

FERC GAS TARIFF
ORIGINAL VOLUME NO. 1
of
SIERRITA GAS PIPELINE LLC

Communications regarding this Tariff should be addressed to:

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(Reserved)

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PRELIMINARY STATEMENT

Sierrita Gas Pipeline LLC hereinafter referred to as "Transporter," is a "natural gas company" as defined by the Natural Gas Act (52 Stat. 821, 15 U.S.C. Section 717-717w) and, as such, is subject to the jurisdiction of the Federal Energy Regulatory Commission, hereinafter referred to as "FERC" or "Commission." As used herein, "Transporter" shall not include any affiliates of Sierrita Gas Pipeline LLC.

Transporter is organized and existing under the laws of the state of Delaware. Transporter provides transportation service to Shippers that have executed a Transportation Service Agreement ("TSA") in the form contained in this Tariff.

Transporter's transmission facilities are located between an interconnection with the El Paso Natural Gas Company, L.L.C. facilities near Tucson, Arizona and an interconnection at the U.S. – Mexico border near Sasabe, Arizona.

This Federal Energy Regulatory Commission Gas Tariff, Original Volume No. 1, includes a statement of rates, rate schedules, general terms and conditions, and forms of service agreements for firm and interruptible transportation service provided by Transporter according to 18 C.F.R. Part 284, Subparts B and G.

Transporter's system map can be found using:

<http://pipeline2.kindermorgan.com/default.aspx?code=SGP>

Use the Informational Postings menu and select Tariff, then select the Map link to view the System Map.

POINTS OF CONTACT

Payments:

Payments are subject to the terms and conditions of this Tariff including but not limited to GT&C Section 12.

Wire Funds To:

Sierrita Gas Pipeline LLC
(See the address and account no. identified on the invoice.)

All Notices:

Any notice provided for in a TSA or in this Tariff shall be in writing and shall be considered as having been given if hand carried, faxed, e-mailed, or mailed by United States mail, postage prepaid, to the following addresses:

Sierrita Gas Pipeline LLC
P. O. Box 1087
Colorado Springs, Colorado 80944
Attention: Marketing Department
Fax No. (719) 520-4878
Telephone No. (719) 667-7528 or (719) 520-4250
E-mail: #KMWestMarketing@KinderMorgan.com

All Nominations:

Nominations are subject to the terms and conditions of this Tariff, including but not limited to GT&C Section 6.

Sierrita Gas Pipeline LLC
P. O. Box 1087
Colorado Springs, Colorado 80944
Attention: Transportation/Storage Services Department
Telephone No. (800) 238-3764
Fax No. (719) 520-4698

Formal Complaints:

Sierrita Gas Pipeline LLC
P. O. Box 1087
Colorado Springs, Colorado 80944
Attention: Vice President of Regulatory

Informal Complaints:

Vice President of Regulatory
(719) 520-3778

STATEMENT OF RATES

Section 1	Service Rates
Section 2	Fuel and L&U Rates
Section 3	Surcharges
Section 4	Footnotes

STATEMENT OF RATES
 Rates Per Dth

	<u>Rate</u>
<u>Rate Schedule FT:</u>	
Reservation Rate (Monthly) 1/	
Maximum Rate	\$ 14.9009
Minimum Rate	\$ 0.0000
Commodity Rate	
Maximum Rate	\$ 0.0010
Minimum Rate	\$ 0.0010
Authorized Daily Overrun Rate	
Maximum Rate	\$ 0.4909
Minimum Rate	\$ 0.0010
Unauthorized Daily Overrun Rate	2/
<u>Rate Schedule IT:</u>	
Commodity Rate	
Maximum Rate	\$ 0.4909
Minimum Rate	\$ 0.0010
<u>Rate Schedule PAL:</u>	
Initial Rate	
Maximum Rate	\$ 0.4909
Minimum Rate	\$ 0.0000
Park/Loan Balance Rate	
Maximum Rate	\$ 0.2455
Minimum Rate	\$ 0.0000
Completion Rate	
Maximum Rate	\$ 0.4909
Minimum Rate	\$ 0.0000
Authorized Overrun Rate	
Maximum Rate	\$ 0.4909
Minimum Rate	\$ 0.0000

STATEMENT OF RATES

FUEL GAS AND L&U REIMBURSEMENT PERCENTAGES

	<u>Current Period</u>	<u>True-up</u>	<u>Total</u>
Fuel Gas Percentage	3.85%	2.41%	6.26%
L&U Percentage	0.04%	0.12%	0.16%

STATEMENT OF RATES

SURCHARGES

FERC Annual Charge Adjustment (ACA)	4/
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STATEMENT OF RATES

FOOTNOTES

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- 1/ For Capacity Release transactions only, Transporter has adopted the following NAESB WGQ standards. On the bidding formats, the number of decimal places for offers, bids, and awards should be equal to the number of decimal places in the stated rates per pipeline rate schedule (NAESB WGQ Standard 5.3.21). Converting a daily rate to a monthly rate is accomplished by multiplying the daily rate times the number of Days in the rate period, dividing the result by the number of Months in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to the Transporter's specified decimal place. Converting a monthly rate to a daily rate is accomplished by multiplying the monthly rate by the number of Months in the rate period, dividing the result by the number of Days in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to the Transporter's specified decimal place (NAESB WGQ Standard 5.3.22). Furthermore, for capacity release purposes, all Tariff rates should be adjusted to reflect a standard calculation of daily and monthly rates (NAESB WGQ Standard 5.3.23).
- 2/ Unauthorized Daily Overrun Rate
- Non-Cautionary Condition
- | | |
|---|-------------------------------|
| Unauthorized daily overrun quantities equal to or less than the Safe Harbor Tolerance Quantities: | Authorized Daily Overrun rate |
| Unauthorized daily overrun quantities greater than the Safe Harbor Tolerance Quantities: | 2 x Maximum IT rate |
- Cautionary Condition
- | | |
|---|--------------------------------|
| Unauthorized daily overrun quantities equal to or less than the Safe Harbor Tolerance Quantities: | Authorized Daily Overrun rate |
| Unauthorized daily overrun quantities greater than the Safe Harbor Tolerance Quantities: | 2 x Daily Cash Out Index Price |
- 3/ Reserved.
- 4/ Pursuant to GT&C Section 17, the applicable ACA surcharge may be found on the Commission's website at <http://www.ferc.gov>.

RATE SCHEDULES

Section 1	FT	Firm Transportation Service
Section 2	IT	Interruptible Transportation Service
Section 3	PAL	Interruptible Parking and Lending Service

RATE SCHEDULE FT
Firm Transportation Service

1. AVAILABILITY

- 1.1 This Rate Schedule is available to any Shipper for the transportation of Natural Gas on a firm basis by Transporter under the following conditions:
- (a) Transporter has determined that (other than such new taps, valves, measurement equipment, and other minor facilities that may be required at the receipt or delivery point(s) to effect Gas receipt or delivery) it has available or will secure sufficient uncommitted capacity to provide the service requested by Shipper as well as all of its other firm service commitments;
 - (b) Shipper has made a valid request pursuant to the requirements of GT&C Section 4 of this Tariff;
 - (c) Shipper has satisfied the creditworthiness requirements of GT&C Section 4.12 of this Tariff; and
 - (d) Shipper has executed a firm TSA pursuant to the terms of this Rate Schedule in the form attached to this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 Transportation service up to Shipper's MDQ shall be considered firm and not subject to a prior claim by another Shipper or another class of service under a pre-existing contract, TSA or certificate.
- 2.2 Transporter shall not be required to provide transportation service if the quantities tendered are so small as to cause operational difficulties, such as measurement. (See GT&C Section 4.1) Transporter shall promptly notify Shipper if such operating conditions precluding service exist.
- 2.3 Rates of Flow. Unless otherwise agreed, at each receipt and delivery point, each Party shall flow, or cause to flow, Gas at the rates of flow as specified below.
- (a) At each delivery point, quantities delivered for Shipper's account shall not exceed, on an hourly basis, 1/24th of scheduled daily quantities. Transporter may from time to time on a not unduly discriminatory basis permit reasonable operating variations that do not adversely affect other Shippers or pipeline operations; provided, however, that such variations shall not be considered a firm delivery right.

2.3 Rates of Flow (continued)

- (b) At each receipt point, Transporter may from time to time on a not unduly discriminatory basis permit reasonable operating variations greater than 1/24th of scheduled daily quantities that do not adversely affect other shippers or pipeline operations; provided, however, such variations shall not be considered a firm right.
- (c) Except as otherwise provided in the Tariff, Shipper must balance its daily receipts and its daily deliveries at the end of each Gas Day.

2.4 This service shall be subject to the imbalance management provisions of GT&C Section 10 and the capacity release requirements specified in GT&C Section 9.

3. TRANSPORTATION SERVICE CHARGES

3.1 Applicable Rates. The applicable rates for service hereunder shall be, subject to the other provisions hereof, the rates agreed to by Transporter and Shipper as set forth in the TSA.

- (a) Reservation Charge. Each Month Shipper shall be charged a reservation charge determined by multiplying the reservation rate(s) set forth in the TSA by Shipper's MDQ. Shipper shall begin paying the reservation charge on the date provided for in the TSA.
- (b) Commodity Charge. Each Month, Shipper shall be charged an amount obtained by multiplying the Commodity Rate(s) set forth in the TSA by the total quantity of Gas in Dths delivered (exclusive of any overrun Gas) each Day of the Month by Transporter to Shipper at the delivery point(s).
- (c) Backhaul Charge. Shipper shall be charged applicable forward haul rates (i.e., the Rate Schedule FT recourse rate unless discounted pursuant to Section 3.2 of Rate Schedule FT) when the transportation service rendered by Transporter is Backhaul.

3.1 Applicable Rates (continued)

- (d) Incremental Facility Charge. When the construction of new minor facilities is required in order to provide service to Shipper, Transporter may, on a non-discriminatory basis, require Shipper to pay for such facilities. The parties shall agree as to whether Shipper shall (1) make a one-time 100 percent reimbursement for the cost of facilities or (2) pay the cost of facilities over a period of time agreed to by Shipper and Transporter. The incremental facility charge will reflect, as appropriate all of Transporter's capital costs associated with such facilities, including related income taxes and all other taxes, and if applicable, associated operating and maintenance costs, plus interest as agreed to by the parties if the Shipper elects to reimburse Transporter for the facilities over a period of time. If a contribution in aid of construction (CIAC) is paid by the Shipper in accordance with the construction of facilities agreement and such transaction is determined to be taxable, it shall be increased by an amount (Tax Reimbursement) to compensate for the related income tax effects thereof, according to the following formula:

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

- (e) Other Charges and Surcharges. Transporter shall charge Shipper and Shipper shall pay for any other FERC-approved charges and surcharges that apply to service under this Rate Schedule.
- (f) Third Party Charges for Off-System Capacity: Shipper may, on a non-discriminatory basis, be required to pay to Transporter, if applicable, any Third Party Charges in accordance with GT&C Section 4.6. In no event shall such Third Party Charges paid by Shipper exceed the amount incurred and paid by Transporter for the applicable off-system capacity.
- (g) Pursuant to GT&C Section 12.3, Shipper may prepay the reservation charge(s) and reservation surcharge(s) under its TSA.

3.2 Adjustment of Rates.

- (a) Transporter, at its sole discretion, may file with FERC to change the rates listed on the Statement of Rates applicable to service under this Rate Schedule. Any such changed rates shall be charged beginning on the date the new rates become effective, subject to any refunds, surcharges or other conditions that are permitted or required by FERC and subject to the terms of the TSA.
- (b) Subject to the terms of the TSA, Transporter reserves the right to prescribe and/or adjust at any time and on a non-discriminatory basis any of the rates applicable to service under any individual TSA pursuant to GT&C Section 4.13 without adjusting any other rates for service under other TSAs; provided, however, that such adjusted rate(s) shall not exceed the applicable maximum recourse rate(s) nor shall they be less than the applicable minimum recourse rate(s), set forth on the Statement of Rates. Downward adjustment to any rate shall be for a specific term. Unless otherwise agreed, at the expiration of the term for such discounted rate specified in the TSA, the rate for Transportation service shall revert to the maximum rate under this Rate Schedule.
- (c) Notwithstanding anything to the contrary contained in this Rate Schedule or in the Tariff, Transporter and Shipper may, as provided in GT&C Section 4.14 of the Tariff, negotiate a rate for service under this Rate Schedule. The minimum and maximum rates in the Statement of Rates shall not be applicable to service provided pursuant to such negotiated rates.

4. FUEL

In addition to the other payments made pursuant to this Rate Schedule, Shipper shall provide and be responsible for providing FL&U in-kind for the transportation of Natural Gas pursuant to Shipper's TSA. FL&U will be calculated pursuant to GT&C Section 13.

5. OVERRUN TRANSPORTATION

5.1 Authorized Daily Overrun Transportation. On any Day, upon request of Shipper and with Transporter's consent, Shipper may nominate and Transporter may schedule authorized daily overrun quantities above the MDQ. All such quantities shall be referred to as authorized daily overrun quantities and transported on an interruptible basis. Unless otherwise agreed, Shipper shall pay an amount obtained by multiplying such authorized daily overrun quantities delivered by Transporter to Shipper or for Shipper's account, at each delivery point(s) during the Month by the maximum authorized daily overrun rate stated on the Statement of Rates.

- 5.2 Unauthorized Daily Overrun Transportation. On any Day, any Gas quantity that exceeds Shipper's MDQ and which has not been authorized and scheduled by Transporter is unauthorized. All such quantities shall be referred to as unauthorized daily overrun Gas and shall be subject to the unauthorized daily overrun rate (non-Cautionary or Cautionary Condition, as applicable). Shipper shall pay an amount obtained by multiplying the quantity of such unauthorized daily overrun gas each Day by the unauthorized daily overrun rate set forth on the Statement of Rates.
- 5.3 The unauthorized daily overrun penalty (non-Cautionary or Cautionary Condition, as applicable) shall be assessed based on the application of Safe Harbor Tolerance Quantities as described in Section 5.4 of this Rate Schedule. Shipper shall pay an amount obtained by multiplying the unauthorized daily overrun quantity (less the Safe Harbor Tolerance Quantities) by the unauthorized daily overrun rate set forth on the Statement of Rates. Only the amounts above the authorized daily overrun equivalent amounts shall be considered penalty amounts.
- 5.4 In non-Cautionary Conditions, the daily Safe Harbor Tolerance Quantity shall equal the greater of 7% of Shipper's MDQ or 2,000 Dth per Day. In Cautionary Conditions, the daily Safe Harbor Tolerance Quantity shall be determined and applied pursuant to GT&C Section 11.1. Should the unauthorized daily overrun quantities exceed the applicable Safe Harbor Tolerance Quantities, only those quantities taken in excess of such tolerances shall be subject to the unauthorized daily overrun penalty (non-Cautionary or Cautionary Condition as applicable). Should Shipper's overrun quantities not exceed the daily Safe Harbor Tolerance Quantities, such overrun quantities shall be assessed the authorized daily overrun rate in recognition of service rendered.

6. GENERAL TERMS AND CONDITIONS; SUPERSEDING EFFECT

Except as otherwise expressly indicated in this Rate Schedule or by the executed TSA, all of the GT&C contained in this Tariff, including without limitation (from and after their effective date) any future modifications, additions or deletions to said GT&C, are applicable to transportation service rendered under this Rate Schedule and, by this reference, are made a part hereof. To the extent of any conflict, contradiction or ambiguity arising between the GT&C of this Tariff, on the one hand, and any TSA, on the other, the GT&C of this Tariff shall govern over and supersede any conflicting, contradictory or ambiguous provision of the relevant TSA, unless such provision of the TSA has been filed with and specifically accepted by the Commission, in which case it shall be construed harmoniously with the GT&C of this Tariff to the maximum possible extent.

otaRATE SCHEDULE IT
Interruptible Transportation Service

1. AVAILABILITY

- 1.1 This Rate Schedule is available to any Shipper for the transportation of Natural Gas on an interruptible basis by Transporter under the following conditions:
- (a) Transporter has determined that (other than such new taps, valves, measurement equipment, and other minor facilities that may be required at the receipt or delivery point(s) to effect Gas receipt or delivery) it has available or will secure sufficient uncommitted capacity to provide the service requested by Shipper as well as all of its other firm service commitments;
 - (b) Shipper has made a valid request pursuant to the requirements of GT&C Section 4 of this Tariff;
 - (c) Shipper has satisfied the creditworthiness requirements of GT&C Section 4.12 of this Tariff; and
 - (d) Shipper has executed an Interruptible TSA pursuant to the terms of this Rate Schedule in the form attached hereto.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 Transportation service hereunder is interruptible, and subject to interruption by Transporter at any time. Transportation service under this Rate Schedule will be performed when Transporter has capacity which is not subject to a prior claim by another Shipper or another class of service under a pre-existing contract, TSA, or certificate.
- 2.2 Transporter shall not be required to provide transportation service if the quantities tendered are so small as to cause operational difficulties, such as measurement. (See GT&C Section 4.1) Transporter shall promptly notify Shipper if such operating conditions precluding service exist.
- 2.3 Rates of Flow. Unless otherwise agreed, at each receipt and delivery point, each Party shall flow, or cause to flow, Gas at the rates of flow as specified below.
- (a) At each receipt and delivery point, quantities tendered or caused to be tendered for Shipper's account shall not exceed, on an hourly basis, 1/24th of daily scheduled quantities at such point. Transporter may, from time to time on a not unduly discriminatory basis, permit reasonable operating variations that do not adversely affect other Shippers or pipeline operations.
 - (b) Except as otherwise provided in the Tariff, shipper must balance its daily receipts and its daily deliveries at the end of each Gas Day.

3. TRANSPORTATION SERVICE CHARGES

- 3.1 Applicable Rates. The applicable rates for service hereunder shall be, subject to the other provisions hereof, the rates agreed to by Transporter and Shipper as set forth in the TSA.
- (a) Commodity Charge. Each Month, Shipper shall be charged an amount obtained by multiplying the commodity rate(s) set forth in the TSA by the total quantity of Gas in Dth delivered (excluding overrun Gas) each Day of the Month by Transporter to Shipper at the delivery point(s).
 - (b) Backhaul Charge. Shipper shall be charged the applicable forward haul rates (i.e., the Rate Schedule IT recourse rate unless discounted pursuant to Section 3.2 of Rate Schedule IT) when the transportation service rendered by Transporter is Backhaul.
 - (c) Other Charges and Surcharges: Shipper shall pay to Transporter when incurred by Transporter all other FERC-approved charges and surcharges related to service provided under this Rate Schedule, including any costs incurred by Transporter on behalf of Shipper such as Third Party Charges as described in GT&C Section 4.6(b).
 - (d) Third Party Charges: Shipper may, on a non-discriminatory basis, be required to pay to Transporter, if applicable, any Third Party Charges in accordance with GT&C Section 4.6. In no event shall such Third Party Charges paid by Shipper exceed the amount incurred and paid by Transporter for the applicable off-system capacity.
- 3.2 Adjustment of Rates.
- (a) Transporter, at its sole discretion, may file with FERC to change the rates listed on the Statement of Rates applicable to service under this Rate Schedule. Any such changed rates shall be charged beginning on the date the new rates become effective, subject to any refunds, surcharges or other conditions that are permitted or required by FERC and subject to the terms of the TSA.
 - (b) Transporter, at its sole discretion, may from time to time and at any time selectively discount on a non-discriminatory basis any or all of the rates on the Statement of Rates applicable to any individual Shipper pursuant to GT&C Section 4.13; provided, however, that such adjusted rate(s) shall not exceed the applicable maximum commodity rate(s) nor shall they be less than the applicable minimum commodity rate(s), set forth on the Statement of Rates. Downward adjustment to any rate shall be for a specific term. Unless otherwise agreed, at the expiration of the term for such discounted rate specified in the TSA, the rate for transportation service shall revert to the maximum rate under this Rate Schedule.

3.2 Adjustment of Rates (continued)

- (c) Notwithstanding anything to the contrary contained in this Rate Schedule or in the Tariff, Transporter and Shipper may, as provided in Section 4.14 of the GT&C of the Tariff, negotiate a rate for service under this Rate Schedule. The minimum and maximum rates in the Statement of Rates shall not be applicable to service provided pursuant to such negotiated rates.

4. FUEL

In addition to the other payments made pursuant to this Rate Schedule, Shipper shall provide and be responsible for providing FL&U in-kind for the transportation of Natural Gas pursuant to Shipper's TSA. FL&U will be calculated pursuant to Section 13 of the GT&C.

5. GENERAL TERMS AND CONDITIONS; SUPERSEDING EFFECT

Except as otherwise expressly indicated in this Rate Schedule or by the executed TSA, all of the GT&C contained in this Tariff, including without limitation (from and after their effective date) any future modifications, additions or deletions to said GT&C, are applicable to transportation service rendered under this Rate Schedule and, by this reference, are made a part hereof. To the extent of any conflict, contradiction or ambiguity arising between the GT&C, on the one hand, and any TSA, on the other, the GT&C shall govern over and supersede any conflicting, contradictory or ambiguous provision of the relevant TSA, unless such provision of the TSA has been filed with and specifically accepted by the Commission, in which case it shall be construed harmoniously with the GT&C to the maximum extent possible.

**RATE SCHEDULE PAL
INTERRUPTIBLE PARKING AND LENDING SERVICE**

1. AVAILABILITY

- 1.1 This Rate Schedule is available to any Shipper for the parking and lending (“PAL”) of Gas on an interruptible basis by Transporter when and to the extent:
- (a) Transporter has determined, using its reasonable discretion, that capacity is available on its existing facilities and that it has the operational flexibility to provide interruptible parking and lending service without detriment or disadvantage to Transporter’s firm or interruptible transportation service obligations or to its system operational needs;
 - (b) A valid request for PAL Service has been made pursuant to GT&C Section 4.
 - (c) Shipper has met the service requirements specified in GT&C Section 4, including without limitation the creditworthiness conditions of GT&C Section 4.12.
 - (d) Shipper and Transporter have executed an Interruptible Parking and Lending Service Agreement (“Agreement”) and related Park and Loan Service Request Order (“PAL RO”) pursuant to the terms of this Rate Schedule and the related Form of Service Agreement. When executed by Transporter and Shipper, the underlying PAL RO shall evidence the parties’ agreement as to the terms of the particular transaction(s) to park and loan Gas pursuant to the Agreement.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to all PAL services rendered by Transporter for Shipper.

- 2.1 Interruptible PAL service shall be subject to the provisions of this Rate Schedule, the Agreement and related PAL RO, and the applicable provisions of the GT&C.
- 2.2 All receipt and delivery locations shall be eligible for PAL service (“PAL Points”) unless otherwise posted by Transporter on its EBB from time to time. Such points will be made available to Shipper on a non-discriminatory basis.

- 2.3 PAL Service available under this Rate Schedule is an interruptible service providing for:
- (a) Parking Service - Parking service shall consist of Transporter receiving Gas quantities from Shipper at a designated PAL Point on a designated date(s), as specified in the PAL RO pursuant to Section 5 of this Rate Schedule, for holding and Transporter's subsequent withdrawal of parked quantities of Gas to Shipper on the date(s) designated in the PAL RO at the same PAL Point where Shipper delivered the Gas, pursuant to the PAL RO and Section 5 of this Rate Schedule.
 - (b) Lending Service – Lending Service shall consist of Transporter's advancement of Gas quantities to Shipper at a designated PAL Point on the designated date(s), as specified in the PAL RO pursuant to Section 5 of this Rate Schedule, and Shipper's subsequent payback of such advanced (loaned) quantities by Shipper to Transporter at the same PAL Point where the loan occurred, pursuant to the PAL RO and Section 5 of this Rate Schedule.
 - (c) Parked quantities must be withdrawn or loaned quantities must be paid back to the original designated point(s). The PAL RO cannot be used to transport Gas to or from the original PAL Point(s) specified in the PAL RO.
 - (d) Gas quantities may be delivered to a PAL Point for parking or payback of a loan from receipt points on Transporter's System.
- 2.4 Service rendered under this Rate Schedule shall be provided for a minimum of a one (1) Day term.
- 2.5 In no event shall Transporter be required to provide service under this Rate Schedule that would require Transporter to install, operate, acquire or maintain any additional facilities.

3. DEFINITIONS

- 3.1 PAL Point: The transaction point(s) on Transporter's System where parking and lending services are provided to Shipper, as specified in the executed PAL RO. PAL Points will be associated with existing locations on Transporter's System.
- 3.2 Maximum PAL Quantity: Shipper's maximum park or loan quantity shall be the total amount permitted to be parked or loaned in Shipper's account as specified in the executed Agreement and PAL RO.
- 3.3 Daily PAL Quantity: The maximum daily quantity that may be parked or loaned at the PAL Point as specified in the executed PAL RO. The PAL RO may specify a range for the quantity of a park or loan. On any Day, the sum of all Daily PAL Quantities on the PAL ROs for Shipper shall not exceed the Maximum PAL Quantity.

4. RATES AND CHARGES

- 4.1 Each Month, Shipper shall pay an amount determined by the parking and lending rates/fees set forth in the PAL RO. The PAL RO shall be posted on Transporter's EBB.
- 4.2 Applicable Rates. The applicable rates for service under this Rate Schedule PAL, or any superseding rate schedule, shall be subject to the other provisions hereof and shall be set forth in the PAL RO. Shipper shall pay Transporter the sum of the following charges, as described below:
- (a) An Initial Rate for each Dth of Gas tendered for park or taken for loan during the Month;
 - (b) A Park/Loan Balance Rate for each Dth of Gas which is parked or loaned for that Month (such charge shall be calculated on the basis of the end of the Day balances for each Day of the Month such a balance occurs); and
 - (c) A Completion Rate for each Dth of Gas paid back to Transporter on completion of a loan (i.e., loan payback) or withdrawn by Shipper on completion of a park (i.e., park withdrawal) that Month.

Notwithstanding the individual rates listed in the PAL RO, on any one Day, the sum of the Initial Rate, the Park/Loan Balance Rate and the Completion Rate shall not exceed the maximum Initial Rate as shown on the Statement of Rates.

- 4.3 Surcharges: No surcharges are applicable to PAL service under this Rate Schedule.
- 4.4 Fuel and L&U charges are not applicable to service under this Rate Schedule.
- 4.5 Authorized overrun charges shall be assessed on a daily basis for any nominated and confirmed quantities that exceed the specified PAL RO's Daily PAL Quantity. Authorized overrun charges will be assessed at the maximum rate shown on the Statement of Rates, unless otherwise agreed to in writing by Transporter.
- 4.6 Should Transporter be unable to confirm a valid nomination under this Rate Schedule to pay back loaned quantities or to remove parked quantities, the Park/Loan Balance Rate shall be reduced to \$0.0000 per Dth for that Day for the quantities Transporter is unable to confirm. If the Day on which Transporter is unable to confirm a valid nomination under this Rate Schedule to pay back loaned quantities or to withdraw parked quantities is the final Day of the term of the PAL RO, the term shall be automatically extended for one Day and the Park/Loan Balance Rate for the additional Day shall be \$0.0000 per Dth.

4.7 Subject to the provisions of Section 4.6 of this Rate Schedule, should Transporter and Shipper agree to a discounted or negotiated rate pursuant to the applicable provisions of this Tariff the quantities withdrawn or paid back on dates other than those stated in the PAL RO shall be assessed the maximum Completion Rate as shown on the Statement of Rates. However, quantities paid back or withdrawn on dates other than those indicated on the PAL RO pursuant to the provisions of Section 6.3 of this Rate Schedule shall be assessed the rates stated in the PAL RO.

4.8 Adjustment of Rates

- (a) Transporter may file with FERC to change the rates listed on the Statement of Rates applicable to service under this Rate Schedule. Any such changed rates shall be charged beginning on the date the new rates become effective, subject to any refunds, surcharges or other conditions that are permitted or required by FERC and subject to the terms of the PAL RO.
- (b) Transporter, at its sole discretion, may from time to time and at any time selectively discount on a non-discriminatory basis any or all of the rates on the Statement of Rates applicable to any individual Shipper pursuant to GT&C Section 4.13; provided, however, that such discounted rates shall not exceed the applicable maximum rate(s) nor shall they be less than the minimum rate(s) set forth on the currently effective Statement of Rates. Downward adjustment to any rate shall be for a specific term. Unless otherwise agreed, at the expiration of the term for such discounted rate specified in the PAL RO, the rate for service shall revert to the maximum applicable rate under this Rate Schedule.
- (c) Notwithstanding anything to the contrary contained in this Rate Schedule or in the Tariff, Transporter and Shipper may, as provided in GT&C Section 4.14, negotiate a rate for service under this Rate Schedule. The minimum and maximum rates in the Statement of Rates shall not be applicable to service provided pursuant to such negotiated rates.

5. SCHEDULING PAL SERVICE

- 5.1 Shipper shall nominate PAL service under this Rate Schedule in accordance with the nomination procedures set forth in the GT&C of this Tariff.
- 5.2 PAL service may be interrupted at any time and such interruptions may be in effect for extended periods of time. Interruption of PAL service may include decreasing, temporarily suspending, or discontinuing the receipt or delivery of Gas if Transporter in its reasonable discretion determines that such decrease, suspension or discontinuance is necessary to maintain system integrity or when a higher priority service so requires.

- 5.3 Scheduling of PAL service will be based on the priorities for parking and lending services established in GT&C Section 6.3. If allocations become necessary, curtailment will be based on the priorities established in GT&C Section 6.5.
- 5.4 Shipper shall not pay back more than the quantity loaned nor withdraw more than the quantity parked stated in PAL RO.

6. INTERRUPTION OR TERMINATION OF PAL SERVICE

- 6.1 Shipper may be required, upon notification from Transporter, to withdraw quantities of Gas previously provided to Transporter under the parking service, or pay back quantities of Gas previously loaned to Shipper under the lending service. Such notification shall only be made when the required Shipper action is necessary to protect the operational integrity of Transporter's System or to allow Transporter to fulfill higher priority commitments. Primary notification shall be provided by telephone, and additionally by e-mail, facsimile or on Transporter's EBB.
- 6.2 Should Transporter notify Shipper to withdraw or payback quantities of Gas pursuant to Section 6.1 of this Rate Schedule, Transporter's notification shall specify the time by which parking service quantities shall be withdrawn and/or lending service quantities shall be paid back. The time period in which Shipper must act will be determined based on the necessity to protect and ensure firm service. Absent a mutual agreement between Transporter and Shipper or the declaration of a Strained or Critical Operating Condition, in no event shall the specified time be less than three calendar days from the date of Transporter's notification. Upon Transporter's declaration of a Strained or Critical Operating Condition, Transporter may require Shipper to withdraw or pay back quantities of Gas, pursuant to Section 6.1 of this Rate Schedule, within one calendar day.
- 6.3 Pursuant to the operational conditions described in Section 6.1 above, unless otherwise agreed by Shipper and Transporter, (i) any parked quantity not withdrawn as required by Section 6.1 shall become the property of Transporter at no cost to Transporter, free and clear of any adverse claims, (Transporter will credit the net value of confiscated quantities pursuant to GT&C Section 14.3) and, (ii) any loaned quantity not paid back as required by Section 6.1 of this Rate Schedule shall be sold to Shipper at the highest price, determined as 150% of Transporter's Cash Out Index Price, among either:
 - (a) the Month in which the authorized loan occurred;
 - (b) the Month in which pay back of the authorized loan was scheduled but did not occur; or
 - (c) any Month between (a) and (b) above.

