



Tennessee Gas Pipeline
Company, L.L.C.
a Kinder Morgan company

January 30, 2015

Ms. Kimberly Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Tennessee Gas Pipeline Company, L.L.C.
Compliance Filing
Substitution of Published Indices for Cash Out Procedures Under Rate
Schedules LMS-MA and LMS-PA
Docket No. RP15-130-001

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act and Part 154 of the Regulations of the Federal Energy Regulatory Commission ("**Commission**") thereunder, 18 C.F.R. Part 154, and pursuant to the Commission's December 1, 2014 order in Docket No. RP15-130-000 ("December 1 Order"),¹ Tennessee Gas Pipeline Company, L.L.C. ("**Tennessee**") hereby submits for filing tariff records to its Sixth Revised Volume No. 1, FERC Gas Tariff ("**Tariff**"), which are listed on Appendix A.

Proposed to become effective February 1, 2015, these Tariff records implement the *pro forma* Tariff provisions accepted by the Commission in the December 1 Order, and are being filed here in compliance with the December 1 Order.²

Statement of Nature, Reasons, and Basis for Filing

Background

In its October 31, 2014 filing, Tennessee proposed *pro forma* Tariff records to: (i) substitute the index prices used to administer Tennessee's cash out mechanism under Rate Schedules LMS-MA and LMS-PA of Tennessee's Tariff, replacing the index prices published in NGW's *Gas Price Report* with index prices published in Natural Gas Intelligence's ("**NGI**") *Daily Gas Price Index Report*; and (ii) modify the Receipt Regions under Rate Schedules LMS-MA and LMS-PA of Tennessee's Tariff to better reflect the price of gas supply entering Tennessee's system.

¹ *Tennessee Gas Pipeline Co., L.L.C.*, 149 FERC ¶ 61,193 (2014).

² Compliance filing made pursuant to 18 C.F.R. Part 154.203.

The Commission's December 1 Order approved the *pro forma* Tariff records submitted by Tennessee and found them to be just and reasonable.

Current Filing

As proposed by Tennessee in its October 31, 2014 filing, and as contemplated in the Commission's December 1 Order, in the instant filing, Tennessee proposes actual Tariff records that are fully consistent with the *pro forma* Tariff records previously approved by the Commission.

Contents of Filing

In compliance with Section 154.7(a)(1) of the Commission's regulations, Tennessee provides an eTariff .xml filing package containing:

1. Tariff records in RTF format with metadata attached;
2. A transmittal letter in PDF format with Appendix A attached;
3. A clean version of the Tariff records in PDF format for posting on eLibrary;
4. A marked version of the Tariff records in PDF format pursuant to 18 C.F.R. §154.201 showing changes to Tennessee's effective Tariff records for posting on eLibrary; and
5. A copy of the entire filing in PDF format for posting on eLibrary.

Service and Correspondence

The undersigned certifies that a copy of this filing has been served electronically pursuant to 18 CFR §154.208 on all parties set forth in the official service list for Docket No. RP15-130-000. A paper copy of this filing may only be served if a customer has been granted waiver of electronic service pursuant to 18 CFR Part 390 of the Commission's Regulations. In addition, an electronic copy of this filing is available for public inspection during regular business hours in Tennessee's office at 1001 Louisiana Street, Houston, Texas 77002.

Pursuant to 18 C.F.R. §385.2005 and §385.2011(c)(5) of the Commission's Regulations, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best knowledge and belief of the undersigned.

Tennessee requests that all correspondence and communications concerning this filing be directed to the following persons:

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
January 30, 2015
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(*Persons designated for service in accordance with Rule 203 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §385.203 and Rule 2010.)

Effective Date and Waiver Request

Tennessee respectfully requests that the Commission grant all waivers of its Regulations necessary to accept and approve Tennessee's proposed Tariff records to be effective February 1, 2015.

Pursuant to Section 154.7(a)(9) of the Commission's Regulations, Tennessee hereby moves to place the Tariff records into effect at the requested effective date, or at the expiration of any suspension period set by the Commission. If the Commission conditions the acceptance of this filing in any way, Tennessee reserves the right to withdraw the proposed Tariff records or to file a later motion to place such Tariff records into effect at a later date.

Any questions regarding this filing may be directed to the undersigned at (713) 420-3297.

