsistent

with the other provisions of the Section 5.1(d), but the revised criteria may only be applied to an open season the posting of which commenced at least three (3) business days after the change in criteria has been posted. Natural 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 and the discount rate utilized; how a Shipper's willingness vel non to prorate will affect its bid; the extent to which advance payments will be considered in evaluating bids; and how surcharges and optional service charges will be taken into account.

(3) ONLY GUARANTEED REVENUE CONSIDERED

In the determination of highest economic value, Natural shall consider only reservation charge revenue and any other guaranteed revenue. In the case of a bid or request for firm service involving a Negotiated Rate or Negotiated Rate Formula, the rules on calculating net present value set out in Section 49.2(b) of these General Terms and Conditions shall apply.

(4) OBLIGATION TO AWARD CAPACITY

Natural shall be obligated to award firm capacity if the applicable maximum rate is submitted for the entire term of a valid bid in any open season or is requested for the entire term of a valid request under the Request Procedure, up to the firm capacity covered by the maximum rate bid(s) or request(s). The capacity award will be based on the posted criteria hereunder for evaluating bids or requests. Similarly, Natural shall be obligated to award firm capacity if the reserve price is met in a valid bid for the capacity being posted for open season, up to the firm capacity covered by the bid(s) meeting the reserve price. The capacity awards will be based on application of the posted criteria. Notwithstanding the foregoing, Natural shall not be obligated to award firm capacity based on the following types of bids or requests: (i) any bid or request for a term of less than one year, under which service is to commence more than sixty (60) days following the close of the open season or prior to the contract term start date (ii) any bid or request for a term of one year or greater, under which service is to commence more than twelve (12) months following the close of the open season or prior to the contract term start date and (iii) 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, Natural may establish a reserve price or reserve price matrix.

(i) A reserve price defines the minimum price(s) at which Natural 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). Natural 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, Natural 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, Natural will award firm capacity to valid bids consistent with the posted bid evaluation criteria and this Section 5.1(d).

(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) geographical areas (zones, segments, points, etc.), where the value of Natural'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 Natural'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 Natural'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 Natural's product and service offerings may vary due to current or projected differences in competitive alternatives or market demand (provided that this is not intended to tie separate service together for bidding purposes); or (E) volumes, where the value of Natural'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 will include multiple terms, from one month or less to multi-year, unless 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) Natural 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, if applicable to that open season, at any time after the close of the open season and prior to the posting described in the following sentence, and Natural will provide such information to the requesting bidder within one business day after Natural receives the request. Any reserve price or reserve price matrix used in an open season will be posted on the Informational Postings portion of Natural's Interactive Website within thirty (30) days after the close of that open season.

(6) **TIE-BREAKER** In the event of a tie for highest economic value between two or more competing bids or requests of identical value under the criteria posted consistent with this Section 5.1(d), the procedures in this subsection shall apply. Natural will first notify the Shippers submitting the tying bids or requests that the evaluation resulted in a tie and shall provide each such Shipper an opportunity to improve its bid or request through an entirely new closed bid or request (which must have a higher value than the tying bid or request) submitted via proper communication within 24 hours of such notification. If a tie still exists after the first step, Natural will next allocate the available capacity pro rata to each tying Shipper which has indicated its willingness to prorate. If any capacity remains to be awarded after the second step and a tie still remains, the winning bid(s) shall be determined by a pro-rata allocation of the bid(s) received.

(e) **POSTING OF FIRM CAPACITY**

(1) Natural posts on the Informational Postings portion of its Interactive Website the firm capacity currently available on its system, as provided in Section 17.1(b)(1) of these General Terms and Conditions. Natural also posts consistent with the remainder of this Section 5.1(e), forward-haul firm transmission segment capacity and all Receipt Point, Delivery Point and storage firm capacity becoming available in the future (excluding firm capacity created by the construction of new facilities, including both expansions and extensions, until the initial allocation of such capacity has been made). Postings hereunder will be adjusted for capacity reserved under Section 5.1(c)(11) of these General Terms and Conditions. Natural is not obligated to post other types of firm capacity. The capacity which must be posted hereunder is Posted Capacity as referenced in Section 5.1(c)(1).

(2) In addition to the firm capacity which must be posted under Section 5.1(e)(1), Natural will also post the availability of firm backhaul capacity prior to awarding such capacity except through the exercise of Extension Rights. Natural will post a statement that firm backhaul capacity is available and will specify the portion of Natural's system on which such capacity is available. Because the extent of backhaul capacity is contingent on the specific path, Natural is not obligated to post a specific volume or term with respect to the firm backhaul available. Natural will award firm backhaul capacity consistent with Section 5.1(c)(3).

(3) The posting as to any firm capacity in Section 5.1(e)(1) must be made no later than fifteen (15) months prior to the date on which that firm capacity will become available and shall be updated daily to reflect changes; provided, however, that Natural shall post the availability of firm capacity prior to providing any existing or potential Shipper with information on the availability of such capacity. The posting shall not include firm capacity which remains subject to tariff rollover rights, contractual rollover rights, or the right of first refusal.

(4) The posting pursuant to Section 5.1(e)(1) will contain at a minimum the following information:

(i) The date on which the firm capacity will first become available;

(ii) The amount in MDQs of firm capacity becoming available;

(iii) The type of firm service(s) which will become available; and

(iv) For transmission service, the pipeline segments and the receipt and delivery points at which firm capacity is becoming available and the related MDQs.

(5) Once posting occurs, the posting will continue until the firm capacity is awarded (if a portion of the firm capacity is awarded, the posting will be revised to reflect the remaining available firm capacity) or is no longer available.



(6) Until the availability of capacity has been posted hereunder, Natural will not award firm capacity which must be posted under Sections 5.1(e)(1) and 5.1(e)(2).

(7) Capacity which may become available subject to a unilateral tariff rollover right, a contractual rollover right or right of first refusal pursuant to Section 22 of these General Terms and Conditions may not be awarded unless and until all of the rights of the existing Shipper under said contingency have terminated or expired, except in a manner consistent with Sections 5.1(c) and 5.1(d).

## 5.2 SCHEDULING OF FIRM SERVICES

(a) While firm services are not ordinarily interrupted or nominations for firm service within MDQ declined due to lack of capacity, capacity constraints may exist from time to time or limitation or interruption of firm service may be necessary for certain other reasons. Natural may decline to schedule firm service for any of the following reasons and may curtail for any of the same reasons except (iii):

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

(ii) for reasons of Force Majeure;

(iii) due to routine repair and maintenance to be reasonably determined by Natural;

- (iv) pursuant to Section 5.11 of these General Terms and Conditions;
- (v) to rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;
- (vi) with respect to service under Rate Schedule FFTS, if the day is not an Available Day or partial Available Day under the relevant FFTS Agreement;
- (vii) pursuant to the Operational Control provisions of these General Terms and Conditions;
- (viii) to maintain system integrity; or
- (ix) if there is a dispute over title, ownership or right to tender or to receive gas.

Without limitation to the foregoing, Natural shall have the right to reduce receipts, deliveries, injections or withdrawals of natural gas on any day below Shipper's MDQ and/or below the storage rights applicable to Shipper under the specific Rate Schedule to permit maintenance, repair, overhaul, replacement, or construction of pipelines, compressors, metering, regulating, or other production, gathering, and transmission facilities and equipment, or to maintain system integrity; provided, however, that with respect to routine repair and maintenance, Natural will implement restrictions for scheduling purposes only, not for curtailment, and will attempt to schedule such activity during a period when it will not result in limitation of firm services, or when such limitation will be minimized, after consulting with the Shippers which could be affected. If Natural curtails or limits the scheduling of firm volumes pursuant to this Section 5.2(a) for reasons not caused by a Shipper, Natural shall waive applicable tariff restrictions and requirements as to such Shipper (such as seasonal cycling requirements) to the extent that such a waiver is operationally feasible, but such a waiver shall only be granted if and to the extent Shipper could not reasonably be expected to meet such requirements in light of Natural's actions hereunder.

(b) For Shippers under all firm services, Natural shall provide notice of any curtailment or of any scheduling restriction as far in advance as feasible. Natural 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.

(c) (1) As used in this Section 5.2(c), Firm Daily Volume shall mean the volume of gas which Natural is obligated to deliver on a firm basis for Shipper at primary Delivery Point(s) under a firm contract on a Day, based on nominations for firm service within firm contract rights at such primary points which could be confirmed plus any applicable firm no-notice rights Shippers seek to exercise on that Day within its firm contract rights under that contract. Except as otherwise provided in this Section 5.2(c) of these General Terms and Conditions, in the event Natural fails to deliver on any Day under any firm contract of Shipper's Firm Daily Volume for that Day, then the applicable Reservation Charges and related reservation-based surcharges shall be eliminated for the quantity of gas not delivered by Natural within the Shipper's Firm Daily Volume under the contract.

(2) Segment Outages

Notwithstanding subsection (1) above, if,

(i) Natural, for any Day, posts on its interactive website a restriction in firm capacity affecting a segment within the path between Shipper's Primary Receipt Point(s) and Primary Delivery Point(s) that includes a minimum percentage of firm MDQ that will be available to Shipper through the restricted area; and

(ii) Shipper submits a valid nomination (that can be fully confirmed by the upstream and downstream operators) in the timely nomination cycle for such Day for at least such posted minimum percentage of Shipper's MDQ through the restricted area; and

(iii) Shipper's nomination is not reduced in subsequent nomination cycles for such Day, Shipper's Reservation Charges and related reservation-based surcharges shall be eliminated for the quantity of gas not scheduled by Natural between Shipper's valid nomination (including any increase in Shipper's Timely nomination scheduled in later nomination cycles) and Shipper's MDQ through the restricted area.

Provided however, for Segment Outages posted in a notice in its Internet Website (as opposed to an outage impact report or similar forecast of maintenance) in advance of or on Day 11 of a force majeure event, the calculation of Shipper's Reservation Charge credits under (iii) shall be based on the greater of : (a) the average of Shipper's daily scheduled quantities within Shipper's Primary Receipt Point(s) and Primary Delivery Point(s) path(s) through the constraint for the preceding seven days prior to the outage posting in which there was no outage or curtailment on such segment; or (b) the average of Shipper's daily scheduled

quantities within Shipper's Primary receipt Point(s) and Primary Delivery Point(s) path(s) through the constraint during the proposed outage period one year prior, whichever is greater ("historical average usage") in accordance with the following provisions.

(a) If Shipper's historical average usage is less than the posted minimum percentage of contract MDQ, Shipper is not entitled to any credits of its Reservation Charges on any day during the outage regardless of its nominated quantities during the outage.

(b) If Shipper's historical average usage is equal to or greater than Shipper's MDQ, then on each day during the outage if Shipper nominates at least the posted minimum percentage of contract MDQ, Shipper's Reservation Charges shall be eliminated for the quantity of gas not scheduled by Natural between Shipper's valid nomination (including any increase in Shipper's Timely nomination scheduled in later nomination cycles) and Shipper's MDQ through the restricted area.

(c) If Shipper's historical average usage is greater than the posted minimum percentage of contract MDQ but less than Shipper's MDQ, then on each day during the outage if Shipper nominates at least the posted minimum percentage of contract MDQ, Shipper's Reservation Charges shall be eliminated for the quantity of gas not scheduled by Natural between Shipper's valid nomination (including any increase in Shipper's Timely nomination scheduled in later nomination cycles) and Shipper's historical average usage.

For purposes of this subsection (2), Shipper's otherwise valid nomination shall not be deemed to be reduced below the minimum percentage posted by Natural, as a result of any incidental minimal reduction in Shipper's nomination during the scheduling process.

(3) With respect to subsection (2) above, Shipper's Reservation Charges and related reservation-based surcharges shall not be eliminated to the extent that the Shipper uses secondary point service outside the affected segment.

(4) Natural shall not be obligated to adjust the Reservation Charge under any contract pursuant to Section 5.2(c) when Natural's failure to deliver on any Day of the Firm Daily Volume:

(i) is the result of the conduct of Shipper or the downstream operator of the facilities at the Delivery Point; or

(ii) occurs either (a) within ten (10) days following a force majeure event as contemplated by Section 27 of the General Terms and Conditions, or (b) prior to the date Natural has or should have, in the exercise of due diligence, overcome the force majeure event, whichever occurs first.

(5) PHMSA Mega Rule Testing.

Natural shall not be obligated to adjust Shipper's Reservation Charges under any contract pursuant to this Section 5.2(c) for up to 450 days for non-routine maintenance outages from projects that are required pursuant to the Pipeline and Hazardous Materials Safety Administration (PHMSA) Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments Final Rule (Mega Rule) under 49 C.F.R. Parts 191 and 192.624 and 192.710 ("Eligible Projects") in accordance with the following conditions. This provision will be in effect until July 1, 2027.

- (i) Natural shall be eligible for up to ten (10) reservation-charge-credit-free outage days per eligible project and the days are not transferable (*i.e.*, if an outage for one Eligible Project lasts only 5 days, Natural may not use the remaining days on another project to allow for 15 reservation-charge-credit-free outage days on the other project);
- (ii) Natural shall maintain and post a list of the Eligible Projects ("Eligible Projects List") on its Internet Website, Natural may update the Eligible Projects List to reflect additional operational information or Natural locating additional records upon consent of Natural's customers, with consensus being either in the form of support or non-opposition to any updated Eligible Project List, represented by 75% of Natural's firm transportation and storage revenues. Any such updated Eligible Project List will be posted on Natural's Internet Website at least ninety (90) days in advance in order to qualify for the reservation charge credit exemption under this provision;
- (iii) Natural's posting of an outage for an Eligible Project shall state whether the outage is for an Eligible Project and indicate which Eligible Project it is from the Eligible Project List; and
- (iv) Once a notice of an Eligible Project has been posted, Natural may only move up the date of the outage by providing notice to shippers at least fifteen (15) days before the end of the month that precedes

the month in which the outage occurs; otherwise, no reservation-charge-credit exemption will apply to that project.

### 5.3 GENERAL SCHEDULING PRIORITIES

Natural shall schedule gas properly nominated and confirmed under these General Terms and Conditions in accordance with the following priority sequence, with transportation services scheduled to the extent transportation capacity is available and storage injections and withdrawals scheduled separately to the extent injection, withdrawal and storage capacity are available:

(a) TRANSPORTATION SERVICES (including service on portions of the system where a gathering charge applies and the transportation portion of service under Rate Schedule DSS and, where separately released, under Rate Schedule FRSS):

(1) Natural shall first schedule all firm services (including service under an FFTS Agreement at Shipper's MDQ on an Available Day or at the reduced volume on a partial Available Day) within MDQ at primary points and at secondary points within a primary point path where no point constraint exists. To the extent capacity does not exist to provide for all volumes nominated by Shippers on a firm basis within MDQ at primary points and at secondary points along any path defined by primary points where no point constraint exists under all firm Rate Schedules, plus all firm no-notice rights in excess of such nominations, available capacity shall be allocated pro rata based on MDQ (including MDQ under an FFTS Agreement on an Available Day or the reduced MDQ on a partial Available Day) on any portion of Natural's system affected by a capacity constraint (capacity allocated to any Agreement shall be limited to confirmed nominations except to the extent of no-notice rights available under such Agreement). If Natural cannot schedule all such nominations or if Natural anticipates that it cannot accommodate all such nominations plus the firm no-notice rights it expects may be utilized on that Day, Natural shall limit the scheduling of such nominations and the exercise of firm no-notice rights for that Day on a pro rata basis, based on MDQ and shall post such limitations on the Informational Postings portion of its Interactive Website. Such posting shall also include the following information: the reason(s) for the service limitation; the expected duration of the service limitation; and the actions which Natural is taking to restore firm service. Notice of a service limitation will be provided through Electronic Notice Delivery consistent with NAESB Standards as adopted in Section 48 of these General Terms and Conditions and will be posted on the Informational Postings portion of Natural's Interactive Website. Where feasible, Natural will endeavor to provide and post the notice before 4:00 p.m. Central Time or otherwise will endeavor to notify Shippers by 4:00 p.m. Central Time that they should check the Informational Postings portion of Natural's Interactive Website again at a specified later time to see whether a service limitation will be in effect for the next Day. In addition to the posting, Natural must attempt to give actual notice of a service limitation to affected firm Shippers via telephone (provided a Shipper has given the numbers to Natural as required in Section 23.1 of these General Terms and Conditions). If feasible, such notice should be given at least four (4) hours prior to the start of the Day during which a service limitation will be effective as to a Shipper.

(2) Natural shall next schedule firm service at other secondary points. Where capacity is not sufficient to grant all such secondary point requests, the secondary point priorities set out in Section 5.5 shall govern.

(3) Third, Natural shall schedule other interruptible and authorized overrun services, applying scheduling priorities set out in Section 5.7.

(b) STORAGE SERVICES (including the storage portion of service under Rate Schedules DSS and FRSS):

(1) Natural shall first schedule all firm injections and withdrawals nominated within MDQ and applicable firm storage rights. If capacity is insufficient to satisfy all such nominations, plus firm no-notice rights in excess of nominations [including the injections or withdrawals under Rate Schedules DSS and NSS within MDQ but in excess of generally applicable firm rights where notice has been given forty-eight (48) hours in advance that capacity is available], allocation of available capacity shall be pro rata based on MDQ (capacity allocated to an NSS or FRSS Agreement shall be limited to confirmed nominations thereunder except to the extent of no-notice service under Rate Schedule NSS in conjunction with FTS-G/NB, FTS-NB and no-notice service under Rate Schedule FRSS on withdrawal). If Natural cannot schedule all such nominations or if Natural anticipates that it cannot accommodate all such nominations plus the firm no-notice rights it expects may be utilized on that Day, Natural shall limit the scheduling of such nominations and the exercise of firm no-notice rights for that Day on a pro rata basis, based on MDQ and shall post such limitations on the Informational Postings portion of its Interactive Website. Such posting shall also include the following information: the reason(s) for the service limitation; the expected duration of the service limitation; and the actions which Natural is taking to restore firm service. Notice of a service limitation will be provided through Electronic Notice Delivery consistent with NAESB Standards as adopted in Section 48 of these General Terms and Conditions and will be posted on the Informational Postings portion of Natural's Interactive Website. Where feasible, Natural will endeavor to provide and post the notice before 4:00 p.m. Central Time or otherwise will endeavor to notify Shippers by 4:00 p.m. Central Time that they should check the Informational Postings portion of Natural's Interactive Website again at a specified later time to see whether a service limitation will be in effect for the next Day. In addition to the posting, Natural must attempt to give actual notice of a service limitation to affected firm Shippers via telefax or telephone (provided a Shipper has given the numbers to Natural as required in Section 23.1 of these General Terms and Conditions). If feasible, such notice should be given at least four (4) hours prior to the start of the Day during which a service limitation will be effective as to a Shipper.



(2) Natural shall next schedule authorized overrun injections and withdrawals properly requested under DSS and NSS Agreements in excess of firm storage rights but within MDQ and MSV [including such injections and withdrawals within MDQ and MSV under Sections 5.3(c) of Rate Schedule DSS and 5.3(b) of Rate Schedule NSS or as to which a waiver has been granted under Section 5.1(c) of Rate Schedule DSS]. If Natural cannot provide all such requests, scheduling shall be pro rata based on MDQ.

(3) Natural will next schedule all other interruptible and authorized overrun injections and withdrawals (including injections and withdrawals under Rate Schedules FRSS, DSS and NSS in excess of MDQ and/or MSV), applying the scheduling priorities set out in Section 5.7.

(4) Special rules regarding the treatment of storage points for scheduling and curtailment purposes are set out in Section 5.6 of these General Terms and Conditions.

(c) Firm intraday nominations are entitled to bump scheduled interruptible volumes, as defined in Section 5.7, only during the Evening, Intraday 1 and Intraday 2 Nomination Cycles, as defined in Section 8.2. Firm intraday nominations are not entitled to bump already scheduled firm volumes.

#### 5.4 GENERAL CURTAILMENT PRIORITIES

In interrupting or curtailing service, Natural shall curtail in accordance with the following priority sequence, with transportation services curtailed to the extent there is insufficient transportation capacity and storage injections and withdrawals curtailed separately to the extent there is insufficient injection, withdrawal or storage capacity (for the purposes of these priorities, service at Shipper's MDQ on an Available Day under any FFTS Agreement or at the reduced volume on a partial Available Day, shall have the same priority as Rate Schedule FTS):

(a) TRANSPORTATION SERVICES (including service on portions of the system where a gathering charge applies and the transportation portion of service under Rate Schedule DSS and, where separately released, under Rate Schedule FRSS):

(1) Natural shall first interrupt service to interruptible and overrun services, applying the curtailment priorities set out in Section 5.7.

(2) Second, Natural shall interrupt firm services within MDQ (including service under an FFTS Agreement at Shipper's MDQ on an Available Day or at the reduced volume on a partial Available Day) at primary points and at secondary points. Curtailment shall be pro rata based on MDQ (including MDQ under an FFTS Agreement on an Available Day or the reduced MDQ on a partial Available Day) on any portion of Natural's system affected by a capacity constraint (capacity allocated to any Agreement shall be limited to confirmed nominations except to the extent of no-notice rights under such Agreement).

(b) STORAGE SERVICES (including the storage portion of service under Rate Schedules DSS and FRSS):

(1) Natural shall first interrupt any interruptible and authorized overrun injections and withdrawals under Rate Schedules BESS and PALS, or under Rate Schedules DSS, FRSS and NSS in excess of MDQ, applying the curtailment priorities set out in Section 5.7.

(2) Natural shall next interrupt any authorized overrun injections and withdrawals under Rate Schedules DSS and NSS in excess of firm storage rights but within MDQ and MSV [firm rights include the injections and withdrawals under Rate Schedule DSS or NSS within MDQ and MSV but in excess of generally applicable firm rights where notice has been given forty-eight (48) hours in advance that capacity is available]. This priority shall include authorized overrun injections and withdrawals within MDQ and MSV under Section 5.3(c) of Rate Schedule DSS, Section 5.3(b) of Rate Schedule NSS or pursuant to a waiver under Section 5.1(c) of Rate Schedule DSS. If Natural can provide some but not all of such services, curtailment shall be pro rata based on MDQ.

(3) Natural shall last interrupt firm injections and withdrawals within MDQ and applicable firm injection and withdrawal rights [including the injections or withdrawals under Rate Schedules DSS and NSS within MDQ but in excess of generally applicable firm rights where notice has been given forty-eight (48) hours in advance that capacity is available]. If capacity is sufficient to provide some but not all of such services, curtailment

shall be pro rata based on MDQ (the capacity allocated to an NSS or FRSS Agreement is limited by confirmed nominations thereunder except to the extent of no-notice rights under Rate Schedule NSS in conjunction with Rate Schedule FTS-NB, FFTS-NB, FTS-G/NB and no-notice service under Rate Schedule FRSS on withdrawal).

Special rules regarding the treatment of storage points for scheduling and curtailment purposes are set out in Section 5.6 of these General Terms and Conditions.

## 5.5 SECONDARY POINTS

(a) (1) To the extent provided in this Tariff, Shippers under Rate Schedules DSS, FRSS, FTS, FFTS and FTS-G shall have the right to use secondary Receipt and Delivery Points. A Shipper which elects the SW service option under Rate Schedule FTS, FFTS or FTS-G (and subject to the restrictions in such Rate Schedules) shall have the right to all Receipt and Delivery Points on Natural's system as secondary points. Otherwise, except as may be specifically provided to the contrary in this Tariff, Shippers under Rate Schedule FTS, FFTS or FTS-G shall be entitled to all Receipt and Delivery Points as secondary points in any rate zone which is within a path created by that Shipper's primary Receipt and Delivery Points; and such secondary points shall include paper pooling and storage points in each receipt zone as provided in these General Terms and Conditions. In addition, a Shipper under Rate Schedule FTS, FFTS or FTS-G shall have the opposite leg rights set out in (2). A Shipper under Rate Schedule DSS using nominated firm transportation rights thereunder shall have as secondary Receipt and Delivery Points all points in the Iowa-Illinois Receipt Zone and the Market Delivery Zone, respectively, with an MDQ at each point equal to its aggregate MDQ. A Shipper under Rate Schedule FRSS shall have as secondary Delivery Points all points in the zone in which the primary Delivery Point(s) are located, with an MDQ at each point and at the aggregate of such points no greater than its aggregate MDQ at primary points in the zone. To the extent a Shipper elects the SW service option under Rate Schedule FTS, FFTS or FTS-G, such Shipper shall have an MDQ at any secondary point equal to the aggregate MDQ. The MDQ for a Shipper under any other type of firm Agreement at any secondary Receipt or Delivery Point shall equal the sum of aggregate MDQs for all primary Receipt Points in the same receipt zone or in any upstream receipt zone, minus the aggregate MDQs for all primary Delivery Points in any upstream receipt zone. Any secondary point service in excess of a Shipper's secondary point MDQ shall be overrun service. The priority of service at secondary points under firm Rate Schedules shall be governed by the remainder of this Section.

(2) A Shipper under an FTS, FFTS or FTS-G Agreement with a primary Delivery Point in the Market Delivery Zone would have, in addition to secondary point rights under (1) above, rights to secondary Receipt Points on an out-of-path basis equal to the aggregate MDQ of the contract path(s) between its primary Receipt Point(s) in the relevant receipt zone and its primary Delivery Point(s) in the Market Delivery Zone on the opposite leg (Amarillo or Gulf Coast Line) from that on which a primary path lies under its Agreement, as follows:

(i) Such a Shipper with a primary Receipt Point in the Amarillo Mainline Receipt Zone would have out-of-path secondary Receipt Point rights in the Gulf Coast Mainline Receipt Zone and vice versa for use in connection with deliveries to the Market Delivery Zone or to the storage point in the zone of receipt.

(ii) Such a Shipper with a Receipt Point in the Midcontinent Zone would have out-of-path secondary Receipt Point rights in the Gulf Coast Mainline and Texok Receipt Zones, while a Shipper with a primary Receipt Point in the Texok Receipt Zone would have out-of-path secondary Receipt Point rights in the Midcontinent and Amarillo Mainline Receipt Zones. These additional secondary Receipt Point rights could only be used in conjunction with deliveries into the Market Delivery Zone or to the storage point in the zone of receipt.

(iii) Such a Shipper with a primary Receipt point in the Permian Receipt Zone would have out-of-path secondary Receipt Point rights in the Gulf Coast Mainline, Texok, South Texas and Louisiana Receipt Zones. Such a Shipper with a primary Receipt Point in the Louisiana Receipt Zone or the South Texas Receipt Zone would have out-of-path secondary Receipt Point rights in the Permian, Midcontinent and Amarillo Mainline Receipt Zones. These additional secondary Receipt Point rights could be used only in conjunction with deliveries into the Market Delivery Zones or to the storage point in the zone of receipt. The Shipper actually utilizing opposite leg out-of-path secondary Receipt Point rights on any day would pay (in addition to the Reservation Charges under its Agreement) the commodity rate applicable to the actual transportation service provided and the positive reservation rate differential, if

any, to the extent the reservation charge, expressed on a 100% load factor basis, is higher for the path of actual flow than for the contract path under the Agreement. Fuel will be assessed based on the actual path utilized. These secondary Receipt Point rights would be available to the original Shipper and any replacement Shipper taking a release of the entire Agreement or a portion of the MDQ for the entire Agreement. These rights would not be available to replacement Shippers under a segmented release. Nothing herein shall affect Delivery Point rights.

(b) As set out in Sections 5.3 and 5.4, service at the secondary Receipt and Delivery Points under any DSS, FRSS, FTS, FFTS or FTS-G Agreement shall be provided to the extent capacity is available at such points after all nominations for primary point service under all of Natural's firm Agreements have been satisfied; provided, however, that unless a capacity constraint exists at the point (and such exception applies only to the extent of such point constraint), a secondary point nomination at a point within a path created by Shipper's primary points shall be treated the same as a nomination by Shipper at a primary point. Special rules applicable to storage points are set out at Section 5.6 of these General Terms and Conditions.

(c) In scheduling service at secondary points, the following rules shall apply:

(1) For a secondary point outside a path created by Shipper's primary points, service at the point and service to or from the point shall be scheduled before interruptible service but shall be scheduled after nominations for primary point service. All types of out-of-path secondary points shall be treated on the same basis, including opposite leg rights and rights under the FTS-SW and FFTS-SW service options. For nominated transportation service under Rate Schedule DSS, all Receipt Points shall be deemed out-of-path except those specifically identified in the DSS Agreement pursuant to Rate Schedule DSS as being in-the-path.

(2) Service to or from such a secondary point outside the path shall also be scheduled after secondary point service within the path to the extent both services utilize the same capacity. If a capacity constraint exists at the point, subsection (d) shall govern.

(3) If capacity is available to schedule some but not all service nominated to and from secondary points outside a primary point path, capacity shall be allocated among secondary points under all firm Agreements which are outside the path, pro rata based on MDQ unless there is a point constraint, in which case subsection (d) shall govern.

(4) Secondary point service shall not be subject to allocation [except as set out in Section 5.2(a)] if no capacity constraint exists at the point or on any segment to or from the point.

(d) If nominations by all Shippers under all DSS, FRSS, FTS, FFTS and FTS-G Agreements for secondary point service for which such Shippers are eligible exceed Natural's available capacity at any secondary point, available capacity shall be allocated to all DSS, FRSS, FTS, FFTS and FTS-G Shippers within their applicable MDQs at such secondary point(s) based on MDQ.

(e) Notwithstanding the foregoing, unless a nomination for service at a secondary point is submitted by the date nominations are due under these General Terms and Conditions for service to commence on the first day of a month, that nomination shall (subject to the remainder of this subsection) be subordinate for that month, for scheduling purposes, to timely first-of-the-month nominations for secondary point service under Rate Schedules DSS, FRSS, FTS, FFTS or FTS-G. Once service under a firm Rate Schedule has commenced during a month at the secondary point, the service will not be interrupted during that month as a result of subsequent nominations for secondary point DSS, FRSS, FTS, FFTS or FTS-G service that would have had higher priority if submitted as a timely first-of-the-month nomination except as follows: (1) properly submitted and confirmed mid-month firm service nominations at primary points will supersede any secondary point service outside the path or where there is a constraint at the point; and (2) properly submitted and confirmed mid-month nominations at secondary points within a path created by primary points will supersede secondary point service outside the path unless the capacity constraint is only at the point. Confirmed mid-month nominations within MDQ at a secondary point by a holder of firm service will interrupt service at that point under any interruptible Rate Schedule.

(f) The primary Receipt and Delivery Points define the primary path(s), including the direction of flow for the primary path(s). Shippers may nominate service at secondary points so that the direction of flow is the same as or the opposite from the primary path direction of flow. However, if the primary path direction of flow is physically a backhaul on a day, a nomination for service that would require a physical forward haul shall be treated as being outside the primary path on that day.

#### 5.6 POOLING POINTS AND STORAGE POINTS

(a) (1) Service at pooling points shall be governed by Section 9 of these General Terms and Conditions. To determine the volumes which can be accommodated at a pooling point, Natural shall evaluate the capacity available both: (i) upstream and at Receipt Points for gas tendered pursuant to the Agreement(s) under which gas is nominated for delivery to the pooling point; and (ii) downstream and at Delivery Points under the Agreement(s) pursuant to which gas is nominated to be received from the pooling point.

(2) Gas shall not be confirmed at the pooling point to the extent capacity constraints exist which affect any such receipts or deliveries, applying the priorities set out elsewhere in this Section.

(b) (1) The zoned storage point approach set out in Section 9 of these General Terms and Conditions is a paper point system predicated upon the system-wide, integrated operation of Natural's storage facilities and not on the storage capacity in any zone. Except as provided to the contrary in this Tariff [and specifically in subsections (2) and (3) below], the storage point in any receipt zone is treated as an out-of-path secondary point under any firm transportation Agreement with point rights in that zone. Given these characteristics, nominations on any day for deliveries to or receipts from an out-of-path storage point may exceed Natural's ability to accommodate such nominations that day. Natural may reject nominations at any out-of-path storage point on any day to the extent such nominations exceed Natural's capability to deliver gas to or receive gas from storage (as applicable) in relation to that zone, taking into account the operating conditions on Natural's system (including its storage fields).