- 6.4 If Transporter receives a valid PAL nomination complying with a notification pursuant to Section 6.1 of this Rate Schedule but is unable to confirm or schedule such nomination, the obligation of Shipper to comply with that notification, but not the obligation to submit nominations, shall be suspended until such time as Transporter's operational conditions permit such nomination to be confirmed and scheduled. Furthermore, under the circumstances described by this Section 6.4, the penalty provision of Section 6.3 of this Rate Schedule shall not apply until such nomination is able to be confirmed and scheduled. Additionally, Transporter and Shipper may mutually agree to extend the agreed upon term of the PAL RO for the amount of time that the transaction was unable to be scheduled.
- 6.5 Shipper is required to withdraw all parked quantities and pay back all loaned quantities no later than the termination date of the PAL RO. Upon termination of a PAL RO, (i) any parked quantity not withdrawn shall become the property of Transporter at no cost to Transporter, free and clear of any adverse claims, (Transporter will credit the net value of confiscated quantities pursuant to GT&C Section 14.3) and (ii) any loaned quantity not paid back shall be sold to Shipper at the highest price, determined as 150% of Transporter's Cash Out Index Price, among either:
- (a) the Month in which the authorized loan occurred;
 - (b) the Month in which pay back of the authorized loan was scheduled but did not occur; or
 - (c) any Month between (a) and (b) above.

In the event parked quantities remain in Transporter's System and/or loaned quantities have not been paid back to Transporter's System after the expiration of any PAL RO executed by Shipper and Transporter, Transporter and Shipper may mutually agree to an extended time frame and/or modified terms (which may include the rate) of such PAL RO, to permit Shipper to pay back and/or withdraw such quantities. If Shipper and Transporter do not agree to an extended time frame and/or modified terms, the rate charged under the PAL RO shall be the maximum rate as set forth on the Statement of Rates.

- 6.6 Shipper or its suppliers shall be responsible for reporting and payment of any royalty, tax, or other burdens on Gas volumes received by Transporter pursuant to this Section 6 of this Rate Schedule and Transporter shall not be obligated to account for or pay such burdens.

7. GENERAL TERMS AND CONDITIONS

Except as otherwise expressly indicated in this Rate Schedule or by the executed Agreement, all of the GT&C contained in this Tariff, including without limitation (from and after their effective date) any future modifications, additions, deletions to said GT&C, are applicable to service rendered under this Rate Schedule and, by this reference, are made a part hereof. For purposes of this Rate Schedule, the term "PAL RO" shall be substituted for all references to the term "Transportation Service Agreement" where such term appears in the GT&C. To the extent of any conflict, contradiction or ambiguity arising between the GT&C, on the one hand, and any PAL RO, on the other, the GT&C shall govern over and supersede any conflicting, contradictory or ambiguous provision of the relevant PAL RO, unless such provision of the PAL RO has been filed with and specifically accepted by the Commission, in which case it shall be construed harmoniously with the GT&C to the maximum extent possible.

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Unless otherwise stated, these General Terms and Conditions apply to all transportation service provided under this Tariff.

1. DEFINITIONS

- 1.1 "Backhaul" - shall mean a transaction that is nominated opposite the daily physical flow of Gas and which is scheduled via displacement.
- 1.2 "Bidding Shipper" - shall mean any Shipper who is pre-qualified pursuant to Section 9 of the GT&C to bid for capacity or who is a party to a prearranged release.
- 1.3 "British Thermal Unit" ("Btu") – shall mean the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at standard conditions, defined as a pressure of 14.73 pounds per square inch at a temperature of 60 degrees Fahrenheit.
- 1.4 "Bumping" or "Bump" - shall mean:
- (a) The reduction of a previously scheduled and confirmed interruptible transportation quantity to permit Transporter to schedule and confirm a firm transportation nomination which has a higher priority and which was submitted as an intraday nomination.
 - (b) In the event of an intraday recall of released capacity, "Bumping" or "Bump" shall also mean the reduction of the Replacement Shipper's previously scheduled and confirmed firm transportation quantity.
- Bumping that affects transactions on multiple Transportation Service Providers should occur at grid-wide synchronization times only (NAESB WGQ Standard 1.3.39). Absent an agreement to the contrary between Transporter, Shipper and any affected interconnect party, a Bump shall not result in a scheduled quantity that is less than the applicable elapsed pro rated flow 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 (NAESB WGQ Standard 1.2.12).
- 1.5 "Business Day" – shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the United States, and similar holidays for transactions occurring in Canada and Mexico (NAESB WGQ Standard 3.2.1).
- 1.6 "Btu" – shall mean 1 British thermal unit, the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at standard conditions, defined as a pressure of 14.73 pounds per square inch at a temperature of 60.0°F on a dry basis.
- 1.7 "Cash Out" – shall mean the valuation of an imbalance at a market-related price pursuant to the requirements of Section 10.3 of the GT&C.

- 1.8 "Cash Out Index Price" - shall mean the highest of the index prices described in Section 10.3, if Shipper owes balances to Transporter (including overrun Gas and FL&U quantities). The "Cash Out Index Price" shall be the lowest of the index prices described in Section 10.3 of the GT&C, if Transporter owes balances to Shipper (including overrun Gas and FL&U quantities).
- 1.9 "Cautionary Condition" – shall mean any period when a COC or an SOC is declared pursuant to Section 11.1 of the GT&C.
- 1.10 "Critical Operating Condition" or "COC" shall mean the operating condition(s) described in Section 11.1(b) of the GT&C.
- 1.11 "Critical Notice" – shall be defined, in conformance with NAESB WGQ Standard 5.2.1, as any notice which pertains to information of conditions on Transporter's System that affect scheduling or adversely affect scheduled Gas flow.
- 1.12 "Cubic Foot" – shall mean the volume of gas which would occupy a space of 1 cubic foot at a temperature of 60 degrees Fahrenheit and at a pressure of 14.73 pounds per square inch absolute (p.s.i.a.). "Mcf" shall mean 1,000 cubic feet. "MMcf" shall mean 1,000,000 cubic feet. Pressure Base conversion factors should be reported to not less than 6 decimal places. (NAESB Standard 2.3.10) However, the reporting basis for Gas transactions is thermal. (See GT&C Section 1.15)
- 1.13 "Day" or "Gas Day" – shall mean a period of 24 consecutive Hours, except for those Days that are adjusted for Daylight Savings Time, commencing and ending at 9:00 a.m., Central Clock Time ("CCT"), or such other period as the parties may agree upon. "Clock time" indicates that Transporter will adjust its Gas Day to reflect changes for Daylight Savings Time.
- 1.14 "Dekatherm" ("Dth") - One (1) Dth shall mean a quantity of Gas containing one million (1,000,000) Btu's. One Dth of Gas shall mean the quantity of Gas which contains one Dekatherm of heat energy and will be reported on a dry MMBtu or Dth basis. Dth is the standard quantity unit for nominations, confirmations and scheduled quantities in the United States. The standard conversion factor between Dth and Canadian Gigajoules (Gj) is 1.055056 Gjs per Dth. As used in this Tariff, related services agreements, statements and invoices, MMBtu and Dth are considered synonymous.
- 1.15 "Electronic Bulletin Board" ("EBB") – shall mean Transporter's EBB which is available at Transporter's designated Internet Website at www.kindermorgan.com, pursuant to Section 20 of the GT&C.
- 1.16 "Federal Energy Regulatory Commission" – shall mean the federal regulatory agency, or any succeeding agency, having jurisdiction over this Gas Tariff, also referred to as "FERC" or "Commission."

- 1.17 "Flow Path Secondary Capacity" - shall mean the capacity status assigned to that portion of a firm transportation transaction for which the receipt and/or delivery point lies outside the Primary Receipt-to-Delivery Flow Path when at least some part of such transaction passes through Shipper's Primary Receipt-to-Delivery Flow Path. Additionally, the Flow Path Secondary priority shall apply to any non-Primary Point that lies within Shipper's Primary Receipt-to-Delivery Flow Path, and such point shall be designated a Flow Path Secondary Point. Flow Path Secondary Capacity is limited by the capacity entitlement of the underlying TSA on the Primary Receipt-to-Delivery Flow Path being used.
- 1.18 "FL&U" – shall mean Fuel Gas and Lost and Unaccounted for Gas.
- 1.19 "Fuel" – shall mean the quantity of Gas determined to be consumed during the transportation of Gas.
- 1.20 "GT&C" – shall mean the Transportation General Terms and Conditions of this Tariff.
- 1.21 "Gross Heating Value" – shall mean the number of Btus produced by the complete combustion, at a constant pressure, of the amount of Gas which would occupy a volume of 1 Cubic Foot at a temperature of 60 degrees Fahrenheit on a water-free basis and at a pressure of 14.73 psia with air of the same temperature and pressure as the Gas, when the products of combustion are cooled to the initial temperature of the Gas and air, and when the water formed by combustion has condensed to the liquid state.
- 1.22 "Hour" - shall mean a period of 60 consecutive minutes beginning at the top of each Hour of the Gas Day and ending at the top of the next Hour (i.e., Hour 1 starts at 9:00 a.m. CCT and ends at 10:00 a.m. CCT).
- 1.23 "Imbalance Trade" – shall mean the reallocation of an imbalance quantity from one Shipper's TSA to another Shipper's TSA in order to reduce the imbalance of both Shippers pursuant to Section 10.2 of the GT&C.
- 1.24 "Interconnecting Party" - shall mean the party or such party's designee that is responsible for operations of a Natural Gas system which interconnects with Transporter's pipeline system and is responsible for verifying nominations and scheduling Gas flow at such point of interconnections. An Interconnecting Party is also a Confirming Party. Each Interconnecting Party is required to submit confirmation pursuant to the timelines identified in Section 6 of the GT&C, unless specifically exempted by Transporter on a not unduly discriminatory basis.
- 1.25 "L&U" – shall mean lost and unaccounted-for Gas.
- 1.26 "Maximum Delivery Quantity" or "MDQ" - shall mean the maximum quantity of Gas, expressed in Dth per Day, which Transporter shall be obligated to deliver under a firm TSA.
- 1.27 "Month" – shall mean a period commencing on the first Day of the corresponding calendar month and ending at the beginning of the first Day of the next following calendar Month.

- 1.28 "Natural Gas" or "Gas" – shall mean any mixture of hydrocarbons or of hydrocarbons and noncombustible gases, in a gaseous state, consisting essentially of methane.
- 1.29 "Non-Cautious Condition" – shall mean any period except when a Cautious Condition has been declared pursuant to Section 11.1 of the GT&C.
- 1.30 "Operator" – shall mean the person or entity that is responsible for the operation of a facility at which Gas flows into or out of Transporter's System.
- 1.31 "Prearranged Shipper" - shall mean any Shipper which is qualified, pursuant to Section 9 of the GT&C, and seeks to acquire capacity under a prearranged release for which notice is given pursuant to Section 9.6.
- 1.32 "Primary Capacity" - shall mean the transmission system capacity on any portion of the Primary Receipt-to-Delivery Flow Path reserved for a Shipper under a firm TSA.
- 1.33 "Primary Point(s)" - shall mean those receipt and delivery point(s) where Shipper is entitled to firm service.
- 1.34 "Rate Default" – For index-based capacity release transactions, Rate Default is the term used to describe the non-biddable rate specified in the capacity release offer to be used for invoicing purposes when the result of the index-based formula is unavailable or cannot be computed. If a Rate Default is not otherwise specified, the Rate Floor should serve as the Rate Default. (NAESB Standard 5.2.5)
- 1.35 "Rate Floor" – For index-based capacity release transactions, Rate Floor is the term used to describe the lowest rate specified in the capacity release offer in dollars and cents that is acceptable to the Releasing Shipper. The Rate Floor may not be less than Transportation Service Provider's minimum reservation rate or zero cents when there is no stated minimum reservation rate. (NAESB Standard 5.2.4)
- 1.36 "Receipt-to-Delivery Flow Path" - shall mean the path of Gas through and from a receipt point to and through a delivery point. Furthermore, "Primary Receipt-to-Delivery Flow Path" shall mean the path of Gas through and from primary receipt point(s) to and through primary delivery point(s). The direction of flow shall be deemed to be from the primary receipt point to the primary delivery point.
- 1.37 "Releasing Shipper" – shall mean any Shipper with a TSA under Rate Schedule FT who elects to release all or a portion of its firm capacity, subject to the capacity release program contained in Section 9 of the GT&C.
- 1.38 "Replacement Capacity Agreement" – shall mean the agreement pursuant to which a Replacement Shipper acquires a transportation service(s) on Transporter pursuant to Section 9 of the GT&C.

- 1.39 "Replacement Shipper" - shall mean any Shipper who acquired capacity rights from a Releasing Shipper through Transporter's capacity release program as contained in Section 9 of the GT&C.
- 1.40 "Right-of-First-Refusal" or "ROFR" – shall mean a right of first refusal as described in Section 4.9 of the GT&C.
- 1.41 "Safe Harbor Tolerance Percentage" – shall mean the applicable percentage set forth in Section 5.4 of Rate Schedule FT or GT&C Section 11.1 that is intended to be utilized for determining the Safe Harbor Tolerance Quantities with respect to unauthorized daily overrun penalties and Cautionary Condition charges, which percentage depends upon whether a Cautionary or non-Cautionary Condition exists.
- 1.42 "Safe Harbor Tolerance Quantities" – shall mean the quantities that do not incur a penalty even though such quantities exceed the applicable contract entitlement.
- 1.43 "Secondary Capacity" - shall mean capacity nominated under a firm TSA that is other than Primary Capacity, Flow Path Secondary Capacity or overrun capacity.
- 1.44 "Secondary Point(s)" - shall mean those receipt and delivery points which are not specified in the firm TSA as Primary Points. Secondary Points which lie in the Primary Receipt-to-Delivery Flow Path are automatically awarded a scheduling status of Flow Path Secondary.
- 1.45 "Secondary Delivery Point" - shall mean a delivery point which is not specified in the firm TSA as a primary delivery point and which is located outside of Shipper's Primary Receipt-to-Delivery Flow Path.
- 1.46 "Secondary Receipt Point" - shall mean a receipt point which is not specified in the firm TSA as a primary receipt point and which is located outside of Shipper's Primary Receipt-to-Delivery Flow Path.
- 1.47 "Shipper" – shall mean any person or entity which either (a) is receiving service under an effective TSA on Transporter's System; (b) has executed a service agreement under any rate schedule; or (c) has completed a request for service.
- 1.48 "Strained Operating Condition" or "SOC" – shall mean the operating condition(s) described in Section 11.1(a) of the GT&C.
- 1.49 "Transportation Service Agreement" or "TSA" – shall mean the contract between Transporter and Shipper setting forth rights and obligations of the parties with respect to the transportation of Natural Gas.
- 1.50 "Transportation Service Provider" – shall mean Transporter and any other natural gas pipeline subject to regulation by FERC.
- 1.51 "Transporter" – shall mean Sierrita Gas Pipeline LLC

- 1.52 "Transporter's System" – shall mean Transporter's System as displayed on the map set forth in this Tariff together with Transporter's off-system capacity described in GT&C Section 4.6, to the extent applicable.

2. MEASUREMENT

- 2.1 Unit of Measurement and Metering Base - The volumetric measurement basis shall be 1 Cubic Foot of gas at a pressure base of 14.73 pounds per square inch absolute, at a temperature base of 60 degrees Fahrenheit, and without adjustment for water vapor.
- 2.2 Measurement Specifications. The quantities of Gas measured hereunder shall be computed in accordance with industry standard specifications. Factors required in the computations shall be determined from the following information:
- (a) Atmospheric Pressure. For the purpose of measurement, calculation and meter calibration, the average absolute atmospheric (barometric) pressure shall be based on the actual altitude of each point of measurement irrespective of variations in natural atmospheric pressure from time to time.
 - (b) Temperature. The temperature of the Gas shall be determined at the points of measurement by means of a properly located and installed temperature transmitter of standard manufacture determined by Transporter in exercise of its reasonable judgment. For on-site flow computations in electronic flow computers, the instantaneous measurement of temperature will be used in such computations. For offsite calculations and recalculations, the temperature at which gas was measured for the period of such record shall be the arithmetic average of the record during the period of time which gas was flowing.
 - (c) Determination of Heating Value, Specific Gravity (also referred to as Relative Density), and Gas Composition. The gross Heating Value, specific gravity, and composition of the Gas may be determined by Gas chromatographic analysis or any other method mutually agreed upon. This shall be done by either a Gas sample or by an on-line Gas chromatograph. The determination of gross Heating Value, specific gravity, and gas composition from chromatograph shall input continuously into the computer for quantity calculations. In the event a spot or continuous Gas sampler is installed, then the gross Heating Value, specific gravity, and gas composition shall be determined in the laboratory by chromatograph and will be used from the date the analysis is downloaded into the flow computer until the date the next sample is analyzed and downloaded to the flow computer. All gross Heating Value, specific gravity, and gas composition determinations made with a chromatograph shall use physical Gas constants for Gas compounds, as outlined in AGA Report No. 5, Natural Gas Energy Measurement, with any subsequent amendments or revisions to which the parties may mutually agree.
 - (d) Compressibility. The measurement hereunder shall be corrected for deviation from Boyle's law in accordance with AGA Report No. 8, as amended from time to time.

- 2.3 Measurement Equipment. Unless otherwise agreed between Transporter and Operator/Interconnecting Party, Transporter will install, maintain, operate or cause to be installed, maintained and operated, measuring stations equipped with flow meters and other necessary metering and measuring equipment by which the volumes of Gas received and delivered hereunder shall be determined.

The reading, calibrating, and adjusting of electronic computer components and/or mechanical recording instruments thereof shall be done only by the equipment owner or such owner's representative, unless otherwise agreed upon. Both Transporter and Shipper shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment; provided, however, failure of either Transporter or Shipper to witness such an operation shall not affect the validity of such operation in any way. The records from such measuring equipment shall remain the property of their owner, but upon request, each will submit within 10 Business Days to the other its records, together with calculations there from, for inspection, subject to return within 30 Days after receipt thereof.

Types of measurement equipment may include the following:

- (a) Orifice Meters. Orifice meters shall be installed and Gas volumes computed in accordance with the standards prescribed in AGA Report No. 3 "Orifice Metering of Natural Gas", as amended from time to time.
- (b) Ultrasonic Meters. Ultrasonic meters shall be installed and Gas volumes computed in accordance with the standards prescribed in AGA Report No. 9 "Measurement of Gas by Multipath Ultrasonic Meters", as amended from time to time.
- (c) Positive Displacement Meters. Positive displacement meters shall be installed and Gas volumes computed in accordance with generally accepted industry practices.
- (d) Turbine Meters. Turbine meters shall be installed and Gas volumes computed in accordance with the standards prescribed in AGA Report No. 7 "Measurement of Natural Gas by Turbine Meter", as amended from time to time.
- (e) Coriolis Meters: Coriolis meters shall be installed and Gas volumes computed in accordance with the standards prescribed in AGA Report No. 11 "Measurement of Natural Gas by Coriolis Meter", as amended from time to time.
- (f) Electronic Flow Computers. Electronic flow computers shall be used for direct computation of Gas flows for custody transfer in accordance with the standards prescribed in API 21.1, as amended from time to time.

2.3 Measurement Equipment (continued)

- (g) New Measurement Techniques. If, at any time, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted by Transporter in exercise of its reasonable judgment provided that the new method or technique reflects generally accepted industry practices. Transporter shall promptly inform all Shippers of any new technique adopted.

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

2.5 Correction of Metering Errors. If, upon test, the measuring equipment is found to be in error by not more than one percent (1%), previous recordings of such equipment shall be considered accurate in computing deliveries, but such equipment shall be adjusted at once to record accurately. If, upon test, the measuring equipment shall be found to be inaccurate by an amount exceeding one percent (1%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero error for any period that is known definitely or agreed upon between Transporter and Shipper/Operator. In case the period is not known or agreed upon by Transporter and Shipper/Operator, such correction shall be for a period equal to one-half of the time elapsed since the date of the last test.

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

- (a) By correcting the error if the percentage of error is ascertainable by calibration, special test, or mathematical calculation.
- (b) By using the registration of any check meter or meters, if installed and accurately registering.
- (c) By estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately.

- 2.7 Adjustments. The cutoff for closing measurement is five Business Days after the business Month (NAESB WGQ Standard 2.3.7). Measurement data that is missing or late at the cutoff is to be estimated pursuant to NAESB WGQ Standard 2.3.13. For treatment of measurement prior period adjustments, treat the adjustment by taking it back to the production Month. A meter adjustment becomes a prior period adjustment after the fifth Business Day following the business Month (NAESB WGQ Standard 2.3.11). For reporting measurement prior period adjustments, report it with the restated line item with the new total quantity for the Day and Month (NAESB WGQ Standard 2.3.12).

Measurement data corrections shall be performed pursuant to NAESB WGQ Standard 2.3.14. Measurement data corrections should be processed within 6 Months of the production Month with a 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 (NAESB WGQ Standard 2.3.14). This 3-Month rebuttal period shall begin with the interested party issuing a written notification that a measurement dispute exists. These disputes will apply to measurement errors that involve quantities for which Transporter has direct custody transfer responsibilities, as well as volumes measured by other companies that have been audited by Transporter.

- 2.8 Preservation of Records. Shipper and Transporter shall preserve for a period of at least 3 years, or for such longer period as may be required by appropriate authority, all test data and other similar records.
- 2.9 Check Measurement. Subject to the terms of the interconnect agreement at Transporter's sole election, Shipper may install check-measuring equipment at its own cost and expense, provided such equipment shall be so installed as not to interfere with the operations of Transporter. The measurement equipment of Shipper shall be for check purposes only and, except as expressly provided in the applicable agreement, shall not be used in the measurement of Gas for purposes of the interconnect agreement.
- 2.10 Measurement data available upstream of aggregated points should be sent to the allocating party and used to allocate the aggregated volume back to the upstream points (NAESB WGQ Standard 2.3.8).
- 2.11 Transporter's measurement information provided via electronic delivery mechanism (EDM) shall conform to the requirements of the Data Dictionary standards as set forth in NAESB WGQ Standards 2.4.4 and 2.4.5.

3. QUALITY

- 3.1 Gas Quality Specifications. The Gas which Transporter delivers to Shipper at a delivery point and the Gas that Shipper delivers to Transporter at a receipt point for transport shall be merchantable gas, at all times complying with the following quality requirements:
- (a) Liquids - The gas shall be free of water and hydrocarbons in liquid form at the temperature and pressure at which the gas is received or delivered. The gas shall in no event contain water vapor in excess of seven (7) pounds per one million (1,000,000) standard cubic feet.
 - (b) Hydrocarbon Dew Point - The hydrocarbon dew point of the gas received or delivered shall not exceed twenty degrees Fahrenheit (20°F) at normal pipeline operating pressures.
 - (c) Total Sulfur - The gas shall not contain more than three-quarters (0.75) grain of total sulfur per one hundred (100) standard cubic feet, which includes hydrogen sulfide, carbonyl sulfide, carbon disulfide, mercaptans, and mono-, di- and polysulfides. The gas shall also meet the following individual specifications for hydrogen sulfide, mercaptan sulfur or organic sulfur:
 - (i) Hydrogen Sulfide - The gas shall not contain more than one-quarter (0.25) grain of hydrogen sulfide per one hundred (100) standard cubic feet.
 - (ii) Mercaptan Sulfur - The mercaptan sulfur content shall not exceed more than three-tenths (0.3) grain per one hundred (100) standard cubic feet.
 - (iii) Organic Sulfur - The organic sulfur content shall not exceed five-tenths (0.5) grain per one hundred (100) standard cubic feet, which includes mercaptans, mono-, di- and poly-sulfide. The organic sulfur content does not include hydrogen sulfide, carbonyl sulfide or carbon disulfide.
 - (d) Oxygen - The gas shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions, and shall not in any event contain more than two-tenths of one percent (0.2%) by volume of oxygen.
 - (e) Carbon Dioxide - The gas shall not have a carbon dioxide content in excess of three percent (3.0%) by volume.
 - (f) Diluents - The gas shall not at any time contain in excess of four percent (4.0%) total diluents (the total combined carbon dioxide, nitrogen, helium, oxygen, and any other diluent compound) by volume.

3.1 Gas Quality Specifications (continued)

- (g) Dust, Gums and Solid Matter - The gas shall be commercially free from solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with the intended purpose or merchantability of the gas, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow.
- (h) Heating Value - The gas shall have a Heating Value of not less than nine hundred sixty seven (967) Btu per Cubic Foot.
- (i) Temperature - The gas shall be delivered at temperatures not in excess of one hundred twenty degrees Fahrenheit (120°F) nor less than fifty degrees Fahrenheit (50°F) except during those times when due to normal operating conditions and/or seasonal ambient temperatures on or near the pipeline system the temperature may drop below such lower limit.
- (j) Deleterious Substances - The gas shall not contain any toxic or hazardous substance, in concentrations which, in the normal use of the gas, may be hazardous to health, injurious to pipeline facilities or be a limit to merchantability.
- (k) If, at any time, gas delivered by Transporter shall fail to substantially conform to the specifications set forth in this GT&C Section 3.1, Shipper or its designee agrees to notify Transporter of such deficiency. Shipper, or its designee, may agree to waive Transporter's compliance with its delivery specifications or, if Transporter fails to promptly remedy any such deficiency within a reasonable time, then Shipper or its designee may, at its option, refuse to accept delivery pending correction of the deficiency by Transporter or continue to accept delivery and make such changes as necessary to cause the gas to conform to such specifications, in which event Transporter shall reimburse Shipper or its designee for all reasonable expenses incurred by Shipper or its designee in effecting such changes.

- 3.2 Shipper Failure to Meet Specifications. If, at any time, gas tendered by Shipper for transportation shall fail to conform to any of the applicable quality specifications set forth in GT&C Section 3.1 and Transporter notifies Shipper of such deficiency and Shipper fails to remedy any such deficiency within a reasonable period of time (immediately in those situations which threaten the integrity of Transporter's System), Transporter may, at its option, refuse to accept such gas pending correction of the deficiency by Shipper or, Transporter may continue to accept the receipt of such gas and make such changes as are necessary to cause the gas to conform to such specifications, in which event Shipper shall reimburse Transporter for all reasonable expenses incurred by Transporter in effecting such changes, including operational and gas costs associated with purging and/or venting the pipeline. Failure by Shipper to tender quantities that conform to any of the applicable quality specifications shall not be construed to eliminate, or limit in any manner, the obligations of Shipper existing under any other provisions of the executed TSA. In the event Natural Gas is delivered into Transporter's System that would cause the Natural Gas in a portion of Transporter's pipeline to become unmerchantable, then Transporter is permitted to act expediently to make the gas merchantable again by any and all reasonable methods, including, without limitation, venting the pipeline of whatever quantity of Natural Gas is necessary to achieve a merchantable stream of gas. Shipper shall reimburse Transporter for all reasonable expenses incurred by Transporter to obtain merchantable Natural Gas again, including operational and gas costs associated with venting the pipeline. In such cases, Transporter shall promptly notify Shipper of the non-conforming supply and any steps taken to protect the merchantability of the gas.
- 3.3 Transporter may accept any Gas that does not meet the specifications set forth in Section 3.1 on a short-term basis for operational reasons which may include plant start-ups, plant upsets, or line freeze-offs.
- 3.4 Waiver of Quality Specifications. Transporter, in its reasonable discretion and judgment, exercised on a not unduly discriminatory basis, may waive one or more of its gas quality specifications at any receipt point to accept gas that does not conform to the quality specifications set forth in Section 3.1 or 3.2 of the GT&C, if Transporter determines that such acceptance will not interfere with its ability to: (1) maintain an acceptable gas quality in its pipeline through prudent and safe operation of Transporter's pipeline system and any related storage facility; (2) ensure that such gas does not adversely affect Transporter's ability to operate its system and to provide adequate service to its customers consistent with the applicable Rate Schedule and the GT&C; and (3) ensure that such gas does not adversely affect Transporter's ability to deliver gas at its delivery point(s).

- 3.5 Delivery Point Obligations. Upon mutual agreement between Transporter and the downstream Interconnect party, Transporter may temporarily deliver Gas that does not conform to the quality specifications set forth in GT&C Section 3.1, if Transporter, in its reasonable operational judgment and in a not unduly discriminatory manner, determines that such delivery will not interfere with its ability to: (1) maintain prudent and safe operation of part or all of Transporter's pipeline system, (2) ensure that such agreement does not adversely affect Transporter's ability to provide service to others, and (3) ensure that such agreement does not adversely affect Transporter's ability to deliver gas at its delivery point(s). Transporter may post waivers on its EBB at its discretion and will report waivers in accordance with Part 358 of the Commission's Regulations.
- 3.6 Odorization. Unless mutually agreed between Transporter and delivery point Operator/Interconnecting Party, Transporter shall have no obligation whatsoever to odorize the Natural Gas delivered, nor to maintain any odorant levels in such Natural Gas. Notwithstanding GT&C Section 25.1, Shipper agrees to indemnify and hold harmless Transporter, its officers, agents, employees and contractors against any liability, loss or damage, including litigation expenses, court costs and attorneys' fees, whether or not such liability, loss or damage arises out of any demand, claim, action, cause of action, and/or suit brought by Shipper or by any person, association or entity, public or private, that is not a party to the executed TSA, where such liability, loss or damage is suffered by Transporter, its officers, agents, employees and/or contractors as a direct or indirect result of any actual or alleged sole or concurrent negligent failure by Transporter or any actual or alleged act or omission of any nature by Shipper to odorize the Natural Gas or product delivered under the executed TSA or to maintain any odorant levels in such Natural Gas or product.
- 3.7 Gas Quality Monitoring Equipment. After giving sufficient notice to a Shipper, Transporter shall have the right to collect from all Shippers delivering gas to Transporter at a common receipt point their volumetric pro rata share of the cost of any additional gas quality equipment including hydrogen sulfide analysis and/or water vapor analysis equipment which Transporter, at its reasonable discretion, determines is required to be installed at such receipt point to monitor the quality of gas delivered.

- 3.8 Testing Procedures - The following test procedures shall be utilized by Transporter.
- (a) To determine whether specified sulfur compound limitations are being met as stated under GT&C Section 3.3(c) hereof, Transporter shall use the appropriate American Society for Testing Materials Procedures (as revised) Volume 05.05 Gaseous Fuels; Coal and Coke and/or accepted industry practices such as sulfur analyzers and chromatographs.
 - (b) To determine whether specific points on Transporter's system can operate below the fifty degree Fahrenheit (50°F) tolerance as stated in GT&C Section 3.3(i), Transporter shall use the Charpy impact and drop-weight tear tests in accordance with API-5L Supplemental Requirements 5 and 6, respectively. Inasmuch as this test requires the shutdown of the specific segment of the system being tested, Transporter shall conduct such test only at a time when operations on such segments are not affected or the safety of the system is not put in jeopardy.

REQUESTS FOR SERVICES

4. REQUESTS FOR SERVICES

- 4.1 Request for Service. In order to complete a valid request for service, a Shipper must comply with the provisions of GT&C Sections 4.2 and 4.12. Transporter is not obligated to provide service for requests for less than 100 Dth/Day or for time periods of less than one Month.

4. REQUESTS FOR SERVICES

4.2 Information to be Provided. A request for service shall be deemed valid and complete upon the following information being accurately and properly entered into Transporter's EBB. A Shipper may either enter the information directly into Transporter's EBB or furnish the information to Transporter and request that Transporter enter the information into Transporter's EBB on behalf of the Shipper; in which case, the entry of such information shall be deemed to be the act of the Shipper. If the Shipper requests that Transporter enter the information into Transporter's EBB on Shipper's behalf, then Shipper's request for service shall not be deemed valid and complete until such time as the information is actually entered into Transporter's EBB.