Appendix A

LMS-MA and LMS-PA Cash Out Indices

Tennessee Gas Pipeline FERC Gas Tariff

Sixth Revised Volume No. 1

Tariff Records

Proposed Effective Date: February 1, 2015

Section Title			
Narrative Name	Record Contents Description	Tariff Record Title	Version
Sixth Revised Sheet No. 250	Sheet No. 250		6.0.0
Second Revised Sheet No. 255	Sheet No. 255		2.0.0
Fourth Revised Sheet No. 266	Sheet No. 266		4.0.0
Original Sheet No. 266A	Sheet No. 266A		0.0.0
Third Revised Sheet No. 267	Sheet No. 267		3.0.0

CLEAN TARIFF SHEETS / RECORDS

Schedule LMS - MA
Load Management Service - Market Area (continued)

7. Cash Out Option (continued)

(b) (ii) Mid-month Activity
(continued)

For imbalance trades on an Incremental Lateral as defined in Article XX, Section 2 of the General Terms and Conditions, the transportation charges as determined above will be based on the point of interconnection between the Incremental Lateral and Transporter's mainline to determine the zone for the lateral imbalance. In addition, the transportation charges will be increased by the applicable maximum commodity rate (including fuel and surcharges) under Rate Schedule FT-IL.

(c) Monthly Imbalances

- (i) A Balancing Party's monthly imbalance shall be the net cumulative total of daily variances from all points covered by the Delivery Point Balancing Agreement adjusted for make-up quantities and imbalance trades.
- (ii) Unless Transporter and Delivery Point Operator mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each month Transporter and Delivery Point Operator shall "cash out" the actual monthly imbalance. Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled volumes for the month for all applicable points, then multiply by 100, to determine the % monthly imbalance.
- (iii) If the monthly imbalance is due to an excess of scheduled quantities relative to actual deliveries, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party shall sell to Transporter, and Transporter shall buy from the Balancing Party, in accordance with the formula listed in Section 7(c)(vii) below. If the monthly imbalance is due to an excess of actual deliveries relative to scheduled quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party, and Balancing Party shall buy from Transporter, in accordance with the formula listed in Section 7(c)(vii) below. In addition to the cash out of the monthly imbalance: (A) Balancing Party shall pay to Transporter the "Transportation Component" if total actual quantities delivered are greater than scheduled quantities, or (B) Transporter shall pay to the Balancing Party the "Transportation Component" if total actual quantities delivered are less than scheduled quantities. The "Transportation Component" shall be equal to the commodity rate (including fuel and surcharges) under Rate Schedule FT-A, FT-G or FT-GS, as applicable, for transportation from Zone 1 to the zone where the Delivery Point is located multiplied by the monthly imbalance. For Balancing Parties on an Incremental Lateral as defined in Article XX, Section 2 of the General Terms and Conditions, the Transportation Component shall be equal to the sum of (1) the FT-A commodity rate (including fuel and surcharges) for transportation from Zone 1 to the point of interconnection between the Incremental Lateral and Transporter's mainline and (2) the applicable maximum commodity rate (including fuel and surcharges) under Rate Schedule FT-IL.
- (iv) For delivery points, the Market Area Region Price ("MARP") will be calculated weekly and will be the volumetric weighted average price based on the general system deliverability on Transporter's system from the Receipt Regions as defined in Rate Schedule LMS-PA and the applicable Region Prices for those Receipt Regions. The general system deliverability will be updated on January 1 and July 1 of every year. The MARP will be posted on Transporter's Interactive Website within a reasonable time after Transporter calculates the WRRP for each Receipt Region set forth in Rate Schedule LMS-PA.
- (v) If Natural Gas Intelligence's "Daily Gas Price Index" is no longer published, Transporter and parties to OBAs shall meet to undertake to agree upon alternative spot price indices.
- (vi) The amounts due hereunder shall be paid in accordance with Articles VII and VIII of the General Terms and Conditions of Transporter's FERC Gas Tariff.

Schedule LMS - MA
Load Management Service - Market Area (continued)

7. Cash Out Option
(g) (i)
(continued)

- (d) Balancing Entry Pricing Adjustment: the Balancing Entry prices shall be adjusted for a "basis spread differential" between NYMEX Henry Hub prices and prices in the Gulf of Mexico gas supply area; specifically, any Balancing Entry price shall be adjusted from the NYMEX price for a "basis spread differential" equal to the difference between (i) the average of Tennessee's twelve average monthly MARPs (as determined pursuant to Section 7(c)(iv) of this Rate Schedule) for the Annual Cashout Period and (ii) the simple arithmetic average of the daily index prices for the Henry Hub (as quoted in Natural Gas Intelligence's "Daily Gas Price Index") for the twelve months covered by the Annual Cashout Period.