(2) A storage point under a firm transportation Agreement which has a primary Delivery Point in the Market Delivery Zone will be treated as in-the-path in conjunction with withdrawals where storage rights are separately released or utilized under Rate Schedule FRSS, both injections and withdrawals under Rate Schedules NSS and BESS and for service under Rate Schedule PALS if the following criteria are met. For storage points to be treated

as in-the-path for withdrawals under Rate Schedule NSS or separately utilized storage rights under Rate Schedule FRSS, the primary path under the firm transportation Agreement used for withdrawal must extend to the Market Delivery Zone through either Station 103 or 305 from a primary Receipt Point further south and such primary path may not be segmented except in zones upstream of the Midcontinent and Texok Receipt Zones (any Shipper in any release which does not hold the required primary path shall not have in-the-path storage rights). Storage points will be treated as in-the-path on injection under Rate Schedule NSS so long as the primary path under the firm transportation Agreement extends from a primary Receipt Point in a zone other than the Iowa-Illinois Receipt Zone to a primary Delivery Point in the Market Delivery Zone, and such path is not segmented in the Market Delivery Zone. In the case of receipts in the Iowa-Illinois Receipt Zone, such storage points shall be considered



as in-the-path so long as the primary path under the firm transportation Agreement extends from Station 109 to a primary Delivery Point in the Market Delivery Zone (including primary paths extending around to points on the Gulf Coast Line), provided that such primary path is not segmented in the Market Delivery Zone (any Shipper in any release which does not hold the required primary path shall not have in-the-path storage rights). Receipts on the Gulf Coast Line north of Station 311 (where no waiver has been posted) shall be considered as in-the-path Amarillo Line receipts under the conditions stated in the prior sentence. Other Gulf Coast Line receipts shall be treated as in-the-path on injection if the Shipper has a primary path from the Receipt Point to a Delivery Point in the Market Delivery Zone and such path is not segmented. A storage point under a firm transportation Agreement which has a primary Delivery Point in any of the production zones (Louisiana, South Texas, Texok, Midcontinent or Permian) will be treated as in-the-path for transportation of gas withdrawn under Rate Schedule NSS: (i) if the primary path under the transportation Agreement extends through Stations 304 or 103 from a primary Receipt Point which is north of Station 304 or 103 and such primary path is not segmented south of Station 304 or 103; or (ii) if the primary path either includes the entire portion of Natural's Mainline system between Station 304 and the intersection of the A/G Line and the Gulf Coast Mainline or includes a portion of Natural's system which lies between Station 156 and any point on the Amarillo Mainline, and the path is not segmented over that portion of the primary path or between that portion of the primary path and the Delivery Point (any Shipper in any release which does not hold the required primary path shall not have in-the-path storage rights). An Agreement with a primary Delivery Point in a production zone has in-the-path delivery rights in connection with injections under Rate Schedule NSS only to the extent Natural posts such in-the-path rights. Natural shall post on a continuous basis whether and to what extent such in-the-path rights are available and shall provide in the posting at least twenty-four (24) hours' notice before a change in that designation becomes effective. Where a Shipper must have a certain primary path to have in-the-path storage rights, actual receipts may be at any point along that primary path.

(3) The storage points in the Iowa-Illinois Receipt Zone, even though they are not physical points, shall be treated as primary Receipt Points for the purposes of scheduling and curtailing storage withdrawals and the related deliveries under delivered firm storage service pursuant to Rate Schedules DSS and FRSS unless transportation has been separately released. The storage points in the Iowa-Illinois Receipt Zone points shall also be treated as primary points in conjunction with injections pursuant to delivered firm storage service as

defined in Rate Schedules DSS and FRSS under a firm transportation Agreement with a primary Delivery Point in the Market Delivery Zone so long as the primary path under the firm transportation Agreement extends from a primary Receipt Point in any zone other than the Iowa-Illinois Receipt Zone to a primary Delivery Point in the Market Delivery Zone, and such path is unsegmented in the Market Delivery Zone (any Shipper in any release which does not hold the required primary path shall not have primary or in-the-path storage rights). In the case of receipts in the Iowa-Illinois Receipt Zone, such storage points shall be treated as primary points for injections under Rate Schedules DSS and FRSS so long as the primary path under the firm transportation Agreement extends from Station 109 to a primary Delivery Point in the Market Delivery Zone (including primary paths extending around to points on the Gulf Coast Line), provided that such primary path is not segmented in the Market Delivery Zone (any Shipper in any release which does not hold the required primary path shall not have primary or in-the-path storage rights). Receipts on the Gulf Coast Line north of Station 311 (where no waiver has been posted) shall be considered primary Amarillo Line receipts under conditions stated in the prior sentence. Other Gulf Coast Line receipts shall be treated as primary on injection if the Shipper has a primary path from the Receipt Point to a Delivery Point in the Market Delivery Zone and such primary path is not segmented in the Market Delivery Zone. Where a Shipper must have a certain primary path to have in-the-path storage rights or injection, actual receipts may be at any point along that primary path.

(4) In the event Natural cannot accept nominations for transportation to or from a storage point or must curtail on any day, Natural shall apply the following priorities when scheduling or curtailing such transportation:

(i) Nominations and no-notice service under firm storage and transportation Agreements within firm injection or withdrawal rights (including the storage rights under Rate Schedules DSS and NSS within MDQ and MSV but in excess of generally applicable firm rights where Natural has given notice that capacity is available) involving a storage point treated as primary or as secondary in-the-path as described in (2) or (3) above will be the first scheduled and the last curtailed. In the event there is sufficient capacity to provide some but not all of the nominated and no-notice service, capacity shall be allocated pro rata based on MDQ under the storage Agreements.

(ii) Nominations and no-notice service under firm transportation Rate Schedules involving a primary or in-the-path secondary storage point for injection or withdrawal under the authorized overrun storage rights within MDQ and MSV properly requested under Rate Schedules NSS, FRSS and DSS will next be scheduled and will be curtailed after category (iii) but before category (i). In the event there is sufficient capacity to provide some but not all of the nominated and interruptible no-notice service, capacity will be allocated pro rata based on MDQ under the storage Agreements.

(iii) Nominations and no-notice service under firm transportation Rate Schedules involving an out-of-path secondary storage point for injection or withdrawal under firm storage rights, including the storage rights under Rate Schedules FRSS and DSS (injection only for DSS and FRSS unless transportation has been separately released, since DSS and FRSS storage points on withdrawal are always treated as primary points) and NSS within MDQ and MSV but in excess of generally applicable firm rights where Natural has given notice that capacity is available, will be the next scheduled and will be curtailed after category (iv) but before category (ii). In the event there is sufficient capacity to provide some but not all of the nominated and no-notice service, capacity will be allocated pro rata based on MDQ under the storage Agreements.

(iv) Nominations and no-notice service under firm transportation Rate Schedules involving an out-of-path secondary storage point for injection or withdrawal under the authorized overrun storage rights within MDQ, MSV and MAC properly requested under Rate Schedules NSS, FRSS and DSS (injection only for DSS and FRSS unless transportation has been separately released, since DSS and FRSS storage points on withdrawal are always treated as primary points) will next be scheduled and will be curtailed after category (v) but before category (iii). In the event there is sufficient capacity to provide some but not all of the nominated and interruptible no-notice service, capacity will be allocated pro rata based on MDQ under the storage Agreements.

(v) Nominations under firm transportation Rate Schedules involving a primary or in-the-path secondary point for injection or withdrawal under a BESS or PALS Agreement and under authorized overrun properly nominated pursuant to Rate Schedules DSS and NSS in excess of MDQ,

MSV and/or MAC and authorized overrun properly nominated under Rate Schedule FRSS in excess of MDQ, IQ, WQ or WSWQ will be scheduled next and will be curtailed after category (iv) but before category (vi). In the event there is sufficient capacity to provide some but not all of the nominated service, capacity will be allocated based on the priority of the storage rights as set out in Section 5.7.

(vi) Nominations under firm transportation Rate Schedules involving an out-of-path secondary point for injection or withdrawal under a BESS or PALS Agreement and under authorized overrun properly nominated pursuant to Rate Schedules DSS and NSS in excess of MDQ, MSV and/or MAC and authorized overrun properly nominated under Rate Schedule FRSS in excess of MDQ, IQ, WQ or WSWQ will be scheduled next and will be curtailed after category (vii) and prior to category (v). In the event there is sufficient capacity to provide some but not all of the nominated service, capacity will be allocated based on the priority of the storage rights as set forth in Section 5.7.

(vii) Nominations for interruptible transportation service (including authorized overrun service under firm Rate Schedules) for injection or withdrawal under firm storage rights (including storage rights under Rate Schedules DSS and NSS within MDQ and MSV but in excess of generally applicable firm rights where Natural has given notice that capacity is available) will be scheduled next and curtailed after category (viii) and prior to category (vi). In the event there is sufficient capacity to provide some but not all of the nominated service, capacity will be allocated based on the priority of the transportation Agreement as set forth in Section 5.7.

(viii) Nominations for interruptible transportation service (including authorized overrun service under firm Rate Schedules) for injection or withdrawal under authorized overrun storage rights within MDQ and MSV under Rate Schedules DSS and NSS will be scheduled next and will be curtailed after category (ix) and before category (vii). In the event there is sufficient capacity to provide some but not all of the nominated service, capacity will be allocated based on the priority of the transportation Agreement as set forth in Section 5.7.

(ix) Nominations for interruptible transportation service (including authorized overrun service in excess of MDQ under firm Rate Schedules) for injection or withdrawal under BESS or PALS Agreements and under authorized overrun properly requested under Rate Schedules DSS and NSS in excess of MDQ, MSV and/or MAC and authorized overrun properly requested under Rate Schedule FRSS in excess of MDQ, IQ, WQ or WSWQ will be scheduled last and will be curtailed first. If there is sufficient capacity to provide some but not all of the nominated service, capacity will be allocated based on the priority of the transportation Agreement as set forth in Section 5.7.

Notwithstanding the foregoing, Natural shall exclude any Shipper from scheduling constraints or curtailment to the extent that deliveries/injections or receipts/withdrawals, as applicable, under the applicable transportation or storage Agreement either alleviate a constraint or do not create a constraint in relation to the storage point in light of the specific Receipt or Delivery Point for such gas and the capacity available to Shipper under its Agreement considered in relation to operating conditions that day on Natural's system.

(c) In applying the sourcing requirements under Rate Schedules DSS and NSS, supplies shall be allocated for sourcing purposes as follows:

(1) Gas delivered to storage under confirmed nominations in conjunction with an NSS, DSS or FRSS Agreement shall be deemed injected based on the location of the supply source. All supply sources received on the Amarillo Line and north of Station 311 on the Gulf Coast Line are deemed Amarillo receipts and all other receipts are deemed Gulf Coast receipts, the Amarillo and Gulf Coast Lines being otherwise defined as in Section 9.2 of these General Terms and Conditions. Notwithstanding the foregoing, Natural shall post prior to the beginning of the month, at least twenty-four (24) hours before first-of-the-month nominations are due, the extent (if any) to which receipts between Station 110 and Station 311 will be treated as Gulf Coast receipts. In addition, Natural will review on a daily basis the extent (if any) to which receipts between Station 110 and Station 311 on the next day will be treated as Gulf Coast receipts. Natural will designate such receipts as Gulf Coast receipts to the extent feasible operationally. For daily changes, Natural will post

on the Informational Postings portion of its Interactive Website the volumes which can be treated as Gulf Coast receipts no later than the time nominations are due for such day. Such designations may be changed only prospectively through issuance of an Operational Flow Order or in subsequent postings. Except through an Operational Flow Order, the volumes designated as Gulf Coast receipts in the monthly posting may not be reduced by the daily posting during the month.

(2) Gas withdrawn from storage under confirmed nominations pursuant to Rate Schedule NSS shall be allocated based on the location of the storage point from which gas is withdrawn.

(3) All gas withdrawn from storage under Rate Schedule DSS (whether nominated or no-notice) shall be allocated fifty percent (50%) to Amarillo and fifty percent (50%) to Gulf Coast sources without regard to the actual location of injection or withdrawal. Natural shall effectuate such service utilizing the overall capability of its system, including its integrated storage. Notwithstanding the foregoing, the Shipper shall always have the fifty percent (50%) withdrawal rights on one leg up to its remaining inventory on that leg even if the inventory available for withdrawal on the other leg is insufficient to support the remaining fifty percent (50%) of withdrawal rights. For example, if the Shipper's inventory on the Amarillo leg were depleted, the Shipper could still withdraw a volume up to fifty percent (50%) of its withdrawal rights on the Gulf Coast leg on either a nominated or no-notice basis up to its remaining inventory on the Gulf Coast leg.

(4) Gas withdrawn from storage on a no-notice basis shall be deemed withdrawn from the storage point associated with the Delivery Point.

(5) Gas received into or withdrawn from Rate Schedule NSS on a no-notice basis pursuant to the NB option under Rate Schedules FTS, FFTS and FTS-G and gas injected into Rate Schedule DSS on a no-notice basis shall be allocated to leg for sourcing purposes in accordance with this subsection. No-notice injections under Rate Schedules DSS and NSS shall be allocated between legs as follows: No-notice injections under Rate Schedule DSS shall initially be allocated fifty percent (50%) to the Gulf Coast Line and fifty percent (50%) to the Amarillo Line and no-notice injections under Rate Schedule NSS shall initially be allocated to the Gulf Coast Line in the Gulf Coast Percentage and to the Amarillo Line in the Amarillo Percentage where the applicable Delivery

Point is in the Iowa-Illinois Receipt Zone (Gulf Coast Percentage and Amarillo Percentage are defined in Section 5.3(b)(3) of Rate Schedule NSS); provided, however, that if Natural has posted a waiver of seasonal inventory requirements by leg, the allocation shall reflect such waiver. In the event that the volume so allocated to the Gulf Coast Line for no-notice injections for a Shipper exceeds the volume of gas nominated and flowing from Gulf Coast Line sources for that Shipper on that day, the volume in excess of the nominated and flowing gas shall be reallocated for that day to the Amarillo Line. For no-notice injections under Rate Schedule NSS where the applicable Delivery Point is outside the Iowa-Illinois Receipt Zone, the injections shall be allocated to the storage point where the Delivery Point is located. No-notice withdrawals under Rate Schedule NSS shall be allocated between legs for deliveries to the Market Delivery Zone for any month based on Shipper's inventory as posted by Natural on its Interactive Website twenty-four (24) hours before first-of-the-month nominations are due, with withdrawals coming from the storage point closest to the Delivery Point on each leg, as more fully set out at Section 5.3(e) of Rate Schedules FTS and FFTS. For deliveries to other zones, the gas is deemed to come from that zone. Such allocation could result in Sourcing, Overrun or Balancing Service Charges if Shipper's or point operator's firm transportation or storage rights on either leg are exceeded. No-notice service for injections and/or withdrawals is only available to the extent of firm rights with a primary or in-the-path point as defined in Section 5.6(b)(2) above for injection or withdrawals, as applicable. No-notice rights are subject to the allocation and curtailment provisions set out in the remainder of this Section 5.

(6) (i) Any Shipper may trade with any other Shipper having a corresponding Agreement its injection rights under Rate Schedules DSS or NSS and/or its withdrawal rights under Rate Schedule NSS and the corresponding inventory rights. Such trades must be for equal volumes of injection rights or withdrawal rights and the related inventory rights, as set out below.

(ii) Trades must commence on the first day of a month and continue for a minimum period of one (1) calendar month. Trades of rights under Rate Schedule NSS may continue for a period exceeding one (1) year, but any trade under Rate Schedule DSS must conclude no later than the end of the injection season during which the trade is in effect.

(iii) Trades must include both daily and inventory rights and the relative volumes of such rights must be based on the definition of such rights in the applicable tariff provision. Daily rights and inventory rights must revert to the original Shipper simultaneously at the end of the trade.

(iv) Once Shippers have agreed upon a conforming trade, such Shippers shall notify Natural of the trade in writing or, if available, on Natural's Interactive Website. Such notices must specify the volumes of daily injection and/or withdrawal rights involved, the total inventory and/or withdrawal rights involved, the total inventory rights being traded, whether such rights are Amarillo or Gulf Coast, the dates on which the trade is to commence and terminate and the contracts affected. Such notice must also reflect the consent of all Shippers involved in the trade. Any Shipper seeking to participate in a trade may submit an advertisement pursuant to Section 20 of these General Terms and Conditions. For a qualifying trade to be effective for any month, conforming notification of the trade must be received by Natural at least one (1) business day prior to the date nominations are due for the first of the month. Once the trade commences, the rights of the parties to injections and/or withdrawals and to inventory under their respective Agreements shall be adjusted accordingly. With respect to any trade, each party which is participating in the trade must conform its inventory to the applicable requirements (including cycling requirements) once the trade has terminated.

#### 5.7 INTERRUPTIBLE AND OVERRUN SERVICES

(a) This Section governs the priority for scheduling and curtailment of all interruptible and overrun services, including authorized overrun services under firm agreements, other than: (1) secondary point services within MDQ under firm Agreements and (2) the authorized overrun injections and withdrawals within MDQ and MSV pursuant to confirmed nominations under DSS and NSS Agreements. As used in this Section, the term "interruptible" includes all authorized overrun services under both firm and interruptible Agreements, other than those excluded in the prior sentence.

(b) Natural's interruptible transportation and storage services shall be provided to the extent capacity is available after scheduling services with higher priority as provided in Section 5.3. Natural may decline to schedule and/or may curtail interruptible service for any of the following reasons:



- (i) if Shipper tenders gas which does not conform to the applicable pressure or quality requirements of these General Terms and Conditions;
- (ii) for reason of Force Majeure;
- (iii) due to routine repair and maintenance to be reasonably determined by Natural;
- (iv) pursuant to Section 5.11 of these General Terms and Conditions;
- (v) to rectify imbalances or to conform physical flows to nominations to the extent consistent with the specific Rate Schedule;
- (vi) pursuant to the Operational Control provisions of these General Terms and Conditions;
- (vii) to maintain system integrity;
- (viii) if there is a dispute over title, ownership or right to tender or receive gas; or
- (ix) if capacity is required to provide a service with higher priority.

(c) (1) SCHEDULING OF INTERRUPTIBLE SERVICES

If capacity remains after all gas properly nominated and confirmed (to the extent nomination is required) under services described in Sections 5.3(a)(1) and (2) and Sections 5.3(b)(1) and (2) has been scheduled, Natural shall schedule the remaining interruptible services (including authorized overrun). To the extent there is insufficient capacity available to schedule all properly nominated and confirmed interruptible services (including authorized overrun), Natural shall identify which nominated services are affected by the lack of capacity and shall schedule all affected interruptible services in accordance with the following sequence:

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

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

**(2) CURTAILMENT OF INTERRUPTIBLE SERVICES**

In interrupting or curtailing interruptible services (including authorized overrun) covered by this Section 5.7 due to lack of capacity, Natural shall curtail in accordance with the following priority sequence:

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

(ii) If there is capacity sufficient to provide some but not all services, Natural shall interrupt such services from the lowest daily rate to the highest daily rate being paid.

(3) SCHEDULING AND CURTAILMENT OF SERVICE  
UNDER RATE SCHEDULES IBS AND LPS

(i) Service under Rate Schedule IBS shall be scheduled and curtailed based on Natural's line pack capability and offsetting Access Requests on the relevant portions of its system. Service shall not be provided under Rate Schedule IBS, and service pursuant to a confirmed Access Request under Rate Schedule IBS shall be interrupted, if such service would be detrimental to Natural's ability to provide firm services or to provide any priority interruptible rights as identified in Section 5.7(a) above. Natural shall also interrupt or decline to schedule service under Rate Schedule IBS before taking any actions under the Operational Control Sequence set out in Section 23.4 of these General Terms and Conditions to the extent that the service under Rate Schedule IBS would have any effect adverse to Natural's system in relation to the conditions which give rise to such operational control measures.

(ii) If providing service under any IBS Agreement would have an adverse effect on providing any other interruptible service, the IBS Agreement shall, for scheduling and balancing purposes, be assigned the priority of the transportation Agreement to which the IBS Agreement is linked, with overrun volumes being assigned priority on the same basis as overrun volumes under the linked transportation Agreement.

(iii) In the event Natural can provide some service under Rate Schedule IBS on any portion of its system predicated on the level of line pack, but the line pack capability on any day is insufficient to schedule all Access Requests under Rate Schedule IBS, first priority for scheduling and curtailment purposes shall be granted to Access Requests which are linked to a firm transportation Agreement (if allocation within this class is required, allocation shall be pro rata based on MDQ). If sufficient capability is available to serve some but not all Access Requests under IBS Agreements linked to interruptible transportation Agreements, service under Rate Schedule IBS shall be allocated based on the price paid under the linked interruptible transportation Agreement.

(iv) Service under Rate Schedule LPS shall not be scheduled if doing so would have an adverse effect on any firm service, or on any priority interruptible service associated with firm service identified in Section 5.7(a) of these General Terms and Conditions or in Sections 5.3(c)(1) and 5.5 of Rate Schedule DSS or in Sections 5.3(b)(1) and 5.5 of Rate Schedule NSS, would

increase the likelihood of Natural having to issue an Operational Flow Order or declare a Critical Time or would adversely affect storage. Service under Rate Schedule LPS shall be scheduled and curtailed based on Natural's system operational and line pack capability, and shall not adversely affect storage. Service hereunder shall be interrupted and curtailed if continuation of such service would be detrimental to Natural's ability to provide any firm service or any priority interruptible service associated with firm service as identified in Section 5.7(a) of these General Terms and Conditions or if continuation of such service would adversely affect storage. While service hereunder is not ordinarily expected to affect transportation capacity, if providing service hereunder would have an adverse affect on providing interruptible transportation services, an LPS Agreement shall for scheduling and allocation purposes be assigned the same priority as service under Rate Schedule ITS. Any required rate comparison will be based on the level of the Initial Fee, except that upon reversal or completion of the transaction, any rate comparison shall be based on the level of the Completion Fee. The same priority shall be applied for scheduling and allocation in relation to service under Rate Schedule IBS or other LPS Agreements. Once a park or loan has been scheduled on any day under Rate Schedule LPS, that park or loan shall not be interrupted or curtailed to effectuate any other interruptible service, except for priority interruptible service under a firm Agreement as identified in Section 5.7(a) of these General Terms and Conditions.

(4) Any Shipper paying a discounted rate may give Natural prior written notice at any time, and from time to time, that Shipper elects to pay a specified higher rate, capped by the applicable maximum rate, during the period the Shipper would otherwise be subject to the curtailment or scheduling restriction. Such election may be rescinded at any time by Shipper again providing Natural with prior written notice. Such prior written notices should be given no later than 8:00 a.m. Central Time of the business day prior to the date of their effectiveness.

(d) An Agreement under Rate Schedule ITS will include all Receipt and all Delivery Points available on Natural's system. Notwithstanding the foregoing, a Shipper may not utilize a point for which there is no regulatory authorization to receive or deliver gas under the Agreement.

**5.8 CAPACITY CONSTRAINTS**

If Natural experiences a capacity constraint on a portion of its system or at specific points, it shall (to the extent practicable), apply the scheduling and curtailment provisions hereof, for both firm and interruptible services, only to those Shippers with service affected by that portion of the system or at those points. Natural shall endeavor to restrict scheduling limitations and/or curtailment to as limited a geographical area, number of Shippers and services as reasonably feasible, given the operational capabilities of its system.

**5.9 UNAUTHORIZED OVERRUN GAS**

No Shipper shall have any right to tender unauthorized overrun gas. Unauthorized overruns are subject to the charges set out in Section 12 of these General Terms and Conditions.

**5.10 OTHER TRANSPORTERS**

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

**5.11 DELINQUENCY IN PAYMENT**

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

(1) Natural shall give Shipper written notice of the delinquency and of Natural's intent to suspend service if the deficiency is not cured. If the delinquency is not remedied within fifteen (15) days of such notice, Natural may suspend service. Natural 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 Natural may suspend service to such Shipper within five (5) Business Days after providing notice hereunder unless Shipper remedies the deficiency within that time period. 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, Natural 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 5.11(a)(1) of these General Terms and Conditions or with the notice under Section 5.11(a)(2) 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 15 of these General Terms and Conditions, and will not result in suspension or termination of service.

(d) Natural may not take any action under this Section 5.11 which conflicts with any order of the U.S. Bankruptcy Court.

#### 5.12 DETERIORATION OF CREDIT

(a) (1) If at any time Natural reasonably determines based on adequate information available to it that a Shipper is not creditworthy under Section 16(a) of these General Terms and Conditions or if Shipper fails to maintain assurance of future performance under Section 16(b) of these General Terms and Conditions, Natural may notify such Shipper in writing that it has five (5) Business Days to provide Natural with security consistent with Section 16(b) of these General Terms and Conditions which is adequate to cover all charges for one month's advance service. In addition, within thirty (30) days after such notification, the Shipper must fully comply with the means for adequate assurance of future performance, covering three (3) full months of advance service from the end of such 30-day notice period, as provided under Section 16(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, Natural may immediately suspend service to Shipper. Natural may terminate service if it has complied with the procedures in Section 5.12(d) of these General Terms and Conditions.

(2) If Natural does not have sufficient information to determine whether Shipper is creditworthy, it may request additional information in writing from the Shipper consistent with Section 16(a) of these General Terms and Conditions, and Shipper must provide such information within five (5) Business Days.

(i) If Natural requests additional information to be used for credit evaluation after the initiation of service, Natural, 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 Natural and the Shipper may mutually agree to waive this requirement.

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

(iii) The Shipper's authorized representative(s) shall respond to Natural'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 5.12(a)(2). The Shipper should provide all the credit information requested by Natural or provide the reason(s) why any of the requested information was not provided.

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

(v) Representatives and notices regarding Shipper creditworthiness shall be as provided in Section 16(a) of these General Terms and Conditions.

(vi) If Shipper fails to provide the requested information or if Natural determines that the Shipper is not creditworthy based on such information, Section 5.12(a)(1) of these General Terms and Conditions shall apply for suspension of service and Section 5.12(d) of these General Terms and Conditions shall apply for termination of service.

(b) Any suspension of service hereunder shall continue until Natural is reasonably satisfied that Shipper is creditworthy under Section 16(a) of these General Terms and Conditions or until Shipper has provided adequate assurance of future performance under Section 16(b) of these General Terms and Conditions. A Shipper shall not be obligated to pay any reservation or demand charges for suspended service attributable to the period when that service is suspended.

(c) At any time after a Shipper is determined to be noncreditworthy by Natural, the Shipper may initiate a creditworthiness re-evaluation by Natural. As part of the Shipper's re-evaluation request, the Shipper must either update or confirm in writing the prior information provided to Natural 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 16(a) of these General Terms and Conditions. After Natural's receipt of such a request for credit reevaluation including all required information under this Tariff for evaluation of credit, Natural 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 Natural's decision, or an explanation supporting a future date by which a reevaluation determination will be made. In no event should such reevaluation determination exceed twenty (20) Business Days from the date of the receipt of Shipper's Request unless specified in this tariff or if the parties mutually agree to some later date. If Natural determines that Shipper is now creditworthy, any security requirement under Section 16(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, Natural may terminate service if the Shipper fails to provide adequate assurance of future performance consistent with Section 16(b) of these General Terms and Conditions. Any such termination requires thirty (30) days' prior notice to Shipper and to the Commission. To avoid termination, the Shipper must satisfy Section 16(b) of these General Terms and Conditions within this notice period. Such notice may be given simultaneously with the notice provided for in Section 5.12(a)(1) of these General Terms and Conditions.

(e) In addition to any prior notice provided for above, Natural shall simultaneously notify the Commission in writing of any suspension or termination of service under this Section 5.12.



(f) Natural may not take any action under this Section 5.12 which conflicts with any order of the U.S. Bankruptcy Court.

#### 5.13 EMERGENCY CURTAILMENT RELIEF

In the event that Natural is advised by a Shipper under a firm DSS, FTS, FFTS, or FTS-G Agreement that delivery of gas is necessary to avoid irreparable injury to life or property (including environmental emergencies) or to provide for minimum plant protection, Natural may adjust the volumes scheduled or curtailed (including diverting gas from other Shippers as necessary) to deliver the volumes required within such Shipper's MDQ to avoid or mitigate the emergency situation to the extent Natural can do so without creating an emergency situation for the Shippers with reduced volumes; provided, however, that no relief shall be available hereunder to the extent a Shipper has been relying on interruptible gas or transportation to serve the use for which relief is being requested. To qualify for such emergency relief, Shipper must certify within twenty-four (24) hours that it has utilized all other sources of gas supply, that it is providing no interruptible services and that it or its customers could not use alternate fuel. If emergency relief is sought by more than one Shipper, any volumes which Natural can provide shall be prorated, if necessary, based on the sum of MDQs under all of the firm Agreements listed above for each of the requesting Shippers. The Shipper receiving relief volumes shall pay for any volumes it receives in excess of the volumes otherwise available under Natural's scheduling and curtailment procedures a unit rate equal to the highest charge for failure to comply with an Operational Flow Order during a Critical Time as specified in Section 23. If Natural subsequently determines that Shipper was not eligible for the emergency relief received, the charge shall be twice that specified in the prior sentence. Except when emergency curtailment relief is provided during a Critical Time (in which event the disposition of the revenues shall be in accordance with Section 23), any revenues received by Natural from such Shipper in excess of the sum of otherwise applicable charges and any out-of-pocket expenses incurred by Natural as a result of providing relief shall be distributed among all Shippers which received reduced volumes due to such emergency relief in proportion to their volumetric reduction.

5.14 OPERATIONAL CONTROL

The priorities of service set out in this Section 5 shall be subject to the Operational Control provisions of Section 23 of these General Terms and Conditions, which shall override in the event of a conflict for the purpose of determining gas receipts and deliveries on any day, but not with respect to determining a Shipper's capacity entitlement or entitlement to take gas to be used in evaluating whether another Shipper has made unauthorized use of such capacity or gas.

**GENERAL TERMS AND CONDITIONS**

6. RECEIPT POINTS

6.1 FACILITIES AT RECEIPT POINTS

(a) Unless otherwise agreed, Natural shall own, operate and maintain all pipeline and measurement facilities necessary to receive and measure gas hereunder. Shipper or the interconnecting party shall (in addition to all other applicable charges) reimburse Natural for the actual cost (including income taxes associated with a contribution-in-aid of construction) of any and all facilities installed by Natural pursuant to this Section at Shipper's or the interconnecting party's request in order to provide service for such Shipper or interconnecting party including, but not limited to, the cost of all labor, materials and rights-of-way; provided that Shipper or the interconnecting party shall repay Natural in kind for any gas lost from Natural's pipeline as a result of the installation of such facilities. Natural may submit billings to Shipper or the interconnecting party up to sixty (60) days in advance for the estimated cost of construction to be incurred by Natural. Shipper or the interconnecting party shall make payments within ten (10) days of the date of receipt of any billings submitted by Natural pursuant to this Section. For purposes of this Section, the bill is deemed to be received by Shipper or the interconnecting party three (3) days after the postmark date. Late payments shall be subject to Section 15 of these General Terms and Conditions. Any such estimated billings shall be reconciled to the actual costs of construction, and any payments to reflect such reconciliation shall be made, within a time period and on terms agreed to by the parties. Neither the amounts collected hereunder nor the cost of such facilities shall be recognized in establishing Natural's general system rates.

(b) Natural may elect, on a nondiscriminatory basis, to pay all or a portion of the costs of the facilities constructed pursuant to subsection (a) above if Natural determines that the construction of such facilities is economically beneficial to Natural. For purposes of determining whether a project is beneficial, Natural will evaluate projects on the basis of various economic criteria, which will include the estimated transportation throughput, cost of the facilities, operating and maintenance as well as administrative and general expenses attributable to the facilities, the revenues Natural estimates will be generated as a result of such construction, and the availability of capital funds on terms and conditions acceptable to Natural. In estimating the revenues to be generated, Natural will base those revenues upon transportation rates it expects to be able to charge, exclusive of any surcharges such as ACA, and the projected incremental volumes which will result from the project.

**6.2 OBLIGATION**

Natural's maximum obligation to receive gas at the Receipt Point(s) under the Agreement shall never exceed the lesser of: (1) the applicable MDQ under the Agreement in the aggregate or at individual points, as specified in the Agreement or as applicable at such point under this Tariff; or (2) the total daily volume Shipper or its designee is able and willing to tender at the Receipt Point(s).

**6.3 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 Natural. For storage Agreements, the Receipt Point(s) shall be the storage points defined in these General Terms and Conditions.