- (a) The full legal name, business address and phone number, and state of incorporation of the Shipper requesting service and all contact information, including the name of the person(s) who should be contacted.
- (b) A designation of whether Shipper is a local distribution company, intrastate pipeline company, interstate pipeline company, producer, end-user or marketer.
- (c) The extent of Shipper's affiliation with Transporter.
- (d) Shipper's Dun and Bradstreet (DUNS) number.
- (e) Type of service: FT, IT, or PAL
- (f) The initial term of the service, including beginning and ending dates.
- (g) The Maximum Delivery Quantity or Maximum PAL Quantity under the contract.
- (h) Receipt and delivery points requested.
- (i) Daily quantity at each receipt point(s) ____ Dth/Day.
Daily quantity at each delivery point(s) ____Dth/Day.
Daily maximum quantity (park and/or loan) ____ Dth/Day.

The total receipt point capacity must equal the total delivery point capacity.

If Section 311, 18 C.F.R. Part 284, Subpart B transportation service is requested, the Shipper must provide the following information to Transporter:

- (j) A declaration explaining how the requested service qualifies as Section 311 service;

4. REQUESTS FOR SERVICES

4.2 Information to be Provided (continued)

- (k) The name of the local distribution company or intrastate pipeline company on whose behalf the Gas will be transported; and
- (l) Certification from a local distribution company or an intrastate pipeline that the service is being provided on its behalf prior to commencing transportation service.

4. REQUESTS FOR SERVICES

4.3 Capacity Bidding and Evaluation Criteria.

- (a) A Shipper bidding for released firm capacity from another Shipper must follow the procedures of GT&C Section 9.
- (b) Transporter may grant requests for firm service, either on a first-come-first-served basis or through an open season, on a not unduly discriminatory basis within the following time periods and subject to the below listed conditions:
 - (i) For service with a term of one year or longer, the service must be requested to begin no later than three Months after the date the request is granted;
 - (ii) For service with a term greater than three Months but less than one year, the service must be requested to begin no later than one Month after the date the request is granted;
 - (iii) For service with a term of three Months or less, the service must be requested to begin no later than ten Business Days after the date the request is granted.
- (c) Transporter will consider, on a not unduly discriminatory basis, requests for firm service outside of the above specified time periods if the request involves any of the following conditions:
 - (i) The request is associated with an open season;
 - (ii) The request involves capacity that is available due to the termination of an existing contract or the reduction of contracted volume under an existing contract; or
 - (iii) The request involves the modification or construction of facilities or the issuance of any necessary certificate authorization.

4. REQUESTS FOR SERVICES

4.3 Capacity Bidding and Evaluation Criteria (continued)

- (d) Should Transporter conduct an open season, it will post a notice of availability of the uncontracted-for capacity on its EBB to afford all potential Shippers an opportunity to acquire the capacity. Any party wishing to purchase the capacity, and who meets Transporter's creditworthiness requirements, may participate in the open season. Transporter will award the capacity on a net present value basis using nondiscriminatory and objective posting and evaluation criteria specified in the notice of open season. When an open season is being conducted, all applicable requests for service will be treated under this open season process.
- (e) Transporter will conduct an open season (involving either an open offer to sell capacity or a pre-arranged transaction) if it wishes to sell capacity where the requested start date extends one year or more into the future. The open season will comply with the requirements of GT&C Section 4.3(d).
- (f) If Transporter sells firm capacity pursuant to GT&C Section 4.3(c)(i), that capacity will be made available to other shippers on an interim basis up to the commencement date of the prospective firm TSA. Where the requested start date of the prospective capacity extends more than one year into the future and the interim capacity would otherwise be eligible for the ROFR if it is acquired at the maximum applicable tariff rate, Transporter will limit the ROFR rights of such interim capacity. If ROFR rights are limited, the TSA will note the limitation.

4. REQUESTS FOR SERVICES

- 4.4 If Shipper fails to execute an agreement or any amendment thereto tendered by Transporter in response to a valid request for service within 30 Days of the date tendered, Shipper's request to change its transportation service shall be deemed null and void.

4. REQUESTS FOR SERVICES

- 4.5 Capacity Reserved for Expansion Projects. Transporter may elect to reserve for future expansion projects, any unsubscribed capacity or capacity under expiring or terminating TSAs where such TSAs do not have a ROFR or Shipper does not exercise its ROFR.
- (a) Capacity may be reserved up to one year prior to Transporter filing for certificate authority for construction of proposed expansion facilities, and thereafter until all expansion facilities are placed into service.
 - (b) Transporter may only reserve capacity for a future expansion project for which an open season has been or will be held within one year of the date that Transporter posts such capacity as being reserved. Transporter will not, absent Commission approval, accept advance payments to reserve capacity under this Section 4.5.
 - (c) If Transporter elects to reserve capacity, it will notify Shippers of its intent as part of its posting of capacity on its EBB. Transporter's posting for reserved capacity for future expansion projects shall include the following information: (i) a description of the project for which the capacity will be reserved; (ii) the total quantity of capacity to be reserved; (iii) the location of the proposed reserved capacity on the pipeline system; (iv) whether, and if so when, Transporter anticipates that an open season for the capacity will be held or the reserved capacity will otherwise be posted for bids; (v) the projected in-service date of the new facilities; and (vi) on an ongoing basis, how much of the reserved capacity has been sold on a limited-term basis that would otherwise be eligible for a ROFR. To the extent Transporter has not already solicited turnback capacity, the posting for reserved capacity shall also include a non-binding solicitation for turnback capacity to serve the expansion project, provided that Transporter shall post the non-binding solicitation for turnback capacity no later than 90 Days after the close of the expansion project open season. Transporter shall make reasonable efforts to update the posting up to the in-service date of the project to reflect any material project changes.

4. REQUESTS FOR SERVICES

4.5 Capacity Reserved for Expansion Projects (continued)

- (d) Transporter will make capacity available through an open season or an EBB capacity posting before Transporter reserves such capacity for a future expansion project. If Transporter elects to hold an open season to make capacity generally available, Transporter shall have the right to state in the open season 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 the future expansion project open season. In the event that the subsequent expansion project open season imposes minimum terms and conditions that are materially different from the terms and conditions imposed in the previous capacity open season, Transporter shall hold another open season for the capacity that uses the same minimum terms and conditions as were imposed for the expansion project open season. If the expansion project open season is held prior to or during the reservation of capacity open season, Transporter shall use the same minimum terms and conditions as used for the expansion project open season.
- (e) Any interim capacity created by a reservation of future capacity shall be made available for transportation service pursuant to these GT&C on a limited-term basis up to the in-service date of the expansion project(s). For such limited-term TSAs, Transporter reserves the right to limit any term extension rights provided in the TSA and pursuant to GT&C Section 4.9 commensurate with the proposed in-service date of the expansion project. Transporter will indicate in any open season posting of the capacity any limitations on term extension rights that will apply to such limited-term transportation service.
- (f) Any capacity reserved for a project that does not go forward for any reason shall be reposted on the EBB as generally available capacity within 30 Days of the date that the project terminates.

4. REQUESTS FOR SERVICES

4.6 Off-System Capacity

- (a) Transporter may enter into transportation and/or storage agreements with upstream and downstream entities, including other interstate and intrastate pipelines and storage providers ("off-system capacity"). In the event Transporter acquires off-system capacity, Transporter will use such capacity for operational reasons or to render service for its Shippers on the acquired capacity, pursuant to Transporter's Tariff and subject to Transporter's currently approved rates (including any third party charges required to be paid pursuant to GT&C Section 4.6(b).) In the event the off-system capacity is subject to renewal limitations, as specified in the third-party pipeline's tariff and/or provided by FERC Regulations, Transporter will indicate in its posting of firm unsubscribed capacity any limitation to the extension rights that will apply as a result of such limitations on the off-system capacity. For purposes of transactions entered into subject to this section, the "Shipper must hold title" requirement shall not be applicable to the acquired capacity.
- (b) **Third Party Charges.** If Transporter acquires off-system capacity from a third party(s) pursuant to GT&C Section 4.6(a) and provides transportation and/or storage service for the benefit of specified Shipper(s), such Shipper(s) may, on a not unduly discriminatory basis, be required to pay Transporter, in addition to any applicable rates and charges assessed pursuant to Transporter's Tariff, the rates and charges Transporter is obligated to pay such third party(s) for the off-system capacity acquired on behalf of the shipper. Off-system capacity charges incurred by Transporter shall be borne by the Shipper(s) using the off-system capacity. Such charges may include, but are not limited to, daily reservation and commodity charges and applicable surcharges, fuel and power charges or retention, compression fees, balancing or storage fees, measurement fees, processing fees and/or facility charges that are assessed by the third party. Unless otherwise mutually agreed, such Third Party Charges shall be assessed by Transporter to Shipper(s) in the same manner (fixed rate, volumetric, etc.) the charges are assessed to Transporter and set forth as separate items on the monthly invoices rendered to Shipper.
 - (i) If Transporter receives refunds or credits from a third party pipeline which are directly related to Third Party Charges, such refund or credits would be flowed through to the appropriate Shipper(s) to the extent that the rate paid by the Shipper exceeds the net rate (after refund) Transporter has actually paid and Transporter has otherwise fully recovered its costs for such off system capacity.

4. REQUESTS FOR SERVICES

4.6 Off-System Capacity (continued)

- (c) Any off-system capacity acquired by Transporter from a third party and contracted for at the request of a Shipper which is not used by that Shipper or a Replacement Shipper shall be offered to other Shippers on a secondary and interruptible basis, pursuant to Transporter's FERC Gas Tariff and subject to Transporter's currently effective rates, including any applicable Third Party Charges, as such tariff and rates may change from time to time. Transporter will indicate in its posting of any off-system capacity available for service whether any Third Party Charges will apply to the use of such off-system capacity.
- (d) For purposes of capacity release, any off-system capacity acquired by Transporter from a third party will be treated under the terms and conditions of Transporter's Tariff.
- (e) If Transporter acquires off-system capacity from a third party(s) pursuant to GT&C Section 4.6(a) to provide transportation and/or storage service for the benefit of specified Shipper(s), Transporter may permanently release such capacity to such Shipper(s) pursuant to GT&C Section 9.

4. REQUESTS FOR SERVICES

- 4.7 Electronic Execution of Agreements - For all TSAs (including all Park and Loan Agreements, Park and Loan Service Request Orders and amendments to existing agreements) entered into on or after the effective date of this tariff provision (all of which shall be referred to as TSAs for purposes of this Section 4.7), Transporter and Shipper may execute such TSAs electronically or by signing a traditional paper agreement. If Shipper elects to sign a traditional paper agreement, then Shipper shall not submit nominations while the paper TSA is pending execution. For TSAs requiring filing with the Commission, Transporter may submit either electronic or traditional paper TSAs.
- (a) The TSA shall be deemed to be executed by Shipper when the Shipper accepts the TSA electronically via Transporter's EBB. The TSA shall be deemed to be executed by Transporter when Transporter accepts the Shipper's TSA using the EBB. Upon acceptance by both Shipper and Transporter, the TSA will be deemed fully executed. A TSA that is executed in this manner shall be deemed to have been "signed" and to constitute an "original" when printed from electronic files or records.
 - (b) Notwithstanding the above, if the Shipper and Transporter electronically execute a TSA and the Shipper later requests a traditional paper TSA, the electronic TSA shall be deemed the original until the paper TSA is executed by both parties.
 - (c) If a TSA contains provisions that must be reviewed by the Commission and the TSA is not accepted by the Commission, then Transporter and Shipper shall collaborate to remedy any deficiencies.

4. REQUESTS FOR SERVICES

- 4.8 Changes to Shipper's Transportation Service. If Shipper desires to change its transportation service, it must request the change using the process described in GT&C Section 4.2. If Transporter agrees to the requested amendment, it will prepare and tender to Shipper an amendment to the TSA.

4. REQUESTS FOR SERVICES

4.9 Right-of-First-Refusal ("ROFR")

- (a) Any Shipper with a firm TSA for Transportation service shall have a ROFR, as described in this Section 4.9, for the capacity underlying the Shipper's TSA provided that:
 - (i) The TSA is a maximum rate contract for 12 or more consecutive Months of service; or, the TSA is a multi-year seasonal contract at the maximum rate for services not offered by the pipeline for a full 12 Months. If a Shipper has entered into a firm TSA utilizing off-system capacity contracted for pursuant to GT&C Section 4.6, it may not elect to extend the term of its agreement beyond the term of Transporter's agreement for such off-system capacity.
 - (ii) Shipper complies with the requirements set forth in this Section 4.9 herein;
 - (iii) Shipper does not have a discounted or negotiated rate firm TSA except as provided in GT&C Section 4.9(f); and
 - (iv) Shipper does not have an interim TSA for entitlements associated with expansion projects as set forth in GT&C Section 4.5.
- (b) A Shipper may exercise its ROFR to retain only a percentage of the MDQ in a TSA subject to ROFR and may exercise its ROFR on contractual stepdown quantities in a TSA subject to ROFR.
- (c) Shipper Notice of Intent to Exercise.
 - (i) For all firm TSAs eligible for the ROFR, Shipper shall provide notice to Transporter in writing of its intent to exercise its ROFR rights.
 - (ii) Notification of the Shipper's intent is due on or before six (6) Months prior to the expiration date for Shipper's TSA.

4. REQUESTS FOR SERVICES

4.9 Right-of-First-Refusal ("ROFR") (continued)

(c) Shipper Notice of Intent to Exercise (continued)

(iii) A Shipper shall relinquish all rights to the capacity underlying its firm TSA upon termination of the TSA by providing a notice stating that it will not exercise its ROFR rights or by failing to provide notice of its intent to exercise its ROFR rights by the deadline described above.

(iv) If the TSA contains an evergreen provision, the ROFR provisions of this section will not apply until one party provides notice of termination or the TSA has reached the end of the evergreen period.

(d) Solicitation of Bids. If the Shipper provides notice of its intent to exercise ROFR rights, then Transporter shall solicit competing bids for the subject capacity no later than 60 Days prior to expiration of the TSA. Transporter shall post on its EBB for 30 Days the terms and conditions of the expiring TSA. Any Party qualified under the capacity release rules of this Tariff may submit a bid for all, or any portion of, the subject capacity during the bid period.

4. REQUESTS FOR SERVICES

4.9 Right-of-First-Refusal ("ROFR") (continued)

- (e) Existing Shipper's Right to Match. Within ten Business Days after the close of the bid period, Transporter shall notify the existing Shipper of the best offer or offers received for the expiring capacity. Transporter's evaluation shall be based on one of the capacity release bid evaluation methods listed in GT&C Section 9.11(d). Transporter shall identify the method to be used in its solicitation of bids. The term of any competing offer shall not be capped for comparison purposes. Within ten Business Days after such notification by Transporter, the existing Shipper must notify Transporter of its intent to match the best offer(s) for all or a volumetric portion of the expiring capacity. If the existing Shipper does not agree to match the best offer(s) for all or a volumetric portion of the expiring capacity, then the existing Shipper relinquishes all rights to such capacity. Except as necessary for GT&C Section 4.11, Shipper is not required to notify Transporter of the amount of capacity it will retain through the process set forth in GT&C Section 4.9 until after Shipper receives notification from Transporter of the best offer(s) for the expiring capacity. Transporter may enter into a TSA with the bidder(s) submitting the highest offer(s). However, Transporter shall not be required to enter into a TSA that is at less than Transporter's applicable maximum tariff rate.
- (f) Contractual ROFR in Firm TSAs. Transporter and Shipper may agree to include a ROFR clause in a firm TSA, including negotiated rate and discount rate firm agreements. However, if such Shipper has entered into a firm agreement utilizing the off-system capacity contracted for pursuant to GT&C Section 4.6, it may not elect to extend the term of its agreement beyond the term of Transporter's agreement for such off-system capacity. The contractual ROFR clause provides the Shipper a right defined in GT&C Section 4.9 even where the regulatory right does not apply. In such a case, the TSA shall include a contractual ROFR.
- (g) In the event there are no competing offers, the existing Shipper shall not be entitled to continue to receive transportation service upon the expiration of its contract except by agreeing to pay the maximum tariff rate unless Transporter and such Shipper enter into a new firm TSA providing otherwise.
- (h) Capacity that is sold on an interim basis up to the commencement date of a prospective firm transportation agreement, pursuant to GT&C Section 4.3(f), shall not be eligible for a ROFR.

4. REQUESTS FOR SERVICES

4.10 Extension Rights. Transporter and Shipper may mutually agree to an evergreen, renewal, or rollover provision in the TSA that would allow the TSA to continue beyond its primary term. If the TSA contains such a provision, the ROFR provisions of this section will not apply until the evergreen, renewal, or rollover right set forth in the TSA terminates or is waived. If a Shipper has entered into a firm TSA utilizing off-system capacity contracted for pursuant to GT&C Section 4.6, such Shipper may not elect to extend the term of its TSA beyond the term of Transporter's agreement for such off-system capacity.

4. REQUESTS FOR SERVICES

4.11 Contract Extension.

- (a) Transporter and Shipper may mutually agree to the early termination of one or more TSAs in exchange for Shipper's extension of the use of all or part of the underlying capacity under new terms. To the extent that Transporter and Shipper have mutually agreed to this arrangement, Shipper need not participate in an open season for the extension nor must the underlying capacity be posted on Transporter's EBB as unsubscribed available capacity prior to the extension.
- (b) Prior to the expiration of the term of a TSA, Transporter and Shipper may mutually agree to renegotiate the terms of the TSA with respect to all or part of the underlying capacity (the exact terms of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner). If a TSA is subject to ROFR, the agreement to extend must be reached prior to the receipt of an acceptable bid submitted pursuant to GT&C Section 4.9.
- (c) When an agreement is subject to ROFR, or contains an evergreen, renewal, or rollover clause, extension rights described in this Section 4.11 apply to each increment of capacity that expires in increments (i.e., on a step-down basis) during the term of the agreement.

4. REQUESTS FOR SERVICES

4.12 Creditworthiness.

- (a) Creditworthiness Requirement. A Shipper wishing to obtain service must first satisfy the creditworthiness requirements of this Tariff.
- (b) Criteria for Creditworthiness Determination
 - (i) Acceptance of a Shipper's request for service and the continuation of service are contingent upon the Shipper satisfying, both initially at the time of any service request and on an on-going basis, a credit appraisal by Transporter. Transporter may require a higher level of credit demonstration (which would be described in the TSA) for requests for service that require the construction of initial or expansion facilities.
 - (ii) Transporter shall apply consistent evaluation practices to all similarly situated Shippers to determine the Shipper's financial ability to satisfy the payment obligations due to Transporter over the term of the requested service agreement.
 - (iii) A Shipper with a TSA term less than 20 years will be deemed creditworthy if: (i) its senior unsecured debt securities are rated at least BBB- by Standard & Poor's Corporation ("S&P") or Baa3 by Moody's Investor Service ("Moody's") or Shipper's long term issuer rating is at least A- by S&P or A3 by Moody's (in the event of multiple agency ratings, the lowest is used), (ii) Shipper's short term and long term outlook opinion is Stable or Positive from S&P or Moody's, and (iii) the sum of 12 Months of anticipated charges under a firm or interruptible TSA is less than 10% of Shipper's tangible net worth. In the event Shipper is rated by multiple agencies, the lowest rating shall be used. If the Shipper has multiple TSAs with Transporter, then the total of all such TSAs shall be considered in determining creditworthiness.
 - (iv) If Shipper is not rated by S&P or Moody's but has a parent that can satisfy the requirements of GT&C Section 4.12(b)(iii), then a Shipper may use its parent's credit rating and financial strength if a guarantee acceptable to Transporter is provided.

4. REQUESTS FOR SERVICES

4.12 Creditworthiness

- (c) If Shipper is unable to satisfy the requirements of GT&C Section 4.12(b)(iii), or Shipper requests a TSA with a term of 20 years or more, or in the event that Shipper at any time during the term of the TSA fails to satisfy the requirements of GT&C Section 4.12(b)(iii), Transporter will perform a creditworthiness review. As a part of this review, Transporter may require, either with the request for service or at any future time as Transporter deems necessary to conduct on-going credit evaluations of Shipper, that the Shipper provide Transporter with additional information to allow Transporter to determine the Shipper's creditworthiness. If the service under review involves service under an existing TSA, Shipper must provide the additional information within five Business Days of the request for such information. If the service under review involves service under a new TSA, the information must be provided before Shipper's request may be deemed a valid request for service.

Transporter may request Shipper provide any or all of the following information:

- (i) a copy of Shipper's audited financial statements for the previous two fiscal year ends certified by the Chief Financial Officer or Chief Accounting Officer of the Shipper (which certificate shall state that such financial statements fairly present the financial condition and results of operations of the Shipper for the period indicated therein) prepared in accordance with generally accepted accounting principles or, for non-U.S.-based Shippers, prepared in accordance with equivalent standards;
- (ii) a copy of Shipper's financial statements for the most recent period available, which may be unaudited, but if unaudited, must be signed and attested by Shipper's President and Chief Financial Officer as fairly representing the financial position of the company;
- (iii) a bank reference and at least two trade references, the results of which references and any credit reports submitted herein must show that Shipper's obligations are being paid on a reasonably prompt basis;
- (iv) a written confirmation by Shipper that it is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditors, or any informal creditors' committee agreement. Transporter may make an exception for a Shipper who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act if Transporter is adequately assured that the service billing will be paid promptly as a cost of administration under the federal court's jurisdiction;
- (v) a list of owners and/or shareholders of the entity, if privately held.

4. REQUESTS FOR SERVICES

4.12 Creditworthiness (continued)

- (d) If Shipper is unable to satisfy the requirements of GT&C Section 4.12(b)(iii) or Shipper is not determined to be creditworthy following Transporter's receipt of any items required under GT&C Section 4.12(c), Shipper must provide and maintain adequate credit assurance satisfactory to Transporter in order to be granted a request for new service or to continue service under an existing TSA. If the service under review involves service under an existing TSA with a Shipper that has failed to demonstrate creditworthiness, the Shipper must bring its account with Transporter current by paying all past due invoice amounts owed to Transporter and provide, within five Business Days, payment in advance of one Month's anticipated charges, as described in GT&C Section 4.12(d)(v), in order to continue service for the current Month and within 30 calendar Days, the Shipper must provide the next three Months of credit assurance to continue service. Adequate assurance shall include at least one of the following at Shipper's election:
- (i) an irrevocable letter of credit to Transporter, satisfactory to Transporter;
 - (ii) a grant to Transporter of a security interest in collateral found to be satisfactory to Transporter;
 - (iii) a guarantee acceptable to Transporter, by another person or entity which satisfies credit appraisal; or
 - (iv) such other credit arrangement which is mutually agreed to by Transporter and Shipper and which is acceptable to Transporter on a not unduly discriminatory basis.

Upon Shipper's establishment of an acceptable credit record pursuant to GT&C Sections 4.12(b)(iii) or 4.12(c) or upon expiration of the TSA, Transporter shall return any unused portion of Shipper's letter of credit, security interest, or guarantee as applicable.

- (v) Such letter of credit, security interest or guarantee shall be equal to three Months of the highest estimated reservation and commodity charges, including estimated charges for Natural Gas imbalances during the term of the TSA.

4. REQUESTS FOR SERVICES

4.12 Creditworthiness (continued)

- (e) If Shipper is found to be non-creditworthy, Transporter will inform Shipper, in writing upon Shipper's request, of the reasons for the determination.
- (f) If Shipper is unable to demonstrate creditworthiness using any of the methods described above for a request for new service, Transporter may deny the Shipper's request.
- (g) If Shipper is unable to demonstrate creditworthiness using any of the methods described above for service under an existing TSA, Transporter may, without waiving any rights or remedies it may have, terminate service upon 30-Day written notice using the notice procedures of Section 12.7 of the GT&C.
- (h) Transporter may determine in its sole discretion that a Shipper that requests new service is not creditworthy to receive such service on the basis that Shipper has outstanding payments due on invoices rendered by Transporter on current or past TSAs and Shipper has defaulted on such payments per the terms of Section 12 of the GT&C.
- (i) If a Shipper has multiple TSAs with Transporter and defaults on one TSA, Transporter may deem a default by Shipper on that one TSA as a loss of creditworthiness on any and all other TSAs the Shipper has with Transporter.
- (j) In the event Transporter receives satisfactory credit assurance pursuant to Section 4.12(d), Transporter may, on a not unduly discriminatory basis, forego an on-going credit appraisal for Shipper.

4. REQUESTS FOR SERVICES

4.13 Discounting

- (a) Transporter, upon mutual agreement with Shipper, may from time to time and at any time agree to adjust any or all of the rates applicable to any individual TSA on a non-discriminatory basis; provided, however, that unless such rate is a negotiated rate pursuant to GT&C Section 4.14, such adjusted rate(s) shall not exceed the applicable maximum rate(s) nor shall they be less than the minimum rate(s) set forth on Statement of Rates for the applicable Rate Schedule. Discounts granted pursuant to this Section 4.13(a) will not constitute a material deviation from Transporter's Form of Service Agreement.

Transporter and Shipper may agree that a specified discounted rate will apply under the following conditions:

- (i) to specified quantities under the TSA;
- (ii) to specified quantities achieving or not exceeding a certain level (including parked or loaned quantities withdrawn or paid back on the specific dates mutually agreed to by Transporter and Shipper or pursuant to Section 6.2 of Rate Schedule PAL);
- (iii) in a specified relationship to quantities actually transported;
- (iv) to specified quantities during specified periods of time or during specified periods of the year;
- (v) to specified quantities at specific receipt or delivery points or other geographical locations;
- (vi) to production or reserves committed or dedicated to Transporter;
- (vii) that provides for increasing (or decreasing) a discounted rate for service under one rate schedule to make up for a decrease (or increase) in the rate for a separate service provided under another rate schedule;
- (viii) where the rate provisions incorporates a mutually agreeable marketing fee pursuant to GT&C Section 9.17; and/or

4. REQUESTS FOR SERVICES

4.13 Discounting (a) (continued)

- (ix) that a specified discounted rate is based on a formula including, but not limited to, published index prices for specific receipt and/or delivery points or other agreed upon published pricing reference points (such discounted rate may be based upon the differential between published prices or arrived at by formula). Any agreement containing such discounted rate shall specify the rate component(s) to be discounted (i.e., reservation charge or commodity charge or both) and any formula will provide a reservation rate per unit of contract demand. To the extent the firm reservation charge is discounted, the index price differential rate formula shall be calculated to state a rate per MDQ. Furthermore, such discount shall not change the underlying rate design or include any minimum bill or minimum take provision that has the effect of guaranteeing revenue.

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 or is less than the applicable minimum rate due to a change in Transporter's maximum (minimum) rates so that such rate component must be adjusted downward (upward) to equal the new applicable maximum (minimum) rate, then other rate components may be adjusted upward (downward) to achieve the agreed overall rate, so long as none of the resulting rate components exceed the maximum rate or are less than the minimum 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 provisions. 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.

4. REQUESTS FOR SERVICES

4.14 Negotiated Rate Authority

- (a) Authority and Conditions. Notwithstanding anything to the contrary contained in this Tariff, including the rate schedules contained herein, Transporter and Shipper may agree to a rate or rates to be charged for service pursuant to any rate schedule contained in this Tariff (including rates derived from a formula) that may vary in form or level from the maximum-to-minimum ranges set forth on Statement of Rates of this Tariff ("Negotiated Rate"). This provision does not allow Transporter and Shipper to negotiate terms and conditions of service.
 - (i) Transporter's maximum applicable rates (plus all applicable charges and surcharges) for service under any such rate schedule are available as recourse rates for any Shipper that elects not to negotiate a Negotiated Rate.
 - (ii) Negotiated Rates shall be mutually agreed to and set forth in writing.
 - (iii) Transporter and Shipper may agree to a Negotiated Rate for the entire term of a TSA, or may agree to a Negotiated Rate for some portion of the term of a TSA. Transporter and Shipper may agree to apply the Negotiated Rate to all or a portion of capacity under Shipper's TSA.
 - (iv) During the period a Negotiated Rate is in place, the Negotiated Rate shall govern and apply to Transporter's service under the TSA and the otherwise applicable rate, rate component, charge or credit shall not apply or be available to the Shipper. Only those rates, components, charges, surcharges or credits which are superseded by a Negotiated Rate shall be ineffective during the period that the Negotiated Rate is effective; all other rates, rate components, charges, or credits prescribed, required, established, or imposed by this Tariff shall remain in effect. At the end of the period during which Negotiated Rates are in effect, the otherwise applicable Tariff rates or charges shall govern any service provided to Shipper.
 - (v) Prior to or on the same day as commencing service at such Negotiated Rate, Transporter shall file either: (A) the Negotiated Rate agreement; or (B) a tariff provision advising the Commission of such Negotiated Rate agreement, stating the exact legal name of Shipper and specifying the actual Negotiated Rate or rate formula included in such agreement.

4. REQUESTS FOR SERVICES

4.14 Negotiated Rate Authority (continued)

- (b) Impact on Other Provisions. A Shipper paying for service under a Negotiated Rate that is higher than the maximum rate for such service stated on the Statement of Rates is deemed to have paid the maximum rate for purposes of scheduling and capacity allocation pursuant to GT&C Section 6, for purposes of evaluating right-of-first-refusal bids pursuant to GT&C Section 4.9, and for purposes of selling capacity pursuant to GT&C Section 4.
- (c) Accounting for Costs and Revenues. Transporter will maintain accounting records so that revenues can be tracked to each Negotiated Rate transaction.
- (d) A discount-type adjustment to recourse rates for negotiated rate agreements shall only be allowed to the extent that Transporter can meet the standards required of an affiliate discount-type adjustment including requiring that Transporter shall have the burden of proving that any discount granted is required to meet competition.

Transporter shall be required to demonstrate that any discount-type adjustment for negotiated rate agreements does not have an adverse impact on recourse rate shippers by:

- (i) Demonstrating that, in the absence of Transporter's entering into such negotiated rate agreement providing for such discount, Transporter 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
- (ii) Making another comparable showing that the negotiated rate discount contributes more fixed cost recovery to the system than could have been achieved without the discount.

4. REQUESTS FOR SERVICES

4.15 Statutory Regulation. The respective obligations of Transporter and Shipper under the TSA are subject to the laws, orders, rules and regulations of duly constituted authorities having jurisdiction.

4. REQUESTS FOR SERVICES

4.16 Assignments

- (a) Assignable Parties. A Shipper may assign its TSA, in whole or in part, subject to the credit provisions of GT&C Section 4.12 and so long as Transporter is financially indifferent, to:
- (i) any person, firm, or corporation acquiring all, or substantially all, of the Natural Gas business of said Party;
 - (ii) a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities; or
 - (iii) any person, firm, or corporation which shall succeed by purchase, merger, consolidation, sale or assignment to the interest, in whole or in part, in properties that produce or will produce Natural Gas transported or to be transported pursuant to the Shipper's TSA.

Upon assignment under GT&C Section 4.16(a), and appropriate notification to Transporter and Transporter's acceptance of that notice, (i) the assignee shall be entitled to the rights, including the related rights to pipeline capacity under the applicable Rate Schedule, and subject to the obligations of Shipper's TSA, and (ii) the assigning Shipper shall be relieved of its assigned rights and obligations under the TSA.

- (b) If a Shipper wishes to assign a portion or all of its entire firm capacity under a TSA to a party not described above, it must do so using the capacity release provisions of this Tariff.