Item No. 4. Interruptible Storage Revenues: A credit to Tennessee's Net Cashout Balance equal to the total value of gas forfeited to Tennessee by Rate Schedule IS shippers pursuant to Sections 3.3 and 3.4 of Rate Schedule IS during the Annual Cashout Period; the total value under this subsection shall be based on pricing the forfeited gas at the average monthly MARP cashout price calculated pursuant to Section 7(c)(iv) of this Rate Schedule. In addition, Tennessee's Net Cashout Balance shall be credited with the revenue received, if any, from the sale of storage inventory pursuant to Section 6.4 of Rate Schedule IS during the Annual Cashout Period. The quantity of storage inventory sold pursuant to Section 6.4 of Rate Schedule IS shall be treated as a cashout sale and included for purposes of reconciliation in the net quantity described in Item No. 1(b) of this Section 7(g)(i);

Item No. 5. Third-Party Storage Costs: A debit to Tennessee's Net Cashout Balance equal to the actual costs incurred by Tennessee to use third-party storage to balance its system pursuant to Section 7(f) of this Rate Schedule, not to exceed \$1 million per Cashout Report.

- (ii) Operational Transactions: Operational Transactions are those Operational Purchases and Operational Sales which Transporter may from time to time, in its discretion, enter into with third parties to balance Transporter's system and to maintain operational integrity. Pursuant to this Section 7(g)(ii), Transporter may purchase gas quantities for receipt into its system and may sell gas quantities for delivery out of its system. These Operational Transactions may be conducted on a first-come/first-served basis at posted prices, or pursuant to an open auction or electronic gas trading system, or negotiated directly with third parties.

The Operational Transactions utilized to reconcile Net Cashout Activity pursuant to Section 7(g)(i) Item No. 2 of this Rate Schedule must occur during the Annual Cashout Period; provided, however, that if the quantity of Operational Purchases or Operational Sales, as applicable, is insufficient to offset the quantity of Net Cashout Activity, then an additional month of Operational Transactions, ending on September 30, thirteen months after the start of the Annual Cashout Period, shall be included in the Cashout Report in order to reconcile Net Cashout Activity. Gas quantities from an Operational Transaction which are used to offset Net Cashout Activity in one Cashout Report cannot be used to offset cashout activity in a subsequent Cashout Report.

Rate Schedule LMS - PA
Load Management Service - Pooling Area (continued)

7. Monthly Imbalances

- (a) A Balancing Party's monthly imbalance shall be the net cumulative total of Daily Imbalances for all points covered by the Balancing Agreement adjusted for make-up quantities and imbalance trading transactions. When a Balancing Party is a supply aggregator who has executed a Supply Aggregation Service Agreement, the daily imbalance shall be the difference, by Supply Area or Market Area Pooling Area, between actual deliveries under the Supply Aggregation Service Agreement and the actual quantities received at all points covered by such Agreement. Unless Transporter and Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis during the month, each month Transporter and Balancing Party shall "cash out" the actual monthly imbalance. To determine the % monthly imbalance, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled quantities for all days of the month for all points covered by the Balancing Agreement, then multiply by 100.
- (b) A monthly imbalance under a transportation agreement shall be computed separately for each Receipt Region as set forth in Section 7(c) of this Rate Schedule. This imbalance shall be the cumulative net total of the Daily Variances at those receipt points within a Receipt Region at which service was received under the transportation agreement and where no Balancing Agreement is in effect. To determine the % monthly imbalance by a Shipper at receipt points not covered by a Balancing Agreement, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the Shipper's total scheduled receipt quantities for all days of the month for all applicable receipt points, then multiply by 100.
- (c) If the monthly imbalance is due to an excess of actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party/Shipper shall sell to Transporter, and Transporter shall buy from the Balancing Party/Shipper, in accordance with the formula listed in Section 7(d) below. If the monthly imbalance is due to a deficiency in actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party/Shipper, and Balancing Party/Shipper shall buy from Transporter, in accordance with the formula listed in Section 7(d) below.
 - (i) For purposes of this Rate Schedule, there shall be twelve (12) "Receipt Regions," which shall be:
 - (a) Tennessee Zone 0 South
 - (b) Tennessee Zone 0 North
 - (c) Tennessee Line 500
 - (d) Tennessee Line 800
 - (e) Tenn Zone 4 200L
 - (f) Tennessee Zn 4 313 Pool
 - (g) Tennessee Zn 4 Marcellus
 - (h) Tenn Zone 5 200L
 - (i) Tenn Zone 5 300L
 - (j) Tenn Zone 6 200L
 - (k) Tenn Zone 6 300L
 - (l) Tennessee Zones 2 and 3
 - (ii) The geographic scope for each Receipt Region shall be as defined by the Natural Gas Intelligence's posted methodology for calculating the daily index price of the same name in Natural Gas Intelligence's "Daily Gas Price Index"; provided, however, that (i) the "Tennessee Zone 0 North" Receipt Region shall also include all receipts on Transporter's 100 Leg in Zone 1 of Transporter's system; (ii) the "Tennessee Line 500" Receipt Region shall also include all receipts on Transporter's 500 Leg in Zone 1 up to Transporter's Station 87; (iii) the "Tennessee Line 800" Receipt Region shall also include all receipts on Transporter's 800 Leg in Zone 1 up to Transporter's Station 860; (iv) the "Tennessee Zn 4 Marcellus" Receipt Region shall include all receipts on Transporter's 300 Leg in Zone 4 east of Transporter's Station 321; (v) the "Tenn Zone 5 200L" Receipt Region shall also include the Niagara interconnect with TransCanada PipeLine and all receipts on Transporter's H-C Line from the Pennsylvania-New York state line to Transporter's Station 237 In Ontario County, New York; (vi) the "Tenn Zone 5 300L" Receipt Region shall not include any receipts on Transporter's H-C Line from the Pennsylvania-New York state line to Transporter's Station