**GENERAL TERMS AND CONDITIONS**

7. DELIVERY OF GAS FOR THE ACCOUNT OF SHIPPER

7.1 DELIVERY VOLUMES

Commencing on the date of first acceptance by Natural of natural gas delivered by or on behalf of Shipper at the Receipt Point(s) pursuant to an Agreement, and continuing thereafter during the term of that Agreement, Natural 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, Natural shall retain gas in kind for Fuel Gas and Gas Lost and Unaccounted For on its system based on the percentage Rates set out in the Currently Effective Rates section of this Tariff and using the following formula:  $[1 - (\text{fuel percent}/100)]$  multiplied by the receipt quantity (rounded to the nearest Dth) equals the delivery quantity. Upon the mutual agreement of Natural and Shipper, in lieu of Natural retaining gas in kind, Shipper shall reimburse Natural for Fuel Gas and Gas Lost and Unaccounted For on its system. Such sales shall be provided on a non-discriminatory basis. If Natural intends to make such sales in any month, Natural shall post on the Informational Postings portion of its Interactive Website at least five (5) days prior to the beginning of the month the following information:

(a) The volume available that month. If the volumes requested exceed the volumes available for such sales, Natural shall allocate the available volumes based on the MDQ of Shippers requesting such sales.

(b) The point(s) of sale, which point(s) must be at a Receipt Point on the purchasing Shippers' Agreements.

(c) The price.

Shipper shall be directly responsible for any Fuel Gas and Gas Lost and Unaccounted For on any upstream pipeline from which Natural receives Shipper's gas.

7.2 DELIVERY FACILITIES

(a) Unless otherwise agreed, Natural shall own, operate and maintain all pipeline and measurement facilities necessary to deliver and measure

gas hereunder. Shipper or the interconnecting party shall (in addition to all other applicable charges) reimburse Natural for the actual cost (including income taxes associated with a contribution-in-aid of construction) of any and all facilities installed by Natural pursuant to this Section at Shipper's or the interconnecting party's request in order to provide service for such Shipper or interconnecting party including, but not limited to, the cost of all labor, materials and rights-of-way; provided that Shipper or the interconnecting party shall repay Natural in kind for any gas lost from Natural's pipeline as a result of the installation of such facilities. Natural may submit billings to Shipper or the interconnecting party up to sixty (60) days in advance for the estimated cost of construction to be incurred by Natural. Shipper or the interconnecting party shall make payments within ten (10) days of the date of receipt of any billings submitted by Natural pursuant to this Section. For purposes of this Section, the bill is deemed to be received by Shipper or the interconnecting party three (3) days after the postmark date. Late payments shall be subject to the provisions contained in Section 15 of these General Terms and Conditions. Any such estimated billings shall be reconciled to the actual costs of construction, and any payments to reflect such reconciliation shall be made within a time period and on terms agreed to by the parties. Neither the amounts collected hereunder nor the cost of such facilities shall be recognized in establishing Natural's general system rates.

(b) Natural may elect, on a nondiscriminatory basis, to pay all or a portion of the costs of the facilities constructed pursuant to subsection (a) above if Natural determines that the construction of such facilities is economically beneficial to Natural. For purposes of determining whether a project is beneficial, Natural will evaluate projects on the basis of various economic criteria, which will include the estimated transportation throughput, cost of the facilities, operating and maintenance as well as administrative and general expenses attributable to the facilities, the revenues Natural estimates will be generated as a result of such construction, and the availability of capital funds on terms and conditions acceptable to Natural. In estimating the revenues to be generated, Natural will base those revenues upon transportation rates it expects to be able to charge, exclusive of any surcharges such as ACA, and the projected incremental volumes which will result from the project.

### 7.3 OBLIGATIONS

Natural's maximum obligation to deliver gas at the Delivery Point(s) under an Agreement shall never exceed the lesser of: (1) the applicable MDQ under the Agreement in the aggregate or at each point as specified in the Agreement or as applicable to any point under this Tariff; or (2) the total daily volume Shipper or its designee is willing and able to receive at the Delivery Point(s).

#### 7.4 HOURLY LIMITATIONS

Natural shall not be obligated, during any hour, to deliver a total volume of gas at any Delivery Point in excess of six and twenty-five hundredths percent (6.25%) of Shipper's aggregate MDQs for firm service at such Delivery Point, and Natural may impose such restriction whenever, in Natural's sole judgment, such restriction is necessary in order to meet its delivery obligations. However, in the event that Shipper's load pattern temporarily requires deliveries at any Delivery Point in excess of such restriction, Natural will, on request of Shipper, use its best efforts to accommodate such load pattern, and will consult with Shipper in an effort to generally accommodate load variation to the maximum extent feasible and compatible with the needs of Shippers as a group. If, after written request by Natural, Shipper fails to restrict its hourly takes as specified herein, Natural 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 therefor.

#### 7.5 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 Natural. Delivery Points for storage Agreements shall be the storage points defined in these General Terms and Conditions.

**GENERAL TERMS AND CONDITIONS**

8. NOMINATION/REPORTING AND BALANCING

8.1 GENERAL

(a) Natural 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 nominations process is dependent on the availability of affected parties' scheduling personnel on a similar basis. Party contacts need not be at their ordinary work sites but should be available by telephone or other electronic means. All nominations should include shipper defined begin dates and end dates. All nominations excluding intraday nominations should have roll-over options. Specifically, shippers should have the ability to nominate for several days, months, or years, provided the nomination begin and end dates are within the term of shipper's contract. Whenever Shipper desires service (including service on portions of the system where a gathering charge applies), Shipper shall furnish to Natural a separate nomination for each nominated Receipt and Delivery Point under each Agreement with a beginning and end date, or beginning hour if applicable, for flow which can be for any duration within the term of the applicable Agreement; provided, however, any such nomination shall not be binding to the extent Shipper submits subsequent nomination(s) or exercises no-notice rights available under any service. All nominations should be considered original nominations and should be replaced to be changed. When a nomination for a date range is received, each day within that range is considered an original nomination. When a subsequent nomination is received for one or more days within that range, the previous nomination is superseded by the subsequent nomination only to the extent of the days specified. The days of the previous nomination outside the range of the subsequent nomination are unaffected. Nominations have a prospective effect only.

(b) All nominations, including intraday nominations, should be based on a daily quantity; thus, an intraday nominator need not submit an hourly nomination. All volumes shall be expressed in Dth per day and shall be stated for each Receipt and Delivery Point. For Rate Schedules DSS, FRSS, FTS-G/NB, FFTS-NB and FTS-NB, nominations for delivered firm storage service and for firm transportation service, respectively, shall not affect a Shipper's no-notice rights thereunder, but it is recognized that Natural will utilize nominations for scheduling under Section 5 and that, depending on the allocation method in effect, nominations may affect allocations at Delivery Points under Section 11 of these General Terms and Conditions. To the extent a Shipper under Rate Schedule DSS is requesting nominated firm transportation service, or a Shipper is requesting transportation



service pursuant to a separate release of transportation rights under Rate Schedule FRSS, such Shipper shall so specify in the nomination. Nominated firm transportation service under Rate Schedule DSS is only available and may only be nominated with respect to the period from October 15 through April 15. Nominated firm transportation rights separately released under Rate Schedule FRSS are limited to the Withdrawal Period and are subject to the provisions of Section 2(g) of Rate Schedule FRSS.

(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 Natural, then, upon notification by Natural, Shipper must include in each nomination such additional information as is specified by Natural. Nominations must be submitted to Natural through Natural's Interactive Website, or such other electronic means as are mutually agreed upon by Natural and Shipper. The sending party should adhere to nomination, confirmation, and scheduling deadlines. The receiving party may waive any submittal deadline in this Section 8.

(d) The standard quantity for nominations, confirmation and scheduling is dekatherms per Gas Day in the United States, gigajoules per Gas Day in Canada and gigacalories per Gas Day in Mexico for transactions that occurred prior to the enactment of Mexico Resolution RES/267/2006 dated September 7, 2006. (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.

## 8.2 STANDARD NOMINATION CYCLES

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

(a) The Timely Nomination Cycle: 1:00 p.m. for nominations leaving control of the nomination party; 1:15 p.m. for receipt of nominations by Natural (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

Natural 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 Nominations shall 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 Natural (including from TTTSPs); 6:30 p.m. to send Quick Response; 8:30 p.m. for receipt of completed confirmations by Natural from upstream and downstream connected parties; 9:00 p.m. for Natural 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 gas flow). Scheduled quantities resulting from Evening Nominations should be effective at the start of the next Gas Day.

(c) The Intraday 1 Nomination Cycle: 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by Natural (including TTTSPs); 10:30 a.m. to send Quick Response; 12:30 p.m. for receipt of completed confirmations by Natural from upstream and downstream connected parties; 1:00 p.m. for Natural 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 Natural (including from TTTSPs); 3:00 p.m. to send Quick Response; 5:00 p.m. for receipt of completed confirmations by Natural from upstream and downstream connected parties; 5:30 p.m. for Natural to provide scheduled quantities to affected shippers and point operators, including bumped parties (notice to bump 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 Natural (including from TTTSPs); 7:30 p.m. to send Quick Response; 9:30 p.m. for receipt of completed confirmations by Natural from upstream and downstream connected parties; 10:00 p.m. for Natural to provide scheduled quantities to affected shippers and point operators (on the current Gas Day). Scheduled quantities resulting from Intraday 3 Nominations should be effective at 10:00 p.m. on the current Gas Day. Bumping is not allowed during the Intraday 3 Nomination Cycle.

(f) For purposes of Section 8.2 (b), (c), (d), and (e), "provide" shall mean, for transmittals pursuant to NAESB WGQ Standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

(g) The rights of a Releasing Shipper to recall capacity within any nomination cycle shall be governed by Section 19.14 of these General Terms and Conditions.

(h) A Shipper which has been awarded firm capacity in a capacity release may submit a nomination using such capacity at the next available opportunity for nominations under this Section 8.2 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 19.9(d) of these General Terms and Conditions.

### 8.3 TIMELY NOMINATIONS

(a) Timely nominations are nominations submitted consistent with the standard nomination cycle set out in Section 8.2(a).

(b) As provided in Section 5 of these General Terms and Conditions, if acceptance of a nomination for service under a specified priority category under this Section 8.3 would cause interruption of another Shipper's gas on Natural's system under a service in the same priority category, then such nomination will not be accepted.

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

### 8.4 REQUIRED NOMINATION CHANGES

If estimated daily flows under a particular 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 Natural with a valid nomination as required in accordance with Section 8.2 hereof.

## 8.5 CONFIRMATION BY NATURAL

(a) Nominations made in accordance with Sections 8.2, 8.3, 8.4 and 8.6 hereof shall not become effective until Natural has confirmed both the nominated receipts and deliveries with upstream and downstream parties, subject to Section 8.5(c) and to the other provisions of this Tariff, such confirmations at Receipt Points shall be accepted by Natural unless Natural has a reasonable basis for believing that the confirmed quantity will not be delivered to Natural. Shipper shall designate the appropriate person(s) who has the authority to resolve allocation issues and, if requested by Natural, the appropriate person(s) to confirm nominations. Confirmations must be submitted to Natural through its Interactive Website, or such other electronic means as are mutually agreed upon Natural by and Shipper.

(b) Subject to Section 8.2 and to the other provisions of this Tariff, Natural shall provide Shippers and point operators via its Interactive Website or by EDI, the quantities that have been scheduled to flow for that Shipper and point operator on the next day.

(c) Default confirmation procedures are as follows:

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

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

(iii) With respect to the processing of requests for decreases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities will be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a Request For Confirmation or an unsolicited Confirmation Response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity will be the new confirmed quantity. Elapsed-prorated-scheduled quantity means that portion of the scheduled quantity that would have

theoretically flowed up to the effective time of the intraday nomination being confirmed, based upon a cumulative uniform hourly quantity for each nomination period affected.

(iv) With respect to Section 8.5 (c) (i), (ii), and (iii), if there is no response to a request for confirmation or an unsolicited confirmation response, the Transportation Service Provider will provide the Service Requester with the following information to explain why the nomination failed, as applicable:

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

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

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

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

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

This information will be imparted to the Service Requester on the Scheduled Quantity document.

## 8.6 INTRADAY NOMINATIONS

(a) An intraday nomination is a nomination submitted after the nomination deadline, defined at Section 8.2(a), whose effective time is no earlier than the beginning of the Gas Day and which runs through the end of that Gas Day.

(b) Natural supports the nomination cycles set forth at Section 8.2 during non-Critical Times. During Critical Times, valid intraday nominations may be submitted at any time.

(c) Natural will provide notification of bumped volumes through the Scheduled Quantity document, as posted on Natural's Interactive Website,

telephone consistent with Section 23.6(c) of these General Terms and Conditions of this Tariff and through Electronic Notice Delivery consistent with NAESB WGQ Standards as adopted in Section 48 of the General Terms and Conditions of this Tariff. During non-Critical Times, Natural will waive daily penalties applicable to bumped volumes on the day of the bump. Natural 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 (line items as per NAESB WGQ Standard 1.2.1) which a service requester may submit at any one standard nomination cycle or in total across all standard nomination cycles.

(e) Revised predetermined allocations (described in Section 10 hereof) may need to be submitted in conjunction with the Intraday Nomination in order to properly allocate the gas received at the nominated Receipt Point.

(f) Unless Natural agrees to the contrary, the revised nomination under an Intraday Nomination may be limited by Section 8.5(c). Natural and the interconnecting party will agree on the hourly flows of the Intraday Nomination.

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

#### 8.7 END-OF-GAS-DAY SCHEDULED QUANTITY DOCUMENT

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

#### 8.8 OVERRUN QUANTITIES

Shippers submitting nominations via Natural's Interactive Website or EDI for transportation, injection, withdrawal or storage of overrun volumes (volumes in excess of the applicable point, leg, zone or Agreement MDQ, MSV or

MAC) must submit separate nominations for such overrun volumes. Shipper should mark that nomination as being for overrun volumes.

#### 8.9 DELEGATION

A Shipper may delegate to any third party responsibility for submitting and receiving notices or nominations or performing other administrative duties under any Agreement, and an entity which controls a point of interconnection with Natural 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 Natural may reject any such limited designation if the limitations specified in the designation would result in an undue administrative burden.

(c) Natural 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 8.9(b). Communications by Natural to such designated representative shall be deemed notice to Shipper or interconnecting entity except to the extent the representative's authority is explicitly limited with respect to the receipt of notice under the procedure set out in said Section 8.9(b).

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

#### 8.10 TRANSFER NOMINATIONS

(a) Whenever gas is purchased or sold at a Receipt Point (including a storage or pooling point) on Natural's system by an entity that is not going to nominate that gas for receipt by Natural under any Agreement, that entity must submit a transfer nomination to Natural through Natural's Interactive Website (or other mutually agreed electronic means) 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 8.2. In addition to the transfer nomination, the purchasing entity should submit a predetermined allocation in accordance with Section 10 of these General Terms and Conditions if there is more than one buyer of the purchasing entity's gas.

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

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

(2) Transfer nominations consistent with this Section 8.10 must be made by the Shipper tendering gas for delivery to the Third Party Account Administrator, where subsequent title to such gas is to be tracked by the Third Party Account Administrator; and

(3) The Third Party Account Administrator shall maintain records of any title transfers after delivery of gas to it and shall submit a nomination consistent with this Section 8.10 for delivery of gas to the last party in the chain of title, which party shall also submit a nomination for receipt of the gas consistent with this Section 8.10.

#### 8.11 NOMINATION PRIORITIES

As part of the nomination and transfer nomination process, if there is more than one supply source (whether at a single or at multiple Receipt Points) nominated to be delivered to a single Delivery Point or buyer, the nomination or transfer nomination will 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 will identify which delivery should be cut in the event gas is not or cannot be received as nominated (i.e., ranking). Ranking should be included in the list of data elements. Transportation service providers should use service requester provided rankings when making reductions during the scheduling process when this does not conflict with tariff-based rules. Nothing in these procedures is intended to affect obligations between any producer or seller of gas and any purchaser of gas under their separate agreements except to the extent consistent with such separate agreements.



#### 8.12 OPERATIONAL BALANCING

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

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

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

(c) Natural 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 Natural'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.

#### 8.13 CENTRAL DELIVERY POINTS

(a) Contained in Natural's Catalog of Points are points which Natural has designated as "Central Delivery Points" (CDPs). A CDP is composed of all the interconnections between Natural and an individual local distribution company (LDC) in the Market Delivery Zone that are within close geographical proximity as determined by Natural with regard to the operational constraints of its system. CDPs may also be developed for other entities or groups on a case-by-case basis, subject to any requisite approvals by affected LDCs. Shippers may nominate deliveries under both firm and interruptible Agreements to a CDP in lieu of the individual interconnections that make up the CDP. Except as described in subsection (b) hereof, all deliveries to the individual Delivery Points which make up the CDP will be aggregated together for purposes of allocating deliveries among Shippers and Agreements pursuant to Section 11 and determining whether Balancing Service or Overrun Charges and penalties are applicable. CDPs may not be utilized as the specified Delivery Point in an IBS Agreement, except as permitted under Section 7(c) of Rate Schedule IBS.

(b) A CDP may not be a primary Delivery Point, but instead the individual Delivery Point(s) to an LDC and corresponding individual MDQ(s) at such point(s) shall be specified in firm transportation Agreements and in DSS Agreements. Unless such deliveries are nominated by Shipper and confirmed by Natural, Natural has no obligation to deliver on any day under any such Agreement any volumes in excess of the individual MDQ specified in that Agreement at a given point. Whenever Natural determines that operating conditions only permit deliveries at any individual point(s) equal to Natural's obligations, Natural shall notify the affected Shippers under such Agreements. Except to the extent of any authorized overrun, interruptible or secondary point volumes reflected in confirmed nomination(s), such Shippers shall be responsible for having the LDC limit its receipts from Natural at an individual Delivery Point to: (1) the sum of the individual MDQs under any DSS Agreements and under any other firm Agreement containing the point as a primary point for which Natural has confirmed nominations to the CDP; or (2) such other amount as Natural may designate pursuant to an Operational Flow order as provided in Section 23. Any excess takes at that point by the LDC in those circumstances shall be subtracted from the aggregated volumes at the CDP, deemed overrun volumes and allocated consistent with Section 11 among firm Agreements which have the point as a primary Delivery Point.

(c) Segmenting of a primary path within the Market Delivery Zone could result in a physical forward haul which would be in the opposite direction of the primary path under the original Agreement. The use of out-of-path secondary Delivery Points in the Market Delivery Zone may in certain circumstances result in requests to schedule volumes in excess of Natural's system capacity. No segmentation or use of out-of-path secondary points will be permitted in the Market Delivery Zone to the extent such segmentation or use of out-of-path secondary points could result in a physical forward haul in the opposite direction from the primary path under the original Agreement, the scheduling or movement of gas in excess of Natural's system capacity or deliveries to CDPs in excess of the MDQ under the original Agreement. Any Shipper may, however, request that Natural allow segmentation and/or the use of out-of-path secondary points in the Market Delivery Zone on a case-by-case basis, specifying the specific circumstances involved. Natural will promptly notify Shipper in writing as to whether such segmentation or use of out-of-path secondary points can be accommodated based on the specified circumstances without potentially having the type of adverse operational impact described above on Natural, on Natural's system or on other Shippers. If that determination is made, Natural will grant waiver of this Section, limited to the specified circumstances. If Natural determines that a waiver will not be granted, it shall provide the Shipper with a written statement of the reasons for not granting the waiver. Notwithstanding the foregoing, all deliveries actually made to an LDC in the Market Delivery Zone may be aggregated at its CDPs for accounting purposes.

8.14 (a) Commencing December 1, 2003, a Shipper may segment the primary path of its firm capacity to the extent operationally feasible through the nomination process under this Section 8.14. If a Shipper segments its contract path consistent with this Section 8.14, the single previously agreed-upon demand charge for reservation of capacity shall continue to apply under that contract, as defined in the Agreement and any related discount agreement, regardless of the number of segments. In addition, any Shipper may segment the primary path of its firm capacity by releasing one or more segments of that capacity (the releasing Shipper may retain one or more segments of its primary path), to the extent operationally feasible, by following the procedures set out in Section 19 of these General Terms and Conditions. In the case of segmentation through release, the Original Shipper may segment by nomination any portion of the primary path it retains to the extent operationally feasible and the Replacement Shipper may segment by nomination any portion of the primary path it obtains in the release to the extent operationally feasible.

(b) For the purposes of this Section 8.14 and subject to the other provisions hereof, whether segmentation is through nomination or results from release of firm capacity on a segmented basis as set out in Section 8.14(a), segmentation must be of the primary path under an Agreement and shall be deemed operationally feasible unless: (i) the segmentation would result in an increase in firm contractual obligation by Natural on any segment or portion of its system (through an overlap of segments); (ii) the segmentation would result in a forward-haul in a direction opposite to the primary path of the Agreement being segmented, as further set out in (e) below [backhauls are also addressed in (e) below]; or (iii) the segmentation is inconsistent with Section 2(h) of Rate Schedule DSS, Section 2(g) of Rate Schedule FRSS, Section 2(e) of Rate Schedule FTS, Sections 4(f) and 6 of Rate Schedule FTS-G, or Section 8.13(c) of these General Terms and Conditions; provided, however, that any separately-contracted transportation capacity in conjunction with service under Rate Schedules DSS and FRSS may be segmented consistent with this Section 8.14.

(c) (1) In the event a firm capacity path is segmented under this Section 8.14, each segment shall have secondary point rights in the zone(s) traversed by the path of that segment, subject to the remainder of this Section 8.14(c) and Section 5.5 of these General Terms and Conditions (relating to secondary point rights); provided, however, that if nominations result in an overlapping path (including secondary out-of-path overlap resulting from nominations), flows in excess of the original contract MDQ in the area of overlap shall be subject to overrun charges.

(2) 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: (i) 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.

(3) If a Shipper segments the primary path under an Agreement which has opposite leg rights pursuant to Section 5.5(a)(2) of these General Terms and Conditions prior to segmentation, whether segmentation is by nomination or in connection with capacity release, opposite leg rights shall be available after segmentation to the downstream segment only and shall be limited to zones on the opposite leg which are downstream of the zone which corresponds to the zone of segmentation, as follows:

(i) Where the primary path is segmented in the Amarillo Mainline Receipt Zone or the Gulf Coast Mainline Receipt Zone, no opposite leg rights will exist.

(ii) Where the primary path is segmented in the Midcontinent Zone, the downstream segment would have out-of-path secondary Receipt Point rights in the Gulf Coast Mainline and where the primary path is segmented in the Texok Receipt Zone, the downstream segment would have out-of-path secondary Receipt Point rights in the Amarillo Mainline Receipt Zone. These additional secondary Receipt Point rights could only be used in conjunction with deliveries into the Market Delivery Zone or to the storage point in the zone of receipt.

(iii) Where the primary path is segmented in the Permian Receipt Zone, the downstream segment would have out-of-path secondary Receipt Point rights in the Gulf Coast Mainline and Texok Receipt Zones. Where the primary path is segmented in the Louisiana Receipt Zone or the South Texas Receipt Zone the downstream segment would have out-of-path secondary Receipt Point rights in the Midcontinent and Amarillo Mainline Receipt Zones. These additional secondary Receipt Point rights could be used only in conjunction with deliveries into the Market Delivery Zones or to the storage point in the zone of receipt.

(d) The segment in the rate zone furthest upstream in relation to direction of flow for the primary path under the Agreement being segmented shall have

the pooling and storage points for that rate zone. This restriction on access to pooling and storage points relates only to allowable nominations, not to points under the contract or the definition of any segment. Notwithstanding the first sentence of this subsection (d), Natural shall allow both the upstream and downstream segments to have access to the pooling or storage point within the zone of segmentation, provided that either (i) the pooling point is the only delivery point which may be used during the period of segmentation by the upstream segment with respect to the segmented capacity and the pooling point is the only receipt point which may be used during the period of segmentation for the downstream segment with respect to the segmented capacity; or (ii) the storage point is the only delivery point which may be used during the period of segmentation by the upstream segment with respect to the segmented capacity and the storage point is the only receipt point which may be used during the period of segmentation for the downstream segment with respect to the segmented capacity. These restrictions on the points which may actually be used in the segmentation must be part of the capacity release posting or the nomination provided to Natural, as applicable, in connection with the segmentation. This restriction on points relates solely to the points which may be used on the upstream and downstream segment during a period of segmentation as a condition of access to the pooling point by both upstream and downstream segments in the zone of segmentation and is not predicated on the specific primary point or secondary point rights under the Agreement being segmented so long as the primary path being segmented extends into the relevant zone. In the event a primary firm capacity path is segmented at a point other than a pooling or storage point, the segment which has the pooling and storage points for the rate zone will have interruptible priority for transportation to the storage point in the zone where the path was segmented, but will have out-of-path secondary point priority from the storage point in that zone. No firm rights on injection will exist unless the path of the segment separately qualifies for primary point rights.

(e) The direction of flow for path segments must be the same direction of flow as for the original path unless the Shipper establishes new primary points which represent a flow reversal, which a Shipper may do if operationally feasible and if the requisite capacity is available, applying the point change procedures in Section 5.1(c)(5) of these General Terms and Conditions. Natural shall provide a written explanation if such a request is denied because the flow reversal is not operationally feasible. A Shipper may segment a backhaul, but such segmentation shall be subject to review by Natural on a case-by-case basis as to whether a backhaul on each resulting segment is operationally feasible. The Shipper (or Replacement Shipper in the case of a release) may nominate service at Receipt and Delivery Points for the path segment that results in a reverse flow from the original path; however, a forward haul will be treated as being outside of the path if the original path is a backhaul, as provided in Section 5.5 of these General Terms and Conditions. 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, the upstream Shipper may nominate deliveries up to MDQ and the downstream Shipper may nominate receipts up to MDQ, subject to constraints on point capacity and ordinary scheduling procedures and priorities.

(f) (1) Subject to the remainder of this subsection 8.14(f), the Releasing and Replacement Shipper involved in a segmented release may each choose primary Receipt Points and primary Delivery Points within the applicable zones equal to their respective contract MDQs after the release; provided, however, that the resulting segments may not overlap. If 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 zone but outside the path of the original Agreement, then the point change provision in Section 5.1(c)(5) of these General Terms and Conditions and the provisions of subsection 8.14(f)(2) shall apply. If 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 Points listed in the Agreement to new primary point(s) subject to the point change provisions of Section 5.1(c)(5) of these General Terms and Conditions, if the Shipper (or in the case of a release, the Original Shipper) and Natural agree to amend the Agreement to change the primary Receipt and Delivery Point accordingly; provided, however, that consent of the original Shipper shall not be required in the case of a permanent release by that original Shipper of its firm capacity. Natural shall not be obligated to reserve firm capacity to reinstate the former primary points upon expiration of the segmentation or the capacity release. Except in cases where the capacity determination is unusually complex, Natural will respond to a point change request hereunder within two (2) Business Days or less.

(3) Any primary point established under this subsection 8.14(f) 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 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, whichever occurs first. Such an additional primary point may not be designated if a Shipper is releasing to itself. 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; provided that a Releasing Shipper specifying recall rights in a release may include a provision in the release which precludes selection of any primary point by the Replacement Shipper which is outside the original primary path absent the Releasing Shipper's consent.

(g) The overrun provision of this Tariff shall apply to each segment and the associated secondary point rights.

## GENERAL TERMS AND CONDITIONS

### 9. POOLING AND STORAGE POINTS

#### 9.1 GENERAL

One or more paper pooling and storage points have been designated for each receipt zone on Natural's system. These points are not physical points on the system, but are used solely for nomination and transportation rate determination purposes. Subject to the remainder of this Section, any number and type of transportation Agreements may be utilized to deliver gas to or from a storage or pooling point.

#### 9.2 POOLING POINTS

(a) There will be at least one pooling point in each receipt zone. In Natural's Texok Receipt Zone, there shall be two pooling points: one dedicated to volumes received on the A/G Line (Station 801 and east to the interconnect between the Texok and Gulf Coast Mainline Receipt Zones) and the Amarillo Line ("Texok A/G Pooling Point"); and one dedicated to volumes received elsewhere in the Texok Receipt Zone (from the Louisiana/Texas Border, including contiguous offshore laterals, westward to Station 302 and then northward to the Interconnect with the Gulf Coast Mainline Receipt Zone) or anywhere else on the system other than the A/G Line and the Amarillo Line ("Texok Gulf Coast Pooling Point"). In Natural's Iowa-Illinois Receipt Zone there shall be two pooling points, one dedicated to volumes received on the Amarillo Line ("Amarillo Pooling Point") and one dedicated to volumes received on the Gulf Coast Line ("Gulf Coast Pooling Point"). "Amarillo Line" shall be defined for purposes of this Section 9 as all pipeline in the Permian, Midcontinent and Amarillo Mainline Receipt Zones, and all pipeline west or north of Station 113 in the Iowa-Illinois Receipt Zone. "Gulf Coast Line" shall be defined for purposes of this Section 9 as all pipeline in the South Texas, Texok, Louisiana and Gulf Coast Mainline Receipt Zones, and all pipeline south of Station 113 (including Station 113) in the Iowa-Illinois Receipt Zone. Notwithstanding the definition set out herein, certain supply receipts on the Gulf Coast Line are treated as having been received on the Amarillo Line, as set out in Section 5.6(c) of these General Terms and Conditions, reflecting flow conditions on Natural's system.

(b) Shippers will be able to nominate gas volumes from one or more Receipt Points for delivery to a pooling point in order to aggregate supplies as long as such gas volumes are nominated for simultaneous receipt and further transportation and delivery by Natural under transportation Agreement(s). Shippers nominating volumes to or from pooling points in the Texok Receipt Zone shall specify the Texok



A/G or Texok Gulf Coast Pooling Point, as appropriate, based upon the Receipt Point(s) of the gas delivered to the pooling point. Shippers nominating volumes to or from pooling points in the Iowa-Illinois Receipt Zone shall specify the Amarillo or Gulf Coast Pooling Point, as appropriate, based upon the Receipt Point(s) of the gas delivered to the pooling point.

### 9.3 STORAGE POINTS

Storage points are imaginary or paper points. There will be one (1) paper storage point in each receipt zone except that two paper (2) storage points will exist in the Iowa-Illinois Receipt Zone to correspond to the two (2) pooling points ("Amarillo Storage Point" and "Gulf Coast Storage Point"). Shippers will be able to nominate gas volumes for delivery to or receipt from a storage point as long as such gas volumes are nominated for simultaneous injection, or withdrawal, as applicable, under a DSS or storage Agreement(s) with Natural. Volumes may only be injected or withdrawn under a DSS Agreement at the Iowa-Illinois storage points. Sourcing of supplies for injection into and withdrawal from storage points shall be governed by Section 5.6(c) of these General Terms and Conditions. Storage injections and withdrawals under Rate Schedule DSS and storage withdrawals under Rate Schedule FRSS may be on a no-notice basis as provided in those Rate Schedules. Volumes injected at a storage point under an NSS, PALS or BESS Agreement may only be withdrawn from that same storage point. Except as otherwise agreed, volumes withdrawn under an FRSS Agreement must be injected at the same storage point. Except for Rate Schedule FRSS, volumes may only be withdrawn or nominated for withdrawal from a storage point if such volumes were previously accounted for as being injected at that storage point. Withdrawals under Rate Schedule DSS shall be governed by the rules set out in Section 5.6. Nominations at a paper storage point may not be evaluated or rejected based on whether storage is physically located in the zone. Instead, such nominations together with no-notice activity shall be evaluated based on Natural's overall systemwide ability to accommodate volumes tendered for injection or requested for withdrawal in the zone. If Natural's capability to accommodate gas tendered for injection into or withdrawals from any storage point is less than the requested volume, available storage capability for such storage point shall be allocated as set out in Section 5 of these General Terms and Conditions.

### 9.4 INCLUSION IN AGREEMENTS

(a) Except as may be specifically provided to the contrary in this Tariff, Agreements under Rate Schedules FTS-SW, FFTS-SW and ITS automatically have all pooling and storage points as both Receipt and Delivery points with point MDQs equal to the contract MDQ. Except as otherwise provided in Section 5.6(b), such points shall be out-of-path secondary points. Agreements under Rate Schedule

DSS shall have the Iowa-Illinois Receipt Zone storage points as Receipt Points. The Iowa-Illinois Receipt Zone storage points may also be Delivery Points under the transportation Agreements used for injection under Rate Schedule DSS. Such storage points shall be treated as primary Receipt Points on withdrawal under Rate Schedule DSS for scheduling, curtailment and similar purposes. Such storage points shall also be treated as primary Delivery Points for scheduling, curtailment and similar purposes on injection under Rate Schedule DSS to the extent provided in Section 5.6(b). FRSS Agreements shall have the storage points which correspond to the primary Delivery Point(s). Such storage points shall be treated as primary Receipt Points on withdrawal under Rate Schedule FRSS for scheduling, curtailment and similar purposes. Such points shall also be treated as primary Delivery Point(s) for scheduling, curtailment and similar purposes to the extent provided in Section 5.6(b).