4. REQUESTS FOR SERVICES

4.17 Agents and Asset Management Arrangements

- (a) **Agents.** Shipper must provide written notice to Transporter of the name, and any other pertinent information of another person ("Agent") that has agency authority to act for Shipper pursuant to a TSA under Rate Schedule FT or Rate Schedule IT, in connection with: (1) the operation of pipelines, facilities and wells in connection with a TSA, (2) imbalance management and Cautionary Conditions as described in the GT&C, and/or (3) other matters covered by a TSA. If the Agent has authority under (1) and (2) above, operating notices shall be served on the Agent alone. When using an Agent, the Shipper remains bound by its obligations under a TSA. Further, commitments made by the Agent on behalf of the Shipper are binding on the Shipper as if made by the Shipper. The Shipper must provide prompt written notice of the termination of the agency.

- (b) **Asset Management Arrangements.** Shipper must provide written notice to Transporter of the name, and any other pertinent information of an Asset Manager that has authority to act for Shipper pursuant to a TSA under Rate Schedule FT or Rate Schedule IT, in connection with: (1) the operation of pipelines, facilities and wells in connection with a TSA, (2) imbalance management and Cautionary Conditions as described in the GT&C, and/or (3) other matters covered by a TSA. If the asset manager has authority under (1) and (2) above, operating notices shall be served on the Asset Manager alone. When using an Asset Manager, the Shipper remains bound by its obligations under a TSA. Further, commitments made by the Asset Manager on behalf of the Shipper are binding on the Shipper as if made by the Shipper. The Shipper must provide prompt written notice of the termination of the asset management arrangement.

4. REQUESTS FOR SERVICES

4.18 Termination Obligations. Termination of a Rate Schedule FT TSA, Rate Schedule IT TSA, Rate Schedule PAL Agreement or Rate Schedule PAL Service Request Order shall not relieve Shipper of the obligation to pay any money due to Transporter (including, but not limited to, any obligations resulting from breach of contract) or to correct any volume imbalances. All warranties and indemnities shall survive the termination of the TSA or Agreement.

4. REQUESTS FOR SERVICES

- 4.19 Regulatory Authority: All services shall be performed pursuant to 18 CFR 284.221 authority, unless Shipper elects service to be performed pursuant to 18 CFR 284.101 (Section 311) authority. In that event, Transporter shall only accept, and Shipper shall only make, nominations for service to be performed pursuant to 18 CFR 284.101 (Section 311) in accordance with the regulations governing the provisions of such service, and after Transporter has received an "on behalf of" letter acceptable to Transporter.

4. REQUESTS FOR SERVICES

- 4.20 Governing Law: The laws of the State of Texas shall govern the validity, construction, interpretation and effect of TSAs and of the applicable Tariff provisions. TSAs are subject to all applicable rules, regulations, or orders issued by any court or regulatory agency with proper jurisdiction.

5. SERVICE CONDITIONS

- 5.1 Transporter shall not be required to perform or continue service on behalf of any Shipper that fails to comply with any and all applicable terms of this Tariff and the terms of Shipper's TSA with Transporter.
- 5.2 Transporter and Shipper acknowledge that the TSA does not prohibit either party from selling or transferring its own facilities; therefore, neither Transporter nor Shipper shall have any obligation to provide services under the TSA that requires the use of any facilities sold or transferred; provided, however, Transporter first shall obtain abandonment authorization, where such authorization authority is required, for any jurisdictional facilities it is seeking to sell or transfer. Nothing here shall limit Shipper's right to intervene and protest in any such abandonment application.
- 5.3 Unless otherwise agreed to in writing, Transporter shall only be responsible for the maintenance and operation of its own properties and facilities and shall not be responsible for the maintenance or operation of any other properties or facilities connected in any way with the transportation of Natural Gas.
- 5.4 Transporter shall have the right to interrupt the transportation of Natural Gas when necessary to test, alter, maintain, modify, enlarge or repair any facility or property comprising a part of, or appurtenant to, Transporter's System, or otherwise related to the operation thereof. Transporter shall endeavor to minimize the duration of such interruptions and, except in cases of emergency, shall give Shippers advance notice of its intention to so interrupt the transportation of Natural Gas and of the expected magnitude of such interruptions.
- 5.5 Venting of Gas. To the extent Transporter is unable, in its sole operational judgment and discretion, to transport unauthorized daily overrun Gas without jeopardizing the safety and integrity of Transporter's operations, Transporter shall have the right to vent, without incurring any liability to Shipper, or any third party, such unauthorized daily overrun Gas as it is unable to transport. Transporter shall use its best efforts to avoid or minimize such venting.
- 5.6 Pressure
- (a) Pressure at the receipt point(s). Shipper shall cause the Gas to be tendered at the receipt point(s) at a pressure sufficient to enter Transporter's System, provided Shipper shall not, except with the agreement of Transporter, be permitted to tender the Gas at any receipt point at a pressure in excess of the maximum pressure specified for the receipt point quantity in Exhibit A of the TSA.

5.6 Pressure (continued)

- (b) Pressure at the delivery point(s). Transporter shall tender Gas at the delivery point(s) at pressures sufficient to effect delivery into the receiving facilities against the pressures prevailing from time to time. Transporter, however, shall not be required to deliver Gas at a pressure greater than the maximum pressure specified for each delivery point quantity in Exhibit A of the TSA.
- (c) If mutually agreed upon in the TSA, Transporter may commit to maximum and minimum receipt and delivery pressure levels to Shippers on a not unduly discriminatory basis, and where necessary, upon specified conditions, to ensure that such commitments do not have any adverse effects on Transporter's System. Such conditions may include volume limitations or other operational requirements to ensure the quality of service. Transporter will post on its EBB agreed-upon maximum and minimum receipt and delivery pressure commitments and any applicable operating conditions. Transporter will not agree to a maximum or minimum receipt or delivery pressure that will render it unable to meet its existing firm obligations and, upon request, will provide a written explanation to the Shipper explaining the operational basis for rejecting any request for a maximum or minimum pressure.

NOMINATIONS AND SCHEDULING PROCEDURES

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.1 Nomination Cycles (All times are Central Clock Time (CCT) pursuant to NAESB WGQ Standard 0.3.17)

Transporter will support the NAESB WGQ Standard 1.3.2 nomination cycles, as modified for the extension of the deadline for nominations to leave control of the nominating party (nomination deadlines) for an additional fifteen minutes.

(a) The Timely Nomination Cycle

On the day prior to Gas flow:

- 1:15 p.m. Nominations leave control of the Service Requester (SR);
- 1:30 p.m. Nominations are received by the Transporter (including from Title Transfer Tracking Service Providers (TTTSPs));
- 1:30 p.m. Transporter sends the quick response to the SR;
- 4:30 p.m. Transporter receives completed confirmations from confirming parties;
- 5:00 p.m. SR and point operator receive scheduled quantities from the Transporter.

Scheduled quantities resulting from Timely Nominations should be effective at the start of the next Gas Day. (NAESB WGQ Standard 1.3.2(i))

(b) The Evening Nomination Cycle

On the day prior to Gas flow:

- 6:15 p.m. Nominations leave control of the SR;
- 6:30 p.m. Nominations are received by the Transporter (including from TTTSPs);
- 6:30 p.m. Transporter sends the quick response to the SR;
- 8:30 p.m. Transporter receives completed confirmations from confirming parties;
- 9:00 p.m. Transporter provides scheduled quantities to the affected SR and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Evening Nominations should be effective at the start of the next Gas Day. (NAESB WGQ Standard 1.3.2(ii))

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.1 Nomination Cycles (continued)

(c) The Intraday 1 Nomination Cycle

On the current Gas Day:

10:15 a.m. Nominations leave control of the SR;

10:30 a.m. Nominations are received by the Transporter (including from TTTSPs);

10:30 a.m. Transporter sends the quick response to the SR;

12:30 p.m. Transporter receives completed confirmations from confirming parties;

1:00 p.m. Transporter provides scheduled quantities to the affected SR and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 1 Nominations should be effective at 2:00 p.m. on the current Gas Day. (NAESB WGQ Standard 1.3.2(iii))

(d) The Intraday 2 Nomination Cycle

On the current Gas Day:

2:45 p.m. Nominations leave control of the SR;

3:00 p.m. Nominations are received by the Transporter (including from TTTSPs);

3:00 p.m. Transporter sends the quick response to the SR;

5:00 p.m. Transporter receives completed confirmations from confirming parties;

5:30 p.m. Transporter provides scheduled quantities to the affected SR and point operator, including bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 2 Nominations should be effective at 6:00 p.m. on the current Gas Day. (NAESB WGQ Standard 1.3.2(iv))

(e) The Intraday 3 Nomination Cycle

On the current Gas Day:

7:15 p.m. Nominations leave control of the SR;

7:30 p.m. Nominations are received by the Transporter (including from TTTSPs);

7:30 p.m. Transporter sends the quick response to the SR;

9:30 p.m. Transporter receives completed confirmations from confirming parties;

10:00 p.m. Transporter provides scheduled quantities to the affected SR and point operator.

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. (NAESB WGQ Standard 1.3.2(v))

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.1 Nomination Cycles (continued)

- (f) For purposes of NAESB Standard No. 1.3.2 (ii), (iii), (iv), and (v), the word "provides" 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 (NAESB WGQ Standard 1.3.2(vi)).
- (g) Shown in Section 1 of Part VI: Illustrations is a representation of NAESB WGQ Standard 1.3.2 in tabular format.

6. NOMINATIONS AND SCHEDULING PROCEDURES

- 6.2 Nomination Procedures. Nominating parties will submit nominations to Transporter in accordance with the procedures and conditions set forth in this section. Transporter reserves the right to accept nominations after the deadlines specified in GT&C Section 6.1, provided that no Shipper will be disadvantaged by such action.
- (a) 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 (NAESB WGQ Standard 1.3.7).
 - (b) 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 (NAESB WGQ Standard 1.3.5). For the date specified in the nomination, all nominations received by Transporter at or prior to a nomination deadline for that date shall be processed in the next available nomination cycle pursuant to this section.
 - (c) Intraday Nomination Requirements.
 - (i) 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 Shipper may submit at any one standard nomination cycle or in total across all standard nomination cycles (NAESB WGQ Standard 1.3.32).
 - (ii) Intraday nominations are to be submitted in full-Day quantities.
 - (iii) Firm intraday nominations shall be scheduled ahead of previously scheduled interruptible nominations in the Evening, Intraday 1 and Intraday 2 Nomination Cycles. Application of this provision will result in such interruptible nominations being Bumped.
 - (iv) Transporter should provide affected Parties with notification of Intraday Bumps and Critical Notices through the affected Party's choice of Electronic Notice Delivery Mechanism(s) (NAESB WGQ Standard 5.3.34). "Electronic Notice Delivery" is the term used to describe the delivery of notices via Internet E-mail and/or EDI/EDM (NAESB WGQ Standard 5.2.2).

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.2 Nomination Procedures (continued)

(c) Intraday Nomination Requirements (continued)

- (v) Intraday Bump notices should indicate whether daily penalties will apply for the Gas Day for which quantities are reduced (NAESB WGQ Standard 1.3.51).
- (vi) Scheduling of intraday nominations shall be based on the elapsed pro rata scheduled quantities. 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 (NAESB WGQ Standard 1.2.12).
- (vii) Intraday nominations can be used to request increases or decreases in total flow, changes to receipt points, or changes to delivery points of scheduled Gas (NAESB WGQ Standard 1.3.11). Requests for decrease in flow shall only be accepted to the extent they do not represent a decrease below previous confirmed quantities which would have flowed on the requested Gas Day prior to the nominated decrease, assuming ratable hourly flow rates. Intraday nominations do not rollover (i.e. Intraday nominations span one Gas Day only). Intraday nominations may be used to nominate new supply or market (NAESB WGQ Standard 1.3.33).

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.2 Nomination Procedures (continued)

(c) Intraday Nomination Requirements (continued)

- (viii) With respect to the confirmation process for intraday nominations, the following provisions apply:
- (1) Requests for Increases. 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 previously scheduled quantity will be the new confirmed quantity.
 - (2) Requests for Decreases. In the absence of agreement to the contrary, the lesser of the confirmation quantities will be the new confirmed quantity, but in no event will the new confirmed quantity be 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.
- (ix) Scheduling of Intraday Nominations. For purposes of determining the portion of any intraday nomination which is to be scheduled when available capacity is not sufficient to schedule all confirmed quantities, all intraday nominations shall first be accumulated with all prior confirmed daily and intraday nominations for that Gas Day and compared to Shipper's MDQ. For the intraday nomination being processed, if the cumulated nomination quantity is in excess of MDQ, that portion of the quantity in excess of MDQ and any subsequently processed intraday nomination under that TSA shall be considered as using overrun capacity.
- (d) Nominated Imbalance Quantities. Shippers shall separately nominate makeup and payback quantities to resolve imbalances.
- (e) Overrun Nominations. Overrun quantities should be requested on a separate transaction (NAESB WGQ Standard 1.3.19); however, in the event that such excess quantities are included in other nominations, the excess portion of such nomination will be scheduled pursuant to Section 6.3.

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.2 Nomination Procedures (continued)

- (f) Responsibility for Nominated Quantities. When submitting nominations, the nominating party/Shipper is responsible for assuring that nominations are made in good faith and that sufficient Gas supplies are available at the nominated receipt point(s). Pursuant to the procedures specified above, Transporter will verify nomination information with the Interconnecting Party and will determine the confirmed quantity. Transporter is not responsible for assuring that the confirmed quantities are actually tendered to Transporter at the receipt point(s).
- (g) Accuracy of Nominated Quantities. The nominating party/Shipper is responsible for the accuracy of nomination data. If Transporter determines that the confirming party/Shipper is consistently nominating greater quantities than the capacity of the meter or the party's ability to take such quantities, Transporter will reduce such nominations to the level of the most recent takes at that location.
- (h) Transporter's Obligation to Deliver. For any Gas Day, Transporter shall not be obligated to deliver any greater quantity than it has confirmed and received. Further, Transporter is not obligated to increase or decrease quantities at any receipt or delivery point which have not been confirmed.

6. NOMINATIONS AND SCHEDULING PROCEDURES

- 6.3 Scheduling of Receipts and Deliveries. Each Day, Transporter shall schedule the quantities nominated by Shippers in the order described hereinafter. Transporter shall schedule the lesser of the nominated quantity or the confirmed quantity. For scheduling priority purposes only, negotiated rates or Capacity Release Transactions resulting in a rate(s) that exceeds the related maximum rates will be deemed equivalent to maximum rates. Transporter shall use the rate being paid by Replacement Shipper to determine the scheduling priority for Flow Path Secondary Capacity and Secondary Capacity transactions for such Shipper.
- (a) The first quantities scheduled shall be those quantities nominated and confirmed under Rate Schedule FT for transportation service utilizing Primary Capacity. If Transporter has insufficient capacity to schedule all nominated quantities as Primary Capacity, Transporter shall schedule pro rata based on contract entitlement at the point or the location on the path at which the capacity limitation occurs.
 - (b) The next quantities scheduled shall be those nominated and confirmed under Rate Schedule FT for transportation service involving Flow Path Secondary Capacity. Quantities using Flow Path Secondary Capacity will be scheduled based on the rate being paid, with the highest rate being scheduled first. Shippers paying the same rate shall be scheduled pro rata based on contract entitlement.
 - (c) The next quantities scheduled shall be those quantities nominated and confirmed under Rate Schedule FT for transportation service using Secondary Capacity. Secondary Capacity quantities will be scheduled based on the rate being paid, with the highest rate being scheduled first. Shippers paying the same rate shall be scheduled pro rata based on contract entitlement.
 - (d) The next quantities scheduled shall be those quantities required by Transporter for GT&C Section 27 or gas quantities resulting from Operator make up/payback quantities under Operational Balancing Agreements, as defined in GT&C Section 10.5.
 - (e) The next quantities scheduled shall be those quantities nominated and confirmed under the following services: authorized overrun quantities under Rate Schedule FT and quantities under Rate Schedule IT. Under these services, a Shipper paying a higher rate than another Shipper shall be scheduled first. Shippers paying the same rate shall be scheduled pro rata based on nominated and confirmed quantities.

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.3 Scheduling of Receipts and Deliveries (continued)

- (f) The next quantities scheduled shall be imbalance and makeup/payback quantities under Rate Schedules FT and IT and quantities nominated and confirmed under Rate Schedule PAL. Quantities not associated with concurrent receipts or deliveries will only be scheduled when supported by Transporter's ability to deliver extra gas from the pipeline system without a concurrent supply or to receive extra gas into the pipeline system without a concurrent delivery.
- (i) Notwithstanding Section 6.3(f)(ii) below, nominations for unpark and redelivery quantities under Rate Schedule PAL shall be scheduled first before nominations for park and/or loan quantities under Rate Schedules PAL.
- (ii) For quantities scheduled within this Section 6.3(f), quantities will be scheduled based on the priority of the TSA under which the quantity is being nominated. Quantities nominated under firm TSAs shall be scheduled first in accordance with Section 6.3, as appropriate. Quantities nominated under interruptible TSAs shall be scheduled next with quantities associated with higher commodity rates scheduled before those associated with lower commodity rates. Interruptible and Park and Loan nominations carrying the same commodity rate shall be scheduled pro rata based on the quantities nominated.

6. NOMINATIONS AND SCHEDULING PROCEDURES

- 6.4 Confirmation Procedures. Confirmations issued during each scheduling cycle shall be treated as scheduled quantities at the point of interconnection. If a confirmation from an Interconnecting Party is received after final quantities are scheduled, the resulting imbalance will be carried on the Shipper's TSA unless the Interconnecting Party agrees to accept the scheduled quantities on its operational balancing agreement during the Intraday 3 Nomination Cycle.

6. NOMINATIONS AND SCHEDULING PROCEDURES

6.5 Allocation of Capacity.

Where transportation service is interrupted due to capacity limitations, service shall be interrupted pursuant to the following order until the level of scheduled service equals available capacity. Transporter shall provide as much notice as is practicable prior to implementing any interruption of services.

- (a) First, all imbalance and makeup/payback quantities under Rate Schedules FT and IT on a pro rata basis based on nominated and confirmed quantities.
- (b) The next quantities to be interrupted shall be those quantities nominated as imbalance quantities under any rate schedule and Rate Schedule PAL quantities. Such quantities shall be interrupted based on the priority of the TSA under which the quantity is being nominated. Quantities nominated under interruptible TSAs shall be interrupted first with quantities associated with lower commodity rates interrupted before those associated with higher commodity rates. Interruptible and Rate Schedule PAL nominations carrying the same commodity rate shall be allocated pro rata based on the quantities scheduled. Quantities nominated under firm TSAs shall be interrupted next on a pro rata basis based on quantities scheduled.
- (c) The next quantities to be interrupted shall be those quantities nominated under the following services: authorized overrun quantities under Rate Scheduled FT and interruptible service under Rate Schedule IT. The allocation of capacity will be based on the rate being paid. A service at a lower rate than another service shall be interrupted first. Shippers that are paying the same rate shall be allocated pro rata based on nominated and confirmed quantities.
- (d) The next quantities to be interrupted shall be those quantities required by Transporter for GT&C Section 27 or gas quantities resulting from Operator make up/payback quantities under Operational Balancing Agreements, as defined in GT&C Section 10.5.
- (e) The next quantities to be interrupted shall be those quantities utilizing Primary, Flow Path Secondary and/or Secondary Capacity. Reductions during the Evening Nomination Cycle will be interrupted using the scheduling priorities in GT&C Section 6.3 for firm transportation services. Reductions occurring after the Evening Nomination Cycle will be interrupted pro rata based on contract entitlements at the point at which the capacity limitation occurs. For purposes of this section, contract entitlement involving non-Primary Capacity shall be the quantity scheduled to flow before the interruption of service.

6. NOMINATIONS AND SCHEDULING PROCEDURES

- 6.6 Protection of Life and Property. Transporter and Shipper shall collaborate in making adjustments to receipt quantities or delivery quantities, if possible, which may be necessary to avoid or forestall injury to life and property.

6. NOMINATIONS AND SCHEDULING PROCEDURES

- 6.7 Transporter's Non-Liability. Transporter shall not be liable for any damages which may directly or indirectly result from Transporter's implementation of the allocation procedures set forth in this Section 6 so long as Transporter complies with such provisions.

7. RESPONSIBILITY FOR GAS AND PRODUCTS

- 7.1 Transporter shall have no responsibility for Natural Gas prior to its acceptance at the receipt point(s) and after delivery at the delivery point(s), and Shipper shall have sole responsibility for all arrangements necessary for delivery of Natural Gas to Transporter at the receipt point(s) for transportation, and for all arrangements necessary for receipt of Natural Gas for the account of Shipper at the delivery point(s), which arrangements otherwise meet the provisions set forth in these GT&C.
- 7.2 As between Transporter and Shipper, Transporter shall be deemed to be in control and possession of the Natural Gas from the time it is received by Transporter at the receipt point(s) until it is redelivered to Shipper at the delivery point(s), and Shipper shall be deemed to be in control and possession of the Natural Gas at all other times. By tendering Gas to Transporter, Shipper warrants that it has title to, or the right to ship, the Gas it has delivered.

OPERATING PROVISIONS

8. OPERATING PROVISIONS

8.1 FIRM SERVICE

- (a) Designation of Primary Receipt and Delivery Points. The receipt and delivery points listed in the TSA shall be the Shipper's Primary Points. The total receipt point capacity must equal the total delivery point capacity and must equal the MDQ specified in the TSA.

8. OPERATING PROVISIONS

8.2 INTERRUPTIBLE SERVICE

(a) Obtaining Interruptible Service

- (i) After receiving a valid request for interruptible service, Transporter will evaluate Shipper/Operator's request and respond to Shipper within five Business Days. Once the request has been evaluated and approved, Transporter will prepare and tender to Shipper for execution an agreement in the form contained in this Tariff.
- (ii) If a Shipper has executed an interruptible TSA (Rate Schedule IT or Rate Schedule PAL) and fails to schedule service within two years of the later of the execution of the agreement or the in-service date of any facilities necessary to provide service, the agreement shall be terminated and Shipper's request shall be deemed null and void.

CAPACITY RELEASE PROGRAM

9. CAPACITY RELEASE PROGRAM

- 9.1 Purpose. This section sets forth the specific terms and conditions applicable to Transporter's capacity release program. Unless otherwise stated in this Section 9, all times are Central Clock Time (CCT) pursuant to NAESB WGQ Standard 0.3.17.

9. CAPACITY RELEASE PROGRAM

- 9.2 Applicability. This section is applicable to any Releasing Shipper(s) or any Replacement Shipper(s) who elect to release all or a portion of its firm capacity under Rate Schedule FT. Releasing Shipper(s) shall have the right to release, on a permanent or temporary basis, any portion of its firm capacity rights held under a TSA with Transporter, but only to the extent that the capacity so released is acquired by another Shipper pursuant to this section.

9. CAPACITY RELEASE PROGRAM

- 9.3 Availability of Released Capacity. Released capacity shall be made available on a non-discriminatory basis and shall be assigned on the basis of an open season or prearrangement in accordance with the procedures of this section and, where appropriate, the applicable NAESB WGQ Standards.
- (a) Availability of Advertisements for the Purchase of Capacity. Any person may advertise for the purchase of capacity on Transporter's System on its EBB by submitting the desired advertisement (up to one page) to Transporter. Transporter shall post such advertisement on the Informational Postings portion of its EBB no later than the Business Day following receipt thereof if so requested, so long as the advertisement is not unlawful or inconsistent with Transporter's Tariff. The posted period requested may be for a period of time not to exceed one Month. There will be no posting fee for such advertisements seeking to purchase capacity on Transporter's System. 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 GT&C Section 9.

9. CAPACITY RELEASE PROGRAM

- 9.4 Qualification for the Capacity Release Program. Any party, whether seeking to acquire capacity under bid or a prearranged release, must be pre-qualified by Transporter prior to submitting a bid for released capacity or prior to becoming a party to a prearranged release. To be pre-qualified, a Shipper must satisfy the creditworthiness requirements of GT&C Section 4.12. Notwithstanding such qualification to participate in the capacity release program, Transporter does not guarantee the payment of any outstanding amounts by a Replacement Shipper.

9. CAPACITY RELEASE PROGRAM

9.5 Capacity Release Timeline

- (a) Releases Assigned On the Basis of An Open Season. A Shipper electing or required to release capacity on the basis of an open season must post notice of release on Transporter's EBB pursuant to GT&C Section 9.7. Such notice shall be posted upon receipt unless Releasing Shipper requests otherwise.
- (b) The following capacity release timeline (NAESB WGQ Timeline) 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 acquiring Shipper has been determined to be creditworthy before the capacity release bid is tendered, 2) for index-based capacity release transactions, the Releasing Shipper has provided Transporter with sufficient instructions to evaluate the corresponding bid(s) according to the timeline, and 3) there are no special terms or conditions of the release. Further, Transporter 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 Transporter). (NAESB WGQ Standard 5.3.1) Such release must comply with the Bid Evaluation Methods described in GT&C Sections 9.11(d)(i) through (iii), hereof (Note 1):

NAESB WGQ Standard 5.3.2:

For biddable releases (1 year or less):

- (i) Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- (ii) Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
- (iii) Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
- (iv) If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
- (v) Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 p.m. Noon.
- (vi) The contract is issued within one Hour of the award posting (with a new contract number, when applicable).
- (vii) Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

9. CAPACITY RELEASE PROGRAM

9.5 Capacity Release Timeline (continued) (b) (continued)

For biddable releases (more than 1 year):

- (viii) Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- (ix) Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
- (x) Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
- (xi) If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
- (xii) Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., the award is posted by 12:00 p.m. Noon.
- (xiii) The contract is issued within one Hour of award posting (with a new contract number, when applicable).
- (xiv) Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

For non-biddable releases:

- (xv) 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 NAESB WGQ Standard No. 1.3.2. 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.

9.5 Capacity Release Timeline (continued)
(b) (continued)

- (xvi) The contract is issued within one Hour of the award posting (with a new contract number, when applicable).
- (xvii) Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

NOTE: (1) Posting of Notices of Release (either under an open season or a prearranged release) is subject to review by Transporter for accuracy, completeness, and validity before being posted.

9. CAPACITY RELEASE PROGRAM

9.6 Prearranged Releases. Shipper electing to release capacity on the basis of a prearranged release must post notice on Transporter's EBB pursuant to GT&C Section 9.8. No open season is required for a prearranged release that is (1) for more than one year at a rate which is equal to the maximum reservation rate under the applicable Tariff rate schedule and which meets all the terms of the release; (2) for a term of thirty-one Days or less and which meets all the terms of the release; (3) a release to an asset manager as defined in 18 C.F.R. Section 284.8(h)(3); or (4) a release to a marketer participating in a state-regulated retail access program as defined in 18 C.F.R. Section 284.8(h)(4). All other prearranged releases shall be subject to an open season requirement as described in Section 9.5 hereof. A Releasing Shipper may not rollover, extend or in any way continue the release to the same Replacement Shipper using the 31 Days or less bidding exemption until at least twenty-eight Days after the first release period has ended unless the Replacement Shipper is an asset manager as defined in 18 C.F.R. Section 284.8(h)(3) or a marketer participating in a state-regulated retail access program as defined in 18 C.F.R. Section 284.8(h)(4). A Shipper electing to release capacity on a prearranged basis not subject to an open season must post the notice of release on Transporter's EBB pursuant to the timeline for non-biddable releases in GT&C Sections 9.5(b)(xii) - (xv).

9. CAPACITY RELEASE PROGRAM

- 9.7 Notice of Capacity Release - Open Season Basis. Any Shipper holding capacity rights subject to this Section 9 who desires to release such firm capacity on an Open Season Basis shall deliver notice via Transporter's EBB which shall contain the following:
- (a) Releasing Shipper's legal name, DUNS number, contract number, address, and the name of the individual responsible for authorizing the release of capacity;
 - (b) The maximum and minimum quantity of firm daily capacity which the Releasing Shipper desires to release, stated in Dth per Day;
 - (c) the receipt and delivery point(s) and path at which the Releasing Shipper will release capacity and the firm capacity to be released at each such point and path;
 - (d) whether capacity will be released on a recallable or a recallable and reputtable (returned to the Replacement Shipper) basis (subject to minimum terms and conditions in GT&C Section 9.12). Recall and reput terms must be objectively stated, nondiscriminatory, and applicable to all bidders. Transporter should support the ability for the Releasing Shipper to specify, as a condition of a release, whether the Releasing Shipper's recall notification must be provided exclusively on a Business Day (NAESB WGQ Standard 5.3.51).
 - (e) the requested effective date and the term of the release (minimum term of release is one Day);
 - (f) whether the Releasing Shipper is willing to consider release for a shorter time period than that specified in (e) above, and, if so, the minimum acceptable period of release;
 - (g) whether the Releasing Shipper desires bids for the released capacity to be stated in a dollar amount per Dth or as a percentage of Transporter's maximum reservation rate as in effect from time to time, or as an index-based formula (under one of the methods listed below); in conformance with NAESB WGQ Standard 5.3.26, Releasing Shipper has choice to specify dollars and cents or percent of maximum Tariff rate in the denomination of bids and Transporter shall support this choice. Once the choice is made by the Releasing Shipper, the bids should comport with the choice;
 - (i) a percentage of the formula,
 - (ii) a dollars and cents differential from the formula, or
 - (iii) a dollars and cents differential from the Rates Floor;

9. CAPACITY RELEASE PROGRAM

9.7 Notice of Capacity Release - Open Season Basis (continued)

- (h) whether the Releasing Shipper desires to release capacity on a volumetric reservation rate basis or an index-based formula. If utilizing an index-based formula, the Releasing Shipper should specify the minimum acceptable rate and, if applicable, any minimum volumetric load factor commitment. (Capacity releases made on a volumetric rate basis cannot be re-released by the Replacement Shipper);
- (i) the applicable maximum reservation rate for capacity being released as shown on Transporter's Statement of Rates or as an index-based formula;
- (j) if Releasing Shipper is willing to consider releasing capacity at less than maximum reservation rate stated in Section 9.7(i) above, and if so, the minimum reservation rate Releasing Shipper is willing to accept;
- (k) Reserved
- (l) whether the Releasing Shipper wants Transporter to market the capacity in accordance with GT&C Section 9.17 hereof;
- (m) for releases posted to comply with the NAESB WGQ Timeline as shown in GT&C Section 9.5(b) hereof, the Releasing Shipper shall select one of the following bid evaluation methods which are described more fully in GT&C Section 9.11(d):
 - (i) Present Value
 - (ii) Highest Rate
 - (iii) Net Revenue
- (n) In lieu of the methods described in Section 9.7(m) above, the Releasing Shipper may provide its own nondiscriminatory bid evaluation criteria; except that Transporter will not accept first bidder meeting minimum acceptable terms of the release as a valid bid evaluation method.

9. CAPACITY RELEASE PROGRAM

9.7 Notice of Capacity Release - Open Season Basis (continued)

- (o) The time and date the notice is to be posted on Transporter's EBB. Release notice will be posted upon receipt unless otherwise requested by Releasing Shipper (open season dates will be posted by Transporter based on the requirements of GT&C Section 9.5 or by the Releasing Shipper, if Releasing Shipper requests a longer open season or an earlier posting than is required in GT&C Section 9.5). After the open season has commenced, a Releasing Shipper cannot specify the extension of an open season bid period without posting a new release;
- (p) whether the Releasing Shipper is willing to accept contingent bids;
- (q) Releasing Shipper shall elect one of the following:
 - (i) establish minimum terms of the release and display them on the EBB; or
 - (ii) establish minimum terms of the release and keep such terms confidential (i.e., not post them on the EBB) but Bidding Shippers will be informed on the EBB that minimums have been established;
 - (iii) establish no minimum terms; Releasing Shipper will accept highest bid received for the release.
- (r) any other applicable conditions of the release.