Rate Schedule LMS - PA
Load Management Service - Pooling Area (continued)

7. Monthly Imbalances (continued)

237 In Ontario County, New York; and (vii) the "Tennessee Zones 2 and 3" Receipt Region, for which Natural Gas Intelligence does not publish a daily index price of the same name, shall include all receipts in Zones 2 and 3 of Transporter's system.

- (iii) For each Receipt Region, the Weekly Receipt Region Price ("WRRP") shall be equal to the weekly average index price for the applicable Receipt Region, which shall be calculated by Transporter as follows:
 - (a) The WRRP for each Receipt Region shall be based upon the daily average index price of the same name as set forth in Natural Gas Intelligence's "Daily Gas Price Index" ("Receipt Region Daily Price"); provided, however, that (i) the Receipt Region Daily Price for the "Tennessee Zone 0 North" Receipt Region shall be the "Tennessee Zone 0 South" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index"; (ii) the Receipt Region Daily Price for the "Tenn Zone 5 300L" Receipt Region shall be the "Texas Eastern M-3" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index"; (iii) the Receipt Region Daily Price for the "Tenn Zone 6 300L" Receipt Region shall be the "Transco Zone 6 NY" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index"; and (iv) the Receipt Region Daily Price for the "Tennessee Zones 2 and 3" Receipt Region shall be the "Columbia Gas" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index."
 - (b) The WRRP shall be equal to the simple arithmetic average of each of the Receipt Region Daily Prices from gas flow dates Tuesday through Monday.
- (iv) With respect to imbalances at any Supply Area Pooling Areas or Market Area Pooling Areas incurred by a supply aggregator under a Supply Aggregation Service Agreement, the WRRP shall be derived pursuant to the procedures set forth in Section 7(c)(iii) above using the pricing applicable to the Receipt Region within which the Supply Area Pooling Area or Market Area Pooling Area, as applicable, is located; provided, however, that the WRRP for the "300 Leg – Zone 4" Market Area Pooling Area shall be derived using the pricing applicable to the "Tennessee Zn 4 313 Pool" Receipt Region.
- (v) If Natural Gas Intelligence's "Daily Gas Price Index" is no longer published, Transporter, and parties to the Receipt Point Balancing Agreements shall meet to undertake to agree upon alternative spot price indices.
- (vi) The amounts due hereunder shall be paid in accordance with Articles VII and VIII of the General Terms and Conditions of Transporter's FERC Gas Tariff.

Rate Schedule LMS - PA
Load Management Service - Pooling Area (continued)

7. Monthly Imbalances (continued)

(d) (i) The Balancing Party or Shipper (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable price described below.

