

Part VI
GENERAL TERMS AND CONDITIONS

Section 1	Definitions
Section 2	Quality
Section 3	NAESB Standards Compliance
Section 4	Measurement
Section 5	Measuring Stations
Section 6	Billing
Section 7	Payment
Section 8	Installation of Facilities
Section 9	Possession of and Responsibility for Gas
Section 10	Warranty of Title to Gas
Section 11	Force Majeure / Proration of Deliveries
Section 12	Non-Waiver Clause
Section 13	Creditworthiness
Section 14	Assignment
Section 15	Operator Balancing Agreements
Section 16	Termination
Section 17	Governmental Regulations
Section 18	Internet Website Information
Section 19	Order No. 2004 Standards of Conduct Compliance
Section 20	Right of First Refusal
Section 21	GRI Voluntary Contribution Mechanism
Section 22	Nomination and Scheduling of Capacity
Section 23	Annual Charge Adjustment (ACA)
Section 24	Capacity Posting and Contract Procedures
Section 25	Reserved for Future Use
Section 26	Requests for Service
Section 27	Shipper Imbalance Resolution Provisions
Section 28	Receipt/Delivery Point Areas
Section 29	Nondiscriminatory Gathering Access
Section 30	Capacity Release
Section 31	Discounting
Section 32	Off System Services
Section 33	Capacity Segmenting
Section 34	Imbalance Netting & Trading - Operator Balancing Agreements

Part VI
GENERAL TERMS AND CONDITIONS

Section 1	Definitions
Section 2	Quality
Section 3	Reserved for Future Use
Section 4	Measurement
Section 5	Measuring Stations
Section 6	Billing
Section 7	Payment
Section 8	Installation of Facilities
Section 9	Possession of and Responsibility for Gas
Section 10	Warranty of Title to Gas
Section 11	Force Majeure / Proration of Deliveries
Section 12	Non-Waiver Clause
Section 13	Creditworthiness
Section 14	Assignment
Section 15	Operator Balancing Agreements
Section 16	Termination
Section 17	Governmental Regulations
Section 18	Internet Website Information
Section 19	Order No. 2004 Standards of Conduct Compliance
Section 20	Right of First Refusal
Section 21	GRI Voluntary Contribution Mechanism
Section 22	Nomination and Scheduling of Capacity
Section 23	Annual Charge Adjustment (ACA)
Section 24	Capacity Posting and Contract Procedures
Section 25	Reserved for Future Use
Section 26	Requests for Service
Section 27	Shipper Imbalance Resolution Provisions
Section 28	Receipt/Delivery Point Areas
Section 29	Nondiscriminatory Gathering Access
Section 30	Capacity Release
Section 31	Discounting
Section 32	Off System Services
Section 33	Capacity Segmenting
Section 34	Imbalance Netting & Trading - Operator Balancing Agreements

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

Except as otherwise indicated, the following terms when used herein or in any agreement incorporating these General Terms and Conditions in this FERC Gas Tariff are intended, used and shall be construed to have the following meaning:

"Agent" shall mean one who is authorized, in writing, to act for a Shipper or Operator, and who may do and perform any such authorized acts as may be required to be performed by a Shipper or Operator under this Tariff (including, but not limited to, nominating, scheduling, and/or confirming quantities of gas for transportation; receiving bills; and reconciling and clearing imbalances), as if the same were being performed by the Shipper or Operator itself.

"Alternate Delivery Point" for service under Rate Schedule FTS-1, LFT, FTS-2, FTS-4 or FTS-5 shall mean the point(s) of delivery points within the direction of flow of Shipper's Primary Path on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement, other than Primary Delivery Points, where Shipper nominates quantities; provided, however, that service to such alternate point(s) shall be on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under Shipper's Service Agreement for a period not exceeding one calendar month until and unless re-nominated and scheduled.