9. CAPACITY RELEASE PROGRAM

9.8 Notice of Capacity Release - Prearranged Basis. The Releasing Shipper shall deliver a notice of a prearranged release via Transporter's EBB. Likewise, the Prearranged Shipper must confirm its bid electronically on the EBB. The EBB notice shall set forth the following information:

- (a) all the items contained in GT&C Section 9.7 required to define a prearranged release;
- (b) Prearranged Shipper's legal name, DUNS number, address, and the name of the individual responsible for authorizing the bid for the prearranged release;
- (c) the term of the proposed acquisition of capacity by Prearranged Shipper (minimum term of any release is one Day);
- (d) the reservation rate, expressed as a daily rate (dollars and cents) or percentage of the maximum reservation rate, or as an index-based formula, as specified by Releasing Shipper, the Prearranged Shipper has agreed to pay for the released capacity and any minimum volumetric load factor, if applicable. In conformance with NAESB WGQ Standard 5.3.26, Releasing Shipper has the choice to specify dollars and cents or percent of maximum Tariff rate in the denomination of bids and Transporter shall support this. Once the choice is made by the Releasing Shipper, the bids should comport with the choice. If capacity is released on a volumetric rate basis, it cannot be re-released by the Replacement Shipper;
- (e) the maximum and minimum quantity of firm daily capacity which the Releasing Shipper desires to release, stated in Dth per Day;
- (f) whether or not the Prearranged Shipper is an affiliate of the Releasing Shipper and/or Transporter;

9. CAPACITY RELEASE PROGRAM

9.8 Notice of Capacity Release - Prearranged Basis (continued)

- (g) the time and date the notice is to be posted on Transporter's EBB. Release notice will be posted upon receipt unless otherwise requested by Releasing Shipper (open season dates will be posted by Transporter based on the requirements of GT&C Section 9.5, if applicable, or by Releasing Shipper, if Releasing Shipper requests a longer open season than the minimum required in GT&C Section 9.5).

Releasing Shipper cannot allow extension of time provided for the Prearranged Shipper to match a higher bid (matching period as described in the timeline in GT&C Section 9.5) without posting a new release;

- (h) whether the Prearranged Shipper is an asset manager or marketer participating in a state-regulated retail access program for the purposes defined in 18 C.F.R. Sections 284.8(h)(3) and (h)(4), respectively; and
- (i) any other applicable conditions of the prearranged release.

9. CAPACITY RELEASE PROGRAM

- 9.9 Term of Released Capacity. The term of any release of firm capacity shall not be less than one Day and shall not exceed the term of the TSA or Replacement Capacity Agreement under which the release occurs.

9. CAPACITY RELEASE PROGRAM

9.10 Bids for Released Capacity - Open Season. A bid may be submitted to Transporter by a Bidding Shipper at any time during the open season via Transporter's EBB.

- (a) Each bid for released capacity must include the following:
 - (i) Bidding Shipper's legal name, DUNS number, address, and the name of the individual responsible for authorizing the bid;
 - (ii) the term of the proposed acquisition;
 - (iii) the maximum reservation rate, expressed as a daily rate (dollars and cents) or percentage of the maximum reservation rate, as appropriate, or maximum volumetric rate (either dollars or percent, as specified by Releasing Shipper), or the maximum dollars and cents differential or percentage of an index-based formula Bidding Shipper is willing to pay for the released capacity;
 - (iv) the capacity desired at primary receipt and delivery points;
 - (v) whether or not the Bidding Shipper is an affiliate of the Releasing Shipper and/or Transporter;
 - (vi) any other information requested in the notice of release posted on Transporter's EBB;
 - (vii) whether or not the Bidding Shipper will meet all other terms of release (if there are any); and
 - (viii) the time and date the bid was submitted to Transporter for posting on Transporter's EBB.
- (b) All valid and complete bid(s) received by Transporter during the open season as detailed in GT&C Section 9.5 shall be posted on Transporter's EBB. The identity of the Bidding Shipper(s) will not be posted, but all other terms of the bid(s) will be posted on Transporter's EBB.

9. CAPACITY RELEASE PROGRAM

9.10 Bids for Released Capacity - Open Season (continued)

- (c) For a capacity release transaction for a term of more than one year, a Bidding Shipper may not bid a reservation rate less than the minimum reservation rate nor more than the applicable maximum reservation rate nor may the capacity or the term of the release of such bid exceed the maximum quantity or term specified by the Releasing Shipper. No rate limitation applies to the release of capacity including an index-based release, for a period of one year or less if the release is to take effect on or before one year from the date on which the pipeline is notified of the release.
- (d) A Bidding Shipper may withdraw its bid any time prior to the expiration of the open season but may not resubmit a bid for the same release at an equal or lower rate. Bids may be withdrawn via the EBB.
- (e) A Bidding Shipper may only have one bid pending for any specific capacity release transaction at any one time.
- (f) All bids pending at the expiration of the open season shall be binding upon the Bidding Shipper(s). Further, the Bidding Shipper(s) agrees that its bid will constitute a binding agreement if the Bidding Shipper is awarded the released capacity pursuant to this Section 9.
- (g) Bids shall be binding until notice of withdrawal is received by Transporter on its Customer Activities Web site (NAESB WGQ Standard 5.3.13).

9. CAPACITY RELEASE PROGRAM

- 9.11 Awarding of Released Capacity. Released capacity shall be awarded in accordance with this section.
- (a) If a Bidding Shipper's bid satisfies all terms and conditions specified in the Releasing Shipper's notice, including the posted reservation rate, then the capacity shall be awarded to such Bidding Shipper, and the Releasing Shipper shall not be permitted to reject such bid. If such bid was submitted in an open season relating to a prearranged release, capacity shall be awarded as described in GT&C Section 9.11(h).
 - (b) Offers shall be binding until notice of withdrawal is received by Transporter on its Customer Activities Web site (NAESB WGQ Standard 5.3.14). Releasing Shipper(s) may withdraw their offer of release any time prior to the start of the open season, or during the open season in the event of an unexpected change in Releasing Shipper's need for the capacity being released; provided, however, that the Releasing Shipper may not withdraw its offer of release, if bids have been received that meet the minimum terms of the release. The Releasing Shipper may withdraw its offer to release capacity via the EBB. In summary, the Releasing Shipper has the right to withdraw its offer during the bid period, where unanticipated circumstances justify and no minimum bid has been made (NAESB WGQ Standard 5.3.16).
 - (c) If more than one bid is received that is equal to or exceeds all the minimum terms and conditions specified in the Releasing Shipper's notice, then the Replacement Shipper(s) shall be the Bidding Shipper(s) who offer(s) the highest bid, based on the bid evaluation methods as posted by the Releasing Shipper in its notice of release. Transporter shall evaluate and rank all bids submitted during the open season. If Bidding Shipper has made a bid based on a contingency and such contingency has not been removed by the date and time specified pursuant to the timeline as described in GT&C Section 9.5, such bid shall be deemed withdrawn. If bids from two or more Bidding Shippers result in bids of equal value, then the capacity shall be awarded pursuant to GT&C Section 9.11(g).

9. CAPACITY RELEASE PROGRAM

9.11 Awarding of Released Capacity (continued)

- (d) Bid Evaluation Methods. All bids received will be evaluated pursuant to one of the following methods:
 - (i) Present Value Calculation. Releasing Shipper may elect to have all bids evaluated and ranked pursuant to a Present Value Calculation, assuming a discount rate equal to the current FERC interest rate as defined in Section 154.501(d) of the Commission regulations.
 - (ii) Highest Rate. Releasing Shipper may elect to have bids evaluated on the basis of the highest reservation rate bid.
 - (iii) Net Revenue. Releasing Shipper may elect to have bids evaluated on the basis of the total reservation rate-based revenues received over the term of the release.
 - (iv) Other Method. Releasing Shipper may at the time of posting of the notice of release specify how bids are to be evaluated to determine which offer is the best. The criteria must be objectively stated, applicable to all potential bidders, and nondiscriminatory. The criteria can contain provisions that allow for weighting of factors such as quantity, term, and rate; however, Transporter will not accept first bidder meeting minimum acceptable terms of the release as a valid bid evaluation methodology. If bid evaluation criteria are provided by the Releasing Shipper, the evaluation period specified in GT&C Section 9.5(b) shall be extended by one Business Day.
 - (v) For index-based capacity release transactions, the Releasing Shipper should provide the necessary information and instructions to support the chosen methodology. If the Releasing Shipper specifies an index-based formula in its capacity release offer, the Bid Rate (R) used in the bid evaluation options of this Section 9.11 will be based on: 1) the dollars and cents differential or percentage of the Rate Default, or 2) the dollars and cents differential of the Rate Floor, as applicable.

9. CAPACITY RELEASE PROGRAM

9.11 Awarding of Released Capacity

- (e) If bid evaluation criteria are provided by the Releasing Shipper, Transporter shall, for each bid received, calculate the total value of each bid received at the end of the open season based on the nondiscriminatory criteria provided by the Releasing Shipper. The results of this calculation shall determine each bid's total value. The bids will then be ranked by Transporter in order from the highest to the lowest total value.
- (f) For bids evaluated using any of the first three methods (GT&C Sections 9.11(d)(i) through (iii)), Transporter shall notify the Releasing Shipper and successful bidder no later than 5:00 p.m. CCT on the Business Day before nominations are due (as specified in GT&C Section 9.5) and the capacity shall be awarded to the successful Bidding Shipper(s) which shall become the Replacement Shipper(s).
- (g) If bids from two or more Bidding Shippers result in bids of the highest equal value, the first bid received of highest equal value will be awarded the capacity. When Transporter makes awards of capacity for which there have been multiple bids meeting minimum conditions, Transporter shall award the bids, best bid first, until all offered capacity is awarded (NAESB WGQ Standard 5.3.4).
- (h) With respect to a prearranged release, if no better offer (as determined above) is received during an open season or the prearranged offer is for the applicable maximum reservation rate under the applicable rate schedule for a term of more than one year and meets all the other terms of the release, then the Prearranged Shipper shall become the Replacement Shipper for the released capacity. If a better offer is received during the open season, the Prearranged Shipper shall have the time specified in GT&C Section 9.5 to match that offer. If the Prearranged Shipper fails to match the better offer, then the Bidding Shipper who presented the better offer, as determined above, shall become the Replacement Shipper.
- (i) A Releasing Shipper shall retain all of the capacity under the executed TSA or Replacement Capacity Agreement that is not acquired by a Replacement Shipper as the result of an open season or a prearranged release.
- (j) If no bids are received which meet or exceed all of the minimum conditions specified by the Releasing Shipper, no capacity shall be awarded.

9. CAPACITY RELEASE PROGRAM

9.12 Recalls and Reput of Capacity. If capacity is released subject to recall pursuant to GT&C Section 9.7(d), in addition to such other terms not inconsistent with this section as are agreed to by the Releasing Shipper and the Replacement Shipper, recall of such capacity shall be subject to the following terms and conditions:

- (a) Transporter will support the following recall notification periods for all released capacity subject to recall rights: (NAESB WGQ Standard 5.3.44)
 - (1) Timely Recall Notification:
 - (i) A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 8:00 a.m. on the Day that Timely Nominations are due;
 - (ii) Transporter should 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 should provide notice of such recall to Transporter and the first Replacement Shipper no later than 3:00 p.m. on the Day that Evening Nominations are due;
 - (ii) Transporter should 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) A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 5:00 p.m. on the Day that Evening Nominations are due;
 - (ii) Transporter should 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;

9. CAPACITY RELEASE PROGRAM

9.12 Recalls and Reput of Capacity (continued) (a) (continued)

(4) Intraday 1 Recall Notification:

- (i) A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 7:00 a.m. on the Day that Intraday 1 Nominations are due;
- (ii) Transporter should provide notification of such recall to all affected Replacement Shippers no later than 8:00 a.m. on the Day that Intraday 1 Nominations are due; and

(5) Intraday 2 Recall Notification:

- (i) A Releasing Shipper recalling capacity should provide notice of such recall to the Transporter and the first Replacement Shipper no later than 12:00 p.m. on the Day that Intraday 2 Nominations are due;
- (ii) Transporter should provide notification of such recall to all affected Replacement Shippers no later than 1:00 p.m. on the Day that Intraday 2 Nominations are due;

(6) Intraday 3 Recall Notification:

- (i) A Releasing Shipper recalling capacity should provide notice of such recall to the TSP and the first Replacement Shipper no later than 4:00 p.m. on the Day that Intraday 3 Nominations are due;
- (ii) The TSP should 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.

9. CAPACITY RELEASE PROGRAM

9.12 Recalls and Reput of Capacity (continued)

- (b) For recall notification provided to the Transporter prior to the recall notification deadline specified in NAESB WGQ Standard No. 5.3.44 and received between 7:00 a.m. and 5:00 p.m., the Transporter should provide notification to all affected Replacement Shippers no later than one Hour after receipt of such recall notification.

For recall notification provided to Transporter after 5:00 p.m. and prior to 7:00 a.m., Transporter should provide notification to all affected Replacement Shippers no later than 8:00 a.m. after receipt of such recall notification. (NAESB WGQ Standard 5.3.45)

- (c) Releasing Shipper's notice of recall and reput must be submitted using Transporter's on-line capacity release system.
- (d) The recall notice must detail receipt and delivery point(s) and quantities being recalled. The notification shall also state the length of the recall period and the conditions of any reput rights of the Releasing Shipper and reput obligations of the Replacement Shipper as may have been negotiated at the time of the release (see GT&C Section 9.7(d)). Unless otherwise agreed to by the Releasing Shipper and the Replacement Shipper, and Transporter is so advised, the Replacement Shipper will regain the capacity at the end of the recall period.
- (e) In the event of an intraday capacity recall, the Transporter should determine the allocation of capacity between the Releasing Shipper and the Replacement Shipper(s) based upon the Elapsed Prorata Capacity. Variations to the use of Elapsed Prorata Capacity may be necessary to reflect the nature of Transporter's tariff, services and/or operational characteristics. (NAESB WGQ Standard 5.3.56)
- (f) Unless otherwise agreed between Releasing Shipper, Replacement Shipper, and Transporter, the Releasing Shipper must notify Transporter and Replacement Shipper of its intent to reput the capacity back to the Replacement Shipper. The deadline for notifying the Transporter of a reput is 8:00 a.m. to allow for timely nominations to flow on the next Gas Day (NAESB WGQ Standard 5.3.54).
- (g) In the event of a reput after a recall period, the Releasing Shipper may not reput capacity at point(s) other than those originally released. When capacity is recalled, it may not be reput for the same Gas Day (NAESB WGQ Standard 5.3.53). Unless otherwise agreed to in the terms of the release and Transporter is advised of such condition, the Releasing Shipper may permanently retain capacity at certain Primary Points originally released.

9. CAPACITY RELEASE PROGRAM

9.12 Recalls and Reput of Capacity (continued)

- (h) Transporter shall not assess penalties during non-critical periods on transactions related to quantities recalled during an intraday scheduling cycle.

9. CAPACITY RELEASE PROGRAM

9.13 Execution of Agreements or Amendments

- (a) The successful Bidding Shipper (or successful Prearranged Shipper) for capacity shall become the Replacement Shipper and its bid for capacity or posting of prearranged release pursuant to GT&C Sections 9.8 and 9.10 shall be binding. The bid submitted by the Replacement Shipper as supplemented by the posting of the notice of capacity release on Transporter's EBB shall constitute the Replacement Capacity Agreement. The Replacement Shipper(s) will gain rights to nominate firm capacity consistent with the capacity acquired from the Releasing Shipper, and for the term as agreed to by the Releasing Shipper and subject to all other terms of the underlying Agreement and GT&C Sections 9.7 and 9.8. The Releasing Shipper(s) will relinquish its firm entitlement rights to nominate consistent with the same terms. Replacement Shipper(s) are not permitted to change Primary Receipt or Delivery Point(s) under the Releasing Shipper's Agreement unless the release is permanent and at maximum rates, unless otherwise agreed by Transporter. Replacement Shippers are, however, allowed to make nominations at Secondary Points subject to the same conditions as the underlying agreements, including paying the maximum applicable reservation rate under the applicable Rate Schedule unless a discount is agreed to by Transporter.
- (b) Transporter may, on a not unduly discriminatory basis, refuse to allow any permanent release if it has a reasonable basis to conclude that it will not be financially indifferent to the release or if Transporter is unable to obtain any necessary approval from lenders. Transporter shall provide written notification and the reasons for any denial of a request for permanent release to the affected Releasing Shipper.
- (c) Where capacity has been released for the entire remaining term of the Releasing Shipper's TSA, the Releasing Shipper may request Transporter to amend its TSA to reflect the release of capacity. Absent agreement by Transporter to such amendment, which may be conditioned on exit fees or other terms and conditions, the Releasing Shipper shall remain bound by and liable for payment of the reservation charge(s) and reservation surcharge(s) under the TSA.

9. CAPACITY RELEASE PROGRAM

9.13 Execution of Agreements or Amendments (continued)

- (d) Subject to the provisions of GT&C Section 9.13(e) regarding negotiated rate TSAs and GT&C Section 9.13(b) regarding lending approval and financial indifference, to the extent that capacity is released for the remaining term of the Releasing Shipper's TSA and the Replacement Shipper has met all creditworthiness requirements and has agreed to pay the maximum reservation charge(s) and reservation surcharge(s) for such capacity or agreed to pay a rate less than the maximum reservation charge(s) and reservation surcharges(s) or agreed to pay a rate equal to that in the Releasing Shipper's TSA but Transporter is paid a lump sum payment resulting in Transporter being financially indifferent, Releasing Shipper's contract shall be amended so as to relieve such shipper of any further liability for payment of the reservation charge(s) and reservation surcharge(s) applicable to the capacity released under the TSA. In the event the Releasing Shipper's TSA is amended to reflect the release of capacity, Transporter shall enter into a TSA with the Replacement Shipper in the form prescribed for service in this tariff but containing the rates and terms and conditions established for the acquired capacity pursuant to this Section 9.
- (e) Negotiated rate Shippers may, subject to GT&C Section 9.13(b), permanently release their capacity at reservation rates above their contracted-for negotiated rate for such capacity under the following conditions:
 - (i) the capacity is released at the negotiated contract rate or a higher rate;
 - (ii) the capacity is released for the remaining term of the TSA;
 - (iii) the Replacement Shipper agrees to amend its TSA to pay a negotiated rate at the agreed upon level; and
 - (iv) the Replacement Shipper has met Transporter's creditworthiness requirements of GT&C Section 4.12.

If all of these conditions are satisfied, the Releasing Shipper's contract shall, subject to GT&C Section 9.13(b), be amended to relieve such shipper of any further liability for payment of the negotiated rate applicable to the capacity released under the TSA.

9. CAPACITY RELEASE PROGRAM

9.14 Notice of Completed Transactions. Within 48 Hours after the transaction commences, pursuant to GT&C Section 9.11, Transporter shall post a Notice of Completed Transaction on its EBB for a minimum period of five Business Days. The notice shall include the following information regarding each transaction:

- (a) the name(s) of the Releasing Shipper and the Replacement Shipper (or Prearranged Shipper);
- (b) term of release;
- (c) reservation rate as bid;
- (d) delivery point(s);
- (e) receipt point(s);
- (f) capacity (Dth);
- (g) present value of winning bid(s), if such method for bid evaluation was utilized;
- (h) whether the capacity is recallable and reputtable and, if so, recall and reput terms;
- (i) whether or not the Replacement Shipper is an affiliate of the Releasing Shipper and/or Transporter;
- (j) whether or not the Replacement Shipper is an asset manager or a marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 284.8;
- (k) Service may begin on the initial date of the term of the release if nominations are made timely to Transporter and are in accordance with this Tariff; and
- (l) Releasing Shipper shall include the tariff reservation rate and all reservation surcharges as a total.

9. CAPACITY RELEASE PROGRAM

- 9.15 Effective Date of Release and Acquisition. The effective date of the release by a Releasing Shipper and acquisition by a Replacement Shipper shall be on the date so designated in the Replacement Capacity Agreement (posted term effective date).

9. CAPACITY RELEASE PROGRAM

9.16 Rates

- (a) The reservation rate and reservation surcharge(s) for any released firm capacity under Rate Schedule FT shall be the reservation rate and reservation surcharge(s) bid by the Replacement Shipper. In no event shall such reservation rate and reservation surcharge(s) be less than Transporter's minimum or more than Transporter's maximum reservation rate and reservation surcharge(s) under the applicable rate schedule as in effect from time to time if the capacity release transaction is for a term of more than one year unless the Replacement Shipper has agreed to a negotiated rate.
- (b) Replacement Shipper shall pay the applicable maximum commodity rate in addition to all other applicable charges and surcharge(s) for the service rendered unless otherwise agreed by Transporter. In the event that the Releasing Shipper has agreed to a negotiated rate pursuant to GT&C Section 4.14, the Replacement Shipper shall pay the commodity charge(s) applicable to the Releasing Shipper's contract.
- (c) For releases based on a volumetric reservation rate, the minimum and maximum rates shall be computed by converting the reservation rate to a daily rate by multiplying the maximum and minimum reservation rate by 12 Months and dividing that product by 365 Days or 366 Days as appropriate.
- (d) The reservation charge(s) and reservation surcharge(s) for any index-based capacity release shall be determined according to NAESB Standard 5.3.67.
- (e) If a Replacement Shipper elects to prepay the reservation charge(s) and reservation surcharge(s) pursuant to GT&C Section 12.3, the prepaid reservation charge(s) and reservation surcharge(s) will be applied against reservation charge(s) and reservation surcharge(s) due Transporter once service commences.

9. CAPACITY RELEASE PROGRAM

- 9.17 Marketing Fee. A Releasing Shipper may request that Transporter actively market the capacity to be released. In such event, the Releasing Shipper and Transporter shall negotiate the terms of the marketing service to be provided by Transporter and the marketing fee to be charged therefore.

9. CAPACITY RELEASE PROGRAM

9.18 Billing. Transporter will bill the Replacement Shipper the reservation charge and any applicable surcharges specified in the Replacement Capacity Agreement, and the Replacement Shipper shall pay these amounts directly to Transporter. The Releasing Shipper shall be billed the reservation charge and any associated surcharges pursuant to its contract, and, concurrently, Transporter will credit said bill by the reservation charge and applicable surcharge(s) due from the Replacement Shipper. The Releasing Shipper shall also be billed a negotiated marketing fee, if applicable, pursuant to the provisions of GT&C Section 9.17. As a part of the marketing fee, Transporter and the Releasing Shipper may agree to a different crediting amount. A Replacement Shipper who re-releases acquired capacity shall also pay Transporter's marketing fee, if applicable.

Transporter separately maintains Gas flows of Releasing and Replacement Shippers and will directly bill the appropriate Shipper for any overrun and imbalance charges, if applicable. Replacement Shipper shall pay the applicable Tariff maximum commodity rate for service rendered unless otherwise agreed by Transporter.

If a Replacement Shipper fails to make payment to Transporter of the reservation charge and any applicable reservation surcharge(s) due as set forth in GT&C Section 12, Transporter shall invoice Releasing Shipper the unpaid (1) reservation rates, (2) surcharges to the reservation rate, (3) other reservation-type charges, and (4) interest charges and late fees associated with such amounts. Such invoice adjustments are not subject to the time limitations of GT&C Section 12.5. In addition, the Releasing Shipper may terminate the release of capacity to the Replacement Shipper if such Shipper fails to pay the entire amount of any bill for service under the Replacement Capacity Agreement when such amount is due.

9. CAPACITY RELEASE PROGRAM

9.19 Compliance by Replacement Shipper. By acquiring released capacity, a Replacement Shipper agrees that it will comply with the terms and conditions of Transporter's certificate of public convenience and necessity authorizing this capacity release program and all applicable Commission orders and regulations. Such Replacement Shipper also agrees to be responsible to Transporter for compliance with all terms and conditions of Transporter's Tariff, as well as the terms and conditions of the Replacement Capacity Agreement.

9. CAPACITY RELEASE PROGRAM

9.20 Temporary Capacity Release Obligations. The Releasing Shipper shall continue to be liable and responsible for all reservation charge(s) associated with a temporary release of capacity derived from the reservation charge specified in the Releasing Shipper's TSA or Replacement Capacity Agreement. Re-releases by a Replacement Shipper shall not relieve the original or any subsequent Releasing Shipper of its obligations under this section.

9. CAPACITY RELEASE PROGRAM

- 9.21 Refunds. In the event that the Commission orders refunds of any rates charged by Transporter, Transporter shall provide refunds to the initial Releasing Shippers to the extent that such Shippers have paid a rate in excess of Transporter's just and reasonable, applicable maximum rates. Releasing Shipper will bear the responsibility for providing refunds to the appropriate Replacement Shippers, unless otherwise agreed in a general rate case stipulation and settlement agreement.

9. CAPACITY RELEASE PROGRAM

9.22 Temporary Capacity Release Termination

- (a) Using the notice procedures of GT&C Section 12.7, Transporter may elect to terminate a Replacement Capacity Agreement upon 30 Days written notice to the Replacement Shipper, and to FERC, under the following conditions.
 - (1) Transporter has or will terminate the Releasing Shipper's service pursuant to (i) the Termination of Service provisions of GT&C Section 12.7 or (ii) the Creditworthiness requirements of GT&C Section 4.12; and
 - (2) The rate stated in the Replacement Capacity Agreement is less than the rate for service under the TSA with the Releasing Shipper.
- (b) A creditworthy Replacement Shipper may continue an existing Replacement Capacity Agreement by notifying Transporter prior to the end of the 30-Day notice period that it agrees to pay a rate that is the lesser of:
 - (1) the applicable maximum rate; or
 - (2) the same rate as is in the TSA between Transporter and the Releasing Shipper; or
 - (3) a mutually agreed upon rate.

IMBALANCE MANAGEMENT

10. IMBALANCE MANAGEMENT

10.1 Imbalance Management and Operating Tolerances.

- (a) **Imbalance.** For purposes of this section, "monthly imbalance" shall mean the cumulative difference between receipt quantities less FL&U, and the quantities accepted by Shipper or Shipper's designee at the delivery points, resulting from current Month activity plus any beginning of Month imbalance.
- (b) **Balancing Obligations.** Daily and monthly balancing of receipt quantities and the quantities delivered to Shipper shall be Shipper's responsibility. Each Day Transporter shall, to the extent practicable, deliver quantities for Shipper's account concurrently with the receipt of quantities. At no time on any Day shall Transporter be required to receive quantities for Shipper's account in excess of the quantities Shipper or Shipper's designee will accept at the delivery point(s) on a concurrent basis. Similarly, on any Day Transporter shall not be required to make quantities available for delivery in excess of the receipt quantities being tendered by Shipper on a concurrent basis.
- (c) **Operating Tolerances.** Shipper and Transporter shall manage the receipts and deliveries so that daily and monthly imbalances shall be kept as near zero as practicable.
- (d) **Notification.** Either Party shall notify the other as soon as practicable when it becomes aware that receipts and deliveries are not in balance. Transporter shall formally notify Shipper of allocated receipts, deliveries, and related imbalances, by way of Transporter's EBB as soon as allocated quantities are available.
- (e) **Third Party Imbalance Management Services.** Transporter shall accommodate third-party imbalance management services on a non-discriminatory basis as long as these services comply with applicable NAESB WGQ Standards and do not adversely impact system operations. Criteria for third-party services will include compliance with NAESB WGQ nomination and confirmation time lines, and satisfaction of Transporter's credit requirements appropriate for the quantity of Shipper imbalance Gas for which such third party may be responsible.
- (f) **Imbalances with Other Parties.** Transporter shall not be responsible for eliminating any imbalances between Shipper and any third party, including imbalances between local distribution companies and/or specific end users. Furthermore, Transporter shall not be obligated to deviate from its standard operating and accounting procedures in order to reduce or eliminate any such imbalances.

10. IMBALANCE MANAGEMENT

10.1 Imbalance Management and Operating Tolerances (continued)

- (g) **Balancing Upon Termination.** Upon termination of the TSA, any imbalance shall be eliminated through the procedures set forth in this section.
 - (i) Shipper shall have the first five calendar Days of the Month following the TSA termination date to resolve the terminated TSA imbalance pursuant to GT&C Section 10.2.
 - (ii) Any remaining imbalance at the end of the five-Day period of the Month following the TSA termination date will be Cashed Out to eliminate the remaining balance in accordance with GT&C Section 10.3(b).
 - (iii) Cash Out of terminated TSA imbalances will not be required if a resolution to the imbalance is mutually agreed to in writing prior to the end of the five-Day period of the Month following the TSA termination date. Any such written imbalance resolution will be agreed to on a not unduly discriminatory basis and posted on Transporter's EBB.
- (h) **Inactive TSA Imbalances.** An Inactive TSA is defined as any TSA with an imbalance that has remained unchanged for a three consecutive Month period. Any such Inactive TSA imbalance quantity will be cashed out in accordance with GT&C Section 10.3(b). Transporter will provide notice to the Inactive TSA Shipper 15 Days prior to the pending Cash Out.
- (i) **Locations For Which Electronic Measurement Is Not Available.** When measurement information is not available at a location at the time allocations are performed, quantities will be allocated as scheduled. If measurement data is received on or before the fifth Business Day of the Month following flow, daily quantities will be reallocated pursuant to the appropriate Pre-determined Allocation procedure for the location. Measurement data which is received after the fifth Business Day of the Month will be used to retroactively allocate quantities at the location. Imbalances resulting from such retroactive allocations will be reflected for the next Month on the appropriate Shipper TSAs.

10. IMBALANCE MANAGEMENT

10.2 Imbalance Adjustments.

- (a) **Imbalance Transfers.** At the end of each Month, Transporter shall, unless otherwise agreed, review each Shipper's TSAs and will transfer imbalances among such TSAs to provide the Shipper with the lowest possible imbalance on all TSAs. Transporter will first transfer imbalances among a Shipper's TSAs under the same rate schedule. Thereafter, Transporter will transfer imbalances among that Shipper's TSAs under all rate schedules. No imbalance under any TSA will be increased as the result of a transfer.
- (b) Upon completion of imbalance transfers, Shipper may elect to trade the remaining imbalance quantity under its TSA in the Imbalance Trade process as described in GT&C Sections 10.2(c) and 10.2(d).
- (c) **Election for Imbalance Trades.** On or before the close of business on the ninth Business Day of the Month following the accumulation of an imbalance, a Shipper may notify Transporter of its election to make an Imbalance Trade. If Transporter does not receive notification, then the imbalance will be cashed out pursuant to the terms of this section.
- (d) Transporter shall effect an election to make an Imbalance Trade incurred during a Month as posted and verified electronically.
 - (i) A Shipper, acting without the assistance of Transporter, may negotiate an Imbalance Trade arrangement with another Shipper; provided however, that such trades must be between locations primarily considered receipt points or between locations primarily considered delivery points. Trades will not be allowed between receipt and delivery points.
 - (ii) Upon Shipper's request, Transporter shall post on its EBB the Shipper's willingness to conduct an Imbalance Trade. Such posting shall include the imbalance quantity available to be traded, the Shippers' contact name(s) and phone number(s) and any special conditions. Such posting may be made through the seventeenth Business Day of the Month following the Month of Gas flow.
 - (iii) Shippers shall negotiate the terms of any Imbalance Trades among themselves.

10. IMBALANCE MANAGEMENT

10.2 Imbalance Adjustments. (d) (continued)

- (iv) Shippers conducting Imbalance Trades must electronically notify Transporter of their trade no later than the seventeenth Business Day of the Month following the Month in which the imbalance to be traded was created.
- (v) Only Imbalance Trades which have the effect of reducing a Shipper's imbalance quantity under a specific TSA are permitted.
- (vi) Transporter shall permit Imbalance Trade arrangements at no additional cost to the Shippers.
- (vii) After completion of all Imbalance Trade transactions, Transporter shall apply the Imbalance Trade quantity to Shipper's TSA imbalance. After all successful Imbalance Trades have been completed, the remaining imbalance will be cashed out pursuant to GT&C Section 10.3.