- (a) For each month and Receipt Region, the monthly "Low Price" or "LP" for each Receipt Region or Pooling Area shall be established by taking the lowest WRRP established for the applicable Receipt Region or Pooling Area applicable to the month.
- (b) For each month and Receipt Region, the monthly "High Price" or "HP" for each Receipt Region or Pooling Area shall be established by taking the highest WRRP established for the applicable Receipt Region or Pooling Area applicable to the month.
- (c) For each month and Receipt Region, the monthly "Average Price" or "AP" for each Receipt Region or Pooling Area shall be determined by taking the simple arithmetic average of the WRRPs established for the applicable Receipt Region or Pooling Area applicable to the month.
- (d) For purposes of this Section 7(d)(i), a Receipt Region or Pooling Area's WRRP shall be deemed to be applicable to the month attributable to the final gas flow date (i.e. Monday gas flow date) used in calculating the WRRP.

(ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as calculated according to Section 7(a) or (b) of this Rate Schedule) or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7(d)(ii) of this Rate Schedule LMS-PA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7(d)(ii) of this Rate Schedule LMS-PA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances (I=P-N).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(a) If $I > \text{or} = \text{zero}$ then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances = $\frac{\text{abv}(I) \times \text{LP}}{P} + \frac{N \times \text{AP}}{P}$

(b) If $I < \text{zero}$, then:

- Price for negative imbalances = $\frac{\text{abv}(I) \times \text{HP}}{N} + \frac{P \times \text{AP}}{N}$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP

MARKED TARIFF SHEETS / RECORDS

Schedule LMS - MA
Load Management Service - Market Area (continued)

7. Cash Out Option (continued)

(b) (ii) Mid-month Activity
(continued)

For imbalance trades on an Incremental Lateral as defined in Article XX, Section 2 of the General Terms and Conditions, the transportation charges as determined above will be based on the point of interconnection between the Incremental Lateral and Transporter's mainline to determine the zone for the lateral imbalance. In addition, the transportation charges will be increased by the applicable maximum commodity rate (including fuel and surcharges) under Rate Schedule FT-IL.

(c) Monthly Imbalances

- (i) A Balancing Party's monthly imbalance shall be the net cumulative total of daily variances from all points covered by the Delivery Point Balancing Agreement adjusted for make-up quantities and imbalance trades.
- (ii) Unless Transporter and Delivery Point Operator mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each month Transporter and Delivery Point Operator shall "cash out" the actual monthly imbalance. Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled volumes for the month for all applicable points, then multiply by 100, to determine the % monthly imbalance.
- (iii) If the monthly imbalance is due to an excess of scheduled quantities relative to actual deliveries, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party shall sell to Transporter, and Transporter shall buy from the Balancing Party, in accordance with the formula listed in Section 7(c)(vii) below. If the monthly imbalance is due to an excess of actual deliveries relative to scheduled quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party, and Balancing Party shall buy from Transporter, in accordance with the formula listed in Section 7(c)(vii) below. In addition to the cash out of the monthly imbalance: (A) Balancing Party shall pay to Transporter the "Transportation Component" if total actual quantities delivered are greater than scheduled quantities, or (B) Transporter shall pay to the Balancing Party the "Transportation Component" if total actual quantities delivered are less than scheduled quantities. The "Transportation Component" shall be equal to the commodity rate (including fuel and surcharges) under Rate Schedule FT-A, FT-G or FT-GS, as applicable, for transportation from Zone 1 to the zone where the Delivery Point is located multiplied by the monthly imbalance. For Balancing Parties on an Incremental Lateral as defined in Article XX, Section 2 of the General Terms and Conditions, the Transportation Component shall be equal to the sum of (1) the FT-A commodity rate (including fuel and surcharges) for transportation from Zone 1 to the point of interconnection between the Incremental Lateral and Transporter's mainline and (2) the applicable maximum commodity rate (including fuel and surcharges) under Rate Schedule FT-IL.
- (iv) For delivery points, the Market Area Region Price ("MARP") will be calculated weekly and will be the volumetric weighted average price based on the general system deliverability on Transporter's system from the Receipt Regions as defined in Rate Schedule LMS-PA and the applicable Region Prices for those Receipt Regions. The general system deliverability will be updated on January 1 and July 1 of every year. The MARP will be posted on Transporter's Interactive Website within a reasonable time after Transporter calculates the WRRP for each Receipt Region set forth in Rate Schedule LMS-PA receipt of Natural Gas Week's "Gas Price Report."
- (v) If Natural Gas Intelligence's "Daily Gas Price Index" Natural Gas Week's "Gas Price Report" is no longer published, Transporter and parties to OBAs shall meet to undertake to agree upon alternative spot price indices.
- (vi) The amounts due hereunder shall be paid in accordance with Articles VII and VIII of the General Terms and Conditions of Transporter's FERC Gas Tariff.