"Alternate Receipt Point" shall mean all eligible receipt points within the direction of flow of Shipper's Primary Path on Transporter's system and volumes in excess of Primary Receipt Point volumes, from which Shipper under Rate Schedule FTS-1, LFT, FTS-2, FTS-4 or FTS-5 may nominate volumes to be received on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under its FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement for a period not exceeding one calendar month until and unless re-nominated and scheduled.

"British Thermal Unit" (Btu) shall mean the amount of heat required to raise the temperature of one (1) pound of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit.

"Area" shall mean those receipt/delivery point areas defined in Section 28 of the General Terms and Conditions.

"Business day (business day)" is defined as Monday through Friday, excluding Federal Banking Holidays.

"Central Clock Time" shall mean Central Standard Time throughout the year, as adjusted for Central Daylight Time.

"Commission" or "FERC" shall mean the Federal Energy Regulatory Commission or any successor regulatory agency.

"Cubic foot (cubic foot)" shall mean the volume of gas which occupies one cubic foot of space measured at 14.73 pounds per square inch absolute at a temperature of 60 degrees Fahrenheit in accordance with Section 4 hereof.

"Day (day)" shall mean a period of 24 consecutive hours beginning and ending at nine o'clock a.m. Central Clock Time.

"Dekatherm" (dth) shall mean the quantity of heat energy which is equivalent to 1,000,000 British Thermal Units. One "dekatherm of gas" shall mean the quantity of gas which contains one dekatherm of heat energy.

"Elapsed Pro-rata Capacity" (EPC) shall mean the portion of the capacity (under capacity release) that would have theoretically been available for use prior to the effective time of the intraday recall based on a cumulative uniform hourly use of the capacity.

"Electronic Transmission" shall mean a mutually agreeable means of data communication whereby data is input by the Shipper directly into Transporter's internal system applications either by keypunch or by means of electronic data file processing.

"Execution" or "executed" or any other form of the root word "execute" when used with respect to any Service Agreement, amendment to Service Agreement, or any other contract shall include electronic execution pursuant to the procedures established by Transporter.

"Hydrocarbon Dew point" shall mean cricondentherm, the highest temperature at which the vapor-

liquid equilibrium may be present. The Hydrocarbon Dew point (cricondenthem) calculations are performed using the Peng-Robinson equation of state.

"Internet Website" or "Transporter's Internet Website" shall mean the Uniform Resource Locator (URL) of Transporter's electronic communication mechanism on the Internet at <https://twtransfer.energytransfer.com>.

"La Plata Facilities" shall mean the jointly-owned mainline facilities of Transporter and Northwest Pipeline Corporation ("Northwest") which commence at a new measurement facility and custody transfer point between Northwest and Transporter located downstream of the discharge side of the La Plata B compressor station in La Plata County, Colorado and extend south to the existing interconnect with the Blanco Hub, located in San Juan County, New Mexico.

"Logical Points" shall mean points on Transporter's system which may be used by a Shipper as receipt or delivery points which are not physical points as defined in this tariff.

"Maximum Daily Transportation Quantity" (MAXDTQ) shall mean the maximum quantity of natural gas provided in the Service Agreement that Shipper is entitled to receive and Transporter is obligated to deliver on any day.

"Mcf" shall mean 1,000 cubic feet of gas.

"Merchantability" refers to a gas stream which is commercially salable and fit for the market, and of a quality which will bring the then current market price without additional treatment or processing. Gas that meets the quality specifications in this Tariff shall be deemed to be Merchantable.

"Month (month)" or "billing month" shall mean the period beginning at nine o'clock a.m. Central Clock Time on the first day of a calendar month and ending at the same hour on the first day of the next succeeding calendar month; provided that if deliveries are not commenced on the first day of a calendar month, then the billing month shall start with the commencement of deliveries during the current month.

"Monthly Index Price (MIP)" shall mean the index price calculated in accordance with Section 27.2 herein.

"NAESB Standards" are the business practices and electronic standards adopted by the Wholesale Gas Quadrant ("WGQ") of North American Energy Standards Board ("NAESB") and by Section 284.12 of the Commission's Regulations.

"Natural gas (natural gas)" shall mean either natural gas unmixed, or any mixture of natural and artificial gas.

"Operator" shall mean a party which physically operates facilities connected to Transporter's pipeline system for deliveries of gas into or out of Transporter's system or a third-party designated in writing by the Operator physically operating such facility to sign an Operator Balancing Agreement for the interconnect point(s). Such third-party Operator must meet on a continuing basis the creditworthiness requirement of Transporter's FERC Gas Tariff, must execute an Operator Balancing Agreement in place of such Operator(s), and must agree to assume all of the Operator's rights, duties and obligations under the Operator Balancing Agreement for the designated interconnect point(s).

"Physical Points" shall mean points on Transporter's system at which gas is actually received into or actually delivered out of Transporter's system.

"Pooling (pooling)" shall mean: (1) the aggregation of gas from multiple Physical and/or Logical Points to a single Physical or Logical Point; and/or (2) the dis-aggregation of gas from a single Physical or Logical Point to multiple Physical and/or Logical Points.

"Pre-Arranged Shipper" shall mean the entity designated by Releasing Shipper prior to the released capacity being posted on the Internet Website. The Pre-Arranged Shipper will become a Replacement Shipper upon selection of its bid as the best bid.

"Primary Delivery Point" shall mean those delivery point(s) on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary delivery point result in a lower reservation charge.

"Primary Path" shall mean the most direct route on Transporter's system between the Primary Receipt Point(s) and Primary Delivery Point(s). The direction of flow for such path shall be from the Primary Receipt Point(s) to the Primary Delivery Point(s) as indicated in the FTS-1, LFT, FTS-4 and FTS-5 Service Agreements. A Shipper under Rate Schedules FTS-1, LFT, FTS-4 and FTS-5 may change such Primary Receipt Point(s) or Primary Delivery Point(s) or use an Alternate Receipt Point(s) or Alternate Delivery Point(s) outside its Primary Path subject to the negotiation with Transporter of such points and rates, not to exceed the maximum applicable tariff rate.

"Primary Receipt Point" shall mean those receipt points on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary receipt point result in a lower reservation charge.

"Quantity of gas" shall mean the number of units of gas expressed in dekatherms unless otherwise specified.

"Recourse Rate" shall mean the Commission approved maximum tariff rates set forth in the Currently Effective Rates for the applicable Rate Schedule as modified from time to time.

"Releasing Shipper" shall mean a firm Shipper that releases capacity pursuant to Section 30 herein.

"Replacement Shipper" shall mean any entity that obtains capacity from a Releasing Shipper pursuant to Section 30 herein.

"Service Agreement" shall mean the written executed agreement, in the form prescribed in this Tariff, applicable to the particular Rate Schedule under which service is being provided, including a Capacity Release Service Agreement.

"Shipper" shall mean any party purchasing services from Transporter under any of the Rate Schedules in this Tariff.

"Supply Pooling Points" shall mean Logical Points established by Transporter which may be used by Shippers to aggregate supplies pursuant to the provisions of Rate Schedule SP-1.

"Total heating value" means:

- A. For Shippers receiving service from Transporter to the Needles and/or Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state in accordance with rules set forth in "Public Utilities Commission of the State of California General Order No. 58-B" or any other methods of determination as may be mutually agreed upon.
- B. For Shippers receiving service for gas delivered at any delivery point except the Needles and Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state, or any other methods of determination as may be mutually agreed upon.

"Transport Fuel" shall mean the fuel charge for transmission, company use gas, and lost and unaccounted for gas and recovered on an "in kind" basis, as set forth in the Currently Effective Rates for the applicable Rate Schedule of this FERC Gas Tariff.

"Transporter" shall mean Transwestern Pipeline Company, LLC.

"Written" or "in writing" or any other combination of words indicating a requirement that a document be in a physically written form shall include any Service Agreement, amendment to Service Agreement, or any other contract or document which has been electronically executed pursuant to the procedures established by Transporter.