10. IMBALANCE MANAGEMENT

10.3 Cash Out. All remaining imbalances shall be subject to the following Cash Out provisions.

- (a) Determination of Cash Out Quantities. Application of the Cash Out process will result in a monetary value due to the Shipper or Transporter which upon payment, will result in reduction of the imbalance to zero.
 - (i) Transporter shall determine the imbalance quantity applicable to each TSA through the last Day of the Month.
 - (ii) Shippers shall have the opportunity to reduce the end-of-Month imbalances pursuant to the Imbalance Trade procedures described above. Such reductions, if any, shall determine a final end-of-Month imbalance for each TSA.
 - (iii) Transporter and Shipper shall Cash Out the full imbalance by applying the cash out price, pursuant to GT&C Section 10.3(b)(iii), to the final end-of-Month imbalance if such imbalance exceeds the Monthly threshold quantity. If the end-of-Month imbalance does not exceed the monthly threshold, such imbalance will be forwarded to the next Month's imbalance calculation, unless the Shipper elects to Cash Out the imbalance pursuant to GT&C Section 10.3(b)(iii)(1).
 - (iv) The monthly threshold will be calculated by: 1) multiplying 3 percent of the firm Shipper's MDQ by the number of Days in the applicable Month, or 2) multiplying the interruptible Shipper's monthly scheduled quantity by 3 percent.
- (b) Determination of Cash Out Liabilities.
 - (i) Shipper shall not be subject to Cash Out pursuant to this Section 10.3 if the imbalance occurs at an interconnection at which the subject imbalance applies to an OBA, as described in Section 10.5, unless Shipper fails to follow the scheduling procedures of GT&C Section 6.
 - (ii) Imbalances shall be valued at the reference prices described below for the Month in which the imbalance was incurred.

10. IMBALANCE MANAGEMENT

10.3 Cash Out

(b) Determination of Cash Out Liabilities (continued)

(iii) Cash Outs shall be priced in the following manner.

1. For that portion of the imbalance less than the monthly threshold quantity:

If Shipper owes end-of-Month balances to Transporter, the quantities shall be Cashed Out at the reference price described in Section 10.3(b)(iv)(5).

If Transporter owes end-of-Month balances to Shipper, the quantities shall be Cashed Out at the reference price described in Section 10.3(b)(iv)(4).

2. For that portion of the imbalance exceeding the monthly threshold quantity:

If Shipper owes end-of-Month balances to Transporter, the quantities shall be Cashed Out at the highest of the reference prices described in Section 10.3(b)(iv)(1-5).

If Transporter owes end-of-Month balances to Shipper, the quantities shall be Cashed Out at the lowest of the reference prices described in Section 10.3(b)(iv)(1-5).

- (iv) Each Month, Transporter shall use the reference prices reviewed by the Commission and listed below to determine the Cash Out Index Price. Should any of these publications become temporarily unavailable or to the extent a publication fails to report the applicable prices, Transporter shall substitute information posted in a similar publication. Should any of these publications become permanently unavailable or a reference price no longer be reported, Transporter shall substitute information posted in a similar publication after first filing for Commission approval of the point or publication it wishes to use as a substitute. Changes in the name, format or other method of reporting by the publications in this Section 10.3(b)(iv) that do not materially affect the content shall not affect their use hereunder. The Cash Out Index Prices shall be reported on Transporter's EBB no later than 5:00 p.m. CCT on the fifth Business Day of the Month following the production Month.

10. IMBALANCE MANAGEMENT

10.3 Cash Out

(b) (iv)

Determination of Cash Out Liabilities (continued)

The following reference prices will be used to determine cash out prices related to direction of the imbalance as described in GT&C Section 10.3(b)(iii).

- (1) The index price for El Paso Permian as reported on the Natural Gas Intelligence (“NGI”) Bidweek Survey.
 - (2) The index price for SoCal Border Avg. as reported on the NGI Bidweek Survey.
 - (3) The average of the index prices for El Paso Permian and SoCal Border Avg. as reported on the NGI Bidweek Survey.
 - (4) The average of the daily average prices for El Paso Permian as published on the NGI Daily Gas Price Index for the production month.
 - (5) The average of the daily average prices for SoCal Border Avg. as published on the NGI Daily Gas Price Index for the production month.
- (v) Transporter shall pay or credit the account, as appropriate, of Shipper for any cash out amounts due Shipper. Shipper shall pay Transporter for any Cash Out amounts due Transporter.
- (vi) Upon payment of the appropriate Cash Out amounts, the final end-of-Month quantities under the affected TSA will be reduced to zero.
- (vii) Transporter will not Cash Out imbalances if: (A) Shipper's action is excused by force majeure, (B) Transporter has invoked force majeure, or (C) the imbalances are caused by Transporter or result from Transporter's error. Transporter shall permit any imbalances exempted from Cash Out under this provision to be made up in-kind or by some other mutually agreeable method, provided such makeup occurs within three Months from the date the imbalance was created.

10. IMBALANCE MANAGEMENT

10.3 Cash Out

- (b) Determination of Cash Out Liabilities (continued)
 - (viii) Penalties that are in excess of Transporter's costs, including any administrative costs that are received by Transporter pursuant to the operation of this section, shall be credited to Transporter's firm and interruptible transportation Shippers on a pro rata basis in accordance with the quantities transported for each Shipper. Transporter shall credit any such excess penalties no later than the March accounting Month statement sent to Shippers following the applicable calendar year end.

10. IMBALANCE MANAGEMENT

- 10.4 Determination of Deliveries. At each receipt or delivery point, quantities shall be based upon an allocation procedure. Quantities shall mean quantities nominated by Shipper and scheduled and confirmed by Transporter pursuant to GT&C Section 6.3.
- (a) At each receipt and delivery point, Transporter shall reach agreement with the Interconnecting Party as to the Predetermined Allocation Agreement (PDA) to be used.
 - (i) PDAs shall be established using the allocation methodologies and criteria set forth in the NAESB WGQ Standards.
 - (ii) PDAs for each Month shall be agreed to prior to Gas flow. To the extent possible, changes to PDAs during a Month shall be minimized or avoided.
 - (iii) Transporter shall post on its EBB the PDA methodology to be used at each receipt and delivery point.
 - (iv) In the event that less than confirmed nominations are to be allocated, Transporter shall use the ranks provided in the affected nominations to determine Shipper priorities to the extent that use of such rank is not in conflict with other provisions of this Tariff.
 - (b) Absent agreement to a PDA methodology, quantities at each receipt and delivery point shall be allocated pro rata based on scheduled quantities or based on the OBA provisions of GT&C Section 10.5, if applicable.

10. IMBALANCE MANAGEMENT

- 10.5 Transporter may enter into an Operational Balancing Agreement (“OBA”) at receipt and delivery points with an Interconnecting Party on a not unduly discriminatory basis. Transporter is required to have an OBA with interstate pipelines and applicable intrastate pipelines or foreign pipelines that are the functional equivalent of an interstate or intrastate pipeline. An OBA is a contract between Transporter and an interconnected Operator/Interconnecting Party which specifies the procedures to manage operating variances at an interconnect (NAESB WGQ Standard 2.2.1). Such OBAs provide for the allocation of scheduled quantities to the Shippers' accounts with any operational variances allocated to the OBA. The form of agreement used by Transporter follows the format of the Model OBA developed by NAESB WGQ. Locations covered by an effective OBA do not require a predetermined allocation agreement.

10. IMBALANCE MANAGEMENT

- 10.6 Maintenance of System Integrity. Nothing in this section limits Transporter's right to take any and all actions that may be required to adjust receipts and deliveries of Gas in order to alleviate conditions that might threaten the integrity of its system, including the integrity of maintaining service to higher-priority Shippers.

SYSTEM OPERATIONAL PARAMETERS

11. SYSTEM OPERATIONAL PARAMETERS

11.1 Cautionary Condition Procedures

- (a) **Strained Operating Condition.** An SOC may be issued using the notification procedures of GT&C Section 6.2(c)(iv) of this Tariff in situations where in Transporter's reasonable judgment minor variations in receipt and delivery quantities from scheduled quantities cannot be accommodated. Examples of such operating conditions include: (1) when a system outage occurs; (2) when extreme weather conditions develop; (3) when line pack exceeds (above or below) operational tolerances; or (4) when actual receipt and delivery quantities on the system vary from scheduled volumes such that Transporter's capability to receive and deliver Gas consistent with Transporter's contractual obligation with its Shippers is adversely affected. The issuance of an SOC requests Shippers' voluntary support in correcting over-performance or under-performance. An SOC shall remain in effect until lifted by Transporter or until a COC is declared.
- (i) **SOC Threshold.** When an SOC is in effect, Shipper(s) or Operator(s) are required to reduce daily imbalances at each scheduled receipt point or delivery point to the threshold level designated in Transporter's Notice of SOC. The SOC threshold can range from 4% to 10% of scheduled quantities at the point or 2,000 Dth, whichever is greater.
- (ii) **SOC Daily Imbalance Charge.** During an SOC, an SOC Daily Imbalance Charge will be assessed to any Shipper whose daily imbalance quantity exceeds the SOC threshold level stated in the Notice of SOC. Such charge will be determined by multiplying the daily imbalance quantity by the Cautionary Condition unauthorized daily overrun rate shown on the Statement of Rates.
- (iii) For purposes of determining unauthorized daily overrun penalties during an SOC, a Shipper's daily Safe Harbor Tolerance Quantities shall equal the greater of the posted SOC threshold multiplied by the MDQ or 2,000 Dth per Day. Such Safe Harbor Tolerance Percentage shall not be less than 4% or greater than 7%.

11. SYSTEM OPERATIONAL PARAMETERS

11.1 Cautionary Condition Procedures (continued)

- (b) **Critical Operating Condition.** If the SOC does not improve, Transporter, using its reasonable judgment, may declare a COC after the SOC has been in effect for at least one intraday scheduling cycle. In the event of an emergency situation where safety or overall system integrity is at immediate risk, Transporter may invoke a COC immediately without first declaring an SOC. The COC will be issued using the notification procedures of GT&C Section 6.2(c)(iv). The COC will be limited to the smallest area of the system possible so that the fewest number of Shippers are affected. A COC shall remain in effect until lifted by Transporter.
 - (i) **COC Threshold.** When an COC is in effect, Shipper(s) or Operator(s) are required to reduce daily imbalances at each scheduled receipt point or delivery point to a level that varies less than 3% from the scheduled quantities at the point for such Day or 2,000 Dth, whichever is greater.
 - (ii) **COC Daily Imbalance Charge.** During an COC, a COC Daily Imbalance Charge will be assessed to any Shipper whose daily imbalance quantity exceeds the COC threshold level. Such charge will be determined by multiplying the daily imbalance quantity by the Cautionary Condition unauthorized daily overrun rate shown on the Statement of Rates.
 - (iii) For purposes of determining unauthorized daily overrun penalties during a COC, a Shipper's daily Safe Harbor Tolerance Quantities shall equal the greater of 3% multiplied by the MDQ or 2,000 Dth per Day.

11. SYSTEM OPERATIONAL PARAMETERS

- 11.2 Flow Control Equipment. Transporter may elect to construct, install, and/or operate remote or manual flow control equipment ("Flow Control") to restrict or temporarily suspend the flow of gas into or out of its system. Transporter shall utilize such option to preserve the operational integrity, safety and reliability of its system.
- (a) Transporter may exercise Flow Control when it determines in its reasonable judgment in a not unduly discriminatory manner that the use of Flow Control will contribute to the safe, reliable, efficient, and orderly operation of its system in a manner that is consistent with its service obligations under all of its rate schedules. In the event Transporter utilizes such option, Transporter, in a not unduly discriminatory manner, may set the rate of flow at a delivery point at a level no less than the sum of the daily scheduled quantities for all Shippers at such point.
 - (b) Transporter will not be held liable for any damages to Operator resulting from Transporter's use of Flow Control that is consistent with the requirements of this Section 11.2.

11. SYSTEM OPERATIONAL PARAMETERS

11.3 Force Majeure

- (a) A force majeure event shall generally mean any unplanned or unanticipated event or circumstance that is not within the control of the party claiming suspension of its obligation and which such party could not have avoided through the exercise of reasonable diligence. A force majeure event includes, without limitation: acts of God, fires, explosions, earthquakes, volcanic eruptions, storms, floods, or washouts; compliance with any court order, law, regulation or ordinance promulgated by any governmental authority having jurisdiction, whether federal, Indian, state or local, civil or military; acts of a public enemy; wars or civil disturbances; strikes, lockouts or other industrial disturbances; failure of any third parties necessary to the performance by either Transporter or Shipper under the relevant TSA(s); the acts, errors or omissions of any third parties that have the effect of precluding or in any way interfering with Transporter or Shipper's performance under the executed TSA; breakage, accident or failure of pipelines, machinery of any kind, valves, electronic equipment, metering devices, or any other facility or tangible thing related to or required for the safe, reliable and efficient transportation or storage of Natural Gas; testing (as required by governmental authority); inability to obtain necessary materials, supplies, permits, or labor to perform or comply with any obligation or condition of this Tariff or any governmental requirement; inability to obtain rights of way; and any other causes that are not reasonably within the control of the party claiming suspension. An event associated with compliance with any court order, law, regulation or ordinance promulgated by any governmental authority having jurisdiction, either federal, Indian, state or local, civil or military and/or the necessity for testing (as required by governmental authority or as deemed necessary for safe operation by the testing party) shall be considered a force majeure event only when the event is outside of Transporter's control.
- (b) A force majeure event shall include shutdowns for purposes of necessary repairs, alterations, relocations, or construction of facilities associated with any of the events described in GT&C Section 11.3(a). Transporter shall exercise reasonable diligence to schedule such shutdowns so as to minimize or avoid service interruptions.

11. SYSTEM OPERATIONAL PARAMETERS

11.3 Force Majeure (continued)

- (c) If, because of a force majeure event, either Transporter or Shipper is rendered unable, wholly or in part, to perform its obligations under a TSA or this Tariff, or both, and if the party unable to perform its obligations under a TSA or this Tariff gives notice of such event within a reasonable period of time and provides full particulars of the event in writing or by electronic communication (other than telephone), nonperformance of the party giving such notice shall be excused during the continuance of such event and to the extent its performance is affected by such event. The party claiming force majeure shall use reasonable diligence to remedy its nonperformance, including undertaking such alternative performance as may be reasonable under all the facts and circumstances.
- (d) No force majeure event affecting the performance by Transporter or Shipper shall relieve such party of its liability in contract, if a court of competent jurisdiction later determines that the declared event did not qualify as a force majeure event under GT&C Sections 11.3(a) or 11.3(b) or that such party failed to use reasonable diligence to remedy its nonperformance as provided in GT&C Section 11.3(c). Nothing herein shall limit Transporter's liability, if any, to Shipper for direct damages, provided that any such damages shall be offset by the amount of any reservation charge credits required to be given under this Tariff. Nor shall such causes or contingencies affecting such performance relieve either party from its obligations to make payments due, including reservation charges.
- (e) The declaration of a force majeure event by Shipper shall not relieve Shipper of all of its obligations under this tariff, including, but not limited to, its obligation to: 1) nominate and schedule both the receipt and delivery quantity to match actual physical receipts; and/or 2) nominate and schedule the delivery quantity equal to the amount of shipper's actual takes; and/or 3) take no more from the delivery point than has been scheduled; and/or 4) take no more from the delivery point than has been physically received.

12. BILLING AND PAYMENT

12.1 Billing

- (a) Billing. On or before the ninth Business Day of each Month Transporter shall render to Shipper an original invoice for the total payment for services rendered to Shipper under its TSA during the preceding Month.
 - (i) Invoices shall be deemed rendered when Transporter posts notification on its EBB that invoices are approved or final, unless the Shipper has elected to have invoices rendered via U.S. mail. If the Shipper elects to have invoices rendered via U.S. mail, then Shipper's invoice shall be deemed issued if Transporter places such invoice in the U.S. mail service with sufficient postage for delivery to the person and address designated pursuant to the applicable agreement.
 - (ii) A Shipper may request a complimentary e-mail notification provided that it is the Shipper's responsibility to maintain current e-mail contact information on Transporter's EBB to ensure delivery.
 - (iii) A Shipper may elect to change its invoice delivery mechanism by notifying Transporter before the end of the Month to be effective for the next billing cycle.
- (b) When Shipper is in control of information required by Transporter to prepare invoices, Shipper shall cause such information to be received by Transporter on or before the fifth Business Day of the Month immediately following the Month to which the information applies. If the information is not received by such deadline, Transporter will make a good faith estimate of the information and proceed with the billing process.

12.2 Payment and Late Charge

- (a) Payment. Each Shipper shall pay Transporter in immediately available funds, at the address listed in the Payments, Notices, and Contacts Section of this Tariff, within 10 Days of electronic receipt of the original invoice for the preceding Month. Unless otherwise specified, the effective payment due date of an invoice when such due date does not fall upon a Business Day should be the first Business Day following the due date (NAESB WGQ Standard 3.3.25). Any invoice provided by Transporter which is received by Shipper after the ninth Business Day of the Month shall not extend the due date of payment unless Transporter is responsible for such delay.

12.2 Payment and Late Charge (continued)

- (b) Late Charge. Should Shipper fail to pay the entire amount of any invoice when same is due, interest on the unpaid balance shall accrue using the interest rates and procedures specified in Section 154.501(d) of the Commission regulations from the due date of payment to the date of actual payment. In the event a late charge accrues to an amount less than \$10, Transporter will not invoice the late charge amount and such charge shall not be reflected on Shipper's account.

12.3 Prepayment of Reservation Charges. Upon mutual agreement between Transporter and a firm Shipper and in a not unduly discriminatory manner, Shipper may, at any time, prepay a portion of or all of the applicable reservation charge(s) and reservation surcharge(s) under its TSA. Transporter shall remit to Shipper interest, calculated pursuant to 18 C.F.R. Section 154.501(d)(1), on such prepayment amount from the date prepayment is received by Transporter until the end of each Month that service under the applicable TSA(s) is rendered and a prepayment amount remains. Transporter shall remit interest to Shipper on the unused portion of the prepayment amount until such amount is depleted. Transporter will calculate the interest amount on the applicable remaining portion of the prepayment amount at the end of each Month and will remit to Shipper a prepayment interest credit for such amount in the next invoice issued.

- (a) If Shipper prepays the reservation charge(s) and reservation surcharge(s) and the TSA is subsequently terminated in accordance with terms set forth in the TSA, Transporter shall refund to Shipper that portion of any prepayment which applies to the period subsequent to the termination plus interest on such prepayment amount.
- (b) Shippers remitting prepayment amounts to Transporter pursuant to GT&C Section 4.12 shall not be eligible to receive interest provided for by this Section 12.3.

12.4 Dispute Procedures. In the event of a bona fide dispute between the parties concerning the billed amount, Transporter shall not terminate transportation service under the notification procedures outlined below when Shipper acts in a timely manner to provide additional information and security for Transporter in accordance with the following procedures.

- (a) Remittance Detail. When Shipper submits payment, it must pay all amounts not in dispute and provide documentation supporting any disputed amounts. If payment differs from the amount invoiced, Shipper shall provide remittance detail with the payment. However, unless Shipper provides documentation specifying otherwise, if either principal or interest are due, any payments thereafter received shall first be applied to the interest due, then to the previously outstanding principal due and, lastly, to the most current principal due, unless the parties mutually agree otherwise.

12.4 Dispute Procedures (continued)

- (b) Payment Security. Within 30 Days after the due date of any payment, Shipper must pay the disputed amount in full or provide sufficient security for the disputed amount. If Shipper pays the disputed amount, such amount is subject to return by Transporter, with interest calculated in accordance with Section 12.2(b), if the dispute is resolved in Shipper's favor. If Shipper does not pay the disputed amount, it must furnish good and sufficient payment security (in addition to any security furnished pursuant to GT&C Section 4.12), acceptable to Transporter for all amounts ultimately found due after resolution of the dispute, including the amount now in dispute plus the estimated interest calculated in accordance with GT&C Section 12.2(b) that accrues until resolution of the dispute. This section does not apply to ordinary adjustments of overcharges and undercharges in accordance with GT&C Section 12.6.

- 12.5 Corrections. The time period for corrections to invoice or statement shall be six Months from the date of the initial invoice or statement with a three-Month rebuttal period using the dispute procedures described above in GT&C Section 12.4, excluding government required rate changes. Parties' other statutory or contractual rights shall not otherwise be diminished by this limitation. If there is a deliberate omission or misrepresentation of fact, there will be no time limit for correction of the invoice. If there has been a mutual mistake of fact, no corrections shall be made for an invoicing error unless notice of the mistake is given within 24 Months after the mistake is committed.

- 12.6 Adjustment of Overcharge and Undercharge - If it is determined within the time limits specified in GT&C Section 12.5 that Shipper has been overcharged or undercharged as a result of an error in billing for which Transporter is solely responsible and Shipper paid such bill, then the following procedures will apply. Unless mutually agreed otherwise, Transporter shall refund within 30 Days of a final determination the amount of any overcharge, with interest calculated pursuant to GT&C Section 12.2(b). Unless mutually agreed otherwise, Shipper shall pay within 30 Days of a final determination the amount of any undercharge, with interest calculated pursuant to GT&C Section 12.2(b). Interest shall be calculated from the time such overcharge or undercharge was paid to the date of refund or payment, respectively. This section does not apply to payments subject to a billing dispute in accordance with GT&C Section 12.4.

- 12.7 Termination of Service. Without prejudice to any other rights and remedies available to Transporter under the law and the TSA, Transporter shall have the right to initiate the termination of transportation service using the following notification procedures if any undisputed amount billed to a defaulting Shipper remains unpaid for more than 30 Days after the due date thereof. If the defaulting Shipper has released a portion of its capacity, then Transporter shall also comply with the requirements of GT&C Section 9.22.
- (a) First Notice: On or about 10 Days after the due date of any payment, Transporter shall provide written notice to the defaulting Shipper and to the FERC that service may be terminated in 30 Days unless payment is received;
 - (b) Second Notice: On or about 20 Days after the due date of any payment, Transporter shall provide written notice to the defaulting Shipper and to the FERC, that service may be terminated in 20 Days unless payment is received;
 - (c) Final Notice: On or about 30 Days after the due date of any payment, Transporter shall provide written notice to the defaulting Shipper and to the FERC, that service will be terminated unless payment is received within 10 Days.
 - (d) If a defaulting Shipper's service is terminated under a TSA, such Shipper shall compensate Transporter for any difference between the revenues due Transporter for the remaining contract term under the terminated TSA and the revenues to be received under a replacement TSA, if any, marketed to another Shipper to replace the terminated TSA. In addition, any outstanding imbalance quantity will be treated in accordance with the provisions of GT&C Section 10.

13. FUEL AND L&U

- 13.1 Fuel Gas and Lost and Unaccounted For Gas (“FL&U”) consists of compressor station fuel Gas and fuel Gas for other utility purposes, including but not limited to line losses and other unaccounted-for Gas in the operation of Transporter’s building uses and pipeline system. FL&U shall be furnished in-kind by Shippers at applicable receipt point(s) on a pro rata basis in addition to the quantity to be transported.
- 13.2 The Fuel Gas Reimbursement Percentage and the Lost and Unaccounted For Gas (“L&U”) Reimbursement Percentage shall be stated separately on the Statement of Rates. Such percentages shall be updated at least every three Months based on actual experience and projected operations and shall apply to all transactions requiring assessment of FL&U. Transactions will be assessed a charge for Fuel Gas and a charge for L&U as identified on the Statement of Rates. Fuel reimbursement shall not be required if transportation service is provided via Backhaul.
- 13.3 FL&U calculations shall be accomplished pursuant to NAESB WGQ standards, as follows:
- (a) When the fuel reimbursement method is fuel in-kind, the results of the fuel reimbursement calculations for the nomination process shall be rounded to the nearest dekatherm, gigajoule, or gigacalorie, as applicable per NAESB WGQ Standard 1.3.14. The mathematical effect of rounding can yield a result of zero. (NAESB WGQ Standard 1.3.15).
 - (b) Where fuel reimbursement is in-kind, the standard fuel calculation mechanism, as this is related to the nomination process, shall be $(1 - \text{fuel \%} / 100)$ multiplied by receipt quantity = delivery quantity (NAESB WGQ Standard 1.3.16).
 - (c) For in-kind fuel reimbursement methods, Transporter shall not reject a nomination for reasons of rounding differences due to fuel calculation of less than 5 Dth (NAESB WGQ Standard 1.3.29).
 - (d) The transportation priority for fuel shall be the same as the level of service as the transaction to which it applies (NAESB WGQ Standard 1.3.31).
 - (e) For current in-kind fuel reimbursement procedures, fuel rates shall be made effective only at the beginning of the Month (NAESB WGQ Standard 1.3.28).

13. FUEL AND L&U

- 13.4 Neither the Fuel Gas Reimbursement Percentage nor the L&U Reimbursement Percentage shall be less than zero. Should the calculation of either reimbursement percentage result in a reimbursement percentage less than zero, the applicable reimbursement percentage shall be adjusted to zero and the quantities that would have reduced the calculation of the applicable reimbursement percentage below zero shall be deferred and applied to the calculation of reimbursement percentages in a future period pursuant to Section 13.6(a). Transporter will submit to the Commission any work papers supporting the deferral of quantities in updates to Fuel Gas and/or L&U Reimbursement Percentages submitted pursuant to the provisions of this Section 13.
- 13.5 The first FL&U filing shall be made no later than six Months after the in-service date of Transporter's Expansion authorized in Docket No. CP18-37-000. Thereafter, the FL&U filing shall be made at least every three Months. The proposed Fuel Gas Reimbursement Percentage and L&U Reimbursement Percentage shall become effective on the proposed date after appropriate FERC review and acceptance.
- (a) For Transporter's first FL&U filing, the data collection period shall be the period between the in-service date and two Months before the first filing date. For each FL&U filing thereafter, the data collection period shall be the three Month period ending two calendar Months before the filing date of the FL&U filing.
- 13.6 Calculation of Fuel Gas and/or L&U Reimbursement Percentages
- (a) The Fuel Gas and/or L&U Reimbursement Percentage(s) shall be derived separately by dividing: (1) the sum of the Projected Fuel Gas and/or L&U quantities(s) and the Fuel Gas and/or L&U True-Up quantities (numerator), by (2) the projected receipt quantities related to the applicable transportation service for Shippers during the upcoming period (denominator).
- (i) The Projected Fuel Gas and/or L&U Reimbursement Percentage(s) shall be derived utilizing a quantity of Gas which is the sum of the Fuel Gas and/or L&U projected by Transporter to be required to support the applicable transportation service for Shippers under all Rate Schedules during the upcoming period ("current period").
- (ii) The Fuel Gas and/or L&U True-Up Reimbursement Percentages(s) shall be derived utilizing a quantity of Gas which is the difference between: (1) the actual quantities of Fuel Gas and/or L&U experienced by Transporter during the data collection period; and (2) the quantities of Gas retained for Fuel and L&U by Transporter during the data collection period.

13. FUEL AND L&U

13.6 Calculation of Fuel Gas and/or L&U Reimbursement Percentages (continued)

(a) (ii) (continued)

- (A) To the extent possible in calculating the Fuel Gas True-Up Reimbursement Percentage, any deferred fuel quantities from prior periods pursuant to section 13.4 of this provision (“Deferred Fuel Quantities”) first shall be netted against any under collected quantities of fuel from the data collection period.
- (B) To the extent possible in calculating the L&U True-Up Reimbursement Percentage, any deferred L&U quantities from prior periods pursuant to section 13.4 of this provision (“Deferred L&U Quantities”) first shall be netted against any under collected L&U quantities during the data collection period.
- (C) Additionally, any over retained quantities of Fuel Gas during the data collection period and/or any remaining quantities of Deferred Fuel shall be offset against any under collected quantities of L&U during the data period. Similarly, any over retained quantities of L&U during the data collection period and/or any remaining quantities of Deferred L&U shall be offset against any under collected quantities of Fuel Gas during the data collection period.
- (D) Determination of the actual quantities of FL&U experienced during this period shall include an adjustment to recognize the effect of changes in system line pack, if any.

13.7 Cash Out of Fuel Gas and L&U Over-Collected Quantities. Fuel Gas and L&U over-collected quantities, as calculated pursuant to Section 13.6, may be eligible for cash out. Transporter may refund to Shippers, either by payment or invoice credit, the value of any Fuel Gas and/or L&U deferred quantities which exceed 40,000 dth over a six-Month period after netting applicable quantities as provided for in Section 13.6(a)(ii). Should Transporter remit refunds pursuant to this Section 13.7, such refunds shall be calculated using an allocation based on the ratio of a Shipper’s Fuel Gas and L&U receipt quantities to the total Fuel Gas and L&U receipt quantities during the same six-Month period. Fuel Gas and L&U deferred quantities will be valued at the average of the index prices reported for “El Paso Permian and SoCal Border Avg” as reported on the Natural Gas Intelligence Bidweek Survey for the appropriate month. Refunds to Shippers will be due no later than 45 Days after the Commission issues an order accepting the applicable FL&U filing.

14. PENALTIES

14.1 Penalty Provisions

- (a) Shipper will only be subject to one penalty for the same type of infraction involving any quantity of Gas in conjunction with transportation service under this Tariff.
- (b) Shipper shall pay only one penalty/charge when Shipper's actions result in unauthorized daily overrun penalties and SOC/COC Daily Imbalance Charges. Shipper shall pay the higher of the unauthorized overrun penalty or the SOC/COC Daily Imbalance Charge ("higher-of-test").

14.2 Crediting of Penalties

- (a) SOC and COC Daily Imbalance Charges. In the event Transporter collects SOC or COC Daily Imbalance Charges pursuant to GT&C Section 11.1, the SOC or COC Daily Imbalance Charges, net of Transporter's costs, shall be credited annually to all non-offending firm transportation Shippers by invoice credit.
- (b) Unauthorized Daily Overrun Penalties. In the event Transporter collects unauthorized daily overrun penalties pursuant to Rate Schedule FT, the unauthorized daily overrun penalties, net of Transporter's costs, shall be credited annually to all non-offending firm transportation Shippers by invoice credit.
- (c) Credits to eligible Shippers shall be made on a pro rata basis, based on a Shipper's total reservation and commodity charges paid each Month. A monthly credit will not be provided to a Shipper that incurred a penalty during that Month. The credit shall be made not later than the March accounting Month statement sent to Shippers subsequent to the annual period. In the event there are SOC/COC Daily Imbalance Charges and/or unauthorized overrun penalties assessed and no non-offending firm transportation Shippers for a given Month, the applicable credit amounts for that Month shall be booked to Account No. 495, Other Gas Revenues.
- (d) Transporter will calculate and credit to Shippers as appropriate, interest on monies collected pursuant to GT&C Sections 14.2(a) and (b). Such interest will be calculated in accordance with Section 154.501(d) of the Commission's regulations. In the event credits for a given Month are booked to Account No. 495 pursuant to GT&C Section 14.2(c), no interest will be computed or added to such credit amounts.

- 14.3 In the event Gas is surrendered under Rate Schedule PAL, Transporter will credit the value of such Gas, net of costs associated with the disposal of such Gas, to Shippers as a part of Transporter's penalty crediting mechanism described in Section 14.2(c).

15. REVENUE SHARING MECHANISM

Revenues collected by Transporter under Rate Schedule IT during any calendar year shall be subject to the following sharing requirements.