Schedule LMS - MA
Load Management Service - Market Area (continued)

7. Cash Out Option
(g) (i)
(continued)

- (d) Balancing Entry Pricing Adjustment: the Balancing Entry prices shall be adjusted for a "basis spread differential" between NYMEX Henry Hub prices and prices in the Gulf of Mexico gas supply area; specifically, any Balancing Entry price shall be adjusted from the NYMEX price for a "basis spread differential" equal to the difference between (i) the average of Tennessee's twelve average monthly ~~MARP~~~~cashout prices~~ (as determined pursuant to Section 7(c)(iv) of this Rate Schedule) for the Annual Cashout Period and (ii) the simple arithmetic average of the daily index~~Cash Market Hub Trading monthly~~ prices for the Henry Hub (as quoted in Natural Gas Intelligence's "Daily Gas Price Index"~~Natural Gas Week~~) for the twelve months covered by the Annual Cashout Period.

Item No. 4. Interruptible Storage Revenues: A credit to Tennessee's Net Cashout Balance equal to the total value of gas forfeited to Tennessee by Rate Schedule IS shippers pursuant to Sections 3.3 and 3.4 of Rate Schedule IS during the Annual Cashout Period; the total value under this subsection shall be based on pricing the forfeited gas at the average monthly MARP cashout price calculated pursuant to Section 7(c)(iv) of this Rate Schedule~~simple average of the weekly spot price postings provided by Natural Gas Week, for the month in which the gas is forfeited, for each of Tennessee's four geographic gas receipt regions, i.e. Louisiana Offshore, Louisiana Onshore, Texas Offshore, and Texas Onshore~~. In addition, Tennessee's Net Cashout Balance shall be credited with the revenue received, if any, from the sale of storage inventory pursuant to Section 6.4 of Rate Schedule IS during the Annual Cashout Period. The quantity of storage inventory sold pursuant to Section 6.4 of Rate Schedule IS shall be treated as a cashout sale and included for purposes of reconciliation in the net quantity described in Item No. 1(b) of this Section 7(g)(i);

Item No. 5. Third-Party Storage Costs: A debit to Tennessee's Net Cashout Balance equal to the actual costs incurred by Tennessee to use third-party storage to balance its system pursuant to Section 7(f) of this Rate Schedule, not to exceed \$1 million per Cashout Report.

- (ii) Operational Transactions: Operational Transactions are those Operational Purchases and Operational Sales which Transporter may from time to time, in its discretion, enter into with third parties to balance Transporter's system and to maintain operational integrity. Pursuant to this Section 7(g)(ii), Transporter may purchase gas quantities for receipt into its system and may sell gas quantities for delivery out of its system. These Operational Transactions may be conducted on a first-come/first-served basis at posted prices, or pursuant to an open auction or electronic gas trading system, or negotiated directly with third parties.

The Operational Transactions utilized to reconcile Net Cashout Activity pursuant to Section 7(g)(i) Item No. 2 of this Rate Schedule must occur during the Annual Cashout Period; provided, however, that if the quantity of Operational Purchases or Operational Sales, as applicable, is insufficient to offset the quantity of Net Cashout Activity, then an additional month of Operational Transactions, ending on September 30, thirteen months after the start of the Annual Cashout Period, shall be included in the Cashout Report in order to reconcile Net Cashout Activity. Gas quantities from an Operational Transaction which are used to offset Net Cashout Activity in one Cashout Report cannot be used to offset cashout activity in a subsequent Cashout Report.

Rate Schedule LMS - PA
Load Management Service - Pooling Area (continued)