(b) Except as may be specifically provided to the contrary in this Tariff, firm transportation Agreements under all other Rate Schedules, except for Rate Schedules in Volume No. 2 of this Tariff, automatically have those pooling and storage points located in the rate zones along the transportation paths created by the primary Receipt and Delivery Points under the applicable firm transportation Agreement. Except as provided in Section 5.6(b), such pooling and storage points will be out-of-path secondary Receipt and Delivery Points with the same receipt and delivery MDQ as other secondary Receipt and Delivery Points in that rate zone.

#### 9.5 USE OF POINTS

Nominations to and from pooling and storage points will be subject to the same nomination and confirmation procedures as all other receipts and deliveries. All volumes nominated for transportation to a pooling point on any day must be matched with nominations of those volumes for transportation from the pooling point on the same day. All volumes nominated for transportation to or from a storage point must be matched with volumes nominated for injection or withdrawal under a DSS, FRSS or storage Agreement the same day. No imbalances will be permitted at the pooling or storage point. Section 5 of these General Terms and Conditions sets out the order of priority for scheduling nominations to and from pooling and storage points.

#### 9.6 CHARGES TO AND FROM NATURAL'S POOLING AND STORAGE POINTS

There will be no transportation commodity charges or Fuel Gas or Gas Lost and Unaccounted For applicable to transportation of gas to a pooling or storage point in the same zone in which the Receipt Point is located, except as otherwise provided under Rate Schedule DSS and FRSS (Storage Fuel is also assessed under Rate Schedule NSS upon injection). If the Receipt Point at which gas is received is

located in a different zone than the pooling or storage point, or if gas is moved from a storage or pooling point in the zone of receipt to a storage or pooling point in a zone other than the zone of receipt, the applicable transportation commodity charges (other than ACA) and Fuel Gas and Gas Lost and Unaccounted For rates from the zone of receipt or the zone in which the gas is originally pooled or stored to the new zone will be charged under the Agreement used to transport the gas from the Receipt Point or from the prior pooling or storage point to the pooling or storage point in the new zone. For commodity charges under an ITS Agreement and for Fuel Gas and Gas Lost and Unaccounted For under any Agreement, Natural will reduce such charges by the intrazone charges in the zone to which the gas is moved.

**9.7 CHARGES TO AND FROM THIRD PARTY STORAGE POINTS**

(a) All applicable transportation charges (including Fuel Gas and Gas Lost and Unaccounted For) will be charged for delivering gas to Third Party Storage Points, as such term is defined in subsection (d) hereof.

(b) Provided that the conditions of subsection (c) hereof are satisfied,

(1) Natural shall not assess any commodity charge for transportation of gas from Third Party Storage Points under firm Agreements within MDQ;

(2) Natural shall not assess any transportation charge otherwise applicable to the rate zone in which the Third Party Storage Point is located, for transportation of gas from Third Party Storage Points under firm Agreements for authorized overrun gas or under an ITS Agreement; and

(3) Natural shall not assess any Fuel Gas otherwise applicable to the rate zone in which the Third Party Storage Point is located or any Gas Lost and Unaccounted For for transportation of gas from Third Party Storage Points under any Agreement.

(c) In order for transportation of gas from Third Party Storage Points to be exempt from the charges specified under subsection (b) hereof, the Shipper must request such exemption and must warrant to Natural that the gas (1) has been withdrawn from the third party storage facility and (2) was previously transported by Natural to the Third Party Storage Point under an Agreement between Natural and Shipper. In addition, to be eligible for exemption from the charges, the Shipper must provide or cause the owner of the third party storage facility to provide

Natural with sufficient documentation (including, for example, a source and disposition report) to confirm the accuracy of the warranty.

(d) As used in this Section, a "Third Party Storage Point" is a bi-directional (capable of both physically receiving and physically delivering gas) interconnection between Natural and either an underground storage facility owned by a third party, or a pipeline lateral owned by a third party connecting to an underground storage facility that is also owned by that same third party and that is located within twenty-five (25) miles of the interconnection.

#### 9.8 IN-FIELD STORAGE TRANSFERS

(a) Upon prior notice to Natural, a Shipper ("Transferor") may transfer gas in place in storage from one Agreement to another Agreement under which the Transferor or another entity ("Transferee") is the Shipper, provided that:

(1) the transfer does not cause the Transferee to exceed its storage rights under the Agreement to which the gas is being transferred;

(2) all transfers are subject to the applicable priorities set out in Section 5 of these General Terms and Conditions and transfers from a BESS Agreement into any firm Agreement are subject to Natural's prior approval based upon operational conditions on its system;

(3) the transfer occurs at the same zone storage point (for volumes in a different storage point, Transferor must first transport gas to the transfer storage point) and in the case of transfers from DSS into DSS, from DSS into NSS or from NSS into DSS, the transfer occurs at the storage point in the Iowa-Illinois Receipt Zone where the storage balance to be transferred resides and in the case of transfers into or out of FRSS, the transfer takes place at the storage point under the FRSS Agreement;

(4) the transfer does not cause Natural's obligations to provide firm service to increase and transfers out of a DSS Agreement cannot be used to satisfy the cycling requirement and, without Natural's prior consent, transfers into an FRSS Agreement cannot be used to satisfy the injection requirement;

(5) the transfer of the gas shall be treated as a withdrawal under the Agreement the gas is being transferred from if such Agreement is subject to a limitation on the number of days of withdrawal, unless the gas is being transferred to an Agreement under the same Rate Schedule; to calculate the number of days of withdrawal utilized as a result of the transfer, the volume transferred shall be divided

by the WQ of the Agreement and any resulting fraction shall be rounded to the next higher whole number;

(6) the transfer may not otherwise adversely affect Natural's operations; and

(7) notwithstanding the foregoing, a Shipper under Rate Schedule DSS may transfer each calendar year up to 30% of its MSV in effect on November 1 into its Rate Schedule DSS account from one or more Rate Schedule NSS accounts (held by itself or another Shipper) through an in-ground transfer hereunder; provided that the transfer occurs sometime between November 1 and November 15 of that year, the Transferee and the Transferor provide notice at least two (2) days prior to the date of transfer, the transfer complies with subsections 9.8(a)(1), (3) and (5) above, and the Transferee complies with Section 9.8(b). If that Rate Schedule DSS Shipper has implemented an in-ground transfer for a portion of its MSV prior to November 1 of the same year, Natural will evaluate on a case-by-case basis whether that Shipper's rights hereunder are correspondingly reduced.

(b) All transfers shall be effective as of the start of a day. Charges for storage services shall be the responsibility of the Transferor before the date of transfer and of the Transferee on and after the date of transfer. There will be no charge for a transfer in the same storage point; provided, however, that for transfers into Rate Schedule DSS from a different service, the Transferee shall pay the applicable Fuel Gas and Gas Lost and Unaccounted For (such charges are assessed on injection under Rate Schedule DSS). For transfers into a different storage point, the gas must first be transported to the transfer point and the Transferor must pay any applicable transportation and fuel charges.

## 9.9 MARKET CENTERS

Pooling and storage points are intended to facilitate aggregation of supplies and the development of market centers. Nothing in this Tariff is intended to inhibit the development of market centers.

**GENERAL TERMS AND CONDITIONS**

10. DETERMINATION OF DAILY RECEIPTS

10.1 To the extent feasible, all volumes received by Natural at a Receipt Point shall be allocated in accordance with the confirmed nominations for that point. In the event the actual volumes received by Natural 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 Natural. The upstream party providing the point confirmation should submit the pre-determined allocation to the allocating party after or during confirmation and before start of Gas Day. An operational balancing agreement ("OBA") is one type of a PDA. Shipper agrees that such an allocation is binding on Shipper.

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

10.2 Each Shipper shall be responsible for ensuring that its suppliers submit PDAs as provided herein, except that no other PDAs need be submitted if an OBA is in effect at a point. All PDAs must be submitted to Natural through Natural's Interactive Website, EDI, or other agreed upon electronic means, on or before 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. Natural shall acknowledge receipt and acceptance of the PDA through Natural's Interactive Website if received through Natural's Interactive Website or via EDI if received via EDI (or returning via some other mutually agreeable means the PDA to Allocator). Such notification of acknowledgment and acceptance will be within fifteen (15) minutes of receipt. Natural's acceptance is contingent on Natural being able to administer the allocation submitted by the Allocator. Allocation methodology types upon which two parties may agree are: ranked, pro rata, percentages, swing and operator provided value. Other examples of allocation methods which can be used are matching of supply sources with specified customers and combinations of methodology types. Different methods may be submitted for overages and underages. If the parties cannot agree, Section 10.1(b) shall apply.

10.3 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 Natural unless otherwise agreed) and will continue in effect through the end of the calendar month unless the

Allocator submits a new PDA that is accepted by Natural. PDAs may be submitted to Natural on any day or days during the month and should be submitted if necessary to reflect any changes in the Shippers at the point.

10.4 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 Agreement at that point.

10.5 After the end of each month, Natural shall provide each Allocator who submits effective PDA(s) with a monthly allocation statement showing the volumes allocated in accordance with such PDA(s).

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

## GENERAL TERMS AND CONDITIONS

### 11. DETERMINATION OF DELIVERIES

#### 11.1 PREDETERMINED ALLOCATIONS

In accounting for the volumes delivered by Natural, in circumstances where multiple services are provided at any Delivery Point, the sequence of volumes delivered shall be determined by a predetermined allocation agreement between Natural and the operator of the facilities immediately downstream of the point at which Natural delivers gas. The downstream party providing the point confirmation should submit the pre-determined allocation to the allocating party after or during confirmation and before start of Gas Day. Natural may reject a methodology proposed by a point operator for allocation of volumes if it determines, based on its reasonable judgment, that the proposed methodology is administratively infeasible or unduly burdensome or would have an adverse impact on Natural, on Natural's system or on Shippers on Natural's system not covered by the proposed methodology. Any such rejection shall be in writing and shall specify the reasons for rejection. Such determination shall be made on a non-discriminatory basis, taking into account differences in factual circumstances between various point operators. 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. The predetermined allocation methodology at any Delivery Point may be changed by agreement between Natural and the point operator as frequently as daily. In the absence of such an agreement, Section 11.2 or 11.3, as applicable, shall control. Any new or proposed change to the methodology should be sent to Natural on or before the Gas Day on which the methodology is to be effective. Natural shall confirm receipt of the methodology within fifteen (15) minutes through Natural's Interactive Website if received through Natural's Interactive Website, or via EDI if received via EDI.

#### 11.2 DEFAULT ALLOCATION OF DELIVERIES

In the absence of a Point Operator Allocation Agreement under Section 11.3 below, or of any other allocation agreement as referenced in Section 11.1 above, volumes delivered by Natural at any Delivery Point shall be allocated in accordance with this Section 11.2. Volumes delivered by Natural at any Delivery Point shall be allocated among Shippers pro rata based on their respective confirmed nominations. If actual deliveries are either more than or less than confirmed nominations, the discrepancy shall be allocated pro rata based on confirmed nominations. Charges may be applicable under Section 12 of these General Terms



and Conditions to the extent the resulting allocated deliveries deviate from applicable delivery rights and from confirmed nominations.

### 11.3 POINT OPERATOR ALLOCATION AGREEMENT

(a) The operator of facilities immediately downstream of a Delivery Point which has physical control of the volumes taken away from Natural and is willing to take responsibility for disposition of the volumes it receives from Natural has the option to elect a predetermined allocation pursuant to this Section 11.3. Allocation agreements under this Section 11.3 may apply to physical Delivery Points, to Central Delivery Points or to other point groupings mutually agreeable to Natural and the point operator. To perfect such an election, such point operator must execute a Point Operator Allocation Agreement which adheres to the delivery sequences set out herein, except as such sequence may be modified by mutual agreement between Natural and the point operator, and which covers deliveries under all Agreements pursuant to which gas is delivered by Natural at the point other than those specifically excluded by mutual agreement of Natural and the point operator (Applicable Agreements).

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

(1) First, confirmed nominations under all Applicable Agreements shall be deemed delivered for that day; provided, however, that volumes deemed delivered for that day are subject to adjustment (as part of the allocation done for that day) under Rate Schedules DSS, FRSS and FTS-NB, FFTS-NB or FTS-G/NB reflecting no-notice changes thereunder pursuant to later steps in this delivery sequence.

(2) Volumes equal to up to the percentage of the confirmed nominations under step (1) which corresponds to the percentage for the Balancing Service Charge tier under Section 12 of these General Terms and Conditions for which no additional charge is assessed under then prevailing circumstances (or such greater minimum volume as provided under Section 12.6) are the next volumes deemed delivered on any day (which absorbs any allowable balancing service provided without additional charge under Section 12 of these General Terms and Conditions) and are allocated to the point operator's account, but volumes shall be deemed delivered to the point operator's account only to the extent necessary to account for deliveries on that day. The point operator's account is available for the allocation of volumes hereunder on any day except during a Critical Time or as otherwise provided in an Operational Flow Order; provided that the 1,000 Dth per

day exemption under Section 12.6 shall also apply during a Critical Time and when an Operational Flow Order is in effect to the extent provided by said Section 12.6. Moreover, allocations under this step (2) to a point operator's account shall not be made to the extent such an allocation would be inconsistent with an Operational Flow Order nor shall any such allocation be made during a Critical Time; provided that the 1,000 Dth per day exemption under Section 12.6 shall also apply during a Critical Time and when an Operational Flow Order is in effect to the extent provided by said Section 12.6. The cumulative volumes for operator's account hereunder over any month may not exceed two percent (2%) of cumulative confirmed nominations for that month or any lesser amount specified in an Operational Flow Order. The determination related to the prior sentence shall be made at the end of the month and any volumes in excess of the 2% cashed out. Such cashout shall be effectuated without offset, netting or trading, in accordance with Section 13.3 of these General Terms and Conditions, except that imbalances from 2% to 5% shall be cashed out in the "5% to 10%" tier.

(3) Volumes under Applicable Agreements equal to available rights to withdraw and deliver gas to the point (net of injections) pursuant to DSS Agreements held by the point operator shall be the next volumes deemed delivered that day. If the point operator has more than one DSS Agreement at the point, volumes shall be allocated among such Agreements by a method mutually agreeable to Natural and the point operator.

(4) Volumes under Applicable Agreements equal to the sum of point MDQs at that point (net of injections) under FTS-NB, FFTS-NB or FTS-G/NB Agreements held by the point operator shall be the next volumes delivered that day up to the MDQ at the point under such Agreements (even if such deliveries result in an overrun of such point operator's NSS rights). If the point operator has more than one FTS-NB, FFTS-NB or FTS-G/NB Agreement at the point, volumes shall be allocated among such Agreements by a method mutually agreeable to Natural and the point operator.

(5) Volumes under Applicable Agreements equal to the sum of point MDQs at that point (net of injections) under FRSS Agreements held by the point operator shall be the next volumes delivered that day up to the MDQ at the point under such Agreements. If the point operator has more than one FRSS Agreement at the point, volumes shall be allocated among such Agreements by a method mutually agreeable to Natural and the point operator.

(6) Any additional volumes delivered at the point on any day which are not accounted for by applying steps (1) through (5) shall be allocated for that day as overrun deliveries to the point operator's account and shall be subject to charges under Section 12 of these General Terms and Conditions [it being

understood that the allowable balancing service to be provided without additional charge under Section 12 has already been provided under step (2) above].

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

(1) First, confirmed nominations under all Applicable Agreements shall be deemed delivered on that day; provided, however, that volumes deemed delivered for that day are subject to adjustment (as part of the allocation done for that day) under Rate Schedules DSS, FTS-G/NB, FFTS-NB and FTS-NB reflecting no-notice changes thereunder pursuant to later steps in this delivery sequence.

(2) Of the volumes nominated but not delivered, volumes equal to up the percentage of the confirmed nominations under step (1) which corresponds to the percentage for the Balancing Service Charge tier under Section 12 of these General Terms and Conditions for which no additional charge is assessed under then prevailing conditions (or such greater minimum volume as provided under Section 12.6) shall be allocated to the point operator's account on any day (such allocation absorbs any allowable balancing service provided without additional charge under Section 12 of these General Terms and Conditions), but only to the extent necessary to account for deliveries on that day. The point operator's account is available for the allocation of volumes hereunder on any day except during a Critical Time or as otherwise provided in an Operational Flow Order; provided that the 1,000 Dth per day exemption under Section 12.6 shall also apply during a Critical Time and when an Operational Flow Order is in effect to the extent provided by said Section 12.6. Moreover, allocations under this step (2) to a point operator's account shall not be made to the extent such an allocation would be inconsistent with an Operational Flow Order nor shall any such allocation be made during a Critical Time; provided that the 1,000 Dth per day exemption under Section 12.6 shall also apply during a Critical Time and when an Operational Flow Order is in effect to the extent provided by said Section 12.6. The cumulative volumes for operator's account hereunder over any month may not exceed two percent (2%) of cumulative confirmed nominations for that month or any lesser amount specified in an Operational Flow Order.

The determination related to the prior sentence shall be made at the end of the month and any volumes in excess of the 2% cashed out. Such cashout shall be implemented without offset, netting, trading, in accordance with Section 13.3 of these General Terms and Conditions, except that imbalances from 2% to 5% shall be cashed out in the 5% to 10% tier.

(3) Volumes under Applicable Agreements equal to available rights to inject gas (net of withdrawals) pursuant to DSS Agreements held by the point operator shall next be deemed injected for that day into the point operator's DSS accounts. If the point operator has more than one DSS Agreement at one point, volumes shall be allocated among such Agreements by a method which is mutually agreeable to Natural and the point operator.

(4) Volumes under Applicable Agreements equal to the sum of confirmed nominations at the point (net of withdrawals) pursuant to all FTS, FFTS, FTS-G and ITS Agreements held by the point operator shall next be deemed injected under FTS-NB, FFTS-NB and FTS-G/NB Applicable Agreements, if any, held by the point operator up to the MDQ at the point under such Agreements (even if such injections result in an overrun of point operator's NSS rights). If the point operator has more than one FTS-NB, FFTS-NB or FTS-G/NB Agreement at the point, volumes shall be allocated among such Agreements by a method mutually agreeable to Natural and the point operator.

(5) To the extent less volumes have been delivered on any day than are accounted for by applying steps (1) through (4), such shortfall shall be allocated for that day to the point operator's account and shall be subject to any applicable charges under Section 12 of these General Terms and Conditions [it being understood that the allowable balancing service to be provided without additional charge under Section 12 has already been provided under step (2) above].

(d) Allocation of volumes between pipeline legs (Amarillo or Gulf Coast) under subsection (b) or (c) shall be in accordance with Section 5.6(c) of these General Terms and Conditions.

(e) To be eligible for a Point Operator Allocation Agreement, a prospective point operator must meet the same creditworthiness standards as a Shipper. Further, Natural and the point operator must not have previously entered into such an agreement which was terminated because of point operator's failure to perform. Nothing herein is intended to restrict Natural's right to terminate in accordance with its terms any Point Operator Allocation Agreement entered into hereunder, including without limitation the right to terminate because of point operator's failure to perform consistent with its obligations under the Point Operator Allocation Agreement.

(f) Unless otherwise agreed by Natural or otherwise provided herein, cashout procedures shall not apply to volumes in a point operator's account; provided, however, that any volume remaining in operator's account upon termination of a Point Operator Allocation Agreement shall be cashed out based on

the cashout prices for the last month such agreement was in effect. The point operator may transfer gas out of its account by submitting nominations for transportation and for storage injections or withdrawals subject to ordinary confirmation and scheduling procedures.

(g) Natural may cancel any Point Operator Allocation Agreement in the event that point operator's account exceeds a reasonable level in relation to the MDQ at the point(s) covered, if the point operator does not take reasonable steps to rectify imbalances on a timely basis, or if the point operator exceeds with unreasonable frequency the 2% monthly restriction under this Section.

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

#### 11.4 POINT MANAGEMENT AGREEMENT

Natural generally obtains a Point Operator Allocation Agreement for every point where deliveries are being made by Natural on behalf of multiple entities. In some situations, however, the point operator may not be willing to accept responsibility for the disposition of all deliveries at the point. Under those circumstances, Natural shall not be obligated to commence or continue physical gas deliveries to the point or to confirm any nominations for delivery to the point unless there is a Point Management Agreement (PMA) in effect at the point. A PMA shall specify the entity (which may be the point operator or another entity with access to and control of the meter equipment at the point if agreed by the point operator) which is to provide to Natural the allocation of physical gas deliveries to entities behind the point. Any PMA must be agreed to by the point operator and the entity which will be providing allocations to Natural (if different from the point operator) and by Natural. The PMA will conclusively govern the allocation of physical gas volumes among entities behind the point so long as it remains in effect. The allocation among services of volumes allocated to entities under the PMA shall be based on predetermined allocations as between Natural and the individual entities which are allocated physical gas deliveries under the PMA or, if no valid predetermined allocation is in place, the applicable default provisions of this Section 11 of these General Terms and Conditions. Natural may cancel or terminate a PMA on two (2) days' notice if it is not receiving physical gas allocation information on a timely basis consistent with the terms of the PMA.

**GENERAL TERMS AND CONDITIONS**

12. BALANCING SERVICE AND OVERRUN CHARGES

12.1 GENERAL

This Section applies to transportation services provided under Rate Schedules FTS, FFTS, FTS-G, DSS and ITS, to storage services provided under Rate Schedules PALS, BESS, DSS, FRSS and NSS and to line pack service under Rate Schedules IBS and LPS. Except for the no-notice aspect of service under Rate Schedules DSS, FTS-G/NB, FFTS-NB, FRSS and FTS-NB, each Shipper has the obligation to ensure actual volumes delivered to Natural at Receipt Points and actual volumes taken from Natural at Delivery Points conform to the volumes nominated by the Shipper and confirmed by Natural each day.

12.2 BALANCING SERVICE AND OVERRUN CHARGES DURING NON-CRITICAL TIMES

(a) During periods when a Critical Time is not in effect, if actual receipts, deliveries, injections or withdrawals under an Agreement at a point on any day do not conform to a Shipper's rights under its Agreements or to the sum of its confirmed nominations and available no-notice rights, after receipts, deliveries, injections and withdrawals are allocated consistent with Section 10 or 11 of these General Terms and Conditions, as applicable, the following Overrun Charges and Balancing Service Charges shall apply (except as provided in Section 12.6):

(1) In the event that receipts, deliveries, injections or withdrawals allocated to a Shipper under said Section 10 or 11 at any point or under any Agreement exceed Shipper's available firm contractual rights (MDQ, MSV, IQ or WQ), an Overrun Charge shall apply. Specifically, the Overrun Charges set out herein shall apply to the following: volumes taken or tendered in excess of MDQ under Rate Schedule FTS, FFTS or FTS-G; volumes taken or tendered in excess of MDQ, MSV, IQ or WQ or volumes taken in excess of Shipper's maximum withdrawal rights in any fifteen (15) day period under Rate Schedule DSS; and volumes taken or tendered in excess of MDQ, MSV, IQ or WQ under Rate Schedule NSS; volumes taken or tendered in excess of MDQ, IQ, WQ or MSWQ under Rate Schedule FRSS; and volumes taken or tendered in excess of Shipper's maximum daily access volumes or maximum allowed cumulative IBS Balance under Rate Schedule IBS; and volumes taken or tendered in excess of a Shipper's rights under an LPS Agreement or in any way inconsistent with an LPS RO. In addition, if a Shipper fails to satisfy the maximum or minimum monthly withdrawal obligation in Rate Schedule DSS, an Overrun Charge hereunder shall apply to the volume by which Shipper failed to

satisfy the obligation. Overrun Charges applicable to Rate Schedules ITS, IBS and BESS shall be separately stated in those Rate Schedules; provided, however, that overrun rates for Rate Schedules ITS, IBS and BESS may be discounted on a non-discriminatory basis to any level between zero and the stated rate. Overrun volumes shall be deemed authorized overrun if tendered or taken pursuant to confirmed nominations except that any non-compliance with monthly maximum or minimum withdrawal rights or maximum withdrawal rights over any fifteen (15) day period shall be unauthorized overrun absent a specific waiver by Natural of the requirements. In the case of authorized overrun, as reflected in overrun requests properly submitted by Shipper and accepted by Natural (i.e., a confirmed nomination), the applicable maximum Overrun Charge for transportation shall be a maximum Authorized Overrun Rate determined on the same basis as the maximum rate for Rate Schedule ITS (i.e., the maximum Authorized Overrun Rate for Rate Schedule FTS and FFTS would equal the maximum rate for Rate Schedule ITS) multiplied by the number of Dth of the authorized overrun gas; provided, however, that the maximum Authorized Overrun Rate for Rate Schedule FTS-G would be the applicable maximum commodity rate for Rate Schedule FTS-G. For storage and line pack services, the Authorized Overrun Rate shall be as stated on the corresponding rate section in this Tariff. Such Authorized Overrun Rates may be discounted on a non-discriminatory basis to any level between zero and the maximum Authorized Overrun Rate. In the case of unauthorized overrun, the Shipper shall pay Natural the applicable authorized overrun rate and, in addition, an unauthorized overrun charge equal to the volume of the overrun multiplied by an Unauthorized Overrun Rate. The maximum Unauthorized Overrun Rate is \$10/Dth, which rate may be discounted to any level between zero and the maximum rate so calculated. Any charges for an unauthorized overrun in excess of the authorized overrun charge shall be waived by Natural if the unauthorized overrun does not cause operational problems. Only a single Overrun Charge shall apply to any volume even though it may represent a overrun of more than one restriction under the applicable Rate Schedule (such as MDQ and MSV). Cashout shall apply to overrun in the event such an overrun would otherwise result in a storage withdrawal which would reduce Shipper's storage account(s) below zero. Notwithstanding the foregoing, no Overrun Charge shall apply to an authorized overrun pursuant to a confirmed nomination under Section 5.5(b) of Rate Schedule DSS or Section 5.5(b) of Rate Schedule NSS.

(2) If the volumes allocated to any FTS, FFTS, FTS-G, LPS or ITS Agreement fail to equal the confirmed nomination under such Agreement or if volumes allocated to any DSS, NSS, FRSS, FTS-G/NB, FFTS-NB, FTS-NB or PALS Agreement are inconsistent with confirmed nominations and/or available no-notice rights, as applicable, the following charges [in addition to any charges applicable under subsection (1)] shall apply, subject to the availability of balancing service under Rate Schedule IBS consistent with its terms, based on the degree of variance between

actual, deliveries, injections or withdrawals 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

Such charges shall also apply as specified in Section 6(d) of Rate Schedule IBS.

(3) Natural may discount or waive charges under subsection (2) on a basis which is not unduly discriminatory.

(4) Tiered Balancing Service Charges under Sections 12.2, 12.3 and 12.4 shall be applied on a graduated basis, i.e., the specified charge shall apply only to that portion of the variance which is within the corresponding tier between its lower and upper percentage boundaries (variances within a range greater than the lower boundary and equal to or less than the upper boundary) and not to any portion of the variance falling within other tiers.

(b) A Shipper subject to any Overrun Charges and/or Balancing Service Charge(s) under subsection (a) shall, in addition, pay an applicable transportation commodity charge on takes from Natural in excess of applicable rights and shall be obligated to return any volumes taken from Natural in excess of volumes delivered to Natural which are not accommodated through storage withdrawals from such Shipper's storage account(s). The volume of any imbalance remaining at the end of the month will be cashed out under Section 13 of these General Terms and Conditions.

### 12.3 BALANCING CHARGES WITH OPERATIONAL FLOW ORDERS

(a) On any day when an Operational Flow Order (but not a Critical Time) is in effect, if actual receipts, deliveries, injections or withdrawals allocated to a Shipper at any point or under any Agreement do not conform to the sum of such Shipper's confirmed nominations and no-notice rights applicable to such point and/or Agreement, Balancing Service Charges will be assessed on such variances that are detrimental to Natural's system, based on the conditions described in or giving rise to the Operational Flow Order, except as provided in Section 12.6. Notwithstanding the foregoing,



Balancing Service Charges shall not be assessed for variances at Receipt Points unless explicitly stated in the Operational Flow Order. The Operational Flow Order shall also state whether the charges are to be based on variances at individual points, by zone or by other aggregation. Balancing Service Charges during this period will be as follows, based on the variance between actual receipts, deliveries, injections or withdrawals and the applicable confirmed nominations and/or no-notice rights:

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

(b) Shipper shall in addition pay all applicable charges specified in Sections 12.2(a)(1) and 12.2(b). Where Balancing Service Charges apply under this Section 12.3, they shall be in lieu of Balancing Service Charges under Section 12.2(a)(2), but the charges identified in the prior sentence shall still apply.

#### 12.4 CHARGES DURING CRITICAL TIMES

(a) On any day when a Critical Time is in effect, if actual receipts, injections, withdrawals and/or actual deliveries allocated to Shipper at any point or under any Agreement for services provided by Natural under the Commission's Regulations at 18 C.F.R. Part 284 do not conform to the sum of confirmed nominated volumes and no-notice rights applicable to such point or Agreement, Balancing Service Charges will be assessed for the variances that are to the detriment of Natural's system, except as provided in Section 12.6. Balancing Service Charges in effect during a Critical Time will be as follows:

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

(b) Shipper shall in addition pay all applicable charges specified in Sections 12.2(a)(1) and 12.2(b). Charges hereunder shall be in lieu

of any otherwise applicable Balancing Service Charges under Sections 12.2(a)(2) and 12.3, but the charges identified in the prior sentence shall still apply.

(c) Any imbalance created during a Critical Time that is not eliminated before the end of the month will be subject to the cashout and offsetting provisions of Section 13; provided, however, that any remaining imbalance created during a Critical Time which helped the system will be cashed out at 100% of the AMIP.

## 12.5 DECLARATION OF A CRITICAL TIME

(a) A Critical Time may be declared (1) when the total physical receipts to all or a portion of the system are approaching or expected to approach, a level that is in excess of the total physical deliveries plus the maximum volumes of gas Natural is able to inject into Natural's storage without jeopardizing the integrity of Natural's storage facilities; (2) when the total physical deliveries from all or a portion of the system are approaching or expected to approach, a level that is in excess of the total physical receipts and the maximum volume of gas available to be withdrawn from Natural's storage without jeopardizing the integrity of Natural's storage facilities; (3) when system pressure on one or more pipeline segments is falling and approaching a level or is expected to fall and approach a level that is at or below the minimum that Natural considers necessary for system integrity or to fulfill its firm contractual obligations; (4) 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 Natural's facilities may be safely operated; or (5) at other times when Natural 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 Natural's system. A Critical Time may not be declared on all or a portion of the system for the purpose of maintaining interruptible services on that portion of the system, but interruptible gas may flow at times or on portions of the system when such flow would not violate any operational control restrictions or provisions of this Tariff. Natural shall notify Shippers on the Informational Postings portion of its Interactive Website as to the reason(s) why a Critical Time was declared.

(b) Notice of a Critical Time will be provided through Electronic Notice Delivery consistent with NAESB Standards as adopted in Section 48 of these General Terms and Conditions and will be posted on the Informational Postings portion of Natural's Interactive Website. Natural will endeavor to provide and post the notice before 4:00 p.m. Central Time or

otherwise will endeavor to notify Shippers by 4:00 p.m. Central Time that they should check the Informational Postings portion of Natural's Interactive Website again at a specified later time to see whether a Critical Time will be in effect for the next day. In addition, Natural must attempt to give actual notice of a Critical Time via telephone (provided a Shipper has given the numbers to Natural as required in Section 23) at least four (4) hours prior to the start of the day before a Critical Time will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Critical Time and whether the Critical Time Balancing Service Charges will apply to over-receipts and under-deliveries vis-a-vis confirmed nominations or to under-receipts and over-deliveries vis-a-vis confirmed nominations. A Critical Time will be effective at the start of a day and will continue until the end of the day and through the end of successive days until Natural notifies Shippers via Natural's Interactive Website that there is no longer a Critical Time.