- 15.1 Transporter shall retain all Rate Schedule IT revenues collected attributable to:
- (a) that portion of the applicable Rate Schedule IT rates representing variable costs; and
 - (b) any applicable surcharges or assessments.
- 15.2 In the event Transporter receives interruptible transportation revenues in excess of the cost allocation described in Section 15.1 above in any one Month, Transporter shall credit such excess revenues in the following manner. Any Shipper paying the maximum recourse rate for transportation service shall be deemed to be a qualifying Shipper. Each qualifying Shipper shall be allocated a proportionate share of the interruptible transportation revenue credit based upon the relationship of the total maximum rate payments received from each qualifying Shipper and the total of all such maximum rate revenues received by Transporter for the Month in which the interruptible transportation revenues are collected.
- 15.3 The revenues to be credited, if any, shall be credited to those qualifying Shippers not later than April 15th of each year following the calendar year in which the revenues were collected, or if a credit cannot be applied, a cash refund shall be distributed.

16. RESERVATION CHARGE CREDIT

- 16.1 No adjustments of any kind under this Section shall be required if Transporter's failure to deliver Gas is due solely to the conduct of others or events not controllable by Transporter (i.e., operating conditions on upstream or downstream facilities or Shipper's inability to obtain gas supplies or find a purchaser to take delivery of such supplies).
- 16.2 Unless otherwise agreed between Transporter and Shipper, no reservation charge adjustment shall be made with respect to any service nominated at Secondary or Flow Path Secondary receipt or delivery points. However, reservation charge credits shall be applicable to quantities scheduled to delivery points not listed as primary points on Shipper's TSA, to the extent Transporter is unable to schedule Shipper's nominated quantities due to a constraint occurring on the portion of the Primary Receipt-to-Delivery Flow Path utilized by that Shipper for that Gas Day.
- 16.3 Subject to GT&C Sections 16.1 and 16.2, in the event Transporter is unable to deliver quantities to which Shipper has firm entitlements on any Day at primary delivery point(s) under Rate Schedule FT, Transporter will provide a 100 percent reservation charge credit as set forth in Section 16.6 under the following circumstances:
- (a) During planned maintenance and other non-force majeure outage periods.
 - (b) During a force majeure event, declared pursuant to GT&C Section 11.3, beginning on the eleventh Day of such event.
- 16.4 Subject to Sections 16.1 and 16.2, if Transporter fails to schedule Shipper's nominated and confirmed quantities pursuant to Section 16.4(a), Shipper shall receive a reservation charge adjustment. However, reservation charge credits will still be provided in situations where the upstream or downstream provider fails to confirm Shipper's nomination as the result of: (i) an event that also prevents Transporter from providing service on its facilities; or (ii) by a situation where Transporter would not be able to provide service on its facilities for an unrelated reason.
- (a) Reservation charge adjustments shall be based on the quantity Transporter fails to schedule up to Shipper's MDQ by the close of the Evening Nomination Cycle (i.e., Cycle 2), provided that Shipper's nominated, confirmed and scheduled quantities at the close of the Intraday 3 Nomination Cycle (i.e., Cycle 5) have not increased above Cycle 2 scheduled quantity levels. Should Shipper's nominated and confirmed quantities at the end of the Cycle 5 increase above Shipper's Cycle 2 nominated, confirmed and scheduled quantities, reservation charge credits will be based on Shipper's nominated, confirmed and scheduled quantities at the end of Cycle 5.

16.4 (continued)

- (b) In the event Shipper's nominated and confirmed quantities are curtailed by Transporter in the Timely Nomination Cycle (i.e., Cycle 1) and Shipper nominates the "un-scheduled" gas on a third-party pipeline, such Shipper shall receive a reservation charge adjustment for the curtailed amount. Shipper shall not be required to re-submit a nomination to Transporter in Cycle 2 to receive such reservation charge adjustment. Should Shipper's "un-scheduled" quantities be transported by Transporter in a subsequent intraday cycle, such Shipper's reservation charge adjustment will appropriately be reduced.
 - (i) Shipper shall provide a representation to Transporter that its nominated, confirmed and scheduled quantities on a third-party pipeline are the result of Transporter's inability to provide primary firm service.

16.5 Subject to GT&C Sections 16.1 through 16.3:

- (a) if notice of the outage is provided by Transporter (prior to the first opportunity to submit a scheduling nomination (i.e. before Cycle 1 nominations are due)), reservation charge credits shall be applied to the lesser of:
 - (i) the applicable MDQ; or
 - (ii) the difference between the quantities delivered and the average of the daily Gas quantities delivered for Shipper (but not to include quantities in excess of Shipper's MDQ), at Primary Point(s) in the seven (7) Day period immediately preceding a notice posted on Transporter's EBB announcing a non-force majeure outage or a force majeure outage pursuant to GT&C Section 11.3.
- (b) if notice of the outage is not provided by Transporter (prior to the first opportunity to submit a scheduling nomination (i.e. before Cycle 1 nominations are due)), reservation charge credits shall be applied to the lesser of:
 - (i) the applicable MDQ; or
 - (ii) the nominated and confirmed quantities that Transporter was not able to either schedule or deliver during a non-force majeure or a force majeure outage for which a reservation charge credit is eligible.

Transporter will provide a reservation charge adjustment as set forth in Section 16.6 for the period of the service interruption, as specified in Section 16.3.

- 16.6 The reservation charge specified in the TSA will be fully refunded for any service failures on each Day as described in GT&C Section 16.4 by an amount equal to the product of (1) the applicable quantity as determined pursuant to Section 16.5 and (2) the contract reservation rate per Dth, as converted for daily application and rounded to the nearest tenth of a cent.
- 16.7 Any adjustment under this Section 16 shall be credited against transportation charges for a future Month or refunded if the TSA has terminated. Corrections to credited amounts shall be resolved using the dispute procedures described in GT&C Section 12.4 and use the timelines described in GT&C Section 12.5.

17. ANNUAL CHARGE ADJUSTMENT SURCHARGE

- 17.1 Purpose. For the purpose of recovering annual charges assessed to Transporter by the Commission, pursuant to Part 382 of the Commission's regulations, this Section 17 establishes an Annual Charge Adjustment (ACA) which shall be applicable to Transporter's sales and transportation Rate Schedules as set forth on the Statement of Rates of this Tariff.
- 17.2 Basis of the Annual Charge Adjustment. The Rate Schedules referred to in Section 17.1 shall include an increment for an Annual Charge Adjustment for the FERC's costs. Such adjustment shall be the charge factor, adjusted to Transporter's pressure base and heating value, if required, which is stated in the FERC's Annual Charges Billing. As incorporated by reference in Transporter's Tariff, the ACA shall be revised annually as calculated by the Commission and posted on its website. A reference to the Annual Charge Adjustment shall be reflected on the Statement of Rates of this Tariff.
- 17.3 All amounts assessed shall be recorded in Account No. 928. Transporter will not seek to recover the ACA assessed to it pursuant to Part 382 of the Commission's regulations in an NGA Section 4 rate case unless it also files to remove the authority to assess the ACA surcharge.
- 17.4 Effective Date. The ACA shall become effective October 1 of each year or as directed by an order of the Commission if Transporter has paid the applicable annual charge in compliance with Part 382 of the Commission's regulations.

18. WAIVERS

18.1 **Penalty Waiver.** Transporter may, in exercise of its reasonable discretion, and on a not unduly discriminatory basis, waive all or a part of any penalty which might otherwise apply. Transporter will report waivers in accordance with Part 358 of the Commission's Regulations.

18.2 **Waivers of Past or Future Defaults.**

- (a) Transporter may, from time to time and on a not unduly discriminatory basis, waive any of its rights hereunder and compliance with the provisions of this Tariff. All such waivers shall be limited to past defaults or other past occurrences or case-by-case in advance waivers addressing specific, short-term operational problems.
- (b) Transporter shall record any such waivers in a log, which shall be posted for public inspection on its EBB in accordance with Part 358 of the Commission's Regulations.

18.3 **Non-Waiver of Future Defaults**

Failure to exercise any rights under this Tariff shall not be considered a waiver of such right or of any rights in the future. No waiver of any one or more defaults by the other party in the performance of any of the provisions of this Tariff, or the provisions of any TSA incorporating the provisions of this Tariff, shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or of a different character.

18.4 **Waiver Due to Force Majeure**

Transporter may waive its obligations within this Original Volume No. 1 Tariff in order to maintain safe and reliable operations and/or commitments during a specified force majeure event, as described in GT&C Section 11.3. Such actions may include changes to deadlines related to scheduling, contract request and amendment procedures, capacity release, capacity sales timelines, and imbalance resolution procedures that would help Transporter better manage the force majeure event and continue firm service to its Shippers. Transporter shall use its reasonable discretion in a not unduly discriminatory manner when making such determinations and utilization of this provision shall not impose new obligations on Shippers. Any such waiver and the reasoning behind the waiver shall be posted on Transporter's EBB. Subsequent to the waiver, Transporter shall file with FERC an informational report detailing waiver action taken. Notwithstanding the foregoing, this provision does not authorize the waiver of the reservation charge crediting obligations applicable to Rate Schedule FT.

- 18.5 In the event a Shipper experiences an unexpected and extraordinary event beyond the control of Shipper that renders it unable to reasonably submit nominations and confirmations pursuant to GT&C Section 6, Transporter may waive, on a non-discriminatory basis, charges or penalties associated with such failure to reasonably nominate and confirm pursuant to GT&C Section 6 to the extent such waiver does not affect Transporter's operations or obligations to provide service to other Shippers.

19. DESCRIPTIVE HEADINGS/INTERPRETATIONS

- 19.1 The descriptive headings of the provisions of the TSA and of the GT&C are formulated and used for convenience only and shall not be deemed to affect the meaning or construction of any such provision.
- 19.2 All defined terms used herein shall apply equally to both the singular and plural forms of the terms defined. Whenever any context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation."

20. ELECTRONIC BULLETIN BOARD ("EBB")

- 20.1 Transporter's EBB is accessed through Transporter's designated Internet site(s). The EBB provides a portfolio of electronic business services to Shippers. The EBB is available on a non-discriminatory basis to any party that has compatible equipment. The EBB may be accessed on the Internet at www.kindermorgan.com.
- 20.2 Transporter's EBB shall provide a means for a Releasing Shipper to release its firm transportation rights in accordance with GT&C Section 9.
- 20.3 Parties wishing to bid on released capacity shall post their bids through the EBB. Only those parties that have satisfied the creditworthiness requirements of GT&C Section 4.12 may submit a bid.
- 20.4 The EBB shall contain information concerning the availability of capacity:
- (a) at receipt points;
 - (b) by pipeline segment;
 - (c) at delivery points; and
 - (d) whether the capacity is available from Transporter directly or through Transporter's Capacity Release Program set forth in GT&C Section 9.
- 20.5 Notice of Available Firm and Interruptible Capacity. Transporter will post on its EBB the availability of firm and interruptible capacity as required by Section 284.13(d) of the Commission's regulations.
- 20.6 Transporter may revoke a user's access code if Transporter has good cause to believe that one of the following events has occurred:
- (a) Fraudulent or unauthorized use of the access code.
 - (b) An action resulting in a breach of security such as loss, theft or unauthorized disclosures or use of data contained on the EBB.
 - (c) Conduct that threatens the viable operations of the EBB, that wrongly interferes with the business transactions of another party or that in any way might threaten the integrity of Transporter's pipeline system.
- 20.7 EBB access, including historical data, shall be available to state regulatory commissions and state consumer advocates on the same basis as any other party.

- 20.8 Transporter shall maintain backup copies of the data contained on its EBB for three years, which may be archived to off-line storage. Parties may access the on-line data directly through the EBB. In the event the data has been archived off-line, parties may request such data through the EBB's electronic mail service. Transporter will provide a computer disk containing archived data for a charge of \$50.00.
- 20.9 EBB users shall be allowed to download files so their contents can be reviewed in detail without tying up access to the EBB. Information on the most recent transactions shall be listed before older information. EBB users shall be able to split large files into smaller parts for ease of use. On-line help shall be available to assist the EBB users along with a search function allowing users to locate all information concerning a specific transaction, and menus that permit users to separately access notices of available capacity and standards of conduct information. Notwithstanding GT&C Section 20.8, Transporter shall retain its affiliate waiver log for five years from the date of posting.
- 20.10 Transporter's currently effective Tariff, as revised from time to time, shall be posted on the EBB. Therefore, Transporter shall provide paper copies of the effective Tariff to Shippers and interested state commissions only when specifically requested.
- 20.11 Shippers desiring to exchange information using Transporter's designated Internet site must first enter into the appropriate trading partner agreement with Transporter.

21. AFFILIATE-RELATED INFORMATION

Transporter is an interstate Natural Gas pipeline company that transports Natural Gas for others pursuant to Subparts B and G of Part 284 and may be affiliated with corporations which may have marketing function employees as defined in Section 358 of the Commission's Regulations.

- 21.1 Shared facilities between Transporter's transmission function employees and the marketing function employees of Transporter's affiliate(s), if any, are posted on Transporter's EBB.

22. ADVERSE CLAIMS TO NATURAL GAS

Notwithstanding GT&C Section 25.2, Shipper agrees to indemnify and hold harmless Transporter, its officers, agents, employees and contractors against any liability, loss or damage whatsoever, including litigation expenses, court costs and attorneys' fees, suffered by Transporter, its officers, agents, employees or contractors, where such liability, loss or damage arises directly or indirectly out of any demand, claim, action, cause of action or suit brought by any person, association or entity, public or private, asserting ownership of or an interest in the Natural Gas tendered for transportation or the proceeds resulting from any sale of that Natural Gas or any cash out of imbalances. The receipt and delivery of Natural Gas by Transporter under the TSA shall not be construed to affect or change title to the Natural Gas.

23. Compliance with 18 CFR, Section 284.12

Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 4.0, and the standard revised by Minor Correction MC24002 marked with an asterisk [*], which are required by the Commission in 18 CFR Section 284.12(a), as indicated below. Standards without accompanying identification or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

Standards Not Incorporated by Reference:

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, Transporter 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 Transporter includes appropriate citations in the submission.

Transporter has elected to reproduce only the following Business Practices and Electronic Communication standards, NAESB WGQ Version 4.0, that are protected by NAESB's copyright. With respect to each reproduced standard (including any minor corrections), Transporter incorporates the following: © 1996 - 2025 North American Energy Standards Board, Inc., all rights reserved.

<u>NAESB Standard</u>	<u>Tariff Record</u>
1.2.12	GT&C Sections 1.5 and 6.2
1.3.2 (i-vi)	GT&C Section 6.1
1.3.5, 1.3.7, 1.3.11	GT&C Section 6.2
1.3.15, 1.3.16	GT&C Section 13.3
1.3.19	GT&C Section 6.2
1.3.28, 1.3.29, 1.3.31	GT&C Section 13.3
1.3.32, 1.3.33	GT&C Section 6.2
1.3.39	GT&C Section 1.5
1.3.51	GT&C Section 6.2
2.2.1	GT&C Section 10.5
2.3.7	GT&C Section 2.7
2.3.8	GT&C Section 2.10
2.3.11, 2.3.12, 2.3.14	GT&C Section 2.7
3.2.1	GT&C Section 1.6
3.3.25	GT&C Section 12.2
5.2.1	GT&C Section 1.11
5.2.2	GT&C Section 6.2
5.2.4	GT&C Section 1.35
5.2.5	GT&C Section 1.34

5.3.1, 5.3.2	GT&C Section 9.5
5.3.4	GT&C Section 9.11
5.3.13	GT&C Section 9.10
5.3.14, 5.3.16	GT&C Section 9.11
5.3.21, 5.3.22, 5.3.23	Statement of Rates Section 4
5.3.34	GT&C Section 6.2
5.3.44, 5.3.45	GT&C Section 9.12
5.3.51	GT&C Section 9.7
5.3.53, 5.3.54, 5.3.56	GT&C Section 9.12

Standards Incorporated by Reference:

Additional Standards:

General:

Definition:

0.2.5

Standards:

0.3.1, 0.3.2, 0.3.16, 0.3.17

Creditworthiness:

Standards:

0.3.3, 0.3.4, 0.3.5, 0.3.6, 0.3.7, 0.3.8, 0.3.9, 0.3.10

Gas/Electric Operational Communications:

Definitions:

0.2.1, 0.2.2, 0.2.3, 0.2.4

Standards:

0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

Operating Capacity and Unsubscribed:

Standards:

0.3.18, 0.3.20, 0.3.21, 0.3.22

Datasets:

0.4.2, 0.4.3

23. Compliance with 18 CFR, Section 284.12 (continued)

Location Data Download:

Standards:

0.3.23, 0.3.24, 0.3.25, 0.3.26, 0.3.27, 0.3.28, 0.3.29

Dataset:

0.4.4

Storage Information:

Dataset:

0.4.1

Nominations Related Standards:

Definitions:

1.2.1, 1.2.2, 1.2.3, 1.2.4, 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

Standards:

1.3.1, 1.3.3, 1.3.4, 1.3.6, 1.3.8, 1.3.9, 1.3.13, 1.3.14, 1.3.17, 1.3.18, 1.3.20, 1.3.21, 1.3.22, 1.3.23, 1.3.24, 1.3.25, 1.3.26, 1.3.27, 1.3.30, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.40, 1.3.41, 1.3.42, 1.3.43, 1.3.44, 1.3.45, 1.3.46, 1.3.48, 1.3.53, 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

Datasets:

1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

Flowing Gas Related Standards:

Definitions:

2.2.2, 2.2.3, 2.2.4, 2.2.5

Standards:

2.3.1, 2.3.2, 2.3.3, 2.3.4, 2.3.5, 2.3.6, 2.3.9, 2.3.10, 2.3.13, 2.3.15, 2.3.16, 2.3.17, 2.3.18, 2.3.19, 2.3.20, 2.3.21, 2.3.22, 2.3.23, 2.3.25, 2.3.26, 2.3.27, 2.3.28, 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

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

23. Compliance with 18 CFR, Section 284.12 (continued)

Invoicing Related Standards:

Standards:

3.3.3, 3.3.4, 3.3.5, 3.3.6, 3.3.7, 3.3.8, 3.3.9, 3.3.10, 3.3.11, 3.3.12, 3.3.13, 3.3.14, 3.3.15,
3.3.16, 3.3.17, 3.3.18, 3.3.19, 3.3.21, 3.3.22, 3.3.23, 3.3.24, 3.3.26, 3.3.27

Datasets:

3.4.1*, 3.4.2, 3.4.3, 3.4.4

Quadrant Electronic Delivery Mechanism Related Standards:

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

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, 4.3.66, 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, 4.3.85, 4.3.86, 4.3.87, 4.3.89, 4.3.90, 4.3.91, 4.3.92, 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, 4.3.104, 4.3.105, 4.3.106, 4.3.107, 4.3.108,
4.3.110

Capacity Release Related Standards:

Definition:

5.2.3

Standards:

5.3.3, 5.3.5, 5.3.7, 5.3.8, 5.3.9, 5.3.10, 5.3.11, 5.3.12, 5.3.15, 5.3.18, 5.3.19, 5.3.20, 5.3.24,
5.3.25, 5.3.26, 5.3.28, 5.3.29, 5.3.31, 5.3.32, 5.3.33, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39,
5.3.40, 5.3.41, 5.3.42, 5.3.46, 5.3.47, 5.3.48, 5.3.49, 5.3.50, 5.3.52, 5.3.55, 5.3.57, 5.3.58,
5.3.59, 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

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

23. Compliance with 18 CFR, Section 284.12 (continued)

Cybersecurity Related Standards:

Definitions:

12.2.1, 12.2.2, 12.2.3, 12.2.4, 12.2.5, 12.2.6, 12.2.7, 12.2.8, 12.2.9, 12.2.10, 12.2.11, 12.2.12, 12.2.13, 12.2.14, 12.2.15, 12.2.16, 12.2.17, 12.2.18, 12.2.19, 12.2.20, 12.2.21, 12.2.22, 12.2.23, 12.2.24, 12.2.25, 12.2.26, 12.2.27, 12.2.28, 12.2.29, 12.2.30, 12.2.31, 12.2.32, 12.2.33, 12.2.34, 12.2.35, 12.2.36, 12.2.37, 12.2.38, 12.2.39, 12.2.40, 12.2.41

Standards:

12.3.1, 12.3.2, 12.3.3, 12.3.4, 12.3.5, 12.3.6, 12.3.7, 12.3.8, 12.3.9, 12.3.10, 12.3.11, 12.3.12, 12.3.13, 12.3.14, 12.3.15, 12.3.16, 12.3.17, 12.3.18, 12.3.19, 12.3.20, 12.3.21, 12.3.22, 12.3.23, 12.3.24, 12.3.25, 12.3.26, 12.3.27, 12.3.28, 12.3.29, 12.3.30, 12.3.31

Standards for which Waiver, Extension of Time, or Variance to Comply has been granted:

<u>NAESB Standard</u>	<u>Waiver, Variance or Extension of Time</u>	<u>Relevant Tariff Section and/or Description</u>	<u>Initial Order Granting Request</u>	<u>Most Recent Order Granting Continuation</u>
0.4.1	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
1.3.2	Variance	GT&C Section 6.1 Extension of nomination cycle deadlines for certain transactions.	147 FERC ¶ 61,192 (2014) 154 FERC ¶ 61,250 (2016)	179 FERC ¶ 61,150 (2022)
2.4.1	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
2.4.2	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
2.4.3	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
2.4.4	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
2.4.5	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
2.4.6	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
3.4.1	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
3.4.2	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
3.4.3	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	
3.4.4	Extension	Extension for EDI Implementation	179 FERC ¶ 61,150 (2022)	

24. TAXES

All production (including ad valorem-type production taxes), transportation, gathering, delivery, sales, severance, environmental (except as provided for in GT&C Section 28), excise or any other taxes or assessments of any kind upon the Natural Gas (including its emission or combustion) transported by Transporter, which are now or hereafter in existence or authorized for collection by any federal, state, local or other governmental agency or duly constituted authority, either directly or indirectly, shall be the sole responsibility of the Shipper which holds title to such Natural Gas and shall be paid or caused to be paid by such Shipper. Transporter will notify Shipper(s) if it becomes aware of a potential new tax assessment and will discuss with Shipper(s) ways to address such change. If Transporter is required to pay or to collect any taxes or assessments of any kind based upon throughput or other volumetric measurement, Shippers shall, in addition to all other transportation charges or surcharges, reimburse Transporter for such taxes or assessments pro rata, based upon their respective shares of the throughput using the form of such tax (whether it is stated on a volumetric or thermal basis), unless Transporter, in its sole discretion, elects to include such amounts in its base rates.

25. INDEMNIFICATION/LIABILITY

- 25.1 Neither Transporter nor Shipper shall be liable to the other party for special, indirect, consequential (including loss of profits), incidental or punitive damages except to the extent such damages arise out of such party's gross negligence, willful misconduct, or bad faith actions.
- 25.2 Each party to the TSA shall bear responsibility for its own acts, errors or omissions connected in any way with the executed TSA causing damages or injuries of any kind to any third party, unless otherwise expressly agreed in writing between the parties in a not unduly discriminatory manner. Therefore, the offending party shall hold harmless and indemnify the non-offending party against any claim, liability, loss, or damage whatsoever suffered by any third party as a result of such offense. As used herein: the term "third party" shall mean a corporation or partnership entity or individual and its officers, agents, employees and contractors other than Transporter or Shipper or their respective officers, agents, employees, contractors, predecessors, successors, assigns, parents, subsidiaries, or affiliates; and, the phrase "damages or injuries of any kind" shall include litigation expenses, court costs, and attorneys' fees.

26. COMPLAINT PROCEDURES

If an existing or potential Shipper has a complaint relating to any request for transportation service or any on-going transportation service, Shipper should complete the attached complaint form and should be mailed by registered or certified mail, or delivered by hand to the applicable contact listed in the “Points of Contact” section.

Transporter shall notify Shipper within 48 Hours that the complaint has been received. Each complaint will be noted on the transportation service complaint log. Each complaint shall be investigated, and Transporter shall inform Shipper in writing within 30 Days of receipt of the complaint of the action, if any, taken in response to Shipper's complaint. Transporter shall maintain a separate file for all Shipper complaints and Transporter's responses.

SHIPPER COMPLAINT FORM

Name of Shipper:

Identification of contract under question:

Designation of time period involved:

Nature of complaint:

Signature _____

Title _____

27. INCIDENTAL PURCHASES AND SALES

- 27.1 Transporter may purchase or sell operational Gas to the extent necessary to maintain reliable system operations, including but not limited to system pressure, fuel quantities and line pack. Such purchases or sales shall have a lower scheduling priority than firm transportation service as set forth in GT&C Section 6.
- 27.2 Transporter's sales of operational Gas shall be unbundled from transportation service provided pursuant to Transporter's Tariff.
- 27.3 Transporter will make operational sales by either posting notice of such operational gas sales on its EBB (in accordance with the applicable bidding provisions contained in GT&C Section 9); or by posting for bid operational gas quantities on the Intercontinental Exchange or another independent trading platform, exchange or clearinghouse.
- 27.4 Transporter will file an annual report indicating the source of the operational Gas purchased/sold, the date of such purchases/sales, volumes, the purchase/sale price, the costs and revenues from such purchases/sales and the disposition of the associated costs and revenues for all types of operational purchases and sales. Transporter will provide an explanation of the purpose of any operational purchase and/or sale and identification of the entities from which the pipeline purchases or sells operational gas. The initial data collection period will commence with the in-service of Transporter's System pursuant to Docket No. CP13-73-000 and continue through September 30, 2015. For each subsequent year, the collection period for the annual report will be the twelve Months ending September 30. Transporter will file such report no later than November 30 of each year.

FORMS OF SERVICE AGREEMENTS

Section 1	Rate Schedule FT
Section 2	Rate Schedule IT
Section 3	Rate Schedule PAL

FORM OF TRANSPORTATION SERVICE AGREEMENT
APPLICABLE TO RATE SCHEDULE FT

Agreement No. _____

FIRM TRANSPORTATION SERVICE AGREEMENT

RATE SCHEDULE FT

between

SIERRITA GAS PIPELINE LLC

and

(Shipper)

DATED: _____

(Placement of text on page, number of pages, numbering of paragraphs, sections and footnotes, format, capitalization, headings and font may vary from this Pro Forma to the Transportation Service Agreement.)

FORM OF TRANSPORTATION SERVICE AGREEMENT
APPLICABLE TO RATE SCHEDULE FT

Agreement No. _____

Transportation Service Agreement
Rate Schedule FT
Dated:_____

The parties identified below, in consideration of their mutual promises, agree as follows:

1. Transporter: SIERRITA GAS PIPELINE LLC
2. Shipper: _____
3. Applicable Tariff and Incorporation by Reference: Transporter's FERC Gas Tariff Original Volume No. 1, as the same may be amended or superseded from time to time ("the Tariff"). This Agreement in all respects shall be subject to and shall incorporate as if set forth herein the provisions of the Tariff as filed with, and made effective by, the FERC as same may change from time to time. Capitalized terms used and not otherwise defined in this Agreement have the meanings given to them in the Tariff.
4. Changes in Rates and Terms. Transporter shall have the right to propose to the FERC changes in its rates and terms of service, and this Agreement shall be deemed to include any changes which are made effective pursuant to FERC Order or regulation or provisions of law, without prejudice to Shipper's right to protest the same.
5. Transportation Service: Transportation service at and between primary receipt point(s) and primary delivery point(s) shall be on a firm basis. Receipt and delivery of quantities at secondary receipt point(s) and/or secondary delivery point(s) shall be in accordance with the Tariff.

(Insert the applicable portion(s) of the following provision when service involves the construction of facilities:

The parties recognize that Transporter must construct additional facilities in order to provide transportation service for Shipper under this Agreement. Parties agree that on in-service date the following provisions no longer apply. Transporter's obligations under this Agreement are subject to:

- (i) The receipt and acceptance by Transporter of a FERC certificate for the additional facilities, as well as the receipt by Transporter of all other necessary regulatory approvals, permits and other authorizations for the additional facilities in form and substance satisfactory to Transporter in its sole discretion.

- (ii) The approval of the appropriate management, management committee, and/or board of directors of Transporter and/or its parent companies to approve the level of expenditures for the additional facilities.
- (iii) _____.
- 6. Receipt and Delivery Points: Shipper agrees to tender Natural Gas for transportation service and Transporter agrees to accept receipt quantities at the primary receipt point(s) identified in Exhibit A. Transporter agrees to provide transportation service and deliver Natural Gas to Shipper (or for Shipper's account) at the primary delivery point(s) identified in Exhibit A. Minimum and maximum receipt and delivery pressures, as applicable, are listed on Exhibit A.
- 7. Rates and Surcharges: As set forth in Exhibit B. Shipper shall pay the applicable maximum tariff rate unless otherwise provided. Transporter and Shipper may mutually agree to a discounted rate or to a negotiated rate pursuant to the rate provisions of Rate Schedule FT and GT&C Section 4.13 or 4.14.
- 8. Negotiated Rate: Yes _____ No _____
- 9. Maximum Delivery Quantity ("MDQ")

MDQ (Dth/d)	Effective
_____	_____

- 10. Term of Firm Transportation Service: _____

[Insert term of service including any (i) construction contingencies, (ii) extension rights such as an evergreen or rollover provision, (iii) contractual rights of first refusal, (iv) interim capacity limitations and/or (v) related termination provisions, as applicable.]

- 11. Notices, Statements, and Bills:

To Shipper:
Invoices: _____

Attn: _____

All Notices: _____

Attn: _____

To Transporter: See “Points of Contact” in the Tariff.

12. Effect on Prior Agreement(s): _____
13. Governing Law: Transporter and Shipper expressly agree that the laws of the State of Texas shall govern the validity, construction, interpretation and effect of this Agreement and of the applicable Tariff provisions. This Agreement is subject to all applicable rules, regulations, or orders issued by any court or regulatory agency with proper jurisdiction.
14. Arbitration:
- a. The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute which cannot be resolved by good faith negotiations within thirty (30) days shall be resolved pursuant to the provisions of subsection (b) of this Section 14.
 - b. All disputes arising out of or related to this Agreement, which are not resolved by good faith negotiations pursuant to subsection (a), shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (“Rules”), in force at the time of the dispute, by three (3) arbitrators appointed in accordance with the Rules.
 - c. The place of arbitration shall be Houston, Texas.
 - d. The language of the arbitration shall be English.
 - e. The arbitrator's decision shall be final and binding on the Parties. Judgment upon the award rendered by the arbitrators may be entered in any court of law having jurisdiction thereof. In the event that it is necessary to enforce such award, because of non-payment by a party under the terms of any arbitration award or any judgment confirming such award, all costs of enforcement, including reasonable attorneys’ fees shall be payable by the party against whom such award is enforced.
 - f. Pending the decision or award of the ICC Arbitration Tribunal, the Parties shall continue to operate under the Agreement as it existed on the date arbitration was requested.

IN WITNESS WHEREOF, the parties have executed this Agreement. This Agreement may be executed by electronic means and an electronic signature shall be treated in all respects as having the same effect as a handwritten signature.

TRANSPORTER:

SHIPPER:

SIERRITA GAS PIPELINE LLC

Accepted and agreed to this

Accepted and agreed to this

_____ day of _____, ____.

_____ day of _____, ____.

Agreement No. _____

EXHIBIT A

to

TRANSPORTATION SERVICE AGREEMENT
RATE SCHEDULE FT

between

SIERRITA GAS PIPELINE LLC
and

(Shipper)

Dated: _____

Shipper's Maximum Delivery Quantity ("MDQ"): (See ¶____)

The following data elements shall be described on this Exhibit A, if applicable:

Primary Receipt Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name) (1)

Primary Delivery Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name) (1)

Effective Dates

Primary Receipt Point Quantity (Dth per Day) (2)

Primary Delivery Point Quantity (Dth per Day) (3)

Minimum Pressure p.s.i.g.