7. Monthly Imbalances

- (a) A Balancing Party's monthly imbalance shall be the net cumulative total of Daily Imbalances for all points covered by the Balancing Agreement adjusted for make-up quantities and imbalance trading transactions. When a Balancing Party is a supply aggregator who has executed a Supply Aggregation Service Agreement, the daily imbalance shall be the difference, by Supply Area or Market Area Pooling Area, between actual deliveries under the Supply Aggregation Service Agreement and the actual quantities received at all points covered by such Agreement. Unless Transporter and Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis during the month, each month Transporter and Balancing Party shall "cash out" the actual monthly imbalance. To determine the % monthly imbalance, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled quantities for all days of the month for all points covered by the Balancing Agreement, then multiply by 100.
- (b) A monthly imbalance under a transportation agreement shall be computed separately for each Receipt Region as set forth in Section 7(c) of this Rate Schedule. This imbalance shall be the cumulative net total of the Daily Variances at those receipt points within a Receipt Region at which service was received under the transportation agreement and where no Balancing Agreement is in effect. To determine the % monthly imbalance by a Shipper at receipt points not covered by a Balancing Agreement, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the Shipper's total scheduled receipt quantities for all days of the month for all applicable receipt points, then multiply by 100.
- (c) If the monthly imbalance is due to an excess of actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party/Shipper shall sell to Transporter, and Transporter shall buy from the Balancing Party/Shipper, in accordance with the formula listed in Section 7(d) below. If the monthly imbalance is due to a deficiency in actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party/Shipper, and Balancing Party/Shipper shall buy from Transporter, in accordance with the formula listed in Section 7(d) below.

~~For the Supply Area Pooling Areas, the offshore/onshore Pooling Area Price ("PAP") shall be based upon the applicable weekly price(s) for each Receipt Region (Region Price). For these purposes, there shall be four Receipt Regions, which shall be Texas Offshore, Texas Onshore, Louisiana Offshore and Louisiana Onshore. The four Receipt Regions shall be those geographical regions as set forth in Natural Gas Week's "Gas Price Report." The Region Price applicable for the four Receipt Regions shall be the delivered to pipeline prices published in Natural Gas Week's "Gas Price Report" for each of the four Receipt Regions (i.e., Texas Offshore, Texas Onshore, Louisiana Offshore and Louisiana Onshore). The applicable general system deliverability percentage will also be posted on Transporter's Interactive Website.~~

~~For the Market Area Pooling Areas, the Pooling Area Price ("PAP") shall be based upon the applicable weekly price(s) for each Receipt Region (Region Price). For these purposes, there shall be two Receipt Region(s), which shall be Zones 2-4 - Appalachia, and Zones 5 and 6 - New England. The two Receipt Regions shall be those geographical regions as set forth in Natural Gas Week's "Gas Price Report". The Region Price applicable for the two Receipt Regions shall be the delivered to pipeline prices published in Natural Gas Week's "Gas Price Report" for each of the two Receipt Regions (i.e., Appalachia and New England). The applicable general system deliverability percentage will also be posted in Transporter's Interactive Website.~~

~~If Natural Gas Week's "Gas Price Report" is no longer published, Transporter, and parties to the Receipt Point Balancing Agreements shall meet to undertake to agree upon alternative spot price indices.~~

~~The amounts due hereunder shall be paid in accordance with Articles VII and VIII of the General Terms and Conditions of Transporter's FERC Gas Tariff.~~

~~(i) For purposes of this Rate Schedule, there shall be twelve (12) "Receipt Regions," which shall be:~~

- ~~(a) Tennessee Zone 0 South~~
- ~~(b) Tennessee Zone 0 North~~
- ~~(c) Tennessee Line 500~~
- ~~(d) Tennessee Line 800~~

- (e) Tenn Zone 4 200L
- (f) Tennessee Zn 4 313 Pool
- (g) Tennessee Zn 4 Marcellus
- (h) Tenn Zone 5 200L
- (i) Tenn Zone 5 300L
- (j) Tenn Zone 6 200L
- (k) Tenn Zone 6 300L
- (l) Tennessee Zones 2 and 3

- (ii) The geographic scope for each Receipt Region shall be as defined by the Natural Gas Intelligence's posted methodology for calculating the daily index price of the same name in Natural Gas Intelligence's "Daily Gas Price Index"; provided, however, that (i) the "Tennessee Zone 0 North" Receipt Region shall also include all receipts on Transporter's 100 Leg in Zone 1 of Transporter's system; (ii) the "Tennessee Line 500" Receipt Region shall also include all receipts on Transporter's 500 Leg in Zone 1 up to Transporter's Station 87; (iii) the "Tennessee Line 800" Receipt Region shall also include all receipts on Transporter's 800 Leg in Zone 1 up to Transporter's Station 860; (iv) the "Tennessee Zn 4 Marcellus" Receipt Region shall include all receipts on Transporter's 300 Leg in Zone 4 east of Transporter's Station 321; (v) the "Tenn Zone 5 200L" Receipt Region shall also include the Niagara interconnect with TransCanada PipeLine and all receipts on Transporter's H-C Line from the Pennsylvania-New York state line to Transporter's Station 237 In Ontario County, New York; (vi) the "Tenn Zone 5 300L" Receipt Region shall not include any receipts on Transporter's H-C Line from the Pennsylvania-New York state line to Transporter's Station

Rate Schedule LMS - PA
Load Management Service - Pooling Area (continued)

7. Monthly Imbalances (continued)

237 In Ontario County, New York; and (vii) the "Tennessee Zones 2 and 3" Receipt Region, for which Natural Gas Intelligence does not publish a daily index price of the same name, shall include all receipts in Zones 2 and 3 of Transporter's system.