#### 12.6 EXEMPTIONS

Balancing Service Charges at a point will not be assessed at a Receipt or Delivery Point where the variance between total confirmed nominations and actual gas flows at that point is less than 1,000 Dth per day or where Natural does not have either daily metering or access to such information. This exemption is applicable during both non-Critical and Critical Times; provided, however, that this exemption shall not apply to the extent specified in Section 6(d) of Rate Schedule IBS. In addition, any Receipt or Delivery Point where the variance between the total confirmed nominations and actual flows is less than 1,000 Dth per day or where Natural does not have either daily metering or access to such information shall be exempt at all times, including during a Critical Time, from Operational Flow Orders requiring that gas flows be conformed to nominations or to some percentage of nominations. If the variance at a point (including a Central Delivery Point) exceeds 1,000 Dth per day, where Natural does have daily metering or access to such information, the Balancing Service Charges shall apply to the entire variance (in excess of any other applicable tolerance) except as set out in the following sentence. A point operator shall be exempted during both non-Critical and Critical Times from Balancing Service Charges for any variance which is less than 1,000 Dth per day (e.g., the Balancing Service Charges shall apply only to that portion of any variance which is in excess of 1,000 Dth per day); provided, however, that the 1,000 Dth per day shall be included in, and shall not be in addition to the point operator's account under Section 11.3 of these General Terms and Conditions except to the extent the 1,000 Dth per day exceeds the otherwise applicable allowance for a point operator account, in which latter case the point operator's account shall be increased to the level required to accommodate the

1,000 Dth per day, and except that the 1,000 Dth per day exemption applies during Critical Times.

#### 12.7 BILLING

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

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

(c) For a point operator under Section 11.3 of these General Terms and Conditions, Balancing Service Charges shall be applied to point operator's account as though point operator were a Shipper, with percentage variances measured in relationship to total confirmed nominations and delivery rights under Applicable Agreements at the Delivery Point.

(d) No additional Balancing Service Charges will be assessed when a prior period adjustment applied to the current month would otherwise cause or increase the Balancing Service Charges to be billed.

12.8 All amounts collected by Natural for penalties commencing with December 1, 2003, the initial effective date of Natural's Order No. 637 Compliance Plan, shall be determined for each semi-annual period ending June 30 and December 31 and distributed, through a credit to current billings wherever feasible, within ninety (90) days after each such June 30 and December 31 which occurs after the initial effective date of Natural's Order No. 637 Compliance Plan, with the first such distribution being made within ninety (90) days after June 30, 2004. For purposes of this Section 12.8, penalties shall include: Unauthorized Overtake Charges, Balancing Service Charges, charges for failure to comply with an Operational Flow Order (including during a Critical Time), charges for cashout of imbalances, and gas forfeited to or amounts collected by Natural under Section 9.3 of Rate Schedule LPS. Such distribution shall be made as follows:

(a) These amounts shall be used first to compensate Natural for any cashout expenses and for any extraordinary out-of-pocket costs it has incurred (including any compensation Natural agreed to provide for voluntary actions and any storage injection or withdrawal costs not collected because of the waiver of the injection and withdrawal charges as described in Section 23.7) to alleviate the conditions which were created by the imbalance or the Unauthorized Overrun or other violation or which resulted in the issuance of an Operational Flow Order or the declaration of Critical Time or other operational action taken by Natural under Section 23 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 Natural for cashout expenses, the unreimbursed cashout expenses shall be carried forward to future years until recouped.

(b) Any remaining amounts will be refunded pro rata to all Shippers (both firm and interruptible), except as provided below, through a credit to current billings wherever feasible, based on the ratio of a Shipper's total base reservation and commodity charges paid during the relevant 6-month period to all such charges paid during such period; provided, however, that such calculation shall exclude charges paid by any Shipper during any month in which such Shipper failed to comply with an Operational Flow Order or had an Unauthorized Overrun. Natural shall also distribute interest on the net penalty revenue distributed from the date such penalty revenue is actually received by Natural to the date of distribution, calculated in accordance with 18 C.F.R. Section 154.501. While distribution is made every six months, the net penalty revenue credit shall be calculated on a monthly basis. A Shipper which failed to comply with an Operational Flow Order or had an Unauthorized Overrun shall be excluded from distribution of net penalty revenues only for the month in which that violation occurred. Where capacity has been released, any amounts distributed hereunder with respect to the released capacity shall be distributed to the Original Shipper and the calculation and amounts distributed to the Original Shipper shall be based on the gross base commodity and reservation charges paid by that Shipper (without considering any credits from Replacement Shippers) during the relevant 6 month period; provided, however, that in the case of a permanent release, any amounts distributed hereunder with respect to the released capacity shall be distributed to the Replacement Shipper and the calculation and the amounts distributed to the Replacement Shipper shall be

based on the base commodity and reservation charges paid by that Replacement Shipper during the relevant 6 month period.

**GENERAL TERMS AND CONDITIONS**

13. IMBALANCES

13.1 RESPONSIBILITY FOR BALANCING

In addition to delivering and receiving volumes of gas in conformance with nominations, Shippers are responsible for conforming their takes at Delivery Points with their deliveries to Natural at Receipt Points each day. Except for the no-notice aspect of Rate Schedules DSS, FRSS, FTS-NB, FFTS-NB and FTS-G/NB, and except as otherwise provided under an IBS Agreement, Natural has no obligation to deliver for the account of a Shipper more volumes of gas than Natural has received for the account of the Shipper or to accept for the account of the Shipper more volumes of gas than are being delivered for the account of the Shipper on any day.

13.2 MONTHLY IMBALANCES, NETTING AND OFFSETTING

At the end of each calendar month, to the extent the net receipts (with the appropriate deductions for Fuel Gas and Gas Lost and Unaccounted For and after giving appropriate recognition to storage activity subject to applicable storage rights) do not equal the deliveries under an Agreement on a Dth basis, and except that any IBS Balance under an IBS Agreement is only subject to the provisions of this Section 13 to the extent provided in Section 7(b) of Rate Schedule IBS, the following netting and offsetting procedures will apply:

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

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

- (c) Natural shall enable the imbalance trading process by:
- (1) Receiving the Request for Imbalance Trade,
  - (2) Receiving the Imbalance Trade Confirmation,
  - (3) Sending the Imbalance Trade Notification, and
  - (4) Reflecting the trade prior to or on the next monthly Shipper Imbalance or cashout.

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

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

(f) Shipper imbalances remaining after the imbalance netting and trading procedures set out in subsections (a)-(e) shall be cashed out as described in Section 13.3 of these General Terms and Conditions.

### 13.3 CASHOUT PROCEDURES

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



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

Notwithstanding the foregoing, any imbalances created during a Critical Time to the benefit of the system that are remaining at the end of the month will be separately cashed out at 100% of the AMIP.

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

(c) The Average Monthly Index Price (AMIP) is the arithmetic average of the Weekly Index Prices (WIPs). The WIP for any week is the arithmetic average of the following index prices reported in Intelligence Press' "NGI's Weekly Gas Price Index" under the "AVG" column in the table entitled "NGI Cash Market Prices":

- (1) S. TX Regional Avg.
- (2) E. TX Regional Avg.
- (3) Midcontinent Regional Avg.
- (4) S. LA Regional Avg.

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

to Natural's nomination deadline for the following month's first of the month service.

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

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

(1) Should, in any given week, "NGI's Weekly Gas Price Index" fail to report one of the four index prices used in determining that week's WIP, the WIP will be determined using the average of the remaining three published index prices.

(2) Should, in any given week, "NGI's Weekly Gas Price Index" fail to report two or more of the four index prices used in determining that week's WIP, there will be no WIP for that week used in determining the month's AMIP.

(3) Should, in a given month, there be less than two WIPs available for the AMIP calculation, the following alternate AMIP procedures will apply: The AMIP will be defined as the arithmetic average of:

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

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

#### 13.4 OPERATIONAL DATA VS. ACTUALS

In determining the cashout tier applicable under Section 13.3 above, Natural will utilize the operational data posted on its Interactive Website as of the end of the month or the actual flow volumes (or, if actual flow volumes are not available at the time of billing, the reasonable estimates), whichever results in a lower cashout tier.

13.5 PRIOR PERIOD ADJUSTMENTS

Any imbalances for a month that are booked after the transportation for that month has been billed as a result of receiving actual or corrected flow information will be cashed out at 100% of the AMIP in effect during the month the imbalance occurred.

**GENERAL TERMS AND CONDITIONS**

14. UNAUTHORIZED DELIVERY OF GAS

14.1 DEFINITION

"Unauthorized Gas" shall mean any volume of gas delivered to Natural that Natural cannot identify as being delivered pursuant to a transportation nomination on behalf of an existing Shipper.

14.2 APPLICABILITY NOTICE AND CLAIMS

All Unauthorized Gas shall be subject to this Section. Natural shall give notice in writing to the owner/Shipper of the Unauthorized Gas (if known) and to the operator of the applicable supply point where the Unauthorized Gas was received, that said Unauthorized Gas is subject to these provisions and will be posted on the Informational Postings portion of Natural's Interactive Website. In addition, on the first business day following the fifteenth of each month, Natural shall post on the Informational Postings portion of Natural's Interactive Website the volume, date first received on Natural's system, and point of receipt of any Unauthorized Gas received ("Notice"). Natural will continue to post the Notice on the Informational Postings portion of Natural's Interactive Website until a Valid Claim has been submitted or until one hundred twenty (120) days after the initial posting of the Notice. In order to be a Valid Claim for purposes hereof, a claim must: (a) be provided to Natural in writing; (b) identify the specific Unauthorized Gas delivered; (c) provide independent evidence of ownership of the Unauthorized Gas claimed; and (d) agree to indemnify Natural fully with respect to any adverse claims to ownership of the gas or to the proceeds resulting from the sale thereof. In addition, the Unauthorized Gas must be nominated to an effective transportation Agreement with Natural that contains the Receipt Point at which the Unauthorized Gas was received ("Valid Nomination") in order to prevent the accrual of further penalties under Section 14.3 hereof.

14.3 TREATMENT OF UNAUTHORIZED GAS

(a) If a Valid Claim and Valid Nomination are submitted within three (3) business days of the posting of Notice, no penalty shall be assessed under this Section.

(b) If a Valid Claim and Valid Nomination are submitted after three (3) business days of the posting of Notice but within sixty (60) calendar days of the posting of Notice, Natural shall assess a penalty of fifty cents (\$.50) per Dth

upon that Shipper transporting the Unauthorized Gas after nomination to a transportation Agreement with Natural.

(c) If a Valid Claim and Valid Nomination are submitted after sixty (60) calendar days of the posting of Notice, Natural shall assess a penalty of one dollar (\$1.00) per Dth upon that Shipper transporting the Unauthorized Gas after nomination to a transportation Agreement with Natural.

(d) If a Valid Claim and Valid Nomination are not submitted within one hundred twenty (120) calendar days of Notice, Natural shall retain the gas without any payment required of Natural.

(e) For accounting purposes, the gas retained shall be debited to Account 483, Sales for Resale, with a contra entry to Account 232, Refunds Due Customers. The debit shall be valued at a price equal to the lower of the Market Index Price for the month that the Unauthorized Gas was received or the Market Index Price for the month one hundred twenty (120) days after Notice. The Market Index Price shall be the arithmetic average of the prices reported in the first issue published by Intelligence Press on or after the first day of the month for the following publications and regions:

<u>Publication</u>	<u>Regions</u>
* "NGI's Bidweek Survey" under the "Fixed + Basis, AVG" column in the table entitled " <i>Month Year Bidweek</i> "	* S. TX Regional Avg. * E. TX Regional Avg. * Midcontinent Regional Avg. * S. LA Regional Avg.
* "NGI's Daily Gas Price Index" under the "AVG" column in the table entitled "NGI Cash Market Prices"	* S. TX Regional Avg. * E. TX Regional Avg. * Midcontinent Regional Avg. * S. LA Regional Avg.
* "NGI's Weekly Gas Price Index" under the "AVG" column in the table entitled "NGI Cash Market Prices"	* S. TX Regional Avg. * E. TX Regional Avg. * Midcontinent Regional Avg. * S. LA Regional Avg.

In computing the Market Index Price, the arithmetic average of the regional average prices shall be first calculated for each publication. A composite price shall then be computed by averaging prices for the three publications. In the event that one of the indices described above is not published for the month in question,

Natural shall substitute another published index that fairly represents gas prices within the region(s) in question.

(f) Amounts due customers for Unauthorized Gas retained pursuant to Section 14.3(d) above shall be distributed to Natural's jurisdictional transportation customers. The distribution shall be by credit to each Shipper's monthly bill for the month in which the Unauthorized Gas is retained in a pro rata amount equal to each Shipper's volume transported for that month to the total of all volumes transported for that month times the value assigned to retained gas pursuant to Section 14.3(e) less any production tax incurred by reason of such retention.

**GENERAL TERMS AND CONDITIONS**

15. STATEMENTS, BILLING, PAYMENT, PENALTIES AND DISCOUNTING POLICY

15.1 STATEMENT AND INVOICES

Natural 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 15, "render" is defined as postmarked, time-stamped and delivered to the designated site. Invoices will be based on actuals (if available) or best available data. Quantities at points where OBAs exist will be invoiced based on scheduled quantities.

15.2 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 Natural, on or before the tenth (10th) day of each month.

15.3 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, Natural shall render the gas imbalance statement which details in Dth the gas received and delivered each month at the Receipt and Delivery Point(s) hereunder based on the best information available.

15.4 PAYMENT

Shipper shall pay to Natural at the address indicated on the invoice or, if directed by Natural, by wire transfer to a bank designated by Natural, the amount due Natural for services provided pursuant to an Agreement during the appropriate calendar month as reflected in the billing described above, within ten (10) calendar days after the date of receipt of such billing. For purposes of this Section, the bill is deemed to be received by Shipper 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. Natural 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, Natural may, in addition to any other remedy it may have under this Tariff or under commercial law: (1) suspend deliveries as provided in Section 5.11 of these General Terms and Conditions; and (2) offset such deficient payments against any payments, refunds or credits owed by Natural to Shipper.

#### 15.5 ADJUSTMENT OF ERRORS

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

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

(d) Any error discovered as a result of a timely claim shall be corrected within thirty (30) days of the determination thereof.

#### 15.6 DISCOUNTING POLICY

(a) A specific discounted rate will apply to service hereunder so long as such rate is between the applicable maximum and minimum rates specified for such service



in the Tariff and complies with the following provision, setting forth various bases for discounts, as applicable.

Natural and Shipper may agree that a specific discounted rate will apply only to certain volumes under the agreement. The parties may agree that a specified discounted rate will apply only to specified volumes (MDQ, MAQ or commodity volumes, as applicable) under the agreement; that a specified discounted rate will apply only if specified volumes are achieved or only if the volumes do not exceed a specified level; that a specified discounted rate will apply only during specified periods of the year or for a specifically defined period; that a specified discounted rate will apply only to specified points, zones, mainline segments, supply areas, transportation paths, markets or other defined geographical area(s); that a specified discounted rate(s) will apply in a specified relationship to the volumes actually transported (i.e., that the reservation charge will be adjusted in a specified relationship to volumes actually transported); and/or that the discount will apply only to reserves dedicated by Shipper to Natural's system. Notwithstanding the foregoing, no discount agreement may provide that an agreed discount as to a certain volume level will be invalidated if the Shipper transports an incremental volume above that agreed level. In addition, the discount agreement may include a provision that if one rate component which was at or below the applicable maximum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate due to a change in Natural's maximum rates so that such rate component must be adjusted downward to equal the new applicable maximum rate, then other rate components may be adjusted upward to achieve the agreed overall rate, so long as none of the resulting rate components exceed the maximum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sections. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable.

(b) In determining whether and the extent to which Natural has discounted various elements of its rates under Agreements for the purposes of its FERC accounts and for determining collections under Sections 39 and 40 of these General Terms and Conditions, the sequence of discounting set out in this Section 15.6 shall apply. Nothing herein is intended to modify as between the parties to any Agreement the provision of such Agreement regarding the payment of various rate elements. Any step in the sequence set out in this Section 15.6 shall not apply to any Agreement to the extent such Agreement is exempt from the relevant charge.

(c) Where the rate assessed by Natural on any service Agreement is less than the maximum rate applicable to that Agreement plus all surcharges applicable to such Agreement, then for the purposes stated above, Natural shall determine the rate elements covered by the rate actually assessed (and thus the elements which have been discounted) by the following procedure:

(1) Natural shall first apply all revenue under a firm Agreement to the commodity rate (including the ACA Surcharge under Section 40 of these General Terms and Conditions up to the maximum level of the ACA Surcharge rate applicable to such Agreement), if any, applicable to such Agreement.

(2) Reserved.

(3) Natural shall next apply all revenue under a firm Agreement in excess of that accounted for under subsection (1) above to demand surcharges.

(4) Natural shall next apply all revenue under a firm Agreement in excess of that accounted for under subsections (1) through (3) above to base reservation charges up to the maximum reservation charge rate applicable to such Agreement.

(d) Where the rate assessed by Natural on any interruptible Agreement is less than the maximum rate applicable to that Agreement plus all surcharges applicable to such Agreement, then for the purposes stated above, Natural shall determine the rate elements actually assessed (and thus, the elements which have been discounted) by the following procedure:

(1) Natural shall first apply all revenue under an interruptible Agreement to the ACA Surcharge under Section 40 of these General Terms and Conditions up to the maximum level of the ACA Surcharge rate, if any, applicable to such Agreement.

(2) Reserved.

(3) Natural shall next apply all revenue under an interruptible Agreement in excess of that accounted for under subsections (1) and (2) above to the base commodity rate applicable to such Agreement.

**GENERAL TERMS AND CONDITIONS**

16. EVALUATION OF CREDIT

In evaluating requests for service and for certain other purposes under this Tariff, including Section 5.12 of these General Terms and Conditions, Natural 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. To determine creditworthiness, a credit appraisal shall be performed in accordance with the following criteria:

Natural shall apply consistent evaluation practices to all similarly situated Shippers to determine the Shipper's financial ability to perform the payment obligations due to Natural over the term of the requested or existing service agreement.

A Shipper will be deemed creditworthy if (i) its long-term unsecured debt securities are rated at least BBB- by Standard & Poor's Corporation ("S&P") and at least Baa3 by Moody's Investor Service ("Moody's") (provided, however, that if the Shipper's rating is at BBB- or Baa3 and the short-term or long-term outlook is Negative, Natural 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. For the purposes of this Section 16, the term "tangible net worth" shall mean for a corporation the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and other intangible assets. Only actual tangible assets are included in Natural's assessment of creditworthiness. In comparing the overall value of a Shipper's contract to tangible net worth for credit evaluation purposes, Natural 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 Natural, then the total potential fees and charges of all such service agreements shall be considered in determining creditworthiness.

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

(1) 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.

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

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

(4) 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 Natural is assured that the service billing will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment.

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

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

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

(8) Any other information, including any information provided by 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.

Information which Natural may request to be provided by Shipper to Natural 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;
- (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.

Upon receipt of any request from Natural for information to be used for creditworthiness evaluation, the Shipper's authorized representative(s) shall acknowledge receipt of Natural's request; provided, however, that Natural and the Shipper may mutually agree to waive this requirement. The Shipper's authorized representative(s) shall respond to Natural's request for credit information as allowed by this tariff, on or before the due date specified in the request or within five (5) Business Days, whichever is later. The Shipper shall provide all the credit information requested by Natural 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 16, Natural shall notify the Shipper's authorized representative(s) that it has received such information; provided, however, that Natural 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 16 and provide to Natural the Internet e-mail addresses 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 16, the Shipper and Natural may mutually agree to other forms of communication in lieu of Internet E-mail notification. The obligation of Natural to provide creditworthiness notifications is waived until the above requirement regarding designation of representatives has been met. The Shipper is to manage internal distribution of any creditworthiness notices that are received. Natural shall designate, on its Interactive Website or in written notices to the Shipper, the Internet e-mail addresses of up to two representatives who are authorized to receive notices regarding the Shipper's creditworthiness. The Shipper's obligation to provide confirmation of receipt is met by sending such confirmation to such representatives and Natural is to manage internal distribution of any such confirmations. The provisions of this paragraph relating to representatives and notification also applies to any notice related to creditworthiness under Section 5.11, 5.12 or 19.1 of these General Terms and Conditions.

If Natural concludes that a Shipper is non-creditworthy, Natural shall provide written notice to Shipper within ten (10) days after that determination is made. If requested by Shipper, Natural shall provide a written explanation of the reasons for this determination. A Shipper may challenge Natural's determination by providing a written rebuttal to Natural's explanation within ten (10) days after the explanation is provided by Natural. Natural shall respond to such a rebuttal in writing within ten (10) days. Any reevaluation of credit by Natural in response to such a rebuttal by the Shipper shall be based on the credit criteria set out in this Section 16 and shall be performed as provided in Section 5.12(c) 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:

- (i) payment in advance of all fees and charges for three (3) months' service;
- (ii) a standby irrevocable letter of credit covering all fees and charges for three (3) months' service drawn upon a bank acceptable to Natural;
- (iii) security interest covering all fees and charges for three (3) months' service in collateral provided by the Shipper found to be satisfactory to Natural; or
- (iv) guarantee of all fees and charges for three (3) months' service by a person or another entity which does satisfy the credit appraisal.

(2) Nothing herein shall be read to preclude Natural from requiring, and enforcing for the term of the initial contracts, more than three (3) months of fees and charges as security in agreements supporting an application for a certificate to construct new or expanded facilities, including on any replacement contract entered into upon a permanent release of capacity under such an initial contract.

(3) Natural may also require security from noncreditworthy Shippers for the value of gas loaned under any loan type of service. The amount of security necessary to collateralize gas loans shall be equal to the outstanding quantities previously loaned to the Shipper as well as any additional quantities which Natural is obligated to loan Shipper pursuant to an executed RO, times the Index Price. The Index Price as used herein shall mean the price reported in Intelligence Press' "NGI's Daily Gas Price Index" under the "AVG" column in the table entitled "NGI Cash Market Prices" on the day the loan is agreed upon (which will generally reflect the previous Business Day's activity) for the Natural Receipt Zone in which the loan is to occur. For example, if the loan is agreed to on March 8, for a loan on March 12 in the Texok Zone, the NGPL TexOk average price reported on March 8 (reflecting March 7 business) would be used. If such a price is not reported in "NGI's Daily Gas Price Index" for that day, Natural will use a price based on another appropriate index price in (i) "NGI's Daily Gas Price Index," (ii) another Intelligence Press publication, or (iii) another publication of common use in the industry as mutually agreed upon by Natural and Shipper.

(c) Where a Shipper selects the prepayment option under Section 16(b) of these General Terms and Conditions, the prepayment amounts shall be deposited in an interest-bearing escrow account if such an account has been established by Shipper which meets the criteria set out in this paragraph. The costs of establishing and maintaining the escrow account shall be borne by Shipper. The escrow bank must be rated at least AA or better and shall not be affiliated with Shipper. The escrow arrangement shall provide for the prepayment amounts to be applied against the Shipper's obligation under its service agreement(s) with Natural and shall grant Natural a security interest in such amounts as an assurance of future performance. The escrow agreement shall specify the permitted investments of escrowed funds so as to protect principal, and shall include only such investment options as corporations typically use for short-term deposit of their funds. Such escrow account shall at all times maintain the amount of prepayment required under Section 16(b) of these General Terms and Conditions. If Natural 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) Natural'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 Natural do not exceed such limit, and Shipper has met all creditworthiness requirements as determined in periodic credit reviews by Natural, which reviews may be conducted on at least an annual basis, no new credit appraisals shall be required when an existing Agreement is amended or a request for a new Agreement is made, provided that Shipper's payment history has been satisfactory and there is no bona fide basis for questioning Shipper's creditworthiness, subject to the provisions of Section 5.12 of these General Terms and Conditions.

(e) In the event Natural constructs new lateral facilities to accommodate a Shipper, Natural may 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 16(b) of these General Terms and Conditions, at Shipper's choice. Natural is only permitted to recover the cost of facilities once, either through rates or through this provision. As Natural recovers the cost of these facilities through its rates, the security required shall be reduced accordingly. Specifically, collateral provided by a 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 Natural 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 Natural may have regarding the construction and reimbursement of facilities.



(f) Natural may not take any action under this Section 16 which conflicts with any order of the U.S. Bankruptcy Court.

**GENERAL TERMS AND CONDITIONS**

17. INTERACTIVE WEBSITE

17.1 WEB SITE DESCRIPTION

(a) Natural 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.

Natural posts gas quality information as follows:

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

(2) Natural 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 Natural 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 Natural.

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

- Heating Value
- Interchangeability index(ices)/factor(s)
- Hydrocarbon liquid drop out control 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 specific in Natural's Tariff, including these General Terms and Conditions

(3) Data posted pursuant to the prior paragraph, Section 17.1(a)(2), are made available on Natural'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 Natural 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), Natural may, at its discretion, elect to provide gas quality information in addition to that specified in the prior paragraph. Natural may choose how to provide the information.

(b) The non-secure information is primarily comprised of FERC mandated informational postings. Natural, at its sole option, 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 17.2.

(1) INFORMATIONAL POSTINGS

The types of information available through the Informational Postings selection of this web site include: (i) all affiliated marketer information, including names and addresses for affiliated marketing companies; (ii) reports on operationally available capacity, design capacity, unsubscribed capacity and released capacity at Receipt/Delivery Points, on the mainline and for storage; (iii) critical notices concerning capacity related issues and non-critical notices, providing relevant contracts and customer information; (iv) the FERC Index of Customers and the FERC Contract Transactional Postings, (v) the tariff, with search, download and print capabilities; (vi) imbalance volumes available for trading among Shippers prior to cashout as provided in Section 13 hereof and (vii) point catalog.

(2) NOMINATIONS

This feature allows for submittal of all transportation and storage nominations, transfer nominations, predetermined allocations and nomination priorities as required in Section 8. Operators can confirm volumes online. Shippers and point operators can review, print or download scheduled quantity reports.

(3) FLOWING GAS/VOLUME INQUIRY

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

(4) INVOICING

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

(5) CONTRACT REQUEST PROCESSING

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

(6) CAPACITY RELEASE REQUEST AND BID PROCESSING

This interactive feature allows Shippers to submit Capacity Release Requests and Bids, which, in turn, are automatically posted to this web site as provided in Section 19. Additionally, Shipper with recall provisions in a release of capacity can initiate the recall process using this feature.

17.2 ACCESS TO WEB SITE

Shippers and other interested parties may obtain access to the interactive transactional web pages by contacting a representative of Natural's Electronic Customer Services Department in Houston. Logons, passwords and access instructions will be supplied upon request under the terms and conditions set forth in Sections 17.3 through 17.13. The internet address for this web site is: <http://pipeline.kindermorgan.com>. This web site replaces DART and Subscribers to DART can continue to use their DART logon and password to access these web pages. By continuing to use such DART logons, Subscribers agree to the terms and conditions set forth in Sections 17.3 through 17.13.

17.3 AUTHORITY OF EMPLOYEE

Users of this web site 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.

17.4 INSTALLATION OF SOFTWARE

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

#### 17.5 CONFIDENTIALITY

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

#### 17.6 RELIANCE BY NATURAL

Natural 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. Natural 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.

#### 17.7 ACCESS TO CONFIDENTIAL INFORMATION

Should a Subscriber require access to confidential information (such as Agreement, point, nomination, volume, or other customer-specific information deemed to be of a confidential nature requiring controlled access), Natural will require the Subscriber to provide a written request and officer level approval for issuance of a company, departmental or individual level computer access (logon) identification code and password. Upon receipt of such request, Natural will ensure return of a confidential logon code and password within one (1) business day.

#### 17.8 LOGON

A Subscriber's logon and password are confidential and are used to identify that Subscriber. A Subscriber shall keep its logon(s) and password(s) confidential. A Subscriber will ensure that only authorized employees and agents of Subscriber will be given logon(s) and password(s) 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(s) and password(s) 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(s) and password(s) made subsequent to issuance of the original logon(s) and password(s) may not be honored without receipt by Natural of additional authorization from Subscriber. Subscriber shall be responsible for and accepts liability for any security breach that is traced to Subscriber's logon(s) and password(s).

#### 17.9 BREACH OF SECURITY

A Subscriber shall promptly notify Natural if there is any indication that a security breach has occurred with regard to Subscriber's logon(s) and password(s). This includes, but is not limited to: (1) loss of confidentiality of logon(s) and password(s); (2) termination of employment of any authorized employee; or (3) loss of authority to access this web site by any authorized employee. Such notification shall be made to Natural's Electronic Customer Services Department.

#### 17.10 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 8 of these General Terms and Conditions for information on delegation.

#### 17.11 INDEMNITY

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

(a) Subscriber's or its employees' or agents' breach of any of Subscriber's obligations under this Section 17, including any breach of confidentiality with respect to the assignment of logon(s) and password(s) to Subscriber's authorized employees and agents and any unauthorized use by a formerly authorized person or by any unauthorized person who gained knowledge of Subscriber's logon(s) and password(s) through no fault of Natural;

(b) any omission or failure by Subscriber's employees or agents to act or perform any duty required by a web site function; and

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

Notwithstanding the foregoing, neither Natural nor Subscriber shall be liable to the other if an unauthorized user gains access to this web site through no fault of either Natural or Subscriber.

#### 17.12 LIMITS OF RESPONSIBILITY

Natural shall not be responsible for an omission or failure by Natural 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 communication of such data from Subscriber's to Natural's computer system, power failures, failure of backup systems, or any other event beyond the reasonable control of Natural.

#### 17.13 RESERVATION

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

#### 17.14 AGREEMENT BY NON-SHIPPER

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



**GENERAL TERMS AND CONDITIONS**

18. RESERVED FOR FUTURE USE

**GENERAL TERMS AND CONDITIONS**

19. CAPACITY RELEASE BY FIRM SHIPPERS

19.1 GENERAL

(a) Subject to the terms, conditions and limitations set forth in this Section 19, 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 19, to receive a credit for reservation charge revenues received by Natural from that other Shipper for such released capacity.

(b) The capacity release timeline set forth in this Section 19 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 Natural with sufficient instructions to evaluate the corresponding bids according to the timeline, and 3) there are no special terms or conditions of the release. Further, Natural 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 Natural).

(c) Following is a summary of the capacity release process and deadlines set forth in greater detail in the remainder of this Section 19 (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 a 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.;

- 11:00 a.m.;
- (iv) Match or award is communicated by
- Noon;
- (v) Match response by 11:30 a.m.;
  - (vi) Award posting where match required by 12:00
- (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 19.9(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 it can be posted by 9:00 a.m. on a Business Day;
  - (ii) The open season shall include no less than three 9:00 am to 10:00 a.m. time periods on consecutive Business Days;
  - (iii) Evaluation period begins at 10:00 a.m. during which any contingency is eliminated, determination of best bid is made, and ties are broken;
  - (iv) Evaluation period ends and award posting if no match required by 11:00 a.m.;
  - (v) Match, if required, or award is communicated by 11:00 a.m.;
  - (vi) Match response by 11:30 a.m.;
  - (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 19.9(d) hereof (nomination is not contingent on a contract

being issued or executed so long as the Replacement Shipper has preapproved credit).

(3) For prearranged releases not requiring bidding under this Section 19:

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

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

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

## 19.2 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 19.10 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 19.

### (c) ELIGIBLE FIRM TRANSPORTATION AGREEMENT

A transportation agreement under one of the following Rate Schedules, to the extent it provides for firm transportation [which includes storage, subject to the limitations stated in Section 19.5(f)] by Natural: Rate Schedules DSS, NSS, FRSS, FTS and FFTS.

### (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 19.15; and (2) the release of such capacity rights to the Prearranged Shipper as provided by this Section 19.

(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 19, 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 19, 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 19.

**(h) PREARRANGED SHIPPER**

A person or entity prequalified under Section 19.15 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 19.15 by a Qualified Bidder for capacity rights subject to a Capacity Release Request under this Section 19, 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.

**(j) QUALIFIED BIDDER**

Any person or entity prequalified under Section 19.15 who bids for capacity rights being released under this Section 19, 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 Natural 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 19.

(l) RELEASING SHIPPER

Any Shipper holding capacity rights under an Eligible Firm Transportation Service Agreement who has released or seeks to release such capacity rights pursuant to this Section 19.

(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 19.

(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 19.

(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 19.10.

(q) WINNING BID VALUE

The highest possible total Bid Value achievable under Section 19.10 for the Capacity Release Request from the Qualified Bids consistent with the Capacity Release Request and this Section 19.

19.3 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 Natural's Interactive Website (or in writing for posting on Natural's Interactive Website if Natural's Interactive Website is unavailable for receiving Capacity Release Requests) which sets forth:

- (a) The Releasing Shipper's legal name, address and phone number, the Eligible Firm Transportation Agreement number, the date of the Eligible Firm Transportation Agreement and the name and title of the individual responsible for authorizing the capacity release;
- (b) The quantity of the capacity (in Dth/day) and the transportation path(s) (or segment(s) thereof) being released, including identification by Natural's PIN Number (or Common Code) of the Receipt Points and Delivery Points defining the release path/segment and the firm capacity to be released at each such point; and the extent to which storage capacity in which the Releasing Shipper has gas is being released;
- (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 19.5 and 19.14) should be specified at the time of the deal. Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper;
- (d) The proposed effective date and proposed term of the release;
- (e) Whether the Releasing Shipper wants Natural to actively market the Releasing Shipper's capacity rights pursuant to Section 20 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 19.7);
- (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 19.10 the Shipper wishes to use, if any;

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

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

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

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

(l) Any other applicable conditions (which must conform to Section 19.5), 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 19.10 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 19.5(a).

#### 19.4 PREARRANGED RELEASE

Subject to Section 19.6, a Shipper seeking to release its Eligible Firm Transportation Agreement capacity rights to a Prearranged Shipper shall deliver a Capacity Release Request via Natural's Interactive Website at Natural'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, and phone 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 19 by Natural and to execute a Released Firm Transportation Agreement which consists of Natural's standard form of Agreement covering the Rate Schedule applicable to the released capacity and the terms and conditions of the Prearranged Release, in accordance with Natural's Tariff. Such statement shall also set forth:

(1) The quantity of the capacity (in Dth/day) and the transportation path(s) (or segment(s) thereof) being released, including identification by Natural's PIN Number (or Common Code) of the Receipt Points and Delivery Points defining the released path/segment and the firm capacity to be released at each such point; and the extent to which any storage capacity in which the Releasing Shipper has gas is being released;

(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 19.5 and 19.14) should be specified at the time of the deal. Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper; and

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

(c) Whether the Releasing Shipper will accept Qualified Bids which are contingent on subsequent events (such as the subsequent 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 Natural to actively market its capacity rights subject to the Prearranged Release pursuant to Section 20 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 19.7) and the length of time (consistent with Section 19.9(b)) for the Prearranged Shipper to be able to match a winning Qualified Bid;

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

(h) Which of the bid evaluation procedures set forth in Section 19.10 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 19.2(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 19.2(g)(ii) hereof; and

(m) Any other applicable conditions (which must conform with Section 19.5), 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 19.10 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 19.5(a).

#### **19.5 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 Natural for posting; (3) must relate to the details of acquiring or maintaining the transportation capacity rights on Natural consistent with this Tariff and Order No. 712, which are the subject of the release; and (4) must not place any obligations or burdens on Natural in addition to the terms and conditions applicable to a capacity release under this Section 19 which are specified in Natural's Tariff. Any bid evaluation procedure elected by a Releasing Shipper different from Natural's bid evaluation procedure set forth in Sections 19.10(b) through 19.10(d) must be objective, nondiscriminatory in all circumstances and contain a complete description of the bid evaluation procedure for posting on the Informational Postings portion of Natural's Interactive Website. Natural may require the Releasing Shipper to submit a working computer program to Natural in diskette form which is compatible with Natural's Interactive Website computer and which will enable Natural to make such alternative bid evaluation entirely through Natural'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 Natural 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 revenues 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 Natural. However, Natural is not required to offer other choices or similar timeline treatment for other choices, nor, is Natural held to the timeline should the Releasing Shipper elect another method of evaluation.

(b) 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 Natural's Tariff.

(c) The term of any release of capacity sought under this Section 19 shall be at least one full day and shall not exceed the remaining term of the Eligible Firm Transportation Agreement.

(d) (1) Segmented releases are subject to Section 8.14 of these General Terms and Conditions.

(2) (i) The maximum rates that may be bid and charged for a Released Firm Transportation Agreement that is for a term greater than one (1) year are the maximum lawful rates applicable to the Eligible Firm Transportation Agreement held by the Original Shipper. If the Original Shipper is paying a Negotiated Rate or a rate under a Negotiated Rate Formula pursuant to Section 49 of these General Terms and Conditions, a Qualified Bidder may not bid a rate which exceeds the applicable Recourse Rate or is less than the applicable minimum rate a qualified Bidder may bid a rate form which would be a Negotiated Rate or Negotiated Rate Formula if and only if the rate form is one explicitly recognized in Natural's Tariff as available for capacity releases (such as volumetric rates); provided the resulting charges must be within the range set by the applicable maximum and minimum rates.

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

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

(e) Release of storage rights under Rate Schedule NSS or DSS may include storage capacity in which the Releasing Shipper has gas. Releases of either storage or transportation rights under Rate Schedule DSS shall be subject to the rules set out in Section 2(h) of Rate Schedule DSS. Release of service under Rate Schedule FRSS shall be subject to the rules set out in Section 2(g) of Rate Schedule FRSS.

(f) The value of storage gas may not be used in evaluating Qualified Bid(s) relating to the release of storage capacity. The Releasing Shipper shall be solely responsible for arranging the transfer of title of any gas in storage. In-field transfers of gas are subject to Section 9 of these General Terms and Conditions. Natural shall be held harmless by the Releasing Shipper in any title disputes involving deliveries of storage gas.

(g) 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. All recalls and reputs must be made in accordance with the other provisions of Natural's Tariff and should be specified at the time of the deal. Reput methods and rights are individually negotiated between the Releasing Shipper and Replacement Shipper.

(h) The Releasing Shipper may withdraw its posted Capacity Release Request during an open season under this Section 19 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. The Capacity Release Request shall be binding until written or electronic notice of withdrawal is received by Natural. Notice of a withdrawal of a Capacity Release Request must be delivered via Natural's Interactive Website or in writing no later than the end of the open season for the Capacity Release Request.

(i) Releases of capacity may affect primary or in-the-path rights in conjunction with storage points under Rate Schedules DSS and NSS to the extent provided in Section 5.6(b) of these General Terms and Conditions.

(j) A Replacement Shipper or Subreplacement Shipper may release the capacity on the same terms and basis as the primary release under the provisions of this Section 19 (except as prohibited by the Federal Energy Regulatory Commission Regulations).

(k) Any Capacity Release Request not in compliance with this Section 19.5 and the other provisions of Natural's Tariff shall be null and void and, even if posted, may be removed from Natural's Interactive Website by Natural at any time.

#### 19.6 OPEN SEASON EXCEPTIONS

An open season is not required for: (a) a Prearranged Release for more than (1) year at the maximum reservation charge applicable to the capacity being released, (b) a Short-term Prearranged Release, (c) a Prearranged Asset Manager Release, as defined in Section 19.2(g)(i) hereof or (d) a Prearranged

Release to a Marketer Participating in a State-Regulated Retail Access Program, as defined in Section 19.2(g)(ii) hereof. A Capacity Release Request which is not subject to an open season need only contain the information required in Sections 19.4(a) and (b). Such Capacity Release Request must be delivered via Natural's Interactive Website (or in writing for posting on Natural's Interactive Website if Natural's Interactive Website system is unavailable for receiving Capacity Release Requests) sufficiently in advance so that the release may become effective under Section 19.9 before the release transaction is to commence. A Releasing Shipper may not rollover, extend or in any way continue a Short-term Prearranged Release exempt from bidding under subsection (b) hereof with the same Replacement or Subreplacement Shipper until twenty-eight (28) days after the Short-term Prearranged Release has ended unless the Releasing Shipper complies with the Capacity Release Request provisions in Sections 19.3 or 19.4, or the re-release qualifies for any of the other exemptions from bidding, referenced in subsections (a), (c) or (d) hereof.

#### 19.7 POSTINGS; OPEN SEASON

(a) A Capacity Release Request received by Natural through Natural's Interactive Website prior to the starting time of the open season requested by the Releasing Shipper in its Capacity Release Request in conformance with this Section 19 shall be posted on the Informational Postings portion of Natural's Interactive Website as requested. The posting shall contain the information contained in the Capacity Release Request, except that the minimum price in any minimum price condition requested to be held confidential by the Releasing Shipper (but not the existence of the minimum bid condition), shall be kept confidential and shall not be posted. The posting shall also include the maximum reservation charge, if applicable, (including all reservation surcharges) applicable to the capacity subject to the Capacity Release Request, the beginning and ending time for the open season and the time the notice was posted. Natural shall post the Capacity Release Request upon receipt, unless the Releasing Shipper requests otherwise. If the Releasing Shipper requests a posting time, Natural will comply with that request as long as it comports with the deadlines set forth in this Section 19.

(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 Request 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.

#### 19.8 QUALIFIED BIDS FOR RELEASED CAPACITY RIGHTS

(a) At any time during an open season, a Qualified Bidder may submit a Qualified Bid via Natural's Interactive Website (or in writing for posting on Natural's Interactive Website if Natural's Interactive Website is unavailable for receiving Qualified Bids) seeking released capacity rights under a Capacity Release Request. In addition to being prequalified for credit pursuant to Section 19.15, each Qualified Bid must include the following:

(1) The Qualified Bidder's legal name, address, and phone 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 19. 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 Natural pursuant to this Section 19 to the Qualified Bidder, including Natural'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 Natural's Tariff. Bids shall be binding until notice of withdrawal is received by Natural on its Interactive Website.

(b) The volume in a Qualified Bid may not be less than the minimum volume required for an Eligible Firm Transportation Agreement under Natural'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 19.4 (involving a Prearranged Release) except for the level of the reservation charge and the MDQ, unless the Capacity Release Request specifically allows otherwise.

(c) For releases for a term of more than one (1) year, a Qualified Bidder may not bid rates which would exceed Natural's maximum reservation charge applicable to the Eligible Firm Transportation Agreement capacity. A Qualified Bid may state a dollar amount or a percentage of Natural's maximum reservation rate, unless the Releasing Shipper has specified that the bid must specify one or the other, in which case, the Qualified Bid must comport with the Releasing Shipper's choice. A bid at a rate equal to Natural's maximum reservation rate shall be a bid for Natural's maximum reservation rate as such rate may increase or decrease from time to time in the future. The maximum reservation charge includes all non-commodity charges and add-ons permitted by Natural's Tariff direct-billed charges and Order No. 636 transition costs which are applicable to the Eligible Firm Transportation Agreement capacity rights.

(d) All Qualified Bids shall provide for payment of maximum commodity charges under Natural's Tariff for the capacity bid, as well as all other applicable add-on charges and surcharges under Natural's Tariff, such as, but not limited to, ACA, Fuel Gas and Gas Lost and Unaccounted For and any FERC Order No. 636 commodity-based transition cost recovery surcharge, unless Natural agrees in writing otherwise.

(e) A Qualified Bid received by Natural during an open season shall be posted by Natural on the Informational Postings portion of Natural's Interactive Website upon receipt, 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 Natural's Tariff. Any Qualified Bid inconsistent with Natural's Tariff or the applicable Capacity Release Request shall be null and void.

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

(a) For a Prearranged Release for which no open season is required under Section 19.6 and which is received at least one (1) hour prior to a nomination deadline on a Gas Day, Natural shall tender the contract to the Prearranged Shipper within one (1) hour after release notification, provided that all applicable provisions of this Section 19 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, Natural shall notify the Prearranged Shipper. If, during an open season, the winning Qualified Bid(s) have a higher total Bid Value than the Bid Value of the Prearranged Release under the bid evaluation procedure selected by the Releasing Shipper, Natural 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 Natural 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 19.1.

(c) For any other Capacity Release Request, the capacity rights shall be automatically awarded to the winning Qualified Bidder(s) when Natural has identified the entity(s) to receive the released capacity under this Section 19.

(d) A capacity release shall become effective upon the awarding of capacity consistent with this Section 19. 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. Natural shall issue a contract to the winning Qualified Bidder within one (1) hour after the capacity has been awarded. So long as the winning bidder has pre-approved credit,

that bidder can submit a nomination consistent with the above regardless of whether a contract with Natural 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 Natural in order for a Shipper to have continued service beyond the maximum time specified for timely contract execution. If the original Shipper has already submitted a nomination on a Gas Day under the Agreement being released, and if the Replacement Agreement covering the released capacity is effective that same Gas Day, the original Shipper may incur overrun charges if his nomination exceeds the reduced contractual parameters under the original Agreement resulting from the release (i.e., if the original Shipper fails to reduce its nomination, or does not adequately reduce its nomination, at the first opportunity the Replacement Shipper has to nominate).

(e) Gas nominations for transportation pursuant to released capacity are subject to the provisions of Section 8 of these General Terms and Conditions. Gas nominations by a Shipper utilizing released capacity awarded by Natural shall constitute Shipper's binding acceptance of the terms and conditions of the capacity award by Natural pursuant to this Section 19, including Natural'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 Natural's Tariff.

(f) Subject to the other provisions in this Section 19, 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.

19.10 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 below. Any Qualified Bid which does not meet a minimum price condition stated in the Capacity Release Request shall be rejected outright. Any Qualified Bid with a contingency must have such contingency eliminated before 3:00 p.m. Central Clock Time following the close of the open season, unless the Releasing Shipper's offer has specified a later time; otherwise, such Qualified Bid will be rejected.

(b) Natural shall calculate a Bid Value for each Qualified Bid and Preranged 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).

(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 Natural's Interactive Web Site (or if Natural's Interactive Web Site is not available and the Qualified Bid is submitted in writing, the time Natural received the Qualified Bid) shall be the winning bid.

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

Example (1) - Awarding by Best Bid

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

Qualified Bids:

	<u>Maximum Bid Volume</u>	<u>Term</u>	<u>Bid Price</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 40,000; Bid (b) has the next highest bid value and would be awarded 40,000; Bid (c) would be awarded the remainder of the capacity (20,000).

Example (2) - Awarding with Minimum Bid Volumes

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

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

Example (3) - Awarding using the tie-breaker

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

Qualified Bids:

	<u>Maximum 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.

(f) In no event shall this Section 19.10 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 19.10 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 Natural's reservation charge shall be evaluated by Natural based solely on the maximum reservation charge being charged by Natural 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 19.10, which procedure must comply with Section 19.5, Natural 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 19.5(a).

19.11 CONFIRMATIONS; RELEASED FIRM TRANSPORTATION AGREEMENT

At the time the award of capacity under this Section 19 is posted, Natural 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 Natural awarding capacity on a Prearranged Release, the Prearranged Shipper shall confirm electronically the terms of the Prearranged Release.

#### 19.12 COMPLETED TRANSACTIONS

After capacity has been awarded pursuant to Section 19.1(c), Natural 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 Natural of any error in the award of capacity within one business day after such posting on the Interactive Website. In the event of an error, the capacity shall be reawarded by Natural. As between Natural and the Releasing Shipper, the Releasing Shipper shall indemnify and hold Natural 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 Natural by the Releasing Shipper hereunder. Natural shall correct an error in a timely fashion after receiving notice of such error from the Releasing Shipper or another person.

#### 19.13 BILLING

(a) Natural 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 Natural. Natural 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. Natural shall have the right to discount the commodity rates under the Released Firm Transportation Agreement. Natural will support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Federal Energy Regulatory Commission.

(b) A Releasing Shipper shall be billed the reservation charge associated with the entire amount of released capacity pursuant to its contract rate, which includes all non-commodity based charges under Natural's Tariff for such released capacity including but not limited to additional direct-bill charges and FERC Order No. 636 transition costs, 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. A Releasing Shipper shall also be billed a marketing fee, if applicable, pursuant to the provisions of Section 20 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 or imbalance charges or penalties; and (3) add-on charges and surcharges applicable to Natural's commodity rates under Natural's Tariff such as ACA, Fuel Gas and Gas Lost and

Unaccounted For, which are incurred by a Replacement Shipper or Subreplacement Shipper which received the released capacity.

(c) If a Replacement Shipper or Subreplacement Shipper does not make payment to Natural of the reservation portion of the charges due as set forth in its Released Firm Transportation Agreement, Natural 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 Natural'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; (2) Natural's rights against the delinquent Replacement/Subreplacement Shipper shall be subrogated to the related rights of the Releasing Shipper; and (3) Natural 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 penalties, then to late charges not on the reservation charges, and then last to commodity-based charges. Except as may be otherwise provided pursuant to Section 49.4 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 Natural, or a refund if requested in writing and no such outstanding balance exists.

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

If Natural is obligated to refund any amounts attributable to reservation charges for capacity which has been released, Natural shall make the applicable refund to the Replacement Shipper to the extent that Natural 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 19.13(d) above). Except as may be otherwise provided pursuant to Section 49.4 of these General Terms and Conditions, Natural shall make a corresponding adjustment to the capacity release credit provided to the Releasing Shipper, and may reflect the reduced capacity release credit in a lower refund or adjusted billings to the Releasing Shipper, with any other applicable reservation charge refunds going to the Releasing Shipper. Except as may be otherwise



provided pursuant to Section 49.4 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 Natural 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, Natural shall make the applicable refund to the Releasing Shipper notwithstanding the amount that Natural has actually received from the Replacement Shipper (which amounts are credited to the account of the Releasing Shipper under Section 19.13(d) above). Natural 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 49.4 of these General Terms and Conditions, commodity rate refunds shall go to the party which paid the commodity charge.

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

(a) **RECALLING CAPACITY - GENERAL**

Natural supports the ability of a Releasing Shipper to specify as a condition of a capacity release offer which recall notification periods as set out below will be available for use by the parties to the release and whether recall notices must be provided on a Business Day. All Replacement and Subreplacement Shippers shall nominate and schedule natural gas for service hereunder directly with Natural in accordance with the applicable procedures set forth in Section 8 of these General Terms and Conditions. In order for any capacity recall or capacity reput to be effective for a day, a Releasing Shipper must give prior notice of such recall or reput, and any allocation of a partial recall or reput, to Natural.

(b) **RECALL NOMINATION TIMELINE**

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

(1) TIMELY RECALL NOTIFICATION

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

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

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

(ii) Natural 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 Natural and to the first Replacement Shipper no later than 7:00 a.m. on the day that Intraday 1 Nominations are due;

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

(5) INTRADAY 2 RECALL NOTIFICATION

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

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

(6) INTRADAY 3 RECALL NOTIFICATIONS

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

(ii) Natural 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 Natural prior to the recall notification deadline specified in (1)-(6) of this Section 19.14(b) and received by Natural between 7:00 a.m. and 5:00 p.m., Natural shall provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification. For recall notifications provided to Natural after 5:00 p.m. and prior to 7:00 a.m., Natural 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 Natural with no more than two Internet E-mail addresses to be used for recall notification under Section 19.14(b) of these General Terms and Conditions. The obligation of Natural to provide notification is waived until at least one of the addresses has been provided. When Natural 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) Natural's name or abbreviation (excluding commas), and (5) Natural's D-U-N-S number. The body of such E-mail notification is to contain at least the affected Replacement Shipper's Contract Number, the quantity of

capacity being recalled, and the Offer Number or Award Number, if necessary to uniquely identify the capacity being recalled. For recalls that are effective at non-standard times, the appropriate recall notification period is to be included in the subject line and the effective time of the recall is to be in the body of the E-mail. If Natural 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 Natural.

(2) The Releasing Shipper shall provide capacity recall notification to Natural through Natural's Interactive Website. The Releasing Shipper shall provide notice to its affected Replacement Shipper at the same time it provides notification to Natural. 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, Natural 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 Natural's tariff, services, and/or operational characteristics. In any recall notification provided to Natural, 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. Natural shall not be obligated to deliver in excess of the total daily contract quantity of the release as a result of any recall. The service flexibility available to either the Releasing Shipper or the Replacement Shipper for the subject capacity shall not be less as a result of the recall.

(e) **REPUTS**

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

(f) DISPUTES

In the event of a dispute between the Releasing Shipper and any other person as to the validity of any recall or reput, or the status of the holder of the capacity rights, Natural 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 Natural harmless from any costs, damages or expenses relating to Natural's reliance on such notice.

19.15 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 16 of these General Terms and Conditions prior to submitting a Qualified Bid under this Section 19. A person cannot bid for services which exceed its pre-qualified level of creditworthiness. Natural 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 Natural's rate schedule covering the applicable transportation on Natural's system. 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 Natural as further set forth in Section 16 of these General Terms and Conditions.

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

(d) Natural's determination of a Shipper's creditworthiness is solely for Natural's purposes under Natural'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.

19.16 COMPLIANCE BY SHIPPER

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

applicable terms and conditions of Natural's Tariff, as well as the terms and conditions of the Released Firm Transportation Agreement.

#### 19.17 OBLIGATIONS OF RELEASING SHIPPER

(a) Subject to Section 19.17(c), 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 Natural. 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 Natural 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 19.

(b) A release by a Replacement Shipper shall not relieve the Original Shipper or the Replacement Shipper of their obligations under this Section 19.

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

#### 19.18 CONVERSIONS BETWEEN MONTHLY AND DAILY RESERVATION RATE

For less than maximum rate transactions only, to convert a daily rate to a monthly rate, multiply the daily rate by the number of days in the rate period, and then divide the result by the number of months in the rate period, taking the remainder out to five (5) decimal places and rounding up or down to the decimal place used in Natural's applicable schedule of rates. To convert a monthly rate to a daily rate, multiply the monthly rate by the number of months in the rate period, and then divide the result by the number of days in the rate period, taking the remainder out to five (5) decimal places and rounding up or down to the decimal place used in Natural's applicable schedule of rates.

19.19 NATURAL'S RIGHT TO TERMINATE A CAPACITY RELEASE

Natural may elect to terminate a Replacement Shipper's Agreement with Natural upon at least thirty (30) days' prior written notice of termination 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 5.11, 5.12 and/or 16 of these General Terms and Conditions and Natural has suspended or terminated service to the Releasing Shipper or has provided notice under Section 5.11 or Section 5.12 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 Natural's contract with the Original Shipper; provided, however, that a Replacement Shipper which is creditworthy can continue an existing capacity release by notifying Natural that it agrees to pay a rate which it specifies that equals or exceeds the lower of: (i) the applicable maximum rate; or (ii) the same rate as is in the original Agreement between Natural and the Releasing Shipper. Alternatively, notwithstanding Sections 19.5(d)(2) and 19.8(c) of these General Terms and conditions, Natural and the Replacement Shipper may agree upon other pricing terms, in which case the release shall continue. Such notification or agreement must be effectuated prior to the end of the notice period.

**GENERAL TERMS AND CONDITIONS**

**20. ADVERTISEMENT AND MARKETING FEES**

**20.1 ADVERTISEMENTS**

Any person may advertise for the purchase of capacity on Natural's system on its Interactive Website by submitting the desired advertisement (up to one page) to Natural. Natural shall post such advertisement on the Informational Postings portion of its Interactive Website no later than the business day following receipt thereof if so requested, so long as the advertisement is not unlawful or inconsistent with Natural's Tariff. The posted period requested may be for a period of time not to exceed one month. 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 19 of these General Terms and Conditions.

**20.2 FEE FOR ACTIVE MARKETING**

When a Releasing Shipper under Section 19 of these General Terms and Conditions requests that Natural actively market capacity to be released, the Releasing Shipper and Natural shall negotiate the terms of the marketing service to be provided by Natural and the marketing fee to be charged therefor.



**GENERAL TERMS AND CONDITIONS**

21. RESERVED FOR FUTURE USE

## GENERAL TERMS AND CONDITIONS

### 22. PRE-GRANTED ABANDONMENT AND ROLLOVER RIGHTS (INCLUDING RIGHT OF FIRST REFUSAL) AND RESTRUCTURING OF AGREEMENTS

#### 22.1 GENERAL

Subject to Section 22.4, service performed by Natural under Part 284 of the Commission's Regulations shall expire, and shall be automatically abandoned, upon contract termination under: (i) any firm transportation or storage Agreement with a primary term of less than one (1) year; and (ii) any interruptible transportation or storage Agreement regardless of term. Service under any firm transportation or storage 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 22.2, 22.3 or 22.4. Unless Natural and Shipper expressly agree otherwise in the Agreement(s), a Shipper who has entered into a limited-term firm service Agreement(s) pursuant to Section 5.1(c)(11) of these General Terms and Conditions may not elect to extend such limited-term agreement pursuant to the provisions of this Section 22; provided, however, that if the term of the limited-term agreement is for a period of one year or more, the limited-term agreement shall have Right of First Refusal rights extended up to the in-service date of the expansion project. Rollover rights and the Right of First Refusal may also be restricted pursuant to Section 5.1(c)(12) of these General Terms and Conditions.

#### 22.2 ROLLOVERS

(a) A Shipper under Rate Schedule DSS, FTS, FFTS, FTS-G, FRSS or NSS which has entered into an Agreement thereunder with a term of three (3) years or longer shall have a unilateral right to continue receiving service on a firm basis beyond the term of the existing Agreement and to rollover such Agreement subject to the following conditions:

(1) Shipper must give notice at least twelve (12) months prior to the termination of its existing Agreement of its desire to continue receiving service beyond the expiration date of the existing Agreement. Such notice must be in a form specified by Natural and must indicate a desired term of service [which term must be at least three (3) years] and the desired MDQ, in total and at each primary point. Such MDQ must be equal to or less than the existing MDQ in total and at each primary point and the primary point path under the request must not result in a rate reduction vis a vis the path in the existing Agreement. Any request for an increase in MDQ in total or at any primary point shall be treated as a request for new service, but only to the extent of the increase. Any notice hereunder specifying a decrease in

MDQ in total or at any primary point shall not affect the existing Agreement during the remainder of its term.

(2) Within ninety (90) days after receipt of the notice described in (1) above, Natural will have evaluated the creditworthiness of Shipper. If Shipper meets the requirements of Natural's credit appraisal procedures and its request conforms to the requirements of (1), Natural shall tender to Shipper a rollover Agreement which conforms to the requirements of this Tariff. Shipper and Natural shall execute such rollover Agreement, or any modified Agreement upon which Natural and Shipper may mutually agree which is not inconsistent with this Tariff, within ninety (90) days thereafter. Failure to execute a conforming rollover Agreement shall constitute a waiver by Shipper of its rights under this Section 22.2.

(3) Except as expressly agreed to the contrary between Natural and Shipper, no discount or other special terms previously in effect shall apply to a rollover Agreement.

(b) Any rollover right under this subsection (b) must be exercised pursuant to a notice which conforms to Section 22.2(a) or Section 22.3, as applicable.

(c) If a Shipper submits a written notice which conforms to Section 22.2(a), such notice shall be binding on Shipper. Shipper and Natural shall be obligated to sign an Agreement consistent with such notice; provided, however, that nothing herein shall be deemed to preclude the parties from negotiating a more acceptable Agreement by mutual consent which is not inconsistent with this Tariff.

(d) If an Agreement is rolled over pursuant to this Section 22.2, the Right of First Refusal under Section 22.3 shall not apply.

### 22.3 RIGHT OF FIRST REFUSAL

(a) Any Shipper under a DSS, FTS, FFTS, FTS-G, FRSS or NSS Agreement with a term of one (1) year or greater shall have the right to continue receiving service after the expiration of its existing Agreement if, pursuant to the Right of First Refusal procedures set forth in this Section 22.3, it matches the price and term offered for such service by any other bidder; provided, however, that (irrespective of the price offered by the existing Shipper or any bidder) Natural shall not be required to provide service at a discount from its applicable maximum rate unless it otherwise agrees; and, provided further that if a bid is submitted for a Negotiated Rate or Negotiated Rate Formula under Section 49 of these General

Terms and Conditions, the existing Shipper need match only 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 consistent with said Section 49. A bidder may only submit a Negotiated Rate or Negotiated Rate Formula bid with the prior written agreement of Natural or if the existing Agreement contains a Negotiated Rate or Negotiated Rate Formula provision in the same rate form.

(b) To exercise the Right of First Refusal, Shipper must provide Natural with notice of its intent to do so in a form specified by Natural and must submit such notice on or before the later of: (i) six (6) months prior to the expiration of the existing Agreement; or (ii) one (1) month after receiving written notice from Natural that the Shipper may utilize these Right of First Refusal procedures; provided, however, that a Right of First Refusal may not be exercised later than three (3) months prior to the expiration of the Agreement unless mutually agreed between Natural and the Shipper. The Shipper's notice must specify a desired term of service and the desired MDQ in total and at each primary point. If the requested MDQ is greater than the existing MDQ in total and at each primary point, any such increase shall be treated as a request for new service under the applicable Rate Schedule and only the original MDQ shall be subject to the Right of First Refusal under this Section. The Right of First Refusal may apply to a portion of the original Shipper's then effective service. Any notice specifying a decrease in MDQ in total or at any point shall not affect the existing Agreement during its remaining term. Natural is not obligated to accept any notice which specifies a primary point path which results in a reduced rate as compared with the primary point path in the existing Agreement.

(c) Within ten (10) days after receipt of a notice under Section 22.3(b), Natural 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: (i) specify the original Shipper's service rights; (ii) indicate the availability of such service as of the date the existing Agreement expires, subject to the Right of First Refusal; (iii) state the maximum rate applicable to such service; (iv) set out any other information required by this Section; and (v) solicit bids for such service. Such Capacity Announcement shall be maintained, and bids accepted via Natural's Interactive Website or via email or other mutually agreed means, for a period of at least one (1) week from the initial posting.

(d) (1) Within one (1) week after the end of the period during which the Capacity Announcement is posted, Natural shall convey to the original Shipper a term sheet for the best bid (based on price and term) which would qualify for such service in all respects (including meeting applicable credit

criteria), which is a bona fide bid and which Natural is willing to accept. Natural 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, Natural shall apply the same capacity evaluation criteria as are currently posted for that capacity (except that contract terms in excess of five years shall not increase the value of any bid). If a bid is received for a Negotiated Rate or Negotiated Rate Formula pursuant to Section 49 of these General Terms and Conditions which would result in a higher value for that bid than if the Recourse Rate was used, the value of the bid shall be assessed utilizing the Recourse Rate in lieu of the Negotiated Rate of Negotiated Rate Formula consistent with said Section 49. In comparing bids hereunder or in assessing rollovers under Section 22.2, Natural shall not take into account as increasing the value of any bid any separate amount paid, or which a Shipper agrees to pay, for the LN and/or SW service option under Rate Schedule FTS, FFTS or FTS-G. In the event there is a tie amongst the best bids, the winning bid(s) shall be determined by a pro-rata allocation of the bids received. In addition, Natural shall not take into account as increasing the value of any bid any amount paid, or which a Shipper agrees to pay, for any surcharge from which the original Shipper is exempt under Section 2.7 of these General Terms and Conditions.

(2) Reserve for Future Use.

(3) Natural'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 Natural. Except for the providing of such term sheet to the original Shipper, all terms and conditions of any bid and the identity of the bidder shall remain confidential; provided that the Commission may on request have access to such information on a confidential basis.

(4) The original Shipper shall have five (5) business days to notify Natural whether or not it desires to match the best bid. To match the best bid, the original Shipper must agree to a price (up to the applicable maximum rate or Recourse Rate) and a term (up to five years) which at least equals the bid on all or any portion of the service the original Shipper desires to retain; provided, however, that if the original Shipper seeks to retain only a portion of its MDQ, the analysis of whether the original Shipper has matched the best bid may take into account the MDQ requested under the best bid relative to the MDQ which the original Shipper seeks to retain. The original Shipper may provide a counteroffer which contains either a higher price than the best bid or a longer term than the best bid to offset a shorter term or a lower price than that offered in the best bid. Natural shall determine whether such a counteroffer constitutes a match, utilizing the same criteria as were applied to determine the best bid.

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

(2) If the existing Shipper fails to match the best bid, the existing Agreement shall terminate at the later of (i) the end of its term or (ii) the date Natural executes a contract with the winning bidder. Service to the existing Shipper shall be automatically abandoned upon such termination.

(3) Submission of a bid shall be binding on the bidder. The bidder submitting the best bid shall be obligated to sign an Agreement reflecting its bid if the original Shipper fails to match.

(f) In the absence of a qualified bid, the rate (within applicable maximums and minimums) and the term shall be negotiated between Natural and the Shipper. Capacity must be awarded consistent with the posted bid criteria and for a value no lower than previously submitted qualifying bids. No discount or other special terms shall apply to a rollover Agreement unless Natural and Shipper mutually agree. Shipper may require that Natural 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. Shipper shall have ten (10) days from date on which Natural notifies it that no acceptable bids were received to exercise the right set out in the prior sentence or to negotiate a rollover Agreement with Natural. If the Shipper fails to exercise such right on a timely basis, the right shall expire, in which case Natural shall post the capacity as available and the negotiation procedures hereunder shall terminate. Unless Shipper so elects, service hereunder shall be terminated and automatically abandoned.

(g) If the Shipper is eligible to receive continued service under this Section 22.3, Natural shall tender a rollover Agreement which conforms to the requirements of this Tariff prior to the expiration of the existing Agreement. Shipper and Natural shall execute such rollover Agreement, or any modified Agreement upon which Natural and Shipper may mutually agree which is not inconsistent with this Tariff, within two (2) weeks. If Shipper fails to execute the rollover Agreement on a timely basis, Shipper shall (in addition to all other remedies available to Natural for Shipper's failure to fulfill its obligation to execute such Agreement) forfeit any right to continuation of service after the expiration of the existing Agreement.

#### 22.4 CONTRACTUAL EXTENSION RIGHTS

The term of service under any firm or interruptible transportation or storage Agreement may be extended pursuant to a rollover, evergreen or right of first refusal provision in such Agreement, which provision supersedes any otherwise applicable rollover or right of first refusal pursuant to this Section. The parties may negotiate rollover, evergreen or right of first refusal provisions which differ from this Section. Natural is not obligated to offer or agree to any such rollover, evergreen or right of first refusal provisions; provided, however, that to the extent it offers or agrees to any such provision, it must do so on a non-discriminatory basis for similarly situated Shippers. Natural posts such contractual rollover, evergreen or right of first refusal provision on its Transactional Report in accordance with Section 284.13 of the Commission's regulations.

#### 22.5 VALID REQUEST CRITERIA

Unless waived by Natural, the requirements for a valid request under the applicable Rate Schedule (including the applicable credit analysis) apply to any Agreement entered into pursuant to this Section 22.

#### 22.6 FURTHER ROLLOVER

Any Agreement entered into pursuant to this Section 22 shall be evaluated on a stand-alone basis hereunder for purposes of determining whether it, in turn, is eligible for rollover or the Right of First Refusal under this Section.

#### 22.7 RESTRUCTURING OF AGREEMENTS

(a) Natural and Shipper may mutually agree, on a not unduly discriminatory basis, to restructure existing agreements during the rollover or right of first refusal process, where applicable, consent to which shall not be unreasonably withheld in either of the following ways:

(1) An Agreement may be combined with one or more other Agreements for the same type of service; provided that Natural may, but shall not be obligated to, combine Agreements which have different primary paths, different leg rights or different remaining terms;

(2) An Agreement may be separated into two or more Agreements, either by dividing the MDQ or separating different paths or different leg rights into separate Agreements.

(b) No modification under this Section shall result in any change in rate, term, primary path or other substantive provisions of the service provided by Natural.

**GENERAL TERMS AND CONDITIONS**

23. OPERATIONAL CONTROL

23.1 GENERAL

(a) Natural shall endeavor to maintain adequate pressure throughout its system and to preserve the overall operational integrity of its system; provided, however, that Natural shall not be obligated to buy or sell gas or to install additional compression or otherwise modify its system for these purposes. Operating personnel for Shippers and other entities which are physically taking delivery of gas from Natural or tendering gas to Natural shall cooperate with Natural in furtherance of this Section. Each Shipper shall designate the telephone numbers of one or more persons [but not more than two (2) primary and two (2) backup persons] for Natural 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 Natural's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance (including the capability and deliverability of storage reservoirs), the overall operating performance of the entire physical system as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of gas delivered.

23.2 FACILITY CONTROL

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

23.3 OPERATING PLAN

(a) Natural shall, on an annual or such more frequent basis as Natural deems necessary for proper operation of its system, prepare and circulate to all Shippers an Operating Plan. Such Operating Plan shall set out a plan for operation of Natural's system on a basis which approaches an optimum level, given ordinary engineering and operating constraints, and for maintenance of service at projected levels to all Shippers, consistent with applicable priorities of service. The Operating Plan may include, inter alia, a specification of:



(i) Desired levels of flow gas for each category of Shipper during various periods of the year.

(ii) A schedule of desired storage injections and withdrawals to maintain storage deliverability and protect the integrity of Natural's reservoirs.

(iii) Plans to deal with specific contingencies Natural anticipates may occur during the period covered by the Operating Plan.

(b) The Operating Plan shall be for planning and informational purposes only and shall not be binding on Natural or on any Shipper. It is further understood that, since all elements of an Operating Plan are subject to continual change and are contingent on the actions of numerous Shippers, the Operating Plan may not necessarily be an accurate depiction of Natural's system at any point in time.

(c) Natural may request that Shippers periodically provide non-binding estimates of flow patterns, injections and withdrawals and other operating parameters. Such information may be used by Natural in preparation of the Operating Plan or in testing whether an Operating Plan previously circulated requires revision.

#### 23.4 OPERATIONAL CONTROL SEQUENCE

In the event Natural'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, Natural is empowered by this Section to take action to alleviate this situation. In responding to such a situation, Natural shall first apply the Advisory Action procedures of Section 23.5. If such measures are not sufficient in Natural's judgment to address the situation fully, Natural shall next employ Operational Flow Orders as provided in Section 23.6. In the event Operational Flow Orders alone are not adequate, Natural may invoke the Critical Time procedures set out in Section 23.7. Finally, Natural may take unilateral action as provided in Section 23.8. The procedures set out in such provisions, and their sequencing, are intended to be applied only to the extent any of the specific actions indicated, or such sequencing, would tend to alleviate the situation to be addressed. In issuing Advisory Actions, Operational Flow Orders or a Critical Time, Natural shall describe the conditions and the specific responses required from the affected parties. To the extent practicable, Natural shall direct its actions hereunder to Shippers creating or anticipated to create the situation to be addressed and shall act consistent with Section 23.9. Nothing herein shall preclude Natural from bypassing any of the above procedures if, in its judgment, the situation

so requires. Natural will keep Shippers advised through posting on the Informational Postings portion of Natural's Interactive Website on the status of the situation.

### 23.5 ADVISORY ACTIONS

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

(a) Natural 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 storage/supply mix of deliveries;
- (ii) Shift receipts to obtain better capacity balance between pipeline systems;
- (iii) Change Receipt or Delivery Points;
- (iv) Change usage patterns (e.g., end users switch to alternate fuels);
- (v) Provide assistance from market area resources (such as customer storage);
- (vi) Activate pre-negotiated voluntary arrangements under which gas is diverted from one Shipper to another or from a non-Shipper to a Shipper (which arrangements may specify appropriate compensation);
- (vii) Reconcile transportation imbalances; and/or
- (viii) Such other voluntary action as would tend to alleviate or forestall the situation.

(b) Natural 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 (after taking into account such Shipper's storage rights) that such imbalances must not continue;
- (ii) Curtail or require adjustments or supply shifts in ITS service;
- (iii) Curtail or adjust injections or withdrawals under Rate Schedules PALS and/or BESS;
- (iv) Curtail or adjust interruptible injections or withdrawals under Rate Schedules DSS and/or NSS; and/or
- (v) Take such other actions as are within Natural's control and discretion to alleviate or forestall the situation.

#### 23.6 OPERATIONAL FLOW ORDERS

(a) (1) In the event that, in Natural's judgment, the Advisory Actions under Section 23.5 are not sufficient to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity of Natural's system or to maintain operations required to provide efficient and reliable firm service, Natural is authorized to issue Operational Flow Orders. Notwithstanding the foregoing, Natural 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 23 in response to adverse operational events on Natural'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 Natural to issue the Operational Flow Order. Natural will issue Operational Flow Orders only if necessary to maintain the pressure of its system within the range of normal operating parameters, respond to changes (including anticipated changes) in weather conditions or respond to or prevent facility outages or other conditions which could have a detrimental impact on system reliability or service integrity on its system. Natural may extend an Operational Flow Order to allow replenishment of market storage after a period of significant withdrawals if necessary to restore market storage fields to normal operating parameters and protect the deliverability of market storage fields, but only to support and protect Natural's firm service obligations. Operational Flow Orders shall be lifted as soon as practicable once such conditions (including the necessary replenishment of storage described in the prior sentence) no longer prevail.

(2) The Operational Flow Order shall identify with specificity the situation to be addressed and shall (in addition to mandating specific actions) indicate voluntary actions by Shippers (withdrawals/injections/increased takes or receipts/decreased takes or receipts, etc.) which would alleviate such situation. Operational Flow Orders shall also specify the time when compliance must be achieved. Such Operational Flow Orders may, subject to Section 23.11, require a Shipper to take any of the following actions, or similar actions, to the extent such actions would tend to alleviate the situation to be addressed:

(i) In the case of a storage Shipper, inject gas into storage in accordance with a schedule ordered by Natural. Injections may be required at any time during the year.

(ii) In the case of a storage Shipper, withdraw gas in accordance with a schedule ordered by Natural. Withdrawals may be required at any time during the year.

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

(iv) Cease or reduce supply inputs into Natural's system or at specific points.

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

(vi) Cease or reduce takes from Natural's system or at specific points.

(vii) Reconcile transportation imbalances.

(viii) Change the storage/supply delivery mix.

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

(3) No Shipper will be required under an Operational Flow Order to exceed its total firm MDQ (less firm DSS, FRSS and/or NSS storage rights, if applicable) under its Agreements with Natural under Part 284 of the Commission's Regulations. Nor will a Shipper be required to accept delivery of gas which the Shipper cannot use in its plant or service territory. Further, a Shipper subject to an Operational Flow Order issued to increase deliveries at

Receipt Points will have the option to decrease takes at Delivery Points by a like amount instead, and vice versa. Similarly, a Shipper subject to an Operational Flow Order issued to decrease deliveries at Receipt Points will have the option to increase takes at Delivery Points by a like amount instead, and vice versa.

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 Natural 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 (such as no-notice services at a point) 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 Natural. Notwithstanding the foregoing, Natural 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 Natural within two (2) Business Days after the notification is tendered to Natural. If a notification is already in effect and Natural reasonably determines that the conditions for such a notification are no longer met, Natural 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, Natural 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, Natural will direct any Operational Flow Order within the scope of the notification to the entity agreeing to take responsibility.

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

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

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

(3) Natural will interrupt interruptible services if that will restore system flexibility prior to issuance of generally applicable Operational Flow

Orders or curtailment of firm services. This step will be taken when Shippers are failing to comply with previously issued Operational Flow Orders or when Natural cannot identify which Shippers are creating the problem.

(c) Notice of an Operational Flow Order will be provided through Electronic Notice Delivery consistent with NAESB Standards as adopted in Section 48 of these General Terms and Conditions and will be posted on the Informational Postings portion of Natural's Interactive Website. Natural 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.). Natural shall provide as much advance warning as possible of: (i) conditions which may create the need to issue an Operational Flow Order; and (ii) the issuance, termination or modification of an Operational Flow Order. Natural will endeavor to provide and post the notice that it will issue an Operational Flow Order before 4:00 p.m. Central Time or otherwise will endeavor to notify Shippers by 4:00 p.m. Central Time that they should check the Informational Postings portion of Natural's Interactive Website again at a specified later time to see whether an Operational Flow Order will be in effect for the next day. In addition, Natural must attempt to give actual notice of an Operational Flow Order via telephone (provided a Shipper has given the numbers to Natural as required in Section 23.1) at least four (4) hours prior to the start of the day before an Operational Flow Order will be effective as to a Shipper. Such notice shall specify the anticipated duration of the Operational Flow Order. An Operational Flow Order will be effective at the start of a day and will continue until the end of the day and through the end of successive days until Natural notifies Shippers that the Operational Flow Order has been lifted.

(d) If any Shipper fails to comply with an Operational Flow Order [other than those described in subsection (e) below] during any period which is not a Critical Time, it shall be subject to a penalty of \$5.00 per Dth times any volume of gas by which it deviated from the requirements of the Operational Flow Order. A Shipper shall be exempt from such a penalty under this Section 23.6 to the extent the Operational Flow Order requires action beyond Shipper's contract limits under its Agreement with Natural or if Shipper has complied within a reasonable range, which range will be specified in the Operational Flow Order.

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

(1) In order to improve system operations, Natural may require a Shipper which has a variance of twenty percent (20%) or more between actual deliveries to Natural at a Receipt Point and the confirmed nomination at that Receipt

Point to conform the deliveries to the confirmed nomination as of the day that commences with the effectiveness of the Operational Flow Order.

(2) Natural may also require Shippers to keep any variances between actual flows and confirmed nominations at all of the Receipt Points or Delivery Points in a Rate Zone under all of a Shipper's Agreements, which are to the detriment of Natural's system, within a ten percent (10%) tolerance. If a Shipper ("Swing Shipper") agrees to keep all other Shippers at a Delivery Point (or, if applicable, a Central Delivery Point) whole with their nominations, such other Shippers' confirmed nominations and actual takes at that point will be included in the total confirmed nominations and the total actual deliveries of the Swing Shipper at all Delivery Points in the Rate Zone for purposes of determining the Swing Shipper's variance.

Shippers that fail to comply with such Operational Flow Orders described in this subsection (e) shall be subject to a penalty of \$10.00 per Dth outside of a ten percent (10%) tolerance.

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

(g) Except as provided in Section 6(d) of Rate Schedule IBS, any Receipt or Delivery Point where the variance between the total confirmed nominations and actual flows is less than 1,000 Dth per day or where Natural does not have either daily metering or access to such information shall be exempt at all times, including during a Critical Time, from Operational Flow Orders requiring that gas flows be conformed to nominations or to some percentage of nominations.

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

### 23.7 CRITICAL TIME

(a) Natural shall advise Shippers on its system if it is declaring a Critical Time, as described in Section 12.5 of these General Terms and Conditions, and shall specify the nature of the situation creating the Critical Time.

(b) Natural may issue Operational Flow Orders as described in Section 23.6 during a Critical Time. Natural will waive (i) injection storage charges under Rate Schedules DSS and NSS for Shippers that provide extra gas to the

system during a Critical Time when there is a need for more gas, and (ii) withdrawal storage charges under Rate Schedules DSS and NSS for Shippers that increase takes from the system during a Critical Time when there is a need to reduce the amount of gas on the system.

(c) The penalty for failure to abide by an Operational Flow Order issued during a Critical Time shall be equal to the volume (in Dth) by which Shipper deviated from the requirement of the Operational Flow Order multiplied by the greater of (i) \$15.00 or (ii) the sum of three hundred percent (300%) of the highest authorized overrun rate which can be applicable to an FTS Agreement on Natural's system pursuant to Section 12 of these General Terms and Conditions plus three hundred percent (300%) of the highest Weekly Index Price used to determine the Average Monthly Index Price (as determined in accordance with Section 13) for the month in which the violation occurred. Additional amounts may be billed pursuant to Section 23.10.

#### 23.8 UNILATERAL ACTION

In the event that the actions under Sections 23.4 through 23.7 are inadequate or there is insufficient time to carry out such procedures, Natural may periodically have to take unilateral action to maintain system pressure and preserve the overall operational integrity of Natural's system (or any portion thereof). Natural is authorized to use all the resources of its system to such ends, through the integrated operation of storage, line pack, and supply received into Natural's system, even though gas may be owned by a person other than the entity receiving delivery. Natural shall not, however, be responsible as a supplier of gas to any Shipper.

#### 23.9 APPLICABILITY OF ACTIONS

(a) In exercising its authority pursuant to Sections 23.4 through 23.8, Natural shall generally direct its actions to Shippers in the following sequence, to the extent such actions and/or sequencing will tend to alleviate the situation to be addressed:

(1) First, to any Shipper which is causing disruption due to its failure to maintain receipts and deliveries in balance or to match physical flows with nominated receipts or deliveries (after taking into account any storage rights of such Shipper);

(2) Second, to any Shipper which has failed or is failing to take action to anticipate a change in demand (i.e., a temperature sensitive LDC or end user failing to respond to changes in weather);



(3) Third, to any Shipper which is operating in a manner which conflicts with sound operational practices in relation to Natural's system; and

(4) Lastly, to all other Shippers.

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

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

#### 23.10 USE OF PENALTY FUNDS

(a) Funds collected during each calendar year from Shippers billed for violations of Operational Flow Orders issued during Critical and non-Critical Times will be subject to the provisions of Section 12.8 of these General Terms and Conditions.

#### 23.11 STANDARDS

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

23.12 LIABILITY

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

**GENERAL TERMS AND CONDITIONS**

24. METHOD OF MEASUREMENT AND MEASUREMENT EQUIPMENT

24.1 UNIT OF VOLUME/FUNDAMENTAL STANDARDS

All quantities referenced in this Tariff, unless otherwise expressly stated, are in terms of Dth. 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, unless otherwise specified herein, be in accordance with the standards prescribed in the 1985 edition of ANSI/API 2530 on "Orifice Metering of Natural Gas" or (at Natural's discretion) any revisions, amendments, or supplements to such standards. Where measurement is by other than an orifice meter, standards commonly accepted in the industry and adopted by Natural shall be used in the determination of all factors involved in the computation of gas volumes. Except as otherwise expressly stated herein, all fundamental constants, observations, records and procedures involved in determining and/or verifying the quantity and other characteristics of natural gas delivered hereunder shall (at Natural's discretion) be in accordance with such standards therefor as are or may hereafter from time to time be approved and recommended by the American Gas Association or such other standards as are commonly accepted in the industry and adopted by Natural.

24.2 BASIS

The measurement hereunder shall be corrected for deviation from Boyle's Law at the pressures and temperatures under which gas is measured hereunder by use of the method specified by AGA Report #3, Third Edition, October 1990, titled "Orifice Metering of Natural Gas and other Related Hydrocarbon Fluids," Part 1 through Part 4, or (at Natural's discretion) any revisions, amendments or supplements to such method.

24.3 DETERMINATION OF HEATING VALUE

(a) At Natural's sole option, the heating value of the gas may be determined by the use of a chromatograph, a continuous gas sampler, or by the taking of gas samples.

(b) If a continuous sampler is installed, then the heating value of the gas so taken shall be applied prospectively to the gas delivered beginning no later than the first of the following month. If gas samples are taken, then the heating value of the sample so taken shall be applied prospectively to the gas delivered

beginning no later than the first of the following month and used until a new sample is taken. When a chromatograph is used to update heating values into an electronic flow computer, either locally or remotely, the average heating value shall be considered as the average heating value recorded by the electronic flow computer. All heating value determinations made with a chromatograph shall use physical constants for gas compounds as outlined in the AGA Report #3, Third Edition, October, 1990 titled "Orifice Metering of Natural Gas" or (at Natural's discretion) any subsequent amendment or revision to such report. If tested against a certified standard sample, the heating value determining device shall be considered correct if it shall check in such test within ten (10) Btu per cubic foot.

#### 24.4 DETERMINATION OF FLOWING TEMPERATURE

The temperature of the gas flowing through the meter or meters shall be determined by the continuous use of a recording thermometer installed so that it will properly record the temperature of the gas flowing through the meter or meters. The temperatures recorded during periods of flow each day shall be used in computing the volumes of gas for that day.

#### 24.5 DETERMINATION OF SPECIFIC GRAVITY

(a) At Natural's sole option, the specific gravity value of the gas may be determined by the use of a chromatograph, by the use of a continuous sampler, or by the taking of gas samples.

(b) If a continuous sampler is installed, the specific gravity value of the gas so taken shall be applied prospectively to the gas delivered beginning no later than the first of the following month. If gas samples are taken, then the specific gravity value of the sample so taken shall be applied prospectively to the gas delivered beginning no later than the first of the following month and used until a new sample is taken. When a chromatograph is used to update specific gravity values into an electronic flow computer, either locally or remotely, the average specific gravity value shall be considered as the average specific gravity value recorded by the electronic flow computer. All specific gravity value determinations made with a chromatograph shall use physical constants for gas compounds as outlined in the AGA Report #3, Third Edition, October, 1990 titled "Orifice Metering of Natural Gas" or (at Natural's discretion) any subsequent amendments or revisions to such report. If tested against a certified standard sample, the specific gravity determining device shall be considered correct if it shall check in such test within ten points in the third decimal place (0.010).

#### 24.6 MEASUREMENT EQUIPMENT

(a) Unless otherwise agreed, Natural shall be the measuring party and Natural shall operate and maintain in satisfactory working order and condition at each Receipt Point and Delivery Point a measuring and regulating station with such meters, gauges, and other equipment as will make possible the determination of the daily quantities of natural gas delivered hereunder. The measuring stations shall be equipped with orifice meter runs, orifice meter gauges, recording gauges, or other types of meter or meters of standard make and design, commonly acceptable in the industry, so as to accomplish the accurate measurement of gas delivered hereunder. At Natural's sole option, a computer, transducers and other associated sensing devices may be installed to accomplish the accurate measurement of gas delivered hereunder in place of orifice meter gauges.

(b) If Natural is not the measuring party, Shipper agrees to comply, or to cause a third party which is the measuring party to comply, with all applicable provisions of this Section 24.

#### 24.7 CALIBRATION AND TESTS OF METERS

Chromatographs, if used, shall be calibrated by the measuring party at least weekly against a certified standard gas sample. Other measuring equipment shall be calibrated quarterly unless experience dictates otherwise. The other party may, at its option, be present for such calibration and adjustment. For the purpose of measurement and meter calibration, the atmospheric pressure shall be derived from the Smithsonian Meteorological Tables based on the elevation of the meter at the place of measurement, irrespective of variations in natural atmospheric pressure from time to time. The measuring party shall give the other party notice of the time of all tests sufficiently in advance of conducting the same so that both parties may conveniently have their representatives present. The other party at its sole expense, and subject to the work requirements of the measuring party, may request interim calibration or testing. Following any test, any measuring equipment found to be inaccurate to any degree shall be adjusted immediately to measure accurately.

#### 24.8 ACCESS TO METERS, CHARTS AND RECORDS

The other party shall have access at all reasonable times to the measuring equipment and all other instruments used by the measuring party in determining the measurement and quality of the gas delivered under the Agreement, but the reading, calibrating, and adjusting thereof shall be done only by employees, agents or representatives of the measuring party. The charts and records shall be kept on file by the measuring party, for mutual use of the parties hereto, for a

minimum period of the greater of: (1) the period during which billings are subject to correction under these General Terms and Conditions; or (2) such retention period as is required by applicable governmental regulation. The measuring party shall, upon request, submit to the other party records and charts from such equipment, subject to return by that party within thirty (30) days after receipt thereof. If Natural is not the measuring party, Shipper shall provide, or arrange for Natural to have, access to such data.

#### 24.9 CORRECTION OF ERRORS

If, in the aggregate, measurement errors for a meter are found to be inaccurate by more than the greater of two percent (2%) or 500 Dth per day, registration thereof and any payments based upon such registration shall be corrected at the rate of such inaccuracy for any period of inaccuracy which is definitely known or agreed upon, but not to exceed the twelve (12) months prior to the current gas month, but in case the period of inaccuracy is not definitely known or agreed upon, then for a period extending back one-half (1/2) of the time elapsed since the last day of calibration, but not to exceed forty-five (45) days. Except where there is a deliberate omission or misrepresentation or mutual mistake of fact, measurement data corrections will be processed within six (6) months of the production month with a three (3) month rebuttal period (recognizing that the parties' other statutory or contractual rights shall not otherwise be diminished by this sentence). 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.

#### 24.10 FAILURE OF METERS

If for any reason the measuring equipment is out of service or out of repair so that the quantity of gas delivered through such measuring equipment cannot be ascertained or computed from the readings thereof, the quantity of gas so delivered during the period such equipment is out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best available data, using the first of the following methods which is feasible:

- (a) By using the registration of any duplicate measuring equipment installed by either party if installed and registering correctly;
- (b) By correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation;

(c) By estimating the quantity of deliveries by deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

#### **24.11 CHECK MEASURING EQUIPMENT**

(a) Either party may install, maintain and operate at its own expense, at or near each Receipt Point or Delivery Point, such check measuring equipment as desired, provided that such equipment is installed so as not to interfere with the operation of any other measuring equipment.

(b) Whenever any point is on premises of the delivering party, the receiving party shall have the right of free use and ingress and egress at all reasonable times for the purpose of installation, operation, repair, or removal of such check measuring equipment.

(c) In the event check measuring equipment is installed by either party, the other party shall have access to the same at all reasonable times, but the reading, calibration and adjusting thereof and the changing of charts shall be done only by the party installing the checking equipment.

**GENERAL TERMS AND CONDITIONS**

**25. PRESSURE AND DELIVERY CONDITIONS**

**25.1 RECEIPT POINT PRESSURE**

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

**25.2 DELIVERY POINT PRESSURE**

Unless otherwise agreed in writing by Natural and Shipper, Natural shall deliver natural gas to Shipper at the Delivery Point at the pressure available in Natural's pipeline at such point. Such pressure shall not be less than three hundred (300) pounds per square inch gauge unless Natural and Shipper agree on a different minimum pressure.

**25.3 OPERATIONAL CONDITIONS**

Natural shall not be required to install additional compression or alter the ordinary operation of its compressors to receive gas into its pipeline under any Agreement or to transport and deliver such gas, or to lower its system operating pressure, alter the direction of gas flow, the gas load, or other operation or utilization of its facilities or otherwise change its normal pipeline operations in order to receive, transport or deliver gas under any Agreement. At each Receipt Point, Shipper shall provide, or cause to be provided, equipment acceptable to Natural which will prevent overpressuring Natural's pipeline.



**GENERAL TERMS AND CONDITIONS**

26. QUALITY

26.1 SPECIFICATIONS

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

(a) OXYGEN

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

(b) HYDROGEN SULFIDE

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

(c) MERCAPTANS

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

(d) TOTAL SULFUR

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

(e) CARBON DIOXIDE

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

(f) LIQUIDS

The gas shall be free of water and hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered. In addition, the gas shall not contain any hydrocarbons which might condense to free liquids in the pipeline

under normal pipeline conditions and shall in no event contain water vapor in excess of seven (7) pounds per one million (1,000,000) cubic feet.

(g) DUST, GUM AND SOLID MATTER

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

(h) HYDROCARBON DEWPOINT

(1) Natural may, from time to time, as operationally necessary, establish and post on the Informational Postings portion of its Interactive Website an upper limit on the dewpoint for receipts on specified segments or other specified locations on its system to prevent hydrocarbon fallout, consistent with Section 26.1(f) hereof. Natural will include in such posting the anticipated duration of the limitation. Points with an actual flow of 100 Dth/d or less will be exempt from the limitation in any such posting. Natural will provide as much prior notice of any such limitation as reasonably practicable and will attempt to provide this prior notice in the posting at least ten (10) Days before the beginning of the month in which the limitation is to be effective. If prior notice by posting at least ten (10) Days before the beginning of the month is not practicable, Natural will explain the reason in the posting why it was unable to give such prior notice.

(2) Notwithstanding the foregoing, Natural may not decline to accept gas based on its dewpoint if the dewpoint of that gas is equal to or less than fifteen degrees Fahrenheit (15 F.) In addition, Natural shall continuously post "safe harbor" dewpoint values based on operational and engineering considerations and shall make any changes in these "safe harbor" values effective no sooner than 30 days after the revised "safe harbor" values have been posted. Natural may not decline to accept gas which conforms to such posted "safe harbor" values if the gas meets the other quality standards set out in this Section 26. No such posting may set out a dewpoint "safe harbor" of less than fifteen degrees Fahrenheit (15 F).

(3) Where any posting of a limitation under Section 26.1(h)(1) includes a dewpoint limitation, Natural will calculate the dewpoint at any point of receipt into Natural's system affected by the posting on request of the operator of that point or any producer, purchaser, supply aggregator or Shipper with gas being tendered at that point.

(4) Natural shall post on its Interactive Website, within twenty-four (24) hours after making the calculations, the following: every receipt point dewpoint value Natural calculates, along with the method by which the dewpoint was

calculated; and every blended dewpoint Natural calculates for a line segment of its system.

(i) BTU VALUE

(1) Gas delivered to Natural or by Natural shall contain a daily, monthly and yearly average Btu Value of not less than nine hundred fifty (950) Btus per cubic foot. Natural may, from time to time, establish and post on the Informational Postings portion of its Interactive Website an upper Btu value limit for receipts on specified segments or other specified locations on its system to assure that gas will be accepted for delivery into interconnects with interstate and intrastate pipelines, plants, end-users or directly connected local distribution companies, consistent with the delivery requirement set out in subsection (3) below. Natural will include in any such posting the anticipated duration of the limitation. Points with an actual flow of 100 Dth/d or less will be exempt from the limitation in any such posting. Natural will provide as much prior notice of any such limitation as reasonably practicable and will attempt to provide this prior notice in the posting at least ten (10) Days before the beginning of the month in which the limitation is to be effective. If prior notice by posting at least ten (10) Days before the beginning of the month is not practicable, Natural will explain the reason in the posting why it was unable to give such prior notice.

(2) Notwithstanding the foregoing, except under an Operational Flow Order, Natural may not decline to accept gas based on its Btu Value if the Btu Value of the gas is equal to or less than: (i) 1,110 Btus per cubic foot, for gas receipts in the Permian, Midcontinent, South Texas, TexOk, and Louisiana Receipt Zones; and (ii) 1,065 Btus per cubic foot for gas receipts in the Amarillo Mainline, Gulf Coast Mainline and the Iowa-Illinois Market Receipt Zones.

(3) Except as otherwise agreed with the downstream entity receiving the gas, Natural will deliver gas with a Btu Value of not greater than 1,065 Btus per cubic foot in the Iowa-Illinois Receipt Zone, and not greater than 1,110 Btus per cubic foot in all other Receipt Zones.

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

(j) TEMPERATURE

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

(k) HYDROGEN

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

(l) HEAVIER HYDROCARBONS

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

(m) INERT GASES

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

(n) WOBBE

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

$$\text{HHV} / (\text{Sqrt SG}_{\text{gas}})$$

Where:

HHV = Higher Heating Value (Btu/scf)

SG<sub>gas</sub> = Specific Gravity

Sqrt = Square Root of

The gas shall have a Wobbe Index of not greater than 1,400 for gas received in the South Texas Zone, the Louisiana Zone, and in Segment 25 of the Texok Zone, 1,380 maximum Wobbe Index limit for receipts into the remaining parts of its system, and not less than 1,274.

## 26.2 TOXIC HAZARDOUS SUBSTANCES

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

## 26.3 NON-CONFORMING GAS

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

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

## 26.4 POSTING OF GAS QUALITY INFORMATION

Natural posts information on gas quality on its system as described in Section 17.1(a) of these General Terms and Conditions.

**GENERAL TERMS AND CONDITIONS**

27. FORCE MAJEURE

27.1 EFFECT OF FORCE MAJEURE

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

27.2 DEFINITION OF FORCE MAJEURE

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

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

**GENERAL TERMS AND CONDITIONS**

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

Shipper warrants that it will at the time of delivery to Natural have good title to all gas so delivered free and clear of all liens, encumbrances and claims whatsoever. As between Shipper and Natural, Shipper shall be deemed to be in control and possession of gas and responsible therefor and shall hold Natural harmless of and from any damage or injury caused thereby until the gas shall have been delivered to Natural at the Receipt Point(s), after which Natural 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 Natural shall be responsible therefor and hold Shipper harmless of and from any damage or injury caused thereby. Natural 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 Natural. Shipper shall have no responsibility with respect to said gas after its receipt by Natural 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 Natural and Shipper, or their respective agents, at the Receipt or Delivery Point(s), as applicable. The foregoing provisions of this Section shall not relieve either party from responsibility for acts of gross negligence or willful misconduct of such party, its agents or employees.

**GENERAL TERMS AND CONDITIONS**

29. NOTIFICATION

29.1 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, or Electronic Notice Delivery consistent with NAESB Standards as adopted in Section 48 of these General Terms and Conditions. Such delivery shall: (1) be sent to Natural at the address specified in the Agreement, or through such electronic means as are available and authorized by Natural, or at an address otherwise stated in a notice by Natural to Shipper; and (2) be sent to Shipper at the address in the Agreement, through Electronic Notice Delivery or at an address otherwise stated in a notice by Shipper to Natural.

29.2 NOTIFICATION PROCEDURES

(a) PRICING

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

(3) Shippers desiring a rate under any Agreement other than the maximum rate on file with the FERC are required to submit such requests in writing or by electronic medium to the Director, Transportation/Storage Services, in Houston. Any lower rate agreed to by Natural 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 Natural may from time to time contact Shippers by telephone, to the extent consistent with Section 5.1(e) of these General Terms and Conditions. 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 Section 5.1(e) of these General Terms and Conditions and of the applicable firm Rate Schedule.

(2) Capacity available for interruptible services is communicated to holders of interruptible Agreements by representatives of Natural in response to the Shippers' nominations for service. The general availability of interruptible capacity is communicated by the Informational Postings portion of Natural's Interactive Website system, which is described in Section 17 of these General Terms and Conditions.

(3) When available capacity is affected by construction projects or unforeseen conditions, Natural communicates such information primarily via its Interactive Website (and primarily by posting on the Informational Postings portion thereof) to its Shippers. Natural also uses letters or telephone calls to communicate capacity information when such means are appropriate.

## GENERAL TERMS AND CONDITIONS

### 30. FACILITIES/OBLIGATION TO CARRY OUT AGREEMENT/FILINGS

#### 30.1 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 Natural and Shipper or the operator of a point. To the extent that Shipper builds facilities to interconnect with Natural'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 Natural.

#### 30.2 OBLIGATIONS TO CARRY OUT AGREEMENT

Other provisions of an Agreement notwithstanding, Natural shall be under no obligation to commence service thereunder unless and until: (1) all facilities, of whatever nature, as are required to permit (as applicable) the receipt, measurement, transportation, storage, and delivery of natural gas under the Agreement have been installed and are in operating condition; (2) any payments due Natural thereunder have been received; and (3) Natural has, in its reasonable discretion, determined that such service is authorized under all applicable Regulations.

#### 30.3 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 hereunder and/or in the information provided pursuant to this Section. Each party shall promptly provide the other party with a copy of all filings, notices, approvals, and authorizations in the course of the prosecution of its filings.

**GENERAL TERMS AND CONDITIONS**

**31. INDEMNIFICATION**

**31.1 GENERAL**

Shipper will indemnify and hold Natural 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. Natural 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.

**31.2 ELIGIBILITY FOR SERVICE**

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

**GENERAL TERMS AND CONDITIONS**

**32. SUCCESSORS AND ASSIGNS**

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

**GENERAL TERMS AND CONDITIONS**

**33. REGULATION**

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

**GENERAL TERMS AND CONDITIONS**

34. SALES BY NATURAL'S MERCHANT DIVISION

34.1 GENERAL

Any sale made by Natural shall be pursuant to this Section and to a blanket certificate issued by the Commission. Sales by Natural shall be subject to any conditions imposed by the Commission in authorizing, and to any Commission Rules and Regulations applicable to, such blanket certificate. This Section shall not apply to any gas sales made by any affiliate of Natural.

34.2 SEPARATION OF FUNCTIONS

(a) Natural does not anticipate that any Merchant Division will be formed, but if it is, the Merchant Division shall be separate from Natural's Transportation Division, which markets and implements transportation and storage services. The Merchant Division, if any, shall be treated as a marketing affiliate for the purposes of the requirements of Order Nos. 497, et seq., as such requirements may be in effect from time to time. Natural's Transportation Division shall not afford Natural's Merchant Division, if any, any preference or favorable treatment vis a vis any other Shipper similarly situated in any dealings between the two divisions. Natural's Transportation Division shall provide services of equal quality to all Shippers, consistent with the applicable Rate Schedule, without regard to whether gas was purchased from Natural's Merchant Division or from another entity. Natural's Transportation Division shall disclose to non-affiliated suppliers and Shippers non-public operating data available to personnel in Natural's Merchant Division (if any). Unless otherwise indicated or required by the context, references in this Tariff to "Natural" shall encompass only Natural's Transportation Division.

(b) Natural's Merchant Division, if any, may not hold capacity on Natural's system or on any upstream pipeline which interconnects with Natural; provided, however, that Natural's Merchant Division, if any, is not precluded from holding capacity on such an upstream system for the movement of gas which does not enter Natural's system.

(c) Natural's Transportation Division is not providing a supply service under any Rate Schedule of this Tariff but may buy and sell gas in connection with the providing of storage and transportation services. Without limitation of the foregoing, Natural may buy and sell gas to the extent necessary to

maintain system pressure, to manage system storage, to replenish any storage retained by Natural's Transportation Division for system operations, to provide adequate storage inventory to support storage services except to the extent the Shipper is responsible for such inventory, to maintain line pack and provide additional line pack for new facilities, to implement the cashout procedures under Section 13 of these General Terms and Conditions, and to perform other functions of Natural's Transportation Division in connection with transportation and storage services. Such sales are authorized pursuant to Natural's blanket sales certificate. Nothing herein shall impose on Natural's Transportation Division any obligation to provide a supply function to any of its transportation or storage Shippers; provided, however, that Natural may rely on system storage and line pack to provide instantaneous receipt and delivery and tolerances as applicable under the particular Rate Schedule.

### 34.3 MERCHANT DIVISION SALES

(a) Except as provided in subsection (b) of this Section 34.3, all terms and conditions of any sales service provided by Natural's Merchant Division, if any, including the level, form and billing of rates and any quantity entitlements, delivery obligations and take obligations, shall be negotiated between Natural and the gas purchaser, and shall be and remain confidential as between Natural's Merchant Division and its purchasers.

(b) Curtailment of gas sales by Natural's Merchant Division, if any, shall be consistent with Section 34.5 and the point of any sale by Natural's Merchant Division shall be consistent with Section 34.4(a).

### 34.4 POINT OF SALE

(a) Gas sales by Natural's Merchant Division (if any) may be made at any point not on Natural's system (i.e., at points on other pipeline systems), or at any point at which gas first enters any facilities owned by Natural. Points where gas first enters Natural's facilities will be listed in the Catalog of Points on the Informational Postings portion of Natural's Interactive Website. Subject to the foregoing, the specific sales point(s) for any particular sale by Natural's Merchant Division and the allocation of purchase volumes among multiple points shall be negotiated between Natural's Merchant Division and its purchasers.

(b) Gas sales by Natural's Transportation Division for operational purposes only may be made at any point at which gas first enters facilities owned by Natural, at any pooling point and at any zone storage point. Such sales may include in-field storage transfers in accordance with Section 9 of these General Terms and Conditions. Unless the point of sale is otherwise restricted under another provision of

this Section, the point of sale for any other sale by Natural must be at a point not on Natural's system (i.e., at points on other pipeline systems) or at any point where gas first enters any facilities owned by Natural.

#### 34.5 CURTAILMENT

(a) Sales by Natural's Merchant Division, if any, may be curtailed for supply-related shortages or due to conditions of Force Majeure or routine maintenance on facilities upstream of the sales points or for other reasons as set out in the sales agreement between Natural's Merchant Division and the purchaser. As used in this Section 34, Force Majeure shall have the same meaning as is set out in Section 27 of these General Terms and Conditions. Without limitation of the foregoing, Force Majeure shall include Force Majeure on the part of any necessary entity upstream of the point of sale.

(b) Capacity curtailment associated with transportation or storage of gas sold by Natural's Merchant Division, if any, shall be determined under the applicable Rate Schedule. Natural's Transportation Division shall not afford any preference or favorable treatment to any arrangement for the movement or storage of gas purchased from Natural's Merchant Division, if any, regardless of the identity of the Shipper.

#### 34.6 AGENCY

(a) Natural's Merchant Division (if any exists) may, but is not obligated to, act as agent for any Shipper with respect to any transportation or storage Agreement between such Shipper and Natural's Transportation Division. Natural's Merchant Division (if any) must comply with the provisions of Natural's Tariff governing delegation and agency in the same manner as any other entity similarly situated. Natural's Transportation Division may not afford the Merchant Division (if any), acting in such agency capacity, any preference or favorable treatment vis a vis any other entity which is eligible to act, and has been requested to act, as agent under Natural's Tariff.

(b) The terms and conditions of any such agency relationship, including any fee assessed for such service, shall be negotiated between Natural's Merchant Division (if any) and the entity designating it as agent.

#### 34.7 ABANDONMENT

Natural's Merchant Division, if any, is authorized to abandon any sale upon termination of the sales agreement. Natural's Transportation Division is



authorized to abandon any sale identified in Section 34.2(c) upon termination of the sales agreement.

**GENERAL TERMS AND CONDITIONS**

35. SHIPPER COMPLAINT PROCEDURE

35.1 COMPLAINT PROCEDURE

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

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

(b) The Vice President, or his designee, shall acknowledge the receipt of the complaint within forty-eight (48) hours of receipt. If appropriate, Natural'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, Natural 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.

**GENERAL TERMS AND CONDITIONS**

36. RESERVED FOR FUTURE USE

**GENERAL TERMS AND CONDITIONS**

**37. LATERAL LINE CHARGE**

Any Buyer under Rate Schedule DMQ-1 or G-1 which was paying a charge under Rate Schedule F-1 as of November 30, 1993 in connection with construction by Natural of sales laterals shall continue to pay such a charge in accordance with the provisions of Rate Schedule F-1 as they existed on November 30, 1993. Such charges shall be revised and shall terminate in the same manner as if Rate Schedule F-1 had remained in effect. The applicable charges in effect from time to time shall be set out on the Currently Effective Rates section of Natural's Tariff.

**GENERAL TERMS AND CONDITIONS**

38. RESERVED FOR FUTURE USE

**GENERAL TERMS AND CONDITIONS**

39. RESERVED FOR FUTURE USE

**GENERAL TERMS AND CONDITIONS**

40. ANNUAL CHARGES ADJUSTMENT CHARGE

40.1 PURPOSE

This Section of the General Terms and Conditions is filed pursuant to Section 154.402 and Part 382 (Subpart B) of the Federal Energy Regulatory 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 Natural 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. Natural 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, Natural will collect an ACA unit charge, as calculated by the Commission, for the purpose of recovering its ACA cost. This Section establishes an ACA charge as set forth in the Currently Effective Rates section of this Tariff.

40.2 APPLICABILITY

The ACA charge shall be applicable to all transportation transactions performed by Natural, including all transportation performed pursuant to X-Schedules in Natural's FERC Gas Tariff, Volume No. 2.

40.3 BASIS OF THE ACA CHARGE

The rates for all transactions specified in Section 40.2 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 <sup>1/</sup>, is incorporated by reference into Natural's FERC Gas Tariff, Volume No. 1. The ACA unit charge shall be applied to the commodity component of rates.

40.4 EFFECTIVE DATE OF CHARGE

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

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1/ Natural 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.

**GENERAL TERMS AND CONDITIONS**

41. RESEARCH, DEVELOPMENT AND DEMONSTRATION ADJUSTMENT

Periodically, rates and charges under Natural's Tariff shall be adjusted to reflect changes in Natural's expenditures for research, development and demonstration (RD&D); provided, however, such adjustment shall not include funding payments to Gas Research Institute (GRI) that are to be recovered by Natural under the provisions of Section 39 of these General Terms and Conditions. The expenditures recoverable under this Section shall include both expenditures chargeable to operations as well as expenditures includible in rate base.

41.1 PROCEDURES FOR COMPUTATION OF ADJUSTMENT

The Research, Development and Demonstration Adjustment (RD&D Adjustment) shall be reflected in rates only when it amounts to at least \$0.0001 per Dth of annual jurisdictional services. The RD&D Adjustment shall be applied to the commodity component of all applicable rates and shall maintain the then existing rate design relationships among the rates and charges under affected Rate Schedules.

(a) RESEARCH, DEVELOPMENT AND DEMONSTRATION  
CHARGEABLE TO OPERATIONS

Except for expenditures as to which approval has been granted pursuant to Section 154.401 of the Commission's Regulations under the Natural Gas Act, Natural's RD&D Adjustment for expenditures chargeable to operations shall reflect the amount by which actual RD&D expenditures chargeable to operations during the twelve (12) month period ending three (3) months prior to the effective date of the RD&D Adjustment exceed or are less than the actual RD&D expenditures in Natural's last RD&D Adjustment under this Section.

(b) RESEARCH, DEVELOPMENT AND DEMONSTRATION  
INCLUDIBLE IN RATE BASE

The RD&D Adjustment shall reflect the amount by which the actual balances in Account 188 during the twelve (12) month period ending three (3) months prior to the effective date of the RD&D Adjustment exceed or are less than the balances in Account 188 included in Natural's last prior RD&D Adjustment under this Section. For the purpose of the computation under this subsection (b), Natural shall reduce the balance in Account 188 by all monies recorded in Account 495 applicable to the RD&D expenditures, and shall increase or reduce such account



balance, as appropriate, by the deferred income taxes in Account 283 applicable to RD&D expenditures. The rate of return used to determine the rate effect of the rate base treatment of the balance in Account 188 shall be the rate of return last allowed by the Commission during the previous three year period. If there has been no such rate of return allowed during the previous three-year period, then, in the absence of evidence submitted to the contrary, the return utilized shall be the present interest rate used for computing refunds as specified in Section 154.501(d) of the Commission's Regulations under the Natural Gas Act.

#### 41.2 PROCEDURE FOR FILING

(a) Rate changes under this Section shall be computed and filed not more frequently than semiannually. Any filing made hereunder to increase Natural's rates shall meet the notice requirements of Section 154.207 of the Commission's Regulations and shall be made at least forty-five (45) days prior to the date on which any change(s) in Natural's existing rates is to become effective. Simultaneously with such filing, Natural shall furnish to the Commission, jurisdictional customers, and interested State Commissions a report containing detailed computations which clearly show the derivation of the proposed RD&D Adjustment. The effect upon jurisdictional rates shall be determined by computing the unit change (either an increase or a decrease) based upon volumes of jurisdictional services for the twelve (12) month period ending three (3) months prior to the effective date of such RD&D Adjustment.

(b) Filings made under this Section shall include a statement as to the anticipated scope and objective of the RD&D and the relationship of such objective to the service for which the RD&D Adjustment is to apply.

(c) Each RD&D Adjustment shall become effective on the proposed effective date without suspension; provided that, except in the case of rate adjustments based on expenditures approval pursuant to Section 154.401 of the Regulations, any rate increase shall be subject to reduction and to refund of any portion found after hearing to be unjustified by a final and non-appealable Commission order.

(d) Natural shall not be required to reduce its rates under this Section by an increment exceeding the aggregate increases allowed hereunder.

**GENERAL TERMS AND CONDITIONS**

42. RESERVED FOR FUTURE USE.

**GENERAL TERMS AND CONDITIONS**

43. REPORTS

Natural's Merchant Division (if any) or Transportation Division, as applicable, shall file such reports of jurisdictional gas sales, storage, transportation or other activity as may be required by the FERC or other governmental agencies. Shippers shall cooperate by providing Natural on a timely basis with such information as may be required by Natural from Shipper to prepare such reports.

**GENERAL TERMS AND CONDITIONS**

44. WAIVERS

Natural may waive any of its rights or any obligations of Shipper under this Tariff on a basis which is not unduly discriminatory; provided that no waiver shall operate or be construed as a waiver of other or future rights or obligations, whether of a like or different character.

**GENERAL TERMS AND CONDITIONS**

45. RESERVED FOR FUTURE USE

**GENERAL TERMS AND CONDITIONS**

46. GATHERING AFFILIATES

46.1 Natural will provide nondiscriminatory access to all sources of supply in accordance with Part 284 of the Commission's Regulations and the provisions of this Tariff, and will not give Shippers who also are receiving service from any of Natural's gathering affiliates undue preference over Shippers receiving services from nonaffiliated gatherers or over other Shippers in scheduling, transportation, storage or curtailment priority.

46.2 Natural will not condition or tie its agreement to provide transportation service to an agreement by a producer, customer, end-user, or Shipper relating to (a) any service by any gathering affiliate of Natural, (b) any services by Natural on behalf of any of its gathering affiliates, or (c) any services in which any of Natural's gathering affiliates are involved.

**GENERAL TERMS AND CONDITIONS**

47. RESERVED FOR FUTURE USE

GENERAL TERMS AND CONDITIONS

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

48.1 Natural has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ, Version 3.2, which are required by the Commission in 18 CFR, Section 284.12(a), as indicated below. Standards without accompanying identification or notation are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

48.2 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, Natural 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 Natural includes appropriate citations in the submission.

Natural has elected to reproduce only the following Business Practices and Electronic Communications Standards, NAESB WGQ Version 3.2, that are protected by NAESB's copyright. With respect to each reproduced standard, Natural incorporates the following: Copyright 1996-2017 North American Energy Standards Board, Inc., all rights reserved (including minor corrections).

48.3 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	Part 6.5 - Priority of Service, 2.0.0	5.12(a)(2)(i) - Deterioration of Credit
0.3.4	Part 6.5 - Priority of Service, 2.0.0	5.12(a)(2)(ii) - Deterioration of Credit
0.3.5	Part 6.5 - Priority of Service, 2.0.0	5.12(a)(2)(iii) - Deterioration of Credit
0.3.6	Part 6.5 - Priority of Service, 2.0.0	5.12(a)(2)(iv) - Deterioration of Credit
0.3.7	Part 6.16 - Evaluation of Credit, 1.0.0	16(a)(8) - Evaluation of Credit
0.3.8	Part 6.5 - Priority of Service, 2.0.0	5.12(c) - Deterioration of Credit
0.3.9	Part 6.5 - Priority of Service, 2.0.0	5.12(c) - Deterioration of Credit
0.3.10	Part 6.16 - Evaluation of Credit, 1.0.0	16(a)(8) - Evaluation of Credit
1.2.4	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.6(a) - Intraday Nominations
1.2.12	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.5(c)(iii) - Confirmation by Natural
1.3.1	Part 6.1 - Definitions, 2.0.0	1.3 - Day or Gas Day
1.3.2(i-vi)	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.2(a)-(e) - Standard Nomination Cycles
1.3.3	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.7 - End-of-Gas-Day Scheduled Quantity Document
1.3.4	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.1(a) - General
1.3.5	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.1(a) - General
1.3.6	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.3(c) - Timely Nominations
1.3.7	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.1(a) - General
1.3.8	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.6(b) - Intraday Nominations
1.3.13	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.6(g) - Intraday Nominations
1.3.14	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.1(d) - General
1.3.19	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.8 - Overrun Quantities
1.3.21	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.1(c) - General
1.3.22	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.5(c) - Confirmation by Natural
1.3.23	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.11 - Nomination Priorities
1.3.26	Part 6.23 - Operational Control, 0.0.0	23.4 - Operational Control Sequence
1.3.32	Part 6.8 - Nomination/Reporting and Balancing, 3.0.0	8.6(d) - Intraday Nominations
2.2.1	Part 6.1 - Definitions, 2.0.0	1.16 - Operational Balancing Agreement
2.3.3	Part 6.10 - Determination of Daily Receipts, 1.0.0	10.2 - Determination of Daily Receipts
2.3.5	Part 6.10 - Determination of Daily Receipts, 1.0.0	10.2 - Determination of Daily Receipts
2.3.5	Part 6.11 - Determination of Deliveries, 1.0.0	11.1 - Predetermined Allocations
2.3.6	Part 6.10 - Determination of Daily Receipts, 1.0.0	10.2 - Determination of Daily Receipts
2.3.6	Part 6.11 - Determination of Deliveries, 1.0.0	11.1 - Predetermined Allocations
2.3.9	Part 6.1 - Definitions, 2.0.0	1.20 - Standard Reporting Basis



2.3.10	Part 6.1 - Definitions, 2.0.0	1.10 - Heating Value
2.3.14	Part 6.24 - Method of Measurement and Measurement Equipment, 1.0.0	24.9 - Correction of Errors
2.3.16	Part 6.11 - Determination of Deliveries, 1.0.0	11.1 - Predetermined Allocations
2.3.17	Part 6.10 - Determination of Daily Receipts, 1.0.0	10.1 - Determination of Daily Receipts
2.3.17	Part 6.10 - Determination of Daily Receipts, 1.0.0	10.2 - Determination of Daily Receipts
2.3.17	Part 6.11 - Determination of Deliveries, 1.0.0	11.1 - Predetermined Allocations
2.3.18	Part 6.10 - Determination of Daily Receipts, 1.0.0	10.2 - Determination of Daily Receipts
2.3.18	Part 6.11 - Determination of Deliveries, 1.0.0	11.1 - Predetermined Allocations
2.3.18	Part 6.11 - Determination of Deliveries, 1.0.0	11.2 - Default Allocation of Deliveries
2.3.26	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.5(a) - Adjustment of Errors
2.3.28	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.3 - Imbalance Statement
3.2.1	Part 6.1 - Definitions, 1.0.0	1.2 - Business Day
3.3.9	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.1 - Statement and Invoices
3.3.14	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.1 - Statement and Invoices
3.3.14	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.3 - Imbalance Statement
3.3.15	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.5(b) - Adjustment of Errors
3.3.17	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.4 - Payment
3.3.18	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.4 - Payment
3.3.19	Part 6.15 - Statements, Billing, Payment, Penalties & Discount Policy, 1.0.0	15.4 - Payment
4.3.89	Part 6.17 - Interactive Website, 2.0.0	17.1(a)(1) - Web Site Description
4.3.90	Part 6.17 - Interactive Website, 2.0.0	17.1(a)(2) - Web Site Description
4.3.91	Part 6.17 - Interactive Website, 2.0.0	17.1(a)(3) - Web Site Description
4.3.92	Part 6.17 - Interactive Website, 2.0.0	17.1(a)(3) - Web Site Description
5.3.1	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.1(b) - General
5.3.2	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.1(c) - General
5.3.3	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.5(a) - Capacity Release Requirements
5.3.4	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.10(c) - Bid Evaluation Procedure
5.3.5	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.13(a) - Billing
5.3.8	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.3(c) - Release Without a Prearranged Shipper
5.3.8	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.4(b)(3) - Prearranged Release
5.3.8	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.5(g) - Capacity Release Requirements
5.3.11	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.11 - Confirmations; Released Firm Transportation Agreement
5.3.14	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.5(h) - Capacity Release Requirements
5.3.15	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.8(e) - Qualified Bids for Released Capacity Rights
5.3.16	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.5(h) - Capacity Release Requirements
5.3.19	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.5(j) - Capacity Release Requirements
5.3.25	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.7(c) - Postings; Open Season
5.3.26	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.3(j) - Release Without a Prearranged Shipper
5.3.26	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.4(i) - Prearranged Release
5.3.28	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.3(b) - Release Without a Prearranged Shipper
5.3.28	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.4(b)(1) - Prearranged Release
5.3.44	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(b) - Recall Nomination Timeline
5.3.45	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(b)(6) - (Recall) Other

5.3.46	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(c)(1) - Methods of Notification
5.3.47	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(c)(1) - Methods of Notification
5.3.48	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(c)(2) - Methods of Notification
5.3.49	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(c)(3) - Methods of Notification
5.3.50	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(a) - Recalling Capacity - General
5.3.51	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(a) - Recalling Capacity - General
5.3.52	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(c)(1) - Methods of Notification
5.3.53	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(e) - Reputs
5.3.55	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(d) - Quantity Allocation
5.3.56	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(d) - Quantity Allocation
5.3.57	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(d) - Quantity Allocation
5.3.58	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.14(d) - Quantity Allocation
5.3.59	Part 6.19 - General Terms and Conditions - Part 19, 3.0.0	19.15(a) - Qualification for Participation in the Capacity Release Program

48.4 Standards Incorporated by Reference:

(a) Additional Standards

(1) General:

(A) Definitions: 0.2.5

(B) Standards: 0.3.1, 0.3.2, 0.3.16, 0.3.17

(2) Creditworthiness:

(A) Standards:

(3) Gas/Electric Operational Communications:

(A) Definitions: 0.2.1, 0.2.2, 0.2.3, 0.2.4

(B) Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

(4) Operating Capacity and Unsubscribed:

(A) Standards: 0.3.18, 0.3.20, 0.3.21, 0.3.22

(B) Datasets: 0.4.2, 0.4.3

(5) Location Data Downloads:

(A) Standards: 0.3.23, 0.3.24, 0.3.25, 0.3.26, 0.3.27, 0.3.28, 0.3.29

(B) Datasets: 0.4.4

(6) Storage Information:

(A) Datasets: 0.4.1

(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: 1.3.9, 1.3.11, 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

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

(8) Flowing Gas Related Standards:

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

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

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

(9) Invoicing Related Standards:

(A) Definitions:

(B) Standards: 3.3.3, 3.3.4, 3.3.5, 3.3.6, 3.3.7, 3.3.8, 3.3.10, 3.3.11, 3.3.12, 3.3.13, 3.3.16, 3.3.21, 3.3.22, 3.3.23, 3.3.24, 3.3.25, 3.3.26, 3.3.27

(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, 4.3.62, 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, 4.3.84, 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, 4.3.107, 4.3.108, 4.3.109, 4.3.110

(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, 10.2.39

(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, 10.3.28, 10.3.29

48.5 Standards for Which Waiver or Extension of Time to Comply have been Granted:

NAESB Standard	Waiver or Extension of Time
0.4.1	Extension of Time (for EDI Implementation)
2.4.1	Extension of Time (for EDI Implementation)
2.4.2	Extension of Time (for EDI Implementation)
2.4.3	Extension of Time (for EDI Implementation)
2.4.4	Extension of Time (for EDI Implementation)
3.4.1	Extension of Time (for EDI Implementation)
3.4.2	Extension of Time (for EDI Implementation)
3.4.3	Extension of Time (for EDI Implementation)
3.4.4	Extension of Time (for EDI Implementation)
4.3.60	Waiver (to require more than a single password)

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

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

**GENERAL TERMS AND CONDITIONS**

49. NEGOTIATED RATES

49.1 PRECONDITIONS TO NEGOTIATED RATES

Rates to be charged by Natural for service to any Shipper under Rate Schedule FTS, FFTS, FTS-G, ITS, IBS, BESS, DSS, NSS, FRSS, PALS or LPS may deviate in either form or level or both from the applicable maximum and/or minimum rate level in this Tariff, subject to the following provisions:

(a) Natural 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 49) of Rate Schedule FTS, FFTS, FTS-G, ITS, IBS, BESS, DSS, NSS, FRSS, PALS or LPS of this Tariff, as applicable;

(c) Natural may only offer or accept offers for service under this Section 49 if and to the extent service is available at the Recourse Rate;

(d) Natural will not negotiate terms and conditions of service under this Section 49; and

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

49.2 CAPACITY ALLOCATION

(a) To the extent the revenue level pursuant to the Negotiated Rate(s) or Negotiated Rate Formula provided for in Section 49.1 above, as calculated under Subsection (b) of this Section 49.2, exceeds the comparable revenue level at the Recourse Rate, the Shipper bidding or paying such Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be treated, for all capacity allocation purposes, as if the rate(s) bid or paid had been equal to the Recourse Rate. Any Shipper, existing or new, paying the Recourse Rate(s) has the same right to capacity as a Shipper willing to pay a higher Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula. If the Negotiated Rate or the rate under a Negotiated Rate Formula is higher than the corresponding Recourse Rate, the Recourse Rate rather than the Negotiated Rate will be used as the price cap for release capacity pursuant to Section 19.5 of these General Terms and Conditions and for the Right of First Refusal pursuant to Section 22.3 of these General Terms and Conditions. Where the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula results in revenue which is greater than the Recourse Rate during certain portions of the relevant evaluation period but less than the revenue at the Recourse Rate during other portions of the relevant evaluation period (but the revenue pursuant to the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula equals or exceeds that which would be generated at the Recourse Rate for the entire evaluation period), the value of bids and requests at the Negotiated Rate(s) or rate(s) under a Negotiated Rate Formula shall be evaluated as though the Recourse Rate applied under such bid or request for the entire evaluation period. Where the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula result in revenue which is less than revenue at the Recourse Rate over the relevant evaluation period, the value of the bids or requests at the Negotiated Rate(s) or rate(s) under the Negotiated Rate Formula shall be evaluated based on such lower revenue and shall be afforded a correspondingly lower priority than bids or requests at the Recourse Rate.

(b) In evaluating bids for firm service, in any capacity auction or in otherwise allocating capacity among competing requests for firm service where one or more bid is at a Negotiated Rate or Negotiated Rate Formula, Natural will consider, in assigning value to such bid(s), only reservation or demand charge revenue or other revenue which is guaranteed to be received by Natural (i.e., a minimum throughput condition or minimum bill). For capacity evaluation purposes, the net present value of any such bid for firm service shall be capped by the net present value of the maximum applicable reservation rate for such service over the contract term bid.

#### 49.3 ACCOUNTING FOR COSTS AND REVENUES

The allocation of costs to, and the recording of revenues from, service at Negotiated Rate(s) will follow Natural's normal practices associated with all of its services under this Tariff. Natural will maintain separate records of Negotiated Rate and Negotiated Rate Formula transactions for each billing period. These records shall include the volumes transported, the billing determinants (contract MDQ), the rates charged and the revenue received associated with such transactions. Natural will separately identify such transactions in Statements G, I and J (or their equivalent) filed in any general rate proceeding.

#### 49.4 CAPACITY RELEASE REVENUE

Natural 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 19.13 of these General Terms and Conditions. Nothing in the forgoing sentence, however, shall authorize Natural or Shipper to violate the Commission's policy with respect to the negotiation of terms and conditions of service.

#### 49.5 TREATMENT OF DISCOUNTS

(i) A discount-type adjustment to recourse rates for negotiated rate agreements shall only be allowed to the extent that Natural can meet the standards required of an affiliate discount-type adjustment including requiring that Natural shall have the burden of proving that any discount granted is required to meet competition. Natural shall be required to demonstrate that any discount-type adjustment for negotiated rate agreements does not have an adverse impact on recourse rate shippers.

(a) Demonstrating that, in the absence of Natural's entering into such negotiated rate agreement providing for such discount, Natural would not have been able to contract for such capacity at any higher rate, and that recourse rates would otherwise be as high or higher than recourse rates which result after applying the discount adjustment; or

(b) Making another comparable showing that the negotiated rate discount contributes more fixed costs to the system than could have been achieved without the discount.

**GENERAL TERMS AND CONDITIONS**

50. 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 Natural's pro forma service agreements:

50.1 EQT Energy, LLC, Transportation Rate Schedule FTS Agreement Dated February 8, 2016 (Agreement No. 146594).

50.2 Corpus Christi Liquefaction, LLC, Transportation Rate Schedule FTS Agreement Dated September 15, 2015 (Agreement No. 146122).

50.3 Sabine Pass Liquefaction, LLC, Transportation Rate Schedule FTS Agreement Dated November 8, 2017 (Agreement No. 149057-FTSNGPL).

50.4 Corpus Christi Liquefaction, LLC, Transportation Rate Schedule FTS Agreement Dated July 20, 2018 (Agreement No. 149876).

50.5 Kiowa Power Partners, LLC, Transportation Rate Schedule FTS Agreement Dated January 28, 2022 (Agreement No. 155461-FTSNGPL).

50.6 Reserved for future use.

50.7 Reserved for future use.

50.8 Reserved for future use.

50.9 Reserved for future use.

50.10 Reserved for future use.



50.11 Antero Resources Corporation, Transportation Rate Schedule FTS Agreement Dated November 18, 2014 (Agreement No. 145234).

50.12 Occidental Energy Marketing, Inc., Transportation Rate Schedule FTS Dated March 11, 2015 (Agreement No. 145551).

50.13 Lucid Energy Delaware, LLC, Transportation Rate Schedule FTS Agreement Dated August 11, 2020 (Agreement No. 148824-FTSNGPL).

50.14 Reserved for future use.

50.15 Devon Gas Services, L.P., Transportation Rate Schedule FTS Agreement Dated August 11, 2020 (Agreement No. 152745-FTSNGPL).

50.16 EOG Resources, Inc., Transportation Rate Schedule FTS Agreement Dated August 11, 2020 (Agreement No. 150687-FTSNGPL).

50.17 Reserved for future use.

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50.64 Northern Illinois Gas Company, d/b/a Nicor Gas, Firm Transportation and Storage Negotiated Rate Agreement Dated April 2, 2015 (Agreement No. 116184A5).

50.65 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146201).

50.66 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146202).

50.67 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146203).

50.68 Nicor Gas Company, Storage Rate Schedule DSS Agreement Dated April 2, 2015 (Agreement No. 146204).

50.69 Nicor Gas Company, Storage Rate Schedule NSS Agreement Dated April 2, 2015 (Agreement No. 146205).

50.70 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146206).

50.71 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146208).

50.72 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146209).

50.73 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146212).

50.74 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146213).

50.75 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146214).

50.76 Nicor Gas Company, Transportation Rate Schedule FTS Agreement Dated April 2, 2015 (Agreement No. 146215).

**GENERAL TERMS AND CONDITIONS**

**51. ACQUIRED CAPACITY**

(a) Natural may from time to time enter into transportation or storage agreements with upstream or downstream entities, including other interstate pipelines, intrastate pipelines, or local distribution companies (Acquired Capacity). Natural may use Acquired Capacity for its system operational needs and to render service to its customers. Except as provided in subsection (b), Natural 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 onsystem customers, as such rates and tariffs may change from time to time. For purposes of any use of Acquired Capacity covered by this Section 51(a), the "shipper must hold title" requirement is waived.

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