Maximum Pressure p.s.i.g.

Notes: [Insert as applicable]

- (1) Information regarding receipt and delivery point(s), including legal descriptions, measuring parties, and interconnecting parties, shall be posted on Transporter's Electronic Bulletin Board. Transporter shall update such information from time to time to include additions, deletions, or any other revisions deemed appropriate by Transporter.
- (2) Each receipt point quantity may be increased by an amount equal to Transporter's FL&U percentages. Shipper shall be responsible for providing FL&U at each receipt point on a pro rata basis based on the quantities received on any Day at a receipt point divided by the total quantity delivered at all delivery points under this Transportation Service Agreement.
- (3) The sum of the delivery quantities at all delivery point(s) shall be equal to Shipper's MDQ.

Agreement No. _____

EXHIBIT B

to

TRANSPORTATION SERVICE AGREEMENT
RATE SCHEDULE FT

between

SIERRITA GAS PIPELINE LLC
and

(Shipper)

Dated: _____

The following data elements shall be described on this Exhibit B, if applicable:

- Primary Receipt Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name)
- Secondary Receipt Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name)
- Primary Delivery Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name)
- Secondary Delivery Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name)
- Reservation Rate (1)(4)
- Commodity Rate (1)(4)
- Authorized Overrun Rate (1)(5)
- Term of Rate
- Fuel (2)(4)
- Surcharges (3)

Notes: [Insert as applicable]

- (1) Unless otherwise agreed by the Parties in writing, the rates for service shall be Transporter's maximum rates for service under Rate Schedule FT or other superseding Rate Schedules; as such rates may be changed from time to time. The reservation rate shall be payable regardless of quantities transported.

- and/or -

[Insert for discount rate(s), as necessary (e.g., (1a), (1b), etc.)]

As provided in GT&C Section 4.13 of Transporter's Tariff, the parties agree to the following discount rate(s) _____(insert as applicable) which shall be payable regardless of quantities transported. The rate(s) charged under this Agreement shall not be less than the minimum, nor greater than the maximum rate provided in Transporter's Tariff.

- and/or -

[Insert for negotiated rate(s), as necessary (e.g., (1a), (1b), etc.)]

As provided in GT&C Section 4.14 of Transporter's Tariff, the parties agree to the following negotiated rate(s) _____(insert as applicable) which shall be payable regardless of quantities transported.

- (2) FL&U reimbursement percentages shall be as stated on Transporter's Statement of Rates in the Tariff, as they may be changed from time to time, unless otherwise agreed between the parties.
- (3) Surcharges, if applicable: All applicable surcharges, unless otherwise specified, shall be the maximum surcharge rate as stated on the Statement of Rates in the Tariff, as it may be changed from time to time, unless otherwise agreed to by the parties.

ACA:

The ACA surcharge shall be assessed pursuant to GT&C Section 17 of the Tariff.

- (4) Quantities scheduled by Transporter from/to primary and/or secondary point(s) on any off-system capacity held by Transporter shall be subject to Transporter's Third Party Charges pursuant to GT&C Section 4.6.
- (5) Subject to Transporter's authorized overrun maximum and minimum rates in effect from time to time, a rate of \$_____ per Dth shall apply to authorized daily overrun of up to _____ Dth per Day.

FORM OF TRANSPORTATION SERVICE AGREEMENT
APPLICABLE TO RATE SCHEDULE IT

Agreement No. _____

INTERRUPTIBLE TRANSPORTATION SERVICE AGREEMENT

RATE SCHEDULE IT

between

SIERRITA GAS PIPELINE LLC
and

(Shipper)

DATED: _____

(Placement of text on page, number of pages, numbering of paragraphs, sections and footnotes, format, capitalization, heading, and font may vary from this Pro Forma to the Transportation Service Agreement.)

FORM OF TRANSPORTATION SERVICE AGREEMENT
APPLICABLE TO RATE SCHEDULE IT

Agreement No. _____

Transportation Service Agreement
Rate Schedule IT
Dated: _____

The parties identified below, in consideration of their mutual promises, agree as follows:

1. Transporter: SIERRITA GAS PIPELINE LLC
2. Shipper: _____
3. Applicable Tariff and Incorporation by Reference: Transporter's FERC Gas Tariff Original Volume No. 1, as the same may be amended or superseded from time to time ("Tariff"). This Agreement in all respects shall be subject to and shall incorporate as if set forth herein the provisions of the Tariff as filed with, and made effective by, the FERC as same may change from time to time. Capitalized terms used and not otherwise defined in this Agreement have the meanings given to them in the Tariff.
4. Changes in Rates and Terms. Transporter shall have the right to propose to the FERC changes in its rates and terms of service as it deems necessary, and this Agreement shall be deemed to include any changes which are made effective pursuant to FERC Order or regulation or provisions of law, without prejudice to Shipper's right to protest the same.
5. Receipt and Delivery Points: Systemwide

All receipt and delivery point(s) included on Transporter's master list of receipt and delivery point(s) as posted on its EBB.

For each receipt and delivery point, data posted shall include a description of the legal location, pressure information, the identity of the interconnected party and the measuring party, and such other data as Transporter may include from time to time. Transporter's master list of receipt and delivery point(s) shall be updated from time to time to add or delete receipt or delivery point(s) and to modify data pertinent to receipt and delivery point(s), all as deemed appropriate by Transporter.
6. Rates and Surcharges: As set forth in Exhibit A. Transporter and Shipper may also agree to a discount using one of the discount types described in GT&C Section 4.13 of the Tariff.
7. Negotiated Rate: Yes _____ No _____

8. Term of Interruptible Transportation Service:_____

[Insert term of service including any (i) construction contingencies, (ii) extension rights such as an evergreen or rollover provision, and/or (iii) related termination provisions, as applicable.]

9. Notices, Statements, and Bills:

To Shipper:

Invoices:

Attn:

All Notices:

Attn:

To Transporter: See "Points of Contact" in the Tariff.

10. Effect on Prior Agreement(s):_____.

11. Governing Law: Transporter and Shipper expressly agree that the laws of the State of Texas shall govern the validity, construction, interpretation and effect of this Agreement and of the applicable Tariff provisions. This Agreement is subject to all applicable rules, regulations, or orders issued by any court or regulatory agency with proper jurisdiction.

IN WITNESS WHEREOF, the parties have executed this Agreement. This Agreement may be executed by electronic means and an electronic signature shall be treated in all respects as having the same effect as a handwritten signature.

TRANSPORTER:

SHIPPER:

SIERRITA GAS PIPELINE LLC

Accepted and agreed to this

Accepted and agreed to this

_____ day of _____, ____.

_____ day of _____, ____.

Agreement No. _____

EXHIBIT A

to

TRANSPORTATION SERVICE AGREEMENT
RATE SCHEDULE IT

between

SIERRITA GAS PIPELINE LLC

and

(Shipper)

Dated: _____

The following data elements shall be described on this Exhibit A, if applicable:

- Receipt Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name)
- Delivery Point(s) (including, among other things, Point Identification Number (PIN) and Point Identification Number Name)
- Commodity Rate (1)
- Effective Dates (See ¶____)
- Fuel (2)
- Surcharges (3)

Notes: [Insert as applicable]

- (1) Unless otherwise agreed by the parties in writing, the Commodity Rate for service shall be Transporter's then-effective maximum rate for service under Rate Schedule IT, or other superseding Rate Schedule, as such rates may be changed from time to time.

- and/or -

[Insert for discount rate(s), as necessary (e.g., (1a), (1b), etc.)]

As provided in Section 4.13 of the GT&C of Transporter's Tariff, the parties agree to the following discount rate(s) _____. The rate(s) charged under this Agreement shall not be less than the minimum, nor greater than the maximum rate provided in Transporter's Tariff.

- and/or -

[Insert for negotiated rate(s), as necessary (e.g., (1a), (1b), etc.)]

As provided in Section 4.14 of the GT&C of Transporter's Tariff, the parties agree to the following negotiated rate(s) _____.

- (2) FL&U reimbursement percentages shall be as stated on Transporter's Statement of Rates in the Tariff, as they may be changed from time to time, unless otherwise agreed between the parties.
- (3) Surcharges, if applicable: All applicable surcharges, unless otherwise specified, shall be the maximum surcharge rate as stated on the Statement of Rates in the Tariff, as it may be changed from time to time, unless otherwise agreed to by the parties.

ACA:

The ACA surcharge shall be assessed pursuant to GT&C Section 17 of the Tariff.

FORM OF INTERRUPTIBLE PARKING AND LENDING SERVICE AGREEMENT
APPLICABLE TO RATE SCHEDULE PAL

Agreement No. _____

INTERRUPTIBLE PARKING AND LENDING SERVICE AGREEMENT

RATE SCHEDULE PAL

between

SIERRITA GAS PIPELINE LLC

and

(Shipper)

DATED: _____

(Placement of text on page, number of pages, numbering of paragraphs, sections and footnotes, format, capitalization, headings and font may vary from Pro Forma to Service Agreement.)

FORM OF INTERRUPTIBLE PARKING AND LENDING SERVICE AGREEMENT
APPLICABLE TO RATE SCHEDULE PAL

Agreement No. _____

Interruptible Parking and Lending Service Agreement

Dated: _____

The Parties identified below, in consideration of their mutual promises, agree as follows:

1. Transporter: SIERRITA GAS PIPELINE LLC
2. Shipper: _____
3. Applicable Tariff and Incorporation by Reference: Transporter's FERC Gas Tariff Original Volume No. 1, as the same may be amended or superseded from time to time ("Tariff"). This Agreement and the associated Park and Loan Service Request Order(s) ("PAL RO") in all respects shall be subject to and shall incorporate as if set forth herein the provisions of the Tariff as filed with, and made effective by, the FERC as same may change from time to time. Capitalized terms used and not otherwise defined in this Agreement and the associated PAL RO(s) have the meanings given to them in the Tariff.
4. Changes in Rates and Terms. Transporter shall have the right to propose to the FERC such changes in its rates and terms of service as it deems necessary, and this Agreement and the associated PAL RO(s) shall be deemed to include any changes which are made effective pursuant to FERC Order or regulation or provisions of law, without prejudice to Shipper's right to protest the same.
5. Parking and Lending Service: Upon Shipper's request Transporter may, on any Day and on an interruptible basis,
 - (a) hold (park) the quantity nominated to be parked for Shipper's account at the designated PAL Point(s) on the designated date(s) specified in Shipper's PAL RO upon approval from Transporter and withdraw of such quantity at the same point(s) on the designated date(s) in the PAL RO;
 - (b) advance (loan) quantities of Natural Gas nominated by Shipper at the PAL Point(s) on the designated date(s) specified in Shipper's PAL RO and approved by Transporter. Shipper shall pay back such advanced quantities on the designated date(s) at the same point(s) where the loan occurred as set forth in the PAL RO.
6. Rates and Surcharges: As set forth in the PAL RO.

7. Term of Parking and Lending Service: _____

This Agreement shall continue in full force and effect Month to Month thereafter unless terminated by written notice from one Party to the other upon 30-Day written notice. (Use only when applicable.)

8. Effect on Prior Agreement(s): _____.

9. Contact Information:

To Shipper: _____

Attn: _____

To Transporter: See "Points of Contact" in the Tariff.

10. Governing Law: Transporter and Shipper expressly agree that the laws of the State of Texas shall govern the validity, construction, interpretation and effect of this Agreement and of the applicable Tariff provisions. This Agreement is subject to all applicable rules, regulations, or orders issued by any court or regulatory agency with proper jurisdiction.

IN WITNESS WHEREOF, the parties have executed this Agreement. This Agreement may be executed by electronic means and an electronic signature shall be treated in all respects as having the same effect as a handwritten signature.

TRANSPORTER:

SHIPPER:

SIERRITA GAS PIPELINE LLC

Accepted and agreed to this

_____ day of _____, _____.

Accepted and agreed to this

_____ day of _____, _____.

Request Order No. _____

PAL SERVICE REQUEST ORDER ("PAL RO")
 related to
 INTERRUPTIBLE PARKING AND LENDING SERVICE AGREEMENT
 RATE SCHEDULE PAL

between

SIERRITA GAS PIPELINE LLC

and

 (Shipper)

Dated: _____

1. PAL Agreement No: _____ Type of Service: Park _____ Loan _____
2. Maximum PAL Quantity: _____ (Dth)
3. PAL Point(s): _____

4. Schedule:

Date(s) Service to be Provided (May Reflect a Range of Dates)		Daily PAL Quantity (Dth) (May Reflect a Range of Quantities)			
<u>From</u>	<u>Through</u>	<u>Park or Loan Payback</u>		<u>Loan or Park Withdrawal</u>	
		<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

5. Park and Loan Rates: Unless otherwise agreed by the Parties in this PAL RO, the Park and Loan Rates for service shall be Transporter's then effective maximum rates for service under Rate Schedule PAL or other superseding Rate Schedule, as such rates may be changed from time to time. Pursuant to this PAL RO or Rate Schedule PAL, a discounted rate or a negotiated rate may apply pursuant to an agreement of the parties to this PAL RO based on GT&C Section 4.13 or GT&C Section 4.14, respectively. Rates may vary based on quantity, time period, etc.

<u>From</u>	<u>Through</u>	<u>Rate Description</u>	<u>Rate</u>
_____	_____	_____	_____
_____	_____	_____	_____

6. Negotiated Rate: Yes _____ No _____

7. Notices, Statements, and Bills:

To Shipper:

Invoices: _____

Attn: _____

All Notices: _____

Attn: _____

To Transporter: See "Points of Contact" in the Tariff.

IN WITNESS WHEREOF, the parties have executed this PAL RO. This PAL RO may be executed by electronic means and an electronic signature shall be treated in all respects as having the same effect as a handwritten signature.

TRANSPORTER:

SHIPPER:

SIERRITA GAS PIPELINE LLC

Accepted and agreed to this

Accepted and agreed to this

_____ day of _____, _____.

_____ day of _____, _____.

GRAPHICAL ILLUSTRATIONS
(Reserved)

1. NOMINATION SCHEDULING TIMELINE
 All times are Central Clock Time (CCT)

Time (CCT)	Day Ahead of Flow Effective Flow Time Start of Next Gas Day	Day of Flow
Midnight		
1:00 AM		
2:00 AM		
3:00 AM		
4:00 AM		
5:00 AM		
6:00 AM		
7:00 AM		
8:00 AM		
9:00 AM		Timely and Evening Effective Flow Time
10:00 AM		
10:15 AM		ID 1 Nominations leave control of SR
10:30 AM		ID 1 Nominations received by Transporter ID 1 Nomination quick response issued by Transporter to SR
11:00 AM		
Noon		
12:30 PM		ID 1 Completed confirmations due to Transporter from confirming party
1:00 PM		ID 1 Scheduled quantity issued for SR and point operator by Transporter
1:15 PM	Timely Nominations leave control of Service Requester (SR)	
1:30 PM	Timely Nominations received by Transporter Timely Nomination quick response issued by Transporter to SR	
2:00 PM		ID 1 Effective Flow Time
2:30 PM		
2:45 PM		ID 2 Nominations Leave Control of SR
3:00 PM		ID 2 Nominations received by Transporter ID 2 Nomination quick response issued by Transporter to SR
4:00 PM		
4:30 PM	Timely Completed confirmations due to Transporter from confirming party	
5:00 PM	Timely Scheduled quantity received by SR and point operator from Transporter	ID 2 Completed confirmations due to Transporter from confirming party
5:30 PM		ID 2 Scheduled quantity issued for SR and point operator by Transporter
6:00 PM		ID 2 Effective Flow Time
6:15 PM	Evening nominations leave control of SR	
6:30 PM	Evening nominations received by Transporter Evening nomination quick response issued by Transporter to SR	
7:00 PM		
7:15 PM		ID 3 Nominations leave control of SR
7:30 PM		ID 3 Nominations received by Transporter ID 3 Nomination quick response issued by Transporter to SR
8:00 PM		
8:30 PM	Evening completed confirmations due to Transporter from confirming party	
9:00 PM	Evening scheduled quantity issued for SR and point operator by Transporter	
9:30 PM		ID 3 Completed confirmations due to Transporter from confirming party
10:00 PM		ID 3 Scheduled quantity issued for SR and point operator by Transporter ID 3 Effective Flow Time
11:00 PM		
11:59 PM		

NON-CONFORMING AGREEMENTS

Section 1 CFE International LLC #610431-FTSGP

Agreement No. 610431- FTSGP

FIRM TRANSPORTATION SERVICE AGREEMENT

RATE SCHEDULE FT

between

SIERRITA GAS PIPELINE LLC

and

CFE INTERNATIONAL LLC
(Shipper)

Dated: January 1, 2018

Transportation Service Agreement
Rate Schedule FT

Dated: January 1, 2018

The parties identified below, in consideration of their mutual promises, agree as follows:

1. **Transporter: SIERRITA GAS PIPELINE LLC**
2. **Shipper: CFE INTERNATIONAL LLC**
3. **Applicable Tariff and Incorporation by Reference:** Transporter's FERC Gas Tariff Original Volume No. 1, as the same may be amended or superseded from time to time ("the Tariff"). This Agreement in all respects shall be subject to and shall incorporate as if set forth herein the provisions of the Tariff as filed with, and make effective by, the FERC as same may change from time to time. Capitalized terms used and not otherwise defined in this Agreement have the meanings given to them in the Tariff.
4. **Changes in Rates and Terms.** Transporter shall have the right to propose to the FERC changes in its rates and terms of service, and this Agreement shall be deemed to include any changes which are made effective pursuant to FERC Order or regulation or provisions of law, without prejudice to Shipper's right to protest the same.
5. **Transportation Service:** Transportation service at and between primary receipt point(s) and primary delivery point(s) shall be on a firm basis. Receipt and delivery of quantities at secondary receipt point(s) and/or secondary delivery point(s) shall be in accordance with the Tariff.

The parties recognize that Transporter must construct facilities in order to provide the increase in transportation capacity for Shipper under this Agreement (the "Expansion Capacity"). Parties agree that on the date the facilities required to provide the Expansion Capacity are completed and ready for service and Transporter is authorized to place those facilities into service (the "Expansion Capacity In-Service Date") the following provisions no longer apply:

Transporter's obligation to provide the increase in transportation capacity under this Agreement is subject to:

- (i) The receipt and acceptance by Transporter of a FERC certificate and presidential permit for the Expansion Capacity facilities, as well as the receipt by Transporter of all other necessary regulatory approvals, permits and other authorizations for the additional facilities in form and substance satisfactory to Transporter in its commercially reasonable discretion by no later than July 1, 2019, provided that Transporter has made good faith, commercially reasonable efforts to meet this condition.
 - (ii) The completion of the Expansion Capacity facilities and the placement into service of those facilities.
6. **Receipt and Delivery Points:** Shipper agrees to tender Natural Gas for transportation service and Transporter agrees to accept receipt quantities at the primary receipt point(s) identified in Exhibit A. Transporter agrees to provide transportation service and deliver Natural Gas to Shipper (or for Shipper's account) at the primary delivery point(s) identified in Exhibit A. Minimum and maximum receipt and delivery pressures, as applicable, are listed on Exhibit A.
 7. **Rates and Surcharges:** As set forth in Exhibit B. Shipper shall pay the applicable maximum tariff rate unless otherwise provided. Transporter and Shipper may mutually agree to a discounted rate or to a negotiated rate pursuant to the rate provisions of Rate Schedule FT and GT&C Section 4.13 or 4.14.

Agreement No. 610431- FTSGP

8. **Negotiated Rate:** Yes X No

9. **Maximum Delivery Quantity ("MDQ"):**

MDQ (Dth/d)

Effective

200,846

January 1, 2018 through the day preceding the Expansion Capacity Commencement Date

431,100

The later of the Expansion Capacity In-Service Date or April 1, 2020 (the "Expansion Capacity Commencement Date") through October 31, 2039

10. **Term of Firm Transportation Service:** Beginning: January 1, 2018
Ending: October 31, 2039

A contractual right-of-first-refusal shall apply to this Agreement, pursuant to Section 4.9 of the General Terms and Conditions of the Tariff.

11. **Notices, Statements, and Bills:**

To Shipper:

Invoices:

CFE International LLC
700 Milam St., Suite 1300
Houston, Texas 77002
Attn: Javier Gutierrez

All Notices:

CFE International LLC
700 Milam St., Suite 1300
Houston, Texas 77002
Attn: Javier Gutierrez

To Transporter:

See "Points of Contact" in the Tariff.

12. **Effect on Prior Agreement(s):** This Agreement shall supersede and cancel the following agreement(s) between Transporter and Shipper: The Firm Transportation Service Agreement 144064-FTSGP dated October 27, 2014.

13. **Governing Law:** Transporter and Shipper expressly agree that the laws of the State of Texas shall govern the validity, construction, interpretation and effect of this Agreement and of the applicable Tariff provisions. This Agreement is subject to all applicable rules, regulations, or orders issued by any court or regulatory agency with proper jurisdiction.

Agreement No. 610431- FTSGP

14. **Arbitration:**

- a. The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute which cannot be resolved by good faith negotiations within thirty (30) days shall be resolved pursuant to the provisions of subsection (b) of this Section 14.
- b. All disputes arising out of or related to this Agreement, which are not resolved by good faith negotiations pursuant to subsection (a), shall be referred to and finally resolved exclusively through binding arbitration under the Arbitration Rules of the London Court of International Arbitration ("LCIA"), which Rules are deemed to be incorporated by reference into this Agreement. The number of arbitrators shall be three. The two arbitrators nominated by the Parties shall, following their appointment, nominate the third and presiding arbitrator, and they may consult with their respective nominating party in making the said nomination. During the arbitration process the expense of the arbitration shall be borne equally by Transporter and Shipper, subject to the final allocation of expenses pursuant to subpart (g) of this Section 14, below.
- c. The place of arbitration shall be Houston, Texas.
- d. The language of the arbitration shall be English.
- e. The arbitrator's decision shall be final and binding on the Parties. Judgment upon the award rendered by the arbitrators may be entered in any state or Federal court of law located in Houston, Texas. In the event that it is necessary to enforce such award, because of non-payment by a party under the terms of any arbitration award or any judgment confirming such award, all costs of enforcement, including reasonable attorneys' fees shall be payable by the party against whom such award is enforced.
- f. Pending the decision or award of the arbitrators, the Parties shall continue to operate under the Agreement as it existed on the date arbitration was requested.
- g. The arbitrators may render one or more final awards and each such award shall be final and binding upon the Parties, who hereby waive any appeal or challenge of such decision. The arbitrators shall endeavor to render an award disposing of all issues in dispute no later than one hundred-eighty (180) days after their appointment, although the arbitrators may extend that time on their own or on application of any party if they, in their sole discretion, determine there is good cause for such an extension. The prevailing Party shall be entitled to its reasonable attorney's fees and legal costs, including without limitation expert fees and the costs and fees of the LCIA and the arbitrators.

15. **Creditworthiness:** Shipper shall provide acceptable credit support as described in the Open Seasons for the Expansion Capacity as follows:

Shipper will be deemed creditworthy if its senior unsecured debt securities are rated at least BBB by Standard & Poor's Corporation ("S&P") or Baa2 by Moody's Investor Service ("Moody's").

If Shipper is unable to satisfy (or at any time ceases to satisfy) these standards, Shipper must provide and maintain other adequate credit assurance satisfactory to Transporter, which may include:

- a. an irrevocable letter of credit to Transporter, satisfactory to Transporter, equal to the largest thirty-six (36) months of charges under this Agreement;

Agreement No. 610431- FTSGP

- b. a grant to Transporter of a security interest in collateral found to be satisfactory to Transporter, with a value of not less than the largest thirty-six (36) months of charges under this Agreement;
- c. a guarantee of Shipper's obligations hereunder acceptable to Transporter, by another person or entity which satisfies the creditworthiness standards described above; or
- d. such other credit arrangement which is mutually agreed to by Transporter and Shipper and which is acceptable to Transporter on a not unduly discriminatory basis.

16. **Targeted In-Service Date of Expansion Capacity.**

- a. Transporter shall use commercially reasonable efforts to achieve the Expansion Capacity In-Service Date by July 1, 2020. Transporter shall use commercially reasonable efforts to keep Shipper informed of the anticipated Expansion Capacity In-Service Date.
- b. If the Expansion Capacity In-Service Date is later than July 1, 2021, Transporter and Shipper shall each have the right, but not the obligation, to terminate the commitment for the Expansion Capacity by providing notice of termination on or before August 1, 2021.

IN WITNESS WHEREOF, the parties have executed this Agreement. This Agreement may be executed by electronic means and an electronic signature shall be treated in all respects as having the same effect as a handwritten signature.

Transporter:

SIERRITA GAS PIPELINE LLC

By _____

Name _____

Title _____

Accepted and agreed to this
__ day of November, 2017.

Shipper:

CFE INTERNATIONAL LLC

By _____

Javier Gutierrez

Chief Operation Officer

Accepted and agreed to this
__ day of November, 2017.

Agreement No. 610431- FTSGP

Exhibit A
 to
 Transportation Service Agreement
 Rate Schedule FT
 between

SIERRITA GAS PIPELINE LLC
 and
CFE INTERNATIONAL LLC
 (Shipper)

Dated: January 1, 2018

Shipper's Maximum Delivery Quantity ("MDQ"): (See ¶9)

Primary Receipt Point(s) (1)(4)	Effective Dates	Primary Receipt Point Quantity (Dth per Day) (2)	Minimum Pressure p.s.i.g.	Maximum Pressure p.s.i.g.
San Joaquin Receipt (47699)	January 1, 2018 through the day preceding the Expansion Capacity Commencement Date	200,846	Sufficient Pressure to Enter Transporter's System	MAOP
San Joaquin Receipt (47699)	The Expansion Capacity Commencement Date through October 31, 2039	431,100	Sufficient Pressure to Enter Transporter's System	MAOP

Primary Delivery Point(s) (1)(4)	Effective Dates	Primary Delivery Point Quantity (Dth per Day) (3)	Minimum Pressure p.s.i.g.	Maximum Pressure p.s.i.g.
Sasabe Delivery (47698)	January 1, 2018 through the day preceding the Expansion Capacity Commencement Date	200,846	500	Line Pressure of Transporter's Facilities
Sasabe Delivery (47698)	The Expansion Capacity Commencement Date through October 31, 2039	431,100	750	Line Pressure of Transporter's Facilities

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Notes:

- (1) Information regarding receipt and delivery point(s), including legal descriptions, measuring parties, and interconnecting parties, shall be posted on Transporter's Electronic Bulletin Board. Transporter shall update such information from time to time to include additions, deletions, or any other revisions deemed appropriate by Transporter.
- (2) Each receipt point quantity may be increased by an amount equal to Transporter's FL&U percentages. Shipper shall be responsible for providing FL&U at each receipt point on a pro rata basis based on the quantities received on any Day at a receipt point divided by the total quantity delivered at all delivery points under this Transportation Service Agreement.
- (3) The sum of the delivery quantities at all delivery point(s) shall be equal to Shipper's MDQ.
- (4) Transporter has installed metering facilities at the Sasabe Delivery point which includes a C9+ gas chromatograph and Shipper will be given access to data from such chromatograph via the measurement system of the Sierrita Pipeline.

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Exhibit B
 to
 Transportation Service Agreement
 Rate Schedule FT
 between

SIERRITA GAS PIPELINE LLC
 and
CFE INTERNATIONAL LLC
 (Shipper)

Dated: January 1, 2018

Primary Receipt Point(s)	Primary Delivery Point(s)	Term of Rate	Reservation Rate (1)(4)	Commodity Rate (1)(4)	Fuel (2)(4)	Surcharges (3)
As listed on Exhibit A	As listed on Exhibit A	January 1, 2018 through the day preceding the Expansion Capacity Commencement Date	(1a) (1c) (1d)			
As listed on Exhibit A	As listed on Exhibit A	The Expansion Capacity Commencement Date through October 31, 2039	(1b) (1c) (1d)			

Secondary Receipt Point(s)	Secondary Delivery Point(s)	Term of Rate	Reservation Rate (1)(4)	Commodity Rate (1)(4)	Fuel (2)(4)	Surcharges (3)
All	All	(See ¶9)	(1c) (1d) (1e)			

Notes:

- (1) Unless otherwise agreed by the Parties in writing, the rates for service shall be Transporter's maximum rates for service under Rate Schedule FT or other superseding Rate Schedules; as such rates may be changed from time to time. The reservation rate shall be payable regardless of quantities transported.
- (1a) As provided in Section 4.14 of the GT&C of Transporter's Tariff, the parties agree to the following negotiated reservation rate(s): \$13.4421 per Dekatherm per month which shall be payable regardless of quantities transported.

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- (1b) As provided in Section 4.14 of the GT&C of Transporter's Tariff, the parties agree to the following negotiated reservation rate(s): \$8.5741 per Dekatherm per month which shall be payable regardless of quantities transported. Note however, that if the Expansion Capacity In-Service Date occurs prior to July 1, 2020, then any increased charges relating to the Expansion Capacity paid to Transporter by Shipper in a month prior to the earlier of (i) the first month in which Shipper uses any portion of the Expansion Capacity; or (ii) July 1, 2020, will be applied as a credit against charges that are due from Shipper beginning August 1, 2039.
- (1c) Subject at all times to FERC's approval of the particular costs, Transporter shall be entitled to recovery of Greenhouse Gas Emissions Costs incurred by Transporter attributable to natural gas transported for Shipper. As used herein "Greenhouse Gas Emissions Costs" means (i) the cost of any carbon emissions tax or other greenhouse gas assessment that is imposed on Transporter, (ii) the cost of any greenhouse gas mitigation efforts, including the costs of credits and offsets, that Transporter incurs to comply with any greenhouse gas laws, rules or regulations, and/or (iii) costs incurred under a voluntary program of greenhouse gas mitigation which are reviewed and approved by FERC in a proceeding in which Shipper has been provided an opportunity to participate. If (i) Transporter is unsuccessful in having the FERC-approved Greenhouse Gas Emissions Costs incurred by it recovered through a FERC-approved surcharge applicable to all shippers, and (ii) such amounts are recoverable only through Transporter's FERC-approved recourse rates, then the negotiated fixed monthly reservation rate described in notes (1a) and (1b) will be increased by the amount of Transporter's maximum reservation rate under Rate Schedule FT that is attributable to such costs.
- (1d) Transporter shall be entitled to recovery of Arizona Transaction Privilege Tax paid by Transporter related to providing services to Shipper under this Agreement.
- (1e) In the event Transporter adds additional points of receipt and/or delivery at a future date, any transportation services using secondary receipt or delivery points with a different rate than the rate applicable to the primary receipt point to primary delivery point rate shall be subject to the higher of the primary receipt point to primary delivery point rate or the stated rate for the secondary point(s).
- (2) FL&U reimbursement percentages shall be as stated on Transporter's Statement of Rates in the Tariff, as they may be changed from time to time, unless otherwise agreed between the parties.
- (3) Surcharges, if applicable: All applicable surcharges, unless otherwise specified, shall be the maximum surcharge rate as stated on the Statement of Rates in the Tariff, as it may be changed from time to time, unless otherwise agreed to by the parties.
- ACA: The ACA surcharge shall be assessed pursuant to GT&C Section 17 of the Tariff.
- (4) Quantities scheduled by Transporter from/to primary and/or secondary point(s) on any off-system capacity held by Transporter shall be subject to Transporter's Third Party Charges pursuant to GT&C Section 4.6.

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