(iii) For each Receipt Region, the Weekly Receipt Region Price ("WRRP") shall be equal to the weekly average index price for the applicable Receipt Region, which shall be calculated by Transporter as follows:

(a) The WRRP for each Receipt Region shall be based upon the daily average index price of the same name as set forth in Natural Gas Intelligence's "Daily Gas Price Index" ("Receipt Region Daily Price"); provided, however, that (i) the Receipt Region Daily Price for the "Tennessee Zone 0 North" Receipt Region shall be the "Tennessee Zone 0 South" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index"; (ii) the Receipt Region Daily Price for the "Tenn Zone 5 300L" Receipt Region shall be the "Texas Eastern M-3" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index"; (iii) the Receipt Region Daily Price for the "Tenn Zone 6 300L" Receipt Region shall be the "Transco Zone 6 NY" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index"; and (iv) the Receipt Region Daily Price for the "Tennessee Zones 2 and 3" Receipt Region shall be the "Columbia Gas" daily average index price as set forth in Natural Gas Intelligence's "Daily Gas Price Index."

(b) The WRRP shall be equal to the simple arithmetic average of each of the Receipt Region Daily Prices from gas flow dates Tuesday through Monday.

(iv) With respect to imbalances at any Supply Area Pooling Areas or Market Area Pooling Areas incurred by a supply aggregator under a Supply Aggregation Service Agreement, the WRRP shall be derived pursuant to the procedures set forth in Section 7(c)(iii) above using the pricing applicable to the Receipt Region within which the Supply Area Pooling Area or Market Area Pooling Area, as applicable, is located; provided, however, that the WRRP for the "300 Leg – Zone 4" Market Area Pooling Area shall be derived using the pricing applicable to the "Tennessee Zn 4 313 Pool" Receipt Region.

(v) If Natural Gas Intelligence's "Daily Gas Price Index" is no longer published, Transporter, and parties to the Receipt Point Balancing Agreements shall meet to undertake to agree upon alternative spot price indices.

(vi) The amounts due hereunder shall be paid in accordance with Articles VII and VIII of the General Terms and Conditions of Transporter's FERC Gas Tariff.

Rate Schedule LMS - PA
 Load Management Service - Pooling Area (continued)

7. Monthly Imbalances (continued)

(d) (i) The Balancing Party or Shipper (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable price described below.

(a) For each month and Receipt Region, the monthly "Low Price" or "LP" for each Receipt Region or Pooling Area shall be established by taking the lowest ~~WRRP~~weekly Receipt Region PAP established for the applicable Receipt Region or Pooling Area applicable to the month.

(b) For each month and Receipt Region, the monthly "High Price" or "HP" for each Receipt Region or Pooling Area shall be established by taking the highest ~~WRRP~~weekly Receipt Region PAP established for the applicable Receipt Region or Pooling Area applicable to the month.

(c) For each month and Receipt Region, the monthly "Average Price" or "AP" for each Receipt Region or Pooling Area shall be determined by taking the simple arithmetic average of the ~~WRRPs~~weekly Receipt Region PAP figures established for the applicable Receipt Region or Pooling Area applicable to the month.

(d) For purposes of this Section 7(d)(i), a Receipt Region or Pooling Area's WRRP shall be deemed to be applicable to the month attributable to the final gas flow date (i.e. Monday gas flow date) used in calculating the WRRP.

(ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as calculated according to Section 7(a) or (b) of this Rate Schedule) or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7(d)(ii) of this Rate Schedule LMS-PA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7(d)(ii) of this Rate Schedule LMS-PA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances (I=P-N).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(a) If I > or = zero then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances = $\frac{abv(I) \times LP}{P} + \frac{N \times AP}{P}$

(b) If I < zero, then:

- Price for negative imbalances = $\frac{abv(I) \times HP}{N} + \frac{P \times AP}{N}$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP