



August 31, 2018

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

Re: Tennessee Gas Pipeline Company, L.L.C.
Modifications to Cashout Mechanism
Docket No. RP18-____-000

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act (“NGA”) and Part 154 of the regulations of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. Part 154, Tennessee Gas Pipeline Company, L.L.C. (“Tennessee”) hereby tenders for filing and acceptance revised tariff records to its FERC Gas Tariff, Sixth Revised Volume No. 1 (“Tariff”), which Tariff records are listed on Appendix A. Tennessee respectfully requests that these Tariff records be placed into effect on October 1, 2018.

Statement of Nature, Reasons, and Basis for the Filing

Background

Tennessee’s current cashout reconciliation mechanism was established pursuant to a March 25, 1999 Stipulation and Agreement (“Cashout Settlement”) filed by Tennessee in Docket Nos. RP95-64-004, RP96-292-000, RP98-14-000, RP98-238-000 and RP99-209-000.¹ The Cashout Settlement was uncontested, and was approved by a Commission Letter Order dated April 28, 1999.² Under the current cashout reconciliation mechanism, for each applicable annual cashout period commencing September 1 and ending August 31, Tennessee reconciles the net cashout activity³ on its system with operational transactions.⁴ The cost or revenue from the net cashout activity is compared to the revenue or cost from the operational transactions used to offset the net cashout activity. Cashout sales and purchases are priced using the “average/high/low” pricing provisions and the cashout imbalance level charges provisions of Tennessee’s LMS-MA and LMS-PA Rate Schedules. Operational sales or purchases (as applicable) used to offset the net cashout activity on a dekatherm basis, are priced at the weighted average price per dekatherm derived from all operational transactions entered into by

¹ The Cashout Settlement resolved all issues in the referenced five cashout proceedings and established a revised methodology for reconciling cashout activity on its system beginning on September 1, 1998.

² *Tennessee Gas Pipeline Co.*, 87 FERC ¶ 61,106 (1999).

³ Net cashout activity is the net quantity of gas sold and/or purchased and related net revenue received and/or net cost incurred by Tennessee resulting from all monthly cashout activity during the annual cashout period.

⁴ Operational transactions are operational sales and purchases with third parties, which Tennessee executes periodically to manage its system.

Tennessee during the annual cashout period, even if the quantities sold or purchased (as applicable) under all such operational transactions exceed the quantities needed to offset the net cashout activity. To the extent Tennessee has not made sufficient operational sales or purchases (as applicable) to fully offset the net cashout activity on a dekatherm basis during the annual cashout period, a balancing entry is used to offset any remaining net cashout activity. The balancing entry transactions, which do not actually occur during the annual cashout period, attribute to Tennessee the additional sales or purchases of gas which are necessary to offset any remaining net cashout activity and are priced pursuant to a formula based on the NYMEX future monthly spot price.

On November 21, 2017, in Docket No. RP18-180-000, Tennessee submitted its cashout report for the twelve month period ending August 31, 2017 (“2017 Cashout Report”). The 2017 Cashout Report reflected that Tennessee’s cashout operations for the applicable period experienced a net long imbalance position (i.e. Tennessee purchased gas from its shippers) of 4,186,983 dekatherms and a related loss of \$10,297,374 resulting in a cumulative loss as of August 31, 2017 of \$17,402,698.⁵ Tennessee stated that this cumulative loss would be rolled-forward into its next annual cashout period in accordance with the cashout provisions of Rate Schedules LMS-MA and LMS-PA of Tennessee’s Tariff.⁶ Tennessee continues to experience losses from its cashout operations and, as of June 30, 2018, has recorded a cumulative cashout loss of approximately \$24,195,305.

Instant Filing

The purpose of the instant filing is to make certain modifications to Tennessee’s cashout mechanism as set forth in Rate Schedules LMS-MA and LMS-PA of its Tariff. Over the last few years, Tennessee has experienced higher levels of imbalance activity on its system. As detailed in Exhibit 1, for the last three annual cashout periods ending August 31, 2017, Tennessee has experienced on average a net long imbalance position of approximately 5,528,895 dekatherms per year. In contrast, in the previous three annual cashout periods ending August 31, 2014, Tennessee experienced on average a net long imbalance position of approximately 836,313 dekatherms per year, less than one-sixth of the imbalance activity in the last three cashout years. In addition, although Tennessee has experienced a net long imbalance position during each of the last three annual cashout periods (i.e. a positive imbalance or a net purchase of gas from its shippers), month-to-month, Tennessee has experienced both positive imbalances (i.e. a net long position) as well as negative imbalances (i.e. a net short position), making it difficult to manage

⁵ Cashout losses carried forward by Tennessee from the previous annual cashout periods ending August 31, 2015 and August 31, 2016 were \$3,623,096 and \$3,482,228, respectively.

⁶ See Tennessee’s Tariff, Section 7 (g)(iii) of Rate Schedule LMS-MA. To the extent the Net Cashout Balance in any Annual Cashout Period results in a positive balance greater than \$4 million, Tennessee shall refund such balance, plus the accrued interest determined in accordance with section 154.501 of the Commission’s regulations to shippers and OBA point operators subject to the cashout provisions of Rate Schedules LMS-MA and LMS-PA. To the extent that the Net Cashout Balance in any Annual Cashout Period results in a positive balance of \$4 million or less or in a negative balance, then such balance shall be carried forward and applied to the next annual determination of the Net Cashout Balance.

its cashout activity during the annual cashout period. The higher levels of imbalance activity on its system are the result of several factors, including market and supply shifts which in turn have impacted gas flows and operating conditions on the Tennessee system, higher load factors coupled with increased maintenance activity driven by pipeline safety regulations and Tennessee's own best practices which have led to less scheduling flexibility for marginal movements of gas on the Tennessee system and pricing under the cashout mechanism that may have incentivized shippers to sell gas to Tennessee. Given the varied contributing factors and significance of the growing losses incurred in recent years, Tennessee had contemplated additional changes to its cashout mechanism. Nonetheless, based on its outreach efforts and feedback from customers, Tennessee is proposing a limited set of changes to its cashout mechanism at this time. Tennessee believes that the changes proposed in the instant filing will improve the functioning of Tennessee's cashout mechanism by providing Tennessee with the additional operational flexibility it needs to manage its cashout activity on a more timely basis. Specifically, Tennessee is proposing the following:

Modifications to the Cashout Reconciliation Mechanism

Tennessee proposes to modify the cashout reconciliation mechanism set forth in Section 7(g) of its LMS-MA Rate Schedule. As described above, under the current cashout reconciliation mechanism, Tennessee reconciles on an annual basis, the net cashout activity on its system with operational transactions. The cost or revenue from the net cashout activity is compared to the revenue or cost from the operational transactions that are used to offset the net cashout activity. To the extent that Tennessee has, on a dekatherm basis, experienced a net sale of gas (i.e. a negative imbalance) during the annual cashout period, Tennessee offsets such net sale of gas with an operational purchase quantity equal to such net sale quantity priced at the weighted average price per dekatherm derived from all operational purchases made by Tennessee during the annual cashout period, even if the quantities purchased by Tennessee under all operational transactions exceed the quantities needed to offset the net cashout sale activity during such annual cashout period. Similarly, to the extent that Tennessee has, on a dekatherm basis, experienced a net purchase of gas (i.e. a positive imbalance) during the annual cashout period, Tennessee offsets such net purchase of gas with an operational sale quantity equal to such net purchase quantity priced at the weighted average price per dekatherm derived from all operational sales made by Tennessee during the annual cashout period, even if the quantities sold by Tennessee under all operational transactions exceed the quantities needed to offset the net cashout purchase activity during such annual cashout period. To the extent Tennessee has not made sufficient operational sales or purchases (as applicable) to fully offset the net cashout activity during the annual cashout period, a balancing entry is used to offset any remaining net cashout activity. The balancing entry transactions, which do not actually occur during the annual cashout period, attribute to Tennessee the additional sales or purchases of gas which are necessary to offset any remaining net cashout activity and are priced pursuant to a formula based on the NYMEX future monthly spot price. Finally, the current cashout reconciliation mechanism includes a credit for revenue received by Tennessee from gas forfeited and from the sale of storage inventory under the provisions of Tennessee's Rate Schedule IS

and a debit for the costs incurred by Tennessee for the use of third-party storage and associated transportation to balance its system, capped at \$1 million.

Under the current mechanism, to the extent that the net monthly cashout activity during the annual cashout period swings from month-to-month from a net sale to a net purchase or from a net purchase to a net sale, and Tennessee purchases and/or sells gas to offset such net monthly cashout activity, Tennessee bears the risk of any operational purchases or sales it might have made to manage the cashout activity on a more timely manner, but which may not be required at the end of the annual cashout period to fully offset the net cashout activity for such period. As a result, Tennessee typically waits towards the end of the applicable annual cashout period to effectuate any operational purchases and sales of gas to fully offset the net cashout activity for such annual period. Further, because from time to time, Tennessee also enters into operational purchase and sales transactions with third parties to manage its system operations, in addition to those entered into to balance its net cashout activity, these “non-cashout” operational purchases and/or sales may in some instances, place additional risk on Tennessee. For example, if the net cashout activity at the end of the annual cashout period results in a net purchase position (positive imbalance), Tennessee would effectuate an operational sale to fully offset such net cashout activity. If during the same annual cashout period, Tennessee, for other operational reasons, enters into an operational sale to manage its system operations, the price at which such operational sale was transacted will impact the reconciliation of the cashout activity since all offsetting operational sales are priced at the weighted average price per dekatherm derived from all operational sales (including those made for other operational reasons) made by Tennessee during the annual cashout period, and as a result, introduce an additional level of price risk on Tennessee’s ability to manage its “non-cashout” system operations.

To address these issues, Tennessee proposes to modify the cashout reconciliation mechanism to include only those operational purchase and/or sale transactions which are necessary for Tennessee to manage the cashout activity pursuant to the LMS Rate Schedules (“Operational Cashout Transactions”). Thus, Tennessee will no longer use a blended average price per dekatherm derived from all operational purchase or sales (as applicable) made by Tennessee during the annual cashout period to offset the net cashout activity. Rather, it will use the actual cost of any operational cashout purchase and/or sale made by Tennessee to offset the net cashout activity.⁷ However, to maintain transparency on its operational purchase and sale activity, Tennessee will continue to report in its cashout report, all operational purchase and sale transactions entered into by Tennessee during the applicable annual cashout period. In addition, Tennessee also proposes to disclose via postings on its website, the details of all operational transactions

⁷ In order to maintain the integrity of its system operations, Tennessee may need to enter into multiple Operational Cashout Transactions (i.e. purchases and sales) during a month on various parts of its system, including by Receipt Region.

entered into by Tennessee.⁸ Tennessee also proposes to make any required Operational Cashout Transactions, if operationally practicable, by the end of the month following the month when the net cashout activity for such month is determined.⁹ This will ensure that the offsetting Operational Cashout Transactions are generally in line with the cashout prices, which will in turn help minimize cashout gains and losses. To the extent that during the applicable annual cashout period, the Operational Cashout Transactions entered into by Tennessee are not sufficient to fully offset the net cashout activity on a dekatherm basis, Tennessee will carry forward any unsettled net cashout activity to future annual cashout period(s). This situation may arise when Tennessee is unable to effectuate the offsetting Operational Cashout Transactions due to operational constraints. Tennessee will continue to include in its cashout reconciliation, a credit for revenue received by Tennessee from gas forfeited and from the sale of storage inventory under the provisions of Tennessee's Rate Schedule IS and a debit for the costs incurred by Tennessee for the use of third-party storage and associated transportation to balance its system, capped at \$1 million. Finally, Tennessee proposes to maintain the existing refund and carry-forward provision set forth in Section 7(g)(iii) of Rate Schedule LMS-MA, providing for Tennessee to refund to non-offending parties, any positive cashout balances greater than \$4 million and to carry-forward into future annual cashout periods, any negative cashout balances or any positive cashout balances less than \$4 million.¹⁰ An illustration detailing the reconciliation of the net cashout activity under the proposed mechanism is set forth in Exhibit 2.¹¹

Other Minor and "Clean-up" Changes

Tennessee also proposes to make some other minor "clean-up" and conforming changes to its LMS-MA and LMS-PA Rate Schedules.¹² In addition, Tennessee proposes to modify the definition of "LMS Rate Schedules" set forth in Section 7(g)(i)(A) of the

⁸ Such notices will be posted no later than by the end of the month following the month when the operational transactions are effectuated by Tennessee. *See* Section 7(g)(ii) of Rate Schedule LMS-MA.

⁹ Imbalance activity for a particular month is invoiced by Tennessee in the second month following the month when the imbalance occurred. Thus, any required Operational Cashout Transactions to offset such cashout activity may not occur until the second month following the month when the imbalance occurred. Tennessee's intent will be to enter into offsetting Operational Cashout Transactions as soon as operationally practicable and as further informed by Tennessee in its reasonable judgment as to the materiality of the estimated or actual net cashout imbalance level.

¹⁰ Tennessee believes that the changes to the cashout reconciliation mechanism as proposed in the instant filing should help Tennessee reduce future cashout gains and losses. To the extent that the changes to the reconciliation mechanism as proposed herein are not sufficient to maintain any future cashout losses at reasonable levels or to significantly reverse the historical losses accumulated to date, Tennessee may need to make additional changes to its cashout mechanism to address recovery of such cashout losses and will confer with customers prior to filing any such modification(s).

¹¹ Exhibit 2 also details the use of the end-of-year balancing entry for purposes of determining any customer refunds pursuant to Section 7(g)(iii)(A) of Rate Schedule LMS-MA. Pursuant to Section 7(g)(i)(F), the balancing entry will be priced using the Market Area Average Price determined for the last month of the applicable annual cashout period.

¹² *See* Sections 7(b)(ii) and 7(c)(ii) of Rate Schedule LMS-MA and Sections 5(a), 7(a) and 7 (b) of Rate Schedule LMS-PA.

LMS-MA Rate Schedule, in order to clarify that cashout sales or purchases arising from pipeline balancing agreements that Tennessee enters into with a qualifying pipeline, as defined in Tennessee's Tariff, are included in the determination and disposition of the net cashout activity. This is necessary in situations where the pipeline balancing agreement(s) may have cashout provisions based on the cashout terms of the third party pipeline, rather than on the cashout terms of Tennessee's Tariff. Finally, Tennessee also proposes to modify the posting requirement set forth in Section 7(f) of Rate Schedule LMS-MA. Currently, Tennessee is required to post on its website, its need for third party storage and associated transportation service, twice per calendar year, even though Tennessee may in some instances only need third party storage once per year or three times per year. Tennessee propose to replace this requirement with a requirement to post the need for third party storage "as soon as reasonable practicable".

Tennessee submits the instant filing to improve the functioning of its cashout mechanism by providing Tennessee with the additional operational flexibility it needs to manage its cashout activity on a more timely basis and thus reduce future cashout gains and losses.

Materials Enclosed

In accordance with the applicable provisions of Part 154 of the Commission's regulations, Tennessee provides an eTariff .xml filing package containing:

- (1) A transmittal letter in PDF format with Appendix A attached;
- (2) Tariff records in RTF format with metadata attached;
- (3) A clean and marked version of the Tariff records in PDF format for posting on eLibrary;
- (4) Exhibits 1-2 in PDF format; and
- (5) A copy of the entire filing in PDF format for posting on eLibrary.

Service and Correspondence

The undersigned certifies that a copy of this filing has been served electronically pursuant to 18 C.F.R. § 154.208 on Tennessee's customers and affected state regulatory commissions. A paper copy of this filing may only be served if a customer has been granted waiver of electronic service pursuant to 18 C.F.R. Part 390 of the Commission's regulations. In addition, an electronic copy of this filing is available for public inspection during regular business hours in Tennessee's office at 1001 Louisiana Street, Suite 1000, Houston, Texas 77002.

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

The names, titles, and mailing addresses of the persons to whom correspondence and communications concerning this filing should be directed are as follows:

* Michelle Grant
Assistant General Counsel
Tennessee Gas Pipeline Company, L.L.C.
1001 Louisiana Street, Suite 1000
Houston, TX 77002
Telephone: (713) 420-6680
michelle_grant@kindermorgan.com

* Carlos Oblitas
Director, Rates and Regulatory Affairs
Tennessee Gas Pipeline Company, L.L.C.
1001 Louisiana Street, Suite 1000
Houston, TX 77002
Telephone: (713) 420-5771
carlos_oblitas@kindermorgan.com

* Persons designated for service in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010. Additionally, service via email is requested in lieu of paper copies.

Effective Date and Waiver

Tennessee respectfully requests that the Commission grant all waivers of its regulations that may be necessary to accept this filing and to approve the proposed Tariff records listed on Appendix A to be effective October 1, 2018.¹³

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

Any questions regarding this filing may be directed to the undersigned at (713) 420-5771

Respectfully submitted,

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

By: /s/ Carlos Oblitas
Carlos J. Oblitas
Director, Rates and Regulatory Affairs

Enclosures

¹³ Given that the proposed changes to Tennessee's cashout reconciliation mechanism will be implemented on October 1, 2018, one month into the next annual cashout period that begins on September 1, 2018, Tennessee proposes to settle the cashout activity that will occur in the month of September 2018 pursuant to Section 7(g)(ii) of Rate Schedule LMS-MA of Tennessee's Tariff, as approved by the Commission in this docket, i.e. Tennessee, if operationally practicable, will make any required Operational Cashout Transactions to offset the September cashout activity in the month of November.

APPENDIX A

Tennessee Gas Pipeline Company, L.L.C.

Modifications to Cashout Mechanism

Tariff Records

FERC Gas Tariff

Sixth Revised Volume No. 1

Issued: August 31, 2018

Effective: October 1, 2018

Section Title			
Narrative Name	Record Contents Description	Tariff Record Title	Version
Ninth Revised Sheet No. 249	Sheet No. 249	Rate Schedule LMS-MA - Balancing	9.0.0
Eighth Revised Sheet No. 250	Sheet No. 250		8.0.0
Fourth Revised Sheet No. 253	Sheet No. 253		4.0.0
Fourth Revised Sheet No. 254	Sheet No. 254		4.0.0
Fourth Revised Sheet No. 255	Sheet No. 255		4.0.0
Fourth Revised Sheet No. 256	Sheet No. 256		4.0.0
Seventh Revised Sheet No. 264	Sheet No. 264	Rate Schedule LMS – PA - Balancing	7.0.0
Fifth Revised Sheet No. 266	Sheet No. 266		5.0.0

CLEAN TARIFF SHEETS / RECORDS

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

7. Cash Out Option (continued)

(a) Daily Imbalance Charges:
(continued)

- (vi) Transporter shall not assess any Daily Imbalance Charges against Balancing Parties whose scheduled and flowing services are bumped as a result of an intraday nomination change in accordance with Article IV, Section 2 of the General Terms and Conditions of Transporter's FERC Gas Tariff. This waiver of Daily Imbalance Charges shall apply only for the day(s) on which the services were bumped.

(b) Mid-month Activity

- (i) Based upon the best information available, a Delivery Point Operator shall take action to correct any imbalances occurring during the month by making adjustments in nominations and gas flows. If a Delivery Point Operator fails to take such corrective action, then Transporter may, upon one day's notice, adjust Delivery Point Operator's scheduled receipts and deliveries over the remainder of the calendar month in order to maintain a balance of receipts, deliveries and nominations provided Transporter determines that such action is necessary to maintain the operational integrity of the system or to enable Transporter to meet its firm obligations to its other Shippers.

- (ii) Parties will be allowed to trade offsetting imbalances in the month following the month during which the imbalance occurred; provided that the Party notifies Transporter of the identities of the Parties agreeing to the trade, and the volumes to be traded, no later than seventeen business days after the end of the month during which the imbalances occurred. For interzonal, inter-Pooling Area except where alternative pooling is allowed or receipt-to-delivery imbalance trades after the month during which the imbalances occurred, the Parties agreeing to the trade must notify Transporter of the party responsible for the transportation from point to point, zone to zone or Pooling Area to Pooling Area. If the Parties do not notify Transporter of the party responsible for transportation, Transporter shall hold the Party who traded the imbalance due Transporter responsible for the applicable transportation charges. To facilitate end-of-month imbalance trading, Transporter will provide for Parties to post their imbalances, and any information relevant to the trading thereof, on its Interactive Website.

Transportation charges for interzonal or inter-Market Area Pooling Area trades except where alternative pooling is allowed solely under this Rate Schedule will be the maximum zone-to-zone commodity rate (including fuel and surcharges) associated with Transporter's Rate Schedule FT-A. Transportation charges for interzonal or inter-Pooling Area imbalance trades between a party under this Rate Schedule and a party under Rate Schedule LMS-PA and for receipt-to-delivery imbalance trades will be the maximum zone-to-zone commodity rate (including fuel and surcharges) associated with Transporter's Rate Schedule FT-A.

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

7. Cash Out Option (continued)

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

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

(c) Monthly Imbalances

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

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

7. Cash Out Option (continued)
- (e) Limitation on Penalties - Any imbalances caused by an event which excuses performance under Article XII of the General Terms and Conditions or caused by an action of Transporter, will not be included in the calculation of the % monthly imbalance for purposes of determining the appropriate cash out level of this Rate Schedule.
 - (f) If Transporter, from time to time, uses temporary third party storage and associated transportation service to balance its system or to avoid circumstances which would require restrictions on gas flows, Transporter shall post on its Interactive Website as soon as reasonably practicable its need for such additional storage and the specific area where the assistance is needed. Transporter shall accept competitive bids to meet its need and post the results of the auction.
 - (g) Determination and Disposition of the Net Cashout Balance
 - (i) Determination of the Net Cashout Balance: For each annual period commencing September 1 and ending August 31 ("Annual Cashout Period"), Transporter shall determine on a dekatherm and on a dollar basis, its Net Cashout Balance as of the end of the applicable Annual Cashout Period, which shall be equal to the sum of Items No. 1 through No. 6 below:
 - (A) Item No. 1. Net Cashout Activity: The net quantity of gas sold and/or purchased and related net revenue received and/or net cost incurred by Transporter during the Annual Cashout Period, resulting from all monthly cashout sales and purchases pursuant to Rate Schedules LMS-MA and LMS-PA of this FERC Gas Tariff or pursuant to the terms of the Pipeline Balancing Agreement(s) entered into by Transporter with a Qualifying Pipeline (collectively, "LMS Rate Schedules"). Net revenue received include revenues received and costs avoided pursuant to application of the cashout penalty provisions under Sections 7(c)(vii)(C) and (D) of Rate Schedule LMS-MA and Sections 7(d)(iii) and (iv) of Rate Schedule LMS-PA, but exclude Daily Imbalance Charges received by Transporter pursuant to Section 7(a) of this Rate Schedule and Section 5 of Rate Schedule LMS-PA.
 - (B) Item No. 2. Operational Cashout Activity: The net quantity of operational gas sold and/or purchased and related net revenue received and/or net cost incurred by Transporter during the Annual Cashout Period, resulting from Operational Purchases and/or Operational Sales entered into by Transporter to manage the cashout activity pursuant to the LMS Rate Schedules ("Operational Cashout Transactions").
 - (C) Item No. 3. Interruptible Storage Revenues: An amount equal to (i) the total value of gas forfeited to Transporter by Rate Schedule IS shippers pursuant to Sections 3.3 and 3.4 of Rate Schedule IS during the Annual Cashout Period, priced at the Average Price for the Market Area, as defined in Section 7(c)(vii)(A) of this Rate Schedule, and (ii) the revenue received by Transporter during the Annual Cashout Period from the sale of storage inventory pursuant to Section 6.4 of Rate Schedule IS. The quantity of storage inventory sold pursuant to Section 6.4 of Rate Schedule IS shall be treated as a cashout sale and included in the net quantity described in Section 7(g)(i)(A) above.
 - (D) Item No. 4. Third-Party Storage Costs: An amount equal to the actual costs incurred by Transporter during the Annual Cashout Period, not to exceed \$1 million, for the use of third-party storage and associated transportation service pursuant to Section 7(f) of this Rate Schedule.

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

7. Cash Out Option
(g) (continued)

(E) Item No. 5. Previous Year Net Cashout Balance: The amount in the Net Cashout Balance account, on a dekatherm and on a dollar basis, as of the end of the immediately preceding Annual Cashout Period, but excluding any balancing entries determined pursuant to Section 7(g)(i)(F) of this Rate Schedule.

(F) Item No. 6. End of Year Balancing Entry: To the extent that during the applicable Annual Cashout Period, the Operational Cashout Transactions entered into by Transporter do not fully offset the Net Cashout Activity on a dekatherm basis, Transporter shall use an End of Year Balancing Entry quantity to fully offset any residual net cashout sale or purchase quantities. The revenues or costs associated with such End of Year Balancing Entry quantity, priced at the Average Price for the Market Area, as defined in Section 7(c)(vii)(A) of this Rate Schedule, for the last month of the Annual Cashout Period, shall be used in the determination of the Net Cashout Balance at the end of the applicable Annual Cashout Period for purposes of determining any customer refunds pursuant to Section 7(g)(iii)(A) of this Rate Schedule.

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

7. Cash Out Option
(g) (continued)

- (ii) Operational Transactions: Operational Transactions are those Operational Purchases and/or Operational Sales which Transporter may from time to time, in its discretion, enter into with third parties to manage the monthly cashout activity pursuant to the LMS Rate Schedules, maintain system pressure and line pack, perform other operational functions in connections with the services provided pursuant to its FERC Gas Tariff, and to otherwise maintain and protect the operational integrity of its system. Pursuant to this Section 7(g)(ii), Transporter may purchase gas quantities for receipt into its system and may sell gas quantities for delivery out of its system. These Operational Transactions may be conducted on a first-come/first-served basis at posted prices, or pursuant to an open auction or electronic gas trading system, or negotiated directly with third parties.

Operational Cashout Transactions, as defined in Section 7(g)(i)(B) of this Rate Schedule, include without limitation, Operational Purchases and/or Operational Sales entered into by Transporter to manage the cashout activity by Receipt Region, as defined in Rate Schedule LMS-PA. Transporter shall endeavor to make any required Operational Cashout Transactions by the end of the month following the month when the Net Cashout Activity for such month is determined, but only to the extent such Operational Cashout Transactions are operationally practicable. Transporter shall post a notice on its Interactive Website detailing all Operational Transactions entered into by Transporter during the applicable month, the point(s) of receipt and/or delivery and location where those Operational Transactions occurred, the purchase and/or sales price and volumes and any other information that Transporter deems relevant to properly identify all Operational Cashout Transactions. Such notice shall be posted no later than by the end of the month following the month when the Operational Transactions are effectuated by Transporter.

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

7. Cash Out Option
(g)
(continued)

(iii) Disposition of Net Cashout Balance:

(A) To the extent that the Net Cashout Balance in any Annual Cashout Period, including any End of Year Balancing Entry determined pursuant to Section 7(g)(i)(F) of this Rate Schedule, results in a positive balance greater than \$4 million, then such balance plus accrued interest, determined in accordance with section 154.501 of the Commission's regulations, shall be refunded by Transporter to Non-Offending parties. Non-Offending parties are those shippers and OBA point operators subject to the cashout provisions of the LMS Rate Schedules whose imbalance, on any month during the applicable Annual Cashout Period, was within a zero to five percent tolerance (as calculated according to Section 7(c) of this Rate Schedule) or 1,000 Dth. Refunds shall be based on the commodity volumes for Non-Offending parties for the applicable Annual Cashout Period. The total monthly commodity volumes for Non-Offending parties will be accumulated for the applicable Annual Cashout Period and a pro rata allocation will be applied to the total amount to be refunded in order to determine the refund amount for each party. When refunds are to be made, Transporter shall include in the Annual Cashout Report a schedule supporting the allocation of refunds to each party. Transporter shall issue such refunds within sixty (60) days following final acceptance by the Commission of the Annual Cashout Report.

(B) To the extent that the Net Cashout Balance in any Annual Cashout Period, including any End of Year Balancing Entry determined pursuant to Section 7(g)(i)(F) of this Rate Schedule, results in a negative balance or in a positive balance of \$4 million or less, then such balance plus accrued interest, determined in accordance with section 154.501 of the Commission's regulations, shall be carried forward and included in the determination of the Net Cashout Balance in the subsequent Annual Cashout Period.

(iv) Filing Requirements: No later than by the end of November immediately following the end of the applicable Annual Cashout Period, Transporter shall file with the Commission its Cashout Report detailing the computation of the Net Cashout Balance for the applicable Annual Cashout Period. The Cashout Report shall include the monthly detail for Item Nos. 1 through 4 as described in Section 7(g)(i)(A)-(D) of this Rate Schedule. Such detail shall include a listing of monthly imbalances in dekatherms and dollars by cashout shipper in support of the cashout activity in the report. Transporter shall also include in the Cashout Report, the computation of the End of Year Balancing Entry as described in Section 7(g)(i)(F) of this Rate Schedule, as well as a list of all Operational Purchases and Operational Sales transactions by month during the applicable Annual Cashout Period.

(h) Mutual Assistance - In order to prevent or alleviate an operational constraint on its system, Transporter may request that a Balancing Party increase or decrease its flows at stated point(s) independent of the nominations at that point(s). In any month in which a Balancing Party conforms with the request made by Transporter, Transporter shall waive all Daily Imbalance charges, for those days that Balancing Party provided mutual assistance, accrued by the Balancing Party during such month. The agreement to provide mutual assistance shall be at the discretion of Balancing Party and Transporter.

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

5. Daily Imbalances Charges

- (a) The Daily Imbalance for a Balancing Party or Shipper ("Party") shall be the difference between the total net quantities scheduled for receipt at the point(s) as set forth in the agreement subject to this Rate Schedule ("Agreement") and the actual quantities of gas taken by the Party at such point(s) for each day.
- (b) Each day, Transporter shall provide on its Interactive Website a continuous notice detailing each regional net pipeline position of Transporter's pipeline system. For purposes of defining each region, the zones as shown on Sheet 5 shall be aggregated as follows: Supply Region - Zones 0 and 1: Market Region - Zones 2,3,4,5 and 6. Beginning at 12 p.m. CCT each Gas Day, Transporter shall monitor the regional net pipeline positions and provide notice via e-mail to customers the first time any regional net pipeline position is greater than plus or minus 4.5%. Transporter shall determine each regional net pipeline position by dividing the sum of the total positive or negative cumulative imbalances at all points for the applicable region covered by this Rate Schedule and the total positive or negative cumulative imbalances at all points for the applicable region covered under Rate Schedule LMS-MA by the sum of the total scheduled quantities at all points for the applicable region covered under this Rate Schedule and the total scheduled quantities at all points for the applicable region covered under Rate Schedule LMS-MA. The resulting % imbalance is the regional net pipeline position.
- (c) On a day that the ending regional net pipeline position exceeds plus or minus 5%, any Party under this Rate Schedule and whose Agreement point(s) is located within this region that 1) has a Daily Imbalance that exceeds the greater of 10% of scheduled quantities or 1,000 Dth but less than or equal to 20% of that Party's scheduled quantities and 2) the Daily Imbalance is in the same direction as the regional net pipeline position, shall be assessed a per dekatherm Daily Imbalance Charge equal to two times the currently effective maximum rate under Transporter's Rate Schedule PAL. The Daily Imbalance Charge under this Section 5(c) shall apply only to those quantities of the Daily Imbalance that exceed the greater of 10% of scheduled quantities or 1,000 Dth but are less than or equal to 20% of the Party's scheduled quantities for that day.
- (d) On a day that the ending regional net pipeline position exceeds plus or minus 5%, any Party under this Rate Schedule and whose Agreement point(s) is located within this region that 1) has a Daily Imbalance that exceeds the greater of 20% of that Party's scheduled quantities or 1,000 Dth and 2) the Daily Imbalance is in the same direction as the regional net pipeline position, in addition to the Daily Imbalance Charge set forth in Section 5(c) above, shall also be subject to a per dekatherm Daily Imbalance Charge equal to four times the currently effective maximum rate under Transporter's Rate Schedule PAL. The Daily Imbalance Charge under this Section 5(d) shall apply only to those quantities of the Daily Imbalance that exceed the greater of 20% of the Party's scheduled quantities for that day or 1,000 Dth.
- (e) All revenues collected by Transporter as payment of the Daily Imbalance Charges assessed under this Section 5 shall be credited to Eligible Parties. Eligible Parties are Parties under this Rate Schedule and Balancing Parties under Rate Schedule LMS-MA whose Daily Imbalances in its region were equal to or less than plus or minus 5% of the Parties' scheduled quantities on the day(s) that Daily Imbalance Charges were assessed. An Eligible Party will receive a pro rata allocation of the payments of the Daily Imbalance Charges collected for a particular day for such region based on the scheduled quantities under the Eligible Party's Agreement for that day. Credits to an Eligible Party will be aggregated throughout the calendar year and will be disbursed annually to the Eligible Party on the invoice following the first production month of the following year. Tennessee will also post on its interactive Internet website the amount collected and the amount credited to each Eligible Party.
- (f) Transporter shall not assess any Daily Imbalance Charges against Parties whose scheduled and flowing services are bumped as a result of an intraday nomination change in accordance with Article IV, Section 2 of the General Terms and Conditions of Transporter's FERC Gas Tariff. This waiver of Daily Imbalance Charges shall apply only for the day(s) on which the services were bumped.

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

7. Monthly Imbalances

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

MARKED TARIFF SHEETS / RECORDS

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

7. Cash Out Option (continued)

(a) Daily Imbalance Charges:
(continued)

- (vi) Transporter shall not assess any Daily Imbalance Charges against Balancing Parties whose scheduled and flowing services are bumped as a result of an intraday nomination change in accordance with Article IV, Section 2 of the General Terms and Conditions of Transporter's FERC Gas Tariff. This waiver of Daily Imbalance Charges shall apply only for the day(s) on which the services were bumped.

(b) Mid-month Activity

- (i) Based upon the best information available, a Delivery Point Operator shall take action to correct any imbalances occurring during the month by making adjustments in nominations and gas flows. If a Delivery Point Operator fails to take such corrective action, then Transporter may, upon one day's notice, adjust Delivery Point Operator's scheduled receipts and deliveries over the remainder of the calendar month in order to maintain a balance of receipts, deliveries and nominations provided Transporter determines that such action is necessary to maintain the operational integrity of the system or to enable Transporter to meet its firm obligations to its other Shippers.

- (ii) Parties will be allowed to trade offsetting imbalances in the month following the month during which the imbalance occurred; provided that the Party notifies Transporter of the identities of the Parties agreeing to the trade, and the volumes to be traded, no later than seventeen business days after the end of the month during which the imbalances occurred. For interzonal, inter-Pooling Area except where alternative pooling is allowed or receipt-to-delivery imbalance trades after the month during which the imbalances occurred, the Parties agreeing to the trade must notify Transporter of the party responsible for the transportation from point to point, zone to zone or ~~Market Area~~ Pooling Area to Pooling Area. If the Parties do not notify Transporter of the party responsible for transportation, Transporter shall hold the Party who traded the imbalance due Transporter responsible for the applicable transportation charges. To facilitate end-of-month imbalance trading, Transporter will provide for Parties to post their imbalances, and any information relevant to the trading thereof, on its Interactive Website.

Transportation charges for interzonal or inter-Market Area Pooling Area trades except where alternative pooling is allowed solely under this Rate Schedule will be the maximum zone-to-zone commodity rate (including fuel and surcharges) associated with Transporter's Rate Schedule FT-A. Transportation charges for interzonal or inter-Pooling Area imbalance trades between a party under this Rate Schedule and a party under Rate Schedule LMS-PA and for receipt-to-delivery imbalance trades will be the maximum zone-to-zone commodity rate (including fuel and surcharges) associated with Transporter's Rate Schedule FT-A.

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

7. Cash Out Option (continued)

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

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

(c) Monthly Imbalances

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

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

7. Cash Out Option (continued)

(e) Limitation on Penalties - Any imbalances caused by an event which excuses performance under Article XII of the General Terms and Conditions or caused by an action of Transporter, will not be included in the calculation of the % monthly imbalance for purposes of determining the appropriate cash out level of this Rate Schedule.

(f) If Transporter, from time to time, uses temporary third party storage and associated transportation service to balance its system or to avoid circumstances which would require restrictions on gas flows, Transporter shall post on its Interactive Website ~~twice per calendar year~~ as soon as reasonably practicable its need for such additional storage and the specific area where the assistance is needed. Transporter shall accept competitive bids to meet its need and post the results of the auction.

(g) Determination and Disposition of the Net Cashout Balance

(i) ~~On an Determination of the Net Cashout Balance: For each annual basis for the~~ period commencing September 1 and ending August 31 ("Annual Cashout Period"), Transporter shall determine ~~its Net Cashout Balance and file with the Commission a Cashout Report stating that balance by November 30 immediately following the Annual Cashout Period. Transporter will calculate its Net Cashout Balance in accord with that certain Stipulation and Agreement in Docket Nos. RP95-64 et al., filed on March 25, 1999 and approved by Commission order dated April 28, 1999 ("Cashout Settlement"). Pursuant to the Cashout Settlement, the following items are the only items to be included in the calculation of Transporter's Net Cashout Balance on a dekatherm and on a dollar basis, its Net Cashout Balance as of the end of the applicable Annual Cashout Period, which shall be equal to the sum of Items No. 1 through No. 6 below:~~

(A) Item No. 1. Net ~~Annual~~ Cashout Activity: ~~For the Annual Cashout Period, Tennessee shall determine its Net Cashout Activity. Net Cashout Activity is defined as:~~

~~(a) The net quantity of gas sold and/or purchased and related net revenue received and/or net cost experienced incurred by Tennessee Transporter during the Annual Cashout Period, resulting from all monthly cashout sales and purchases pursuant to Rate Schedules LMS-MA and LMS-PA of this FERC Gas Tariff or pursuant to the terms of the Pipeline Balancing Agreement(s) entered into by Transporter with a Qualifying Pipeline (collectively, "LMS Rate Schedules") [including the]. Net revenue received include revenues received and costs avoided pursuant to application of the cashout penalty provisions under Sections 7(c)(vii)(C) and (D) of Rate Schedule LMS-MA and Sections 7(d)(iii) and (iv) of Rate Schedule LMS-PA] and~~

~~(b) The net quantity in dekatherms of gas sold or purchased, pursuant to the LMS Rate Schedules (i.e. the quantity by which cashout sales exceed cashout purchases or cashout purchases exceed cashout sales), but exclude Daily Imbalance Charges received by Transporter pursuant to Section 7(a) of this Rate Schedule and Section 5 of Rate Schedule LMS-PA shall not be included in the calculation of revenues received for purposes of determining Transporter's Net Cash Out Activity.~~

(B) Item No. 2. Operational Cashout Activity: ~~For the Annual Cashout Period, Tennessee's Net Cashout Activity shall be reconciled with Operational Transactions (as defined in Section 7(g)(ii) of this Rate Schedule and occurring within the applicable Annual Cashout Period plus, if necessary, one additional month ending on the September 30 which is thirteen months after the start of the Annual Cashout Period) in the following manner:~~

~~(a) Net Cashout Sale: To the extent that Tennessee has, on a dekatherm basis, experienced a~~ The net sale quantity of operational gas for the Annual Cashout Period as determined in Section 7(g)(i)(A)(b) above, Tennessee shall offset the sold and/or purchased and related net sale with an entry in the Cashout Report equal to the weighted average price per dekatherm of all revenue received and/or net cost incurred by Transporter during the Annual Cashout Period, resulting from Operational Purchases (as defined in Section 7(g)(ii) of this Rate Schedule) for the annual period multiplied by the net and/or Operational Sales

~~entered into by Transporter to manage the cashout sale quantity. If Tennessee has not made sufficient activity pursuant to the LMS Rate Schedules ("Operational Purchases to fully offset the net cashout sale, Tennessee shall include all of the Operational Purchases in the Cashout Report plus an additional Balancing Entry purchase to reconcile the remaining net cashout sale as described below in Section 7(g)(i)(C)-Cashout Transactions").~~

(C) Item No. 3. Interruptible Storage Revenues: An amount equal to (i) the total value of gas forfeited to Transporter by Rate Schedule IS shippers pursuant to Sections 3.3 and 3.4 of Rate Schedule IS during the Annual Cashout Period, priced at the Average Price for the Market Area, as defined in Section 7(c)(vii)(A) of this Rate Schedule, and (ii) the revenue received by Transporter during the Annual Cashout Period from the sale of storage inventory pursuant to Section 6.4 of Rate Schedule IS. The quantity of storage inventory sold pursuant to Section 6.4 of Rate Schedule IS shall be treated as a cashout sale and included in the net quantity described in Section 7(g)(i)(A) above.

(D) Item No. 4. Third-Party Storage Costs: An amount equal to the actual costs incurred by Transporter during the Annual Casout Period, not to exceed \$1 million, for the use of third-party storage and associated transportation service pursuant to Section 7(f) of this Rate Schedule.

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

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

~~(b) Net Cashout Purchase: To the extent that Tennessee has, on a dekatherm basis, experienced a net purchase of gas for the Annual Cashout Period as determined in Section 7(g)(i)(A)(b) above, Tennessee shall offset the net purchase with an entry in the Cashout Report equal to the weighted average price per dekatherm of all Operational Sales (as defined in Section 7(g)(ii) of this Rate Schedule) for the annual period multiplied by the net cashout purchase quantity. If Tennessee has not made sufficient Operational Sales to fully offset the net cashout purchase, Tennessee shall include all of the Operational Sales in the Cashout Report plus an additional Balancing Entry sale to reconcile the remaining net cashout purchase as described below in Section 7(g)(i)(C).~~

~~(c) Operational Transactions Pricing: In determining the average price of Operational Purchases and Operational Sales, the prices used shall be the actual prices experienced by Tennessee.~~

~~(C) Item No. 3. Balancing Entry: To the extent that Tennessee's Operational Transactions (as defined in Section 7(g)(ii) of this Rate Schedule and occurring within the applicable Annual Cashout Period plus, if necessary, one additional month ending on the September 30 which is thirteen months after the start of the Annual Cashout Period) are insufficient to fully offset the Net Cashout Activity, Tennessee shall include in the Cashout Report a Balancing Entry to reconcile the remaining Net Cashout Activity in the following manner:~~

~~(a) Net Cashout Sale: To the extent that Tennessee has experienced a net cashout sale, but has not made sufficient operational purchases to fully offset the net cashout sale, a Balancing Entry of operational purchases will be included in the Cashout Report equal to the quantity of deficient operational purchases multiplied by a price based upon a NYMEX futures price as described in Sections 7(g)(i)(C)(c) and (d) below.~~

~~(b) Net Cashout Purchase: To the extent that Tennessee has experienced a net cashout purchase, but has not made sufficient operational sales to fully offset the net cashout purchase, a Balancing Entry of operational sales will be included in the Cashout Report equal to the quantity of deficient operational sales multiplied by a price based upon a NYMEX futures price as described in Sections 7(g)(i)(C)(c) and (d) below.~~

~~(c) Balancing Entry Pricing: The price for Balancing Entry quantities shall be taken from the NYMEX Henry Hub 12 month projection of future monthly gas prices for November through October as of the close of business on September 30 following the close of the Annual Cashout Period. For Balancing Entry quantities up to and including 500,000 dekatherms, the fourth highest NYMEX future monthly price shall be the price for Balancing Entry sale quantities and the fourth lowest NYMEX future monthly price shall be the price for Balancing Entry purchase quantities. For Balancing Entry quantities in excess of 500,000 dekatherms, if any, the price of Balancing Entry sale quantities shall be the highest NYMEX future monthly price, and the price for Balancing Entry purchase quantities shall be the lowest NYMEX future monthly price.~~

~~(E) Item No. 5. Previous Year Net Cashout Balance: The amount in the Net Cashout Balance account, on a dekatherm and on a dollar basis, as of the end of the immediately preceding Annual Cashout Period, but excluding any balancing entries determined pursuant to Section 7(g)(i)(F) of this Rate Schedule.~~

~~(F) Item No. 6. End of Year Balancing Entry: To the extent that during the applicable Annual Cashout Period, the Operational Cashout Transactions~~

entered into by Transporter do not fully offset the Net Cashout Activity on a dekatherm basis, Transporter shall use an End of Year Balancing Entry quantity to fully offset any residual net cashout sale or purchase quantities. The revenues or costs associated with such End of Year Balancing Entry quantity, priced at the Average Price for the Market Area, as defined in Section 7(c)(vii)(A) of this Rate Schedule, for the last month of the Annual Cashout Period, shall be used in the determination of the Net Cashout Balance at the end of the applicable Annual Cashout Period for purposes of determining any customer refunds pursuant to Section 7(g)(iii)(A) of this Rate Schedule.

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

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

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

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

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

(ii) Operational Transactions: Operational Transactions are those Operational Purchases and/or Operational Sales which Transporter may from time to time, in its discretion, enter into with third parties to ~~balance Transporter's system and to maintain operational integrity, manage the monthly cashout activity pursuant to the LMS Rate Schedules, maintain system pressure and line pack, perform other operational functions in connections with the services provided pursuant to its FERC Gas Tariff, and to otherwise maintain and protect the operational integrity of its system.~~ Pursuant to this Section 7(g)(ii), Transporter may purchase gas quantities for receipt into its system and may sell gas quantities for delivery out of its system. These Operational Transactions may be conducted on a first-come/first-served basis at posted prices, or pursuant to an open auction or electronic gas trading system, or negotiated directly with third parties.

~~The Operational Cashout Transactions utilized to reconcile Net Cashout Activity pursuant to, as defined in Section 7(g)(i)(B) above of this Rate Schedule must occur during the Annual Cashout Period; provided, however, that if the quantity of, include without limitation, Operational Purchases and/or Operational Sales, as applicable, is insufficient to offset the quantity of Net Cashout Activity, then an additional month of Operational Transactions, ending on September 30, thirteen months after the start of the Annual Cashout Period, shall be included in the Cashout Report in order to reconcile Net Cashout Activity. Gas quantities from an Operational Transaction which are used to offset Net Cashout Activity in one Cashout Report cannot be used to offset entered into by Transporter to manage the cashout activity in a subsequent Cashout Report by Receipt Region, as defined in Rate Schedule LMS-PA. Transporter shall endeavor to make any required Operational Cashout Transactions by the end of the month following the month when the Net Cashout Activity for such month is determined, but only to the extent such Operational Cashout Transactions are operationally practicable. Transporter shall post a notice on its Interactive Website detailing all Operational Transactions entered into by Transporter during the applicable month, the point(s) of receipt and/or delivery and location where those Operational Transactions occurred, the purchase and/or sales price and volumes and any other information that Transporter deems relevant to properly identify all Operational Cashout Transactions. Such notice shall be~~

posted no later than by the end of the month following the month when the Operational Transactions are effectuated by Transporter.

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

7. Cash Out Option
(g)
(continued)

~~(iii) Annual Cashout Report: Transporter shall include in the Cashout Reports filed pursuant to this Section 7(g) monthly detail for Item Nos. 1, 4 and 5 as described in Section 7(g)(i). Such detail shall include a listing of monthly imbalances in dekatherms and dollars by cashout shipper in support of the cashout activity in the report. Transporter will include a list in the Cashout Report of all Operational Purchases and Operational Sales transactions by month during the applicable Annual Cashout Period, plus the additional month provided pursuant to Section 7(g)(ii), if applicable, and will show the derivation of the weighted average price of the Operational Transactions utilized to reconcile Net Cashout Activity for the Annual Cashout Period as described in Item No. 2 in Section 7(g)(i). In addition, Transporter shall include in the Cashout Report detailed support for any required Balancing Entry, Balancing Entry Pricing and Balancing Entry Pricing Adjustment pursuant to Item No. 3 of Section 7(g)(i) of this Rate Schedule.~~

~~(iii) Disposition of Net Cashout Balance:~~

~~(A) To the extent that the Net Cashout Balance in any Annual Cashout Period, including any End of Year Balancing Entry determined pursuant to Section 7(q)(i)(F) of this Rate Schedule, results in a positive balance greater than \$4 million, then such balance plus accrued interest, determined in accordance with section 154.501 of the Commission's regulations, shall be refunded by Transporter to Non-Offending parties. Non-Offending parties are those shippers and OBA point operators subject to the cashout provisions of the LMS Rate Schedules whose imbalance, on any month during the applicable Annual Cashout Period, was within a zero to five percent tolerance (as calculated according to Section 7(c) of this Rate Schedule) or 1,000 Dth. Refunds shall be based on the commodity volumes for Non-Offending parties for the applicable Annual Cashout Period. The total monthly commodity volumes for Non-Offending parties will be accumulated for the applicable Annual Cashout Period and a pro rata allocation will be applied to the total amount to be refunded in order to determine the refund amount for each party. When refunds are to be made, Transporter shall include in the Annual Cashout Report a schedule supporting the allocation of refunds to each party. Transporter shall issue such refunds within sixty (60) days following final acceptance by the Commission of the Annual Cashout Report.~~

~~To the extent that the Net Cashout Balance in any Annual Cashout Period results in a positive balance greater than \$4 million, Transporter shall refund such balance, plus accrued interest determined in accordance with section 154.501 of the Commission's regulations to shippers and OBA point operators subject to the cashout provisions of Rate Schedules LMS-MA and LMS-PA. To the extent the positive balance is \$4 million or less, then such balance shall be carried forward and applied to the next annual determination of the Net Cashout Balance.~~

~~Refunds shall be based on the sum of commodity volumes for Non-Offending parties for the applicable cashout period. Non-Offending parties shall be determined on a monthly basis and are those shippers and OBA point operators subject to the cashout provisions of Rate Schedules LMS-MA and LMS-PA that had an imbalance within a zero to five percent tolerance (as calculated according to Section 7(c) of this Rate Schedule) or 1000 Dth. The total monthly commodity volumes for Non-Offending parties will be accumulated for the applicable annual cashout period and a pro rata allocation will be applied to the total amount to be refunded in order to determine the refund amount for each party. When refunds are to be made, Transporter shall include in the Annual Cashout Report a schedule supporting the allocation of refunds to each party.~~

~~(B) To the extent that the Net Cashout Balance in any Annual Cashout Period, including any End of Year Balancing Entry determined pursuant to Section 7(q)(i)(F) of this Rate Schedule, results in a negative balance, or in a positive balance of \$4 million or less, then such balance plus accrued interest, determined in accordance with section 154.501 of the Commission's regulations, shall be carried forward and applied to included in the next annual~~

determination of the Net Cashout Balance in the subsequent Annual Cashout Period.

(iv) Filing Requirements: No later than by the end of November immediately following the end of the applicable Annual Cashout Period, Transporter shall file with the Commission its Cashout Report detailing the computation of the Net Cashout Balance for the applicable Annual Cashout Period. The Cashout Report shall include the monthly detail for Item Nos. 1 through 4 as described in Section 7(q)(i)(A)-(D) of this Rate Schedule. Such detail shall include a listing of monthly imbalances in dekatherms and dollars by cashout shipper in support of the cashout activity in the report. Transporter shall also include in the Cashout Report, the computation of the End of Year Balancing Entry as described in Section 7(q)(i)(F) of this Rate Schedule, as well as a list of all Operational Purchases and Operational Sales transactions by month during the applicable Annual Cashout Period.

- (h) Mutual Assistance - In order to prevent or alleviate an operational constraint on its system, Transporter may request that a Balancing Party increase or decrease its flows at stated point(s) independent of the nominations at that point(s). In any month in which a Balancing Party conforms with the request made by Transporter, Transporter shall waive all Daily Imbalance charges, for those days that Balancing Party provided mutual assistance, accrued by the Balancing Party during such month. The agreement to provide mutual assistance shall be at the discretion of Balancing Party and Transporter.

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

5. Daily Imbalances Charges

- (a) The Daily Imbalance for a Balancing Party or Shipper ("Party") shall be the difference between the total net quantities scheduled for receipt at the point(s) as set forth in the Agreement subject to this Rate Schedule ("Agreement") and the actual quantities of gas taken by the Party at such point(s) for each day.
- (b) Each day, Transporter shall provide on its Interactive Website a continuous notice detailing each regional net pipeline position of Transporter's pipeline system. For purposes of defining each region, the zones as shown on Sheet 5 shall be aggregated as follows: Supply Region – Zones 0 and 1: Market Region – Zones 2,3,4,5 and 6. Beginning at 12 p.m. CCT each Gas Day, Transporter shall monitor the regional net pipeline positions and provide notice via e-mail to customers the first time any regional net pipeline position is greater than plus or minus 4.5%. Transporter shall determine each regional net pipeline position by dividing the sum of the total positive or negative cumulative imbalances at all points for the applicable region covered by this Rate Schedule and the total positive or negative cumulative imbalances at all points for the applicable region covered under Rate Schedule LMS-MA by the sum of the total scheduled quantities at all points for the applicable region covered under this Rate Schedule and the total scheduled quantities at all points for the applicable region covered under Rate Schedule LMS-MA. The resulting % imbalance is the regional net pipeline position.
- (c) On a day that the ending regional net pipeline position exceeds plus or minus 5%, any Party under this Rate Schedule and whose Agreement point(s) is located within this region that 1) has a Daily Imbalance that exceeds the greater of 10% of scheduled quantities or 1,000 Dth but less than or equal to 20% of that Party's scheduled quantities and 2) the Daily Imbalance is in the same direction as the regional net pipeline position, shall be assessed a per dekatherm Daily Imbalance Charge equal to two times the currently effective maximum rate under Transporter's Rate Schedule PAL. The Daily Imbalance Charge under this Section 5(c) shall apply only to those quantities of the Daily Imbalance that exceed the greater of 10% of scheduled quantities or 1,000 Dth but are less than or equal to 20% of the Party's scheduled quantities for that day.
- (d) On a day that the ending regional net pipeline position exceeds plus or minus 5%, any Party under this Rate Schedule and whose Agreement point(s) is located within this region that 1) has a Daily Imbalance that exceeds the greater of 20% of that Party's scheduled quantities or 1,000 Dth and 2) the Daily Imbalance is in the same direction as the regional net pipeline position, in addition to the Daily Imbalance Charge set forth in Section 5(c) above, shall also be subject to a per dekatherm Daily Imbalance Charge equal to four times the currently effective maximum rate under Transporter's Rate Schedule PAL. The Daily Imbalance Charge under this Section 5(d) shall apply only to those quantities of the Daily Imbalance that exceed the greater of 20% of the Party's scheduled quantities for that day or 1,000 Dth.
- (e) All revenues collected by Transporter as payment of the Daily Imbalance Charges assessed under this Section 5 shall be credited to Eligible Parties. Eligible Parties are Parties under this Rate Schedule and Balancing Parties under Rate Schedule LMS-MA whose Daily Imbalances in its region were equal to or less than plus or minus 5% of the Parties' scheduled quantities on the day(s) that Daily Imbalance Charges were assessed. An Eligible Party will receive a pro rata allocation of the payments of the Daily Imbalance Charges collected for a particular day for such region based on the scheduled quantities under the Eligible Party's Agreement for that day. Credits to an Eligible Party will be aggregated throughout the calendar year and will be disbursed annually to the Eligible Party on the invoice following the first production month of the following year. Tennessee will also post on its interactive Internet website the amount collected and the amount credited to each Eligible Party.
- (f) Transporter shall not assess any Daily Imbalance Charges against Parties whose scheduled and flowing services are bumped as a result of an intraday nomination change in accordance with Article IV, Section 2 of the General Terms and Conditions of Transporter's FERC Gas Tariff. This waiver of Daily Imbalance Charges shall apply only for the day(s) on which the services were bumped.

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

7. Monthly Imbalances

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

Exhibits

**Tennessee Gas Pipeline Company, L.L.C.
Imbalance Activity by Cashout Year, Dth
Sales/(Purchases)**

Line No.	Particulars	TTM Aug 17	TTM Aug 16	TTM Aug 15	TTM Aug 14	TTM Aug 13	TTM Aug 12
		Cashout Year 24	Cashout Year 23	Cashout Year 22	Cashout Year 21	Cashout Year 20	Cashout Year 19
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	September	2,186,966	(575,751)	279,103	(213,753)	(255,694)	(177,998)
2	October	2,397,768	(461,926)	(557,214)	(167,768)	206,646	72,358
3	November	1,424,869	(303,728)	164,512	(366,755)	723,038	649,729
4	December	(1,700,922)	(194,551)	(215,202)	121,610	275,326	(593,345)
5	January	(488,897)	(727,504)	(3,339,247)	(1,216,790)	(299,620)	(204,246)
6	February	(1,421,031)	(246,099)	(1,558,993)	(367,881)	(73,906)	(111,654)
7	March	(519,445)	(61,284)	(853,888)	(518,961)	486,082	(186,219)
8	April	(1,005,295)	(739,714)	(1,473,108)	521,180	(374,161)	(1,669)
9	May	(1,315,812)	(79,039)	(469,649)	(246,359)	(526,619)	(271,702)
10	June	(1,202,671)	869,199	(24,566)	(369,013)	(1,316,514)	790,862
11	July	(346,647)	(516,556)	(60,248)	1,248,114	(582,536)	(281,757)
12	August	<u>(2,195,866)</u>	<u>(172,710)</u>	<u>(1,081,540)</u>	<u>614,539</u>	<u>185,595</u>	<u>320,902</u>
13	Total	(4,186,983)	(3,209,663)	(9,190,040)	(961,837)	(1,552,363)	5,261
14	Three Year Average	<u>(5,528,895)</u>			<u>(836,313)</u>		

Source:

Exhibit 1 of Tennessee's annual cashout reports for cashout years 19-24 filed in Docket Nos. RP13-344, RP14-215, RP15-210, RP16-224, RP17-212 and RP18-180.

Tennessee Gas Pipeline Company, L.L.C.
Reconciliation of Cashout Activity Under Proposed Cashout Mechanism
For Illustrative Purposes Only

Line No.	Particulars	Reference	Volumes, Dth			Prices \$/Dth			Amount, \$		
			Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
	(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<u>Item #1: Net Cashout Activity</u>											
1	Sales		15,000,000	11,000,000	15,000,000	\$ 3.00	\$ 2.80	\$ 2.50	\$ 45,000,000	\$ 30,800,000	\$ 37,500,000
2	(Purchases)		<u>(20,000,000)</u>	<u>(15,000,000)</u>	<u>(9,000,000)</u>	<u>\$ 2.80</u>	<u>\$ 2.70</u>	<u>\$ 2.60</u>	<u>\$ (56,000,000)</u>	<u>\$ (40,500,000)</u>	<u>\$ (23,400,000)</u>
3	Net Cashout Sales/(Purchases)	Ln 1+2	(5,000,000)	(4,000,000)	6,000,000	\$ 2.20	\$ 2.43	\$ 2.35	\$ (11,000,000)	\$ (9,700,000)	\$ 14,100,000
<u>Item #2: Operational Cashout Activity</u>											
4	Sales		20,000,000	15,000,000	9,000,000	\$ 2.60	\$ 3.00	\$ 2.80	\$ 52,000,000	\$ 45,000,000	\$ 25,200,000
5	(Purchases)		<u>(12,000,000)</u>	<u>(10,000,000)</u>	<u>(19,000,000)</u>	<u>\$ 2.70</u>	<u>\$ 2.80</u>	<u>\$ 2.70</u>	<u>\$ (32,400,000)</u>	<u>\$ (28,000,000)</u>	<u>\$ (51,300,000)</u>
6	Net Operational Cashout Sales/(Purchases)	Ln 4+5	8,000,000	5,000,000	(10,000,000)	\$ 2.45	\$ 3.40	\$ 2.61	\$ 19,600,000	\$ 17,000,000	\$ (26,100,000)
7	<u>Item #3: IS Revenues</u>		-	-	-				\$ -	\$ -	\$ -
8	<u>Item #4: 3rd Party Storage Costs</u>								\$ -	\$ (500,000)	\$ -
9	<u>Net Cashout Activity</u>	Ln 3+6+7+8	3,000,000	1,000,000	(4,000,000)				\$ 8,600,000	\$ 6,800,000	\$ (12,000,000)
10	BoY Balance		-	3,000,000	4,000,000				\$ -	\$ 8,600,000	\$ 15,400,000
11	Net Cashout Activity	Ln 9	3,000,000	1,000,000	(4,000,000)				\$ 8,600,000	\$ 6,800,000	\$ (12,000,000)
12	Customer Refunds		-	-	-				\$ -	\$ -	\$ (4,200,000)
12	EoY Balance		3,000,000	4,000,000	-				\$ 8,600,000	\$ 15,400,000	\$ (800,000)
13	EoY Balancing Entry		<u>(3,000,000)</u>	<u>(4,000,000)</u>	-	\$ 2.70	\$ 2.80	\$ 2.80	<u>\$ (8,100,000)</u>	<u>\$ (11,200,000)</u>	<u>\$ -</u>
14	Adj. EoY Balance		-	-	-				\$ 500,000	\$ 4,200,000	\$ (800,000)
									\$ 3,700,000	\$ (5,000,000)	