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

Except as otherwise indicated, the following terms when used herein or in any agreement incorporating these General Terms and Conditions in this FERC Gas Tariff are intended, used and shall be construed to have the following meaning:

"Agent" shall mean one who is authorized, in writing, to act for a Shipper or Operator, and who may do and perform any such authorized acts as may be required to be performed by a Shipper or Operator under this Tariff (including, but not limited to, nominating, scheduling, and/or confirming quantities of gas for transportation; receiving bills; and reconciling and clearing imbalances), as if the same were being performed by the Shipper or Operator itself.

"Alternate Delivery Point" for service under Rate Schedule FTS-1, LFT, FTS-2, FTS-4 or FTS-5 shall mean the point(s) of delivery points within the direction of flow of Shipper's Primary Path on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement, other than Primary Delivery Points, where Shipper nominates quantities; provided, however, that service to such alternate point(s) shall be on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under Shipper's Service Agreement for a period not exceeding one calendar month until and unless re-nominated and scheduled.

"Alternate Receipt Point" shall mean all eligible receipt points within the direction of flow of Shipper's Primary Path on Transporter's system and volumes in excess of Primary Receipt Point volumes, from which Shipper under Rate Schedule FTS-1, LFT, FTS-2, FTS-4 or FTS-5 may nominate volumes to be received on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under its FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement for a period not exceeding one calendar month until and unless re-nominated and scheduled.

"British Thermal Unit" (Btu) shall mean the amount of heat required to raise the temperature of one (1) pound of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit.

"Area" shall mean those receipt/delivery point areas defined in Section 28 of the General Terms and Conditions.

"Business day (business day)" is defined as Monday through Friday, excluding Federal Banking Holidays.

"Central Clock Time" shall mean Central Standard Time throughout the year, as adjusted for Central Daylight Time.

"Commission" or "FERC" shall mean the Federal Energy Regulatory Commission or any successor regulatory agency.

"Cubic foot (cubic foot)" shall mean the volume of gas which occupies one cubic foot of space measured at 14.73 pounds per square inch absolute at a temperature of 60 degrees Fahrenheit in accordance with Section 4 hereof.

"Day (day)" shall mean a period of 24 consecutive hours beginning and ending at nine o'clock a.m. Central Clock Time.

"Dekatherm" (dth) shall mean the quantity of heat energy which is equivalent to 1,000,000 British Thermal Units. One "dekatherm of gas" shall mean the quantity of gas which contains one dekatherm of heat energy.

"Elapsed Pro-rata Capacity" (EPC) shall mean the portion of the capacity (under capacity release) that would have theoretically been available for use prior to the effective time of the intraday recall based on a cumulative uniform hourly use of the capacity.

"Electronic Transmission" shall mean a mutually agreeable means of data communication whereby data is input by the Shipper directly into Transporter's internal system applications either by keypunch or by means of electronic data file processing.

"Execution" or "executed" or any other form of the root word "execute" when used with respect to any Service Agreement, amendment to Service Agreement, or any other contract shall include electronic execution pursuant to the procedures established by Transporter.

"Hydrocarbon Dew point" shall mean cricondentherm, the highest temperature at which the vapor-

liquid equilibrium may be present. The Hydrocarbon Dew point (cricondentherm) calculations are performed using the Peng-Robinson equation of state.

"Internet Website" or "Transporter's Internet Website" shall mean the Uniform Resource Locator (URL) of Transporter's electronic communication mechanism on the Internet at <https://twtransfer.energytransfer.com>.

"La Plata Facilities" shall mean the jointly-owned mainline facilities of Transporter and Northwest Pipeline Corporation ("Northwest") which commence at a new measurement facility and custody transfer point between Northwest and Transporter located downstream of the discharge side of the La Plata B compressor station in La Plata County, Colorado and extend south to the existing interconnect with the Blanco Hub, located in San Juan County, New Mexico.

"Logical Points" shall mean points on Transporter's system which may be used by a Shipper as receipt or delivery points which are not physical points as defined in this tariff.

"Maximum Daily Transportation Quantity" (MAXDTQ) shall mean the maximum quantity of natural gas provided in the Service Agreement that Shipper is entitled to receive and Transporter is obligated to deliver on any day.

"Mcf" shall mean 1,000 cubic feet of gas.

"Merchantability" refers to a gas stream which is commercially salable and fit for the market, and of a quality which will bring the then current market price without additional treatment or processing. Gas that meets the quality specifications in this Tariff shall be deemed to be Merchantable.

"Month (month)" or "billing month" shall mean the period beginning at nine o'clock a.m. Central Clock Time on the first day of a calendar month and ending at the same hour on the first day of the next succeeding calendar month; provided that if deliveries are not commenced on the first day of a calendar month, then the billing month shall start with the commencement of deliveries during the current month.

"Monthly Index Price (MIP)" shall mean the index price calculated in accordance with Section 27.2 herein.

"NAESB Standards" are the business practices and electronic standards adopted by the Wholesale Gas Quadrant ("WGQ") of North American Energy Standards Board ("NAESB") and by the Commission. Transwestern incorporates the following NAESB Definitions, Standards and Datasets by reference herein:

Version 1.8, September 30, 2006, including minor corrections applied December 13, 2006, January 29, 2008, and May 29, 2008.

0.2.1 through 0.2.3.; 0.3.1 through 0.3.15; 1.2.1 through 1.2.4; 1.2.8 through 1.2.19; 1.3.7; 1.3.14 through 1.3.18; 1.3.22; 1.3.23; 1.3.26 through 1.3.28; 1.3.30; 1.3.35 through 1.3.38; 1.3.43 through 1.3.77; 1.3.79; 1.4.1 through 1.4.7; 2.2.2 through 2.2.5; 2.3.1 through 2.3.6; 2.3.8 through 2.3.10; 2.3.12; 2.3.13; 2.3.15 through 2.3.23; 2.3.25 through 2.3.30; 2.3.32 through 2.3.35; 2.3.40 through 2.3.65; 2.4.1 through 2.4.18; 3.3.1 through 3.3.13; 3.3.16; 3.3.22 through 3.3.26; 3.4.1 through 3.4.4; 4.2.1 through 4.2.20; 4.3.1 through 4.3.3; 4.3.5; 4.3.16 through 4.3.18; 4.3.20; 4.3.22 through 4.3.36; 4.3.38 through 4.3.62; 4.3.65 through 4.3.69; 4.3.72 through 4.3.76; 4.3.78 through 4.3.87; 4.3.89 through 4.3.93; 5.2.1 through 5.2.3; 5.3.7; 5.3.18; 5.3.21 through 5.3.24; 5.3.26 through 5.3.28; 5.3.30; 5.3.32 through 5.3.36; 5.3.38 through 5.3.60; and 5.4.1 through 5.4.23; 10.2.1 through 10.2.38; 10.3.1; 10.3.3 through 10.3.25.

"Natural gas (natural gas)" shall mean either natural gas unmixed, or any mixture of natural and artificial gas.

"Operator" shall mean a party which physically operates facilities connected to Transporter's pipeline system for deliveries of gas into or out of Transporter's system or a third-party designated in writing by the Operator physically operating such facility to sign an Operator Balancing Agreement for the interconnect point(s). Such third-party Operator must meet on a continuing basis the creditworthiness requirement of Transporter's FERC Gas Tariff, must execute an Operator Balancing Agreement in place of such Operator(s), and must agree to assume all of the Operator's rights, duties and obligations under the Operator Balancing Agreement for the designated interconnect point(s).

"Physical Points" shall mean points on Transporter's system at which gas is actually received into or actually delivered out of Transporter's system.

"Pooling (pooling)" shall mean: (1) the aggregation of gas from multiple Physical and/or Logical Points to a single Physical or Logical Point; and/or (2) the dis-aggregation of gas from a single Physical or Logical Point to multiple Physical and/or Logical Points.

"Pre-Arranged Shipper" shall mean the entity designated by Releasing Shipper prior to the released capacity being posted on the Internet Website. The Pre-Arranged Shipper will become a Replacement Shipper upon selection of its bid as the best bid.

"Primary Delivery Point" shall mean those delivery point(s) on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary delivery point result in a lower reservation charge.

"Primary Path" shall mean the most direct route on Transporter's system between the Primary Receipt Point(s) and Primary Delivery Point(s). The direction of flow for such path shall be from the Primary Receipt Point(s) to the Primary Delivery Point(s) as indicated in the FTS-1, LFT, FTS-4 and FTS-5 Service Agreements. A Shipper under Rate Schedules FTS-1, LFT, FTS-4 and FTS-5 may change such Primary Receipt Point(s) or Primary Delivery Point(s) or use an Alternate Receipt Point(s) or Alternate Delivery Point(s) outside its Primary Path subject to the negotiation with Transporter of such points and rates, not to exceed the maximum applicable tariff rate.

"Primary Receipt Point" shall mean those receipt points on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-4 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary receipt point result in a lower reservation charge.

"Quantity of gas" shall mean the number of units of gas expressed in dekatherms unless otherwise specified.

"Recourse Rate" shall mean the Commission approved maximum tariff rates set forth in the Currently Effective Rates for the applicable Rate Schedule as modified from time to time.

"Releasing Shipper" shall mean a firm Shipper that releases capacity pursuant to Section 30 herein.

"Replacement Shipper" shall mean any entity that obtains capacity from a Releasing Shipper pursuant to Section 30 herein.

"Service Agreement" shall mean the written executed agreement, in the form prescribed in this Tariff, applicable to the particular Rate Schedule under which service is being provided, including a Capacity Release Service Agreement.

"Shipper" shall mean any party purchasing services from Transporter under any of the Rate Schedules in this Tariff.

"Supply Pooling Points" shall mean Logical Points established by Transporter which may be used by Shippers to aggregate supplies pursuant to the provisions of Rate Schedule SP-1.

"Total heating value" means:

- A. For Shippers receiving service from Transporter to the Needles and/or Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state in accordance with rules set forth in "Public Utilities Commission of the State of California General Order No. 58-B" or any other methods of determination as may be mutually agreed upon.
- B. For Shippers receiving service for gas delivered at any delivery point except the Needles and Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state, or any other methods of determination as may be mutually agreed upon.

"Transport Fuel" shall mean the fuel charge for transmission, company use gas, and lost and unaccounted for gas and recovered on an "in kind" basis, as set forth in the Currently Effective Rates for the applicable Rate Schedule of this FERC Gas Tariff.

"Transporter" shall mean Transwestern Pipeline Company, LLC.

"Written" or "in writing" or any other combination of words indicating a requirement that a

document be in a physically written form shall include any Service Agreement, amendment to Service Agreement, or any other contract or document which has been electronically executed pursuant to the procedures established by Transporter.

2. QUALITY

2.1 The gas stream delivered into Transporter's pipeline system by Shipper or Shipper's designee at receipt points shall conform to each of the following quality specifications:

- A. shall be commercially free from objectionable odors, 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;
- B. shall contain not more than seven (7) pounds/MMcf of water at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
- C. shall contain no hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
- D. shall contain not more than 0.1% by volume of oxygen;
- E. shall contain not more than 2.0% by volume of carbon dioxide;
- F. shall contain not more than a combined total of 3.0% by volume of carbon dioxide plus nitrogen;
- G. shall contain not more than one quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet of gas;
- H. shall contain not more than 0.3 grains of mercaptan sulfur per one hundred (100) cubic feet of gas;
- I. shall contain not more than 0.75 grains of total sulfur per one hundred (100) cubic feet of gas;
- J. 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 or be contrary to applicable government standards;
- K. shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per cubic foot; and
- L. shall have a temperature of not less than forty (40) degrees Fahrenheit, and not more than one hundred twenty (120) degrees Fahrenheit.

2.2 Transporter may not refuse to accept receipt of gas with a Hydrocarbon Dew point equal to or less than 15 degrees Fahrenheit provided that such gas satisfies all other applicable provisions of Transporter's FERC Gas Tariff. This standard shall be referred to as Transporter's Hydrocarbon Dew Point Safe Harbor.

- A. Transporter may, from time to time, as operationally necessary, establish and post on its Internet Website a limit on Hydrocarbon Dew point for receipts on specified segments or other specified locations on its system to prevent hydrocarbon liquid fallout, or to ensure that gas will be accepted for delivery into interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies; provided, however, Transporter may not make a posting that sets a Hydrocarbon Dew point limitation of less than 15 degrees Fahrenheit.
- B. When Transporter determines there is an operational necessity to post a Hydrocarbon Dew point on a specific line segment or location, Transporter shall post on its Internet Website each blended Hydrocarbon Dew point Transporter calculates for a line segment or location within 24 hours of such calculation, and the method by which the Hydrocarbon Dew point value was calculated. Transporter will include in such posting the anticipated duration of the limitation as well as an explanation of the basis for the Hydrocarbon Dew point limitation.

- C. Transporter will provide as much prior notice as reasonably practicable and will attempt to provide such notice at least two (2) days prior to the effective date of the limitation.
 - D. When Transporter posts a Hydrocarbon Dew point limit for a particular pipeline segment or location, all gas receipts into the affected area from interconnects or from any adjacent pipeline segments feeding gas directly into the affected pipeline segment must meet the posted Hydrocarbon Dew point limit for the affected pipeline segment.
 - E. Transporter shall post Hydrocarbon Dew point limitations for a given line segment or location only 1) to the extent necessary to prevent liquid fallout from occurring, 2) in order to manage and operate Transporter's system in a safe and reliable manner, and 3) as required to ensure that gas will be accepted for delivery at interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies. Such posted Hydrocarbon Dew point limitations shall remain in effect no longer than necessary.
 - F. Transporter shall perform Receipt Point Hydrocarbon Dew point calculations for this Section 2.2 using the Peng-Robinson equation of state and C6+ assumptions consistent with industry practices. Upon a Shipper's request, Transporter shall conduct a C9+ analysis; provided that in no event shall Transporter be required to conduct such C9+ analysis at any one receipt point more frequently than once every twelve months. Transporter shall post on its Internet Website the chromatograph data available at not less than four (4) locations, including West of Thoreau, San Juan, Panhandle and West Texas mainlines, to monitor the gas quality of the blended gas stream existing in the mainline system. These gas quality monitoring locations shall be at points where the aggregated gas stream encompasses all or most of the gas from the West of Thoreau, San Juan, Panhandle and West Texas mainlines, respectively.
- 2.3 Transporter may refuse to accept any gas stream from Shipper or Shipper's designee which fails to conform with the gas quality specifications itemized in Sections 2.1 and 2.2. above; however Transporter, in its reasonable discretion exercised on a not unduly discriminatory basis, may accept any gas stream received into its pipeline system at receipt points, provided that such gas will not result in a blended gas stream which does not comply with the gas quality specifications listed in Sections 2.1 and 2.2 above (provided however, that the blended gas stream for deliveries in the East of Thoreau area may contain a combined total of up to 5.0% by volume of carbon dioxide plus nitrogen), or will not prevent delivery of the blended gas stream into a downstream pipeline and other points of delivery, and in the reasonable judgment of Transporter, will not adversely impact Transporter's facilities, pipeline integrity or operations. Transporter may, but is not obligated to, process or treat the gas stream on its system to assure that the gas stream meets Transporter's gas quality specifications.
- Any Shipper on Transporter's system shall have the option of: (i) processing the volumes it owns or (ii) entering into contractual arrangements with third-party plant operators for such processing.
- 2.4 Except as provided in Section 2.5 below, the gas stream delivered to Shipper or Shipper's designee by Transporter at the delivery points shall conform to each of the gas quality specifications set forth in Sections 2.1, 2.2, and 2.3 above subject to the presence of substances in Transporter's pipeline system as of January 1, 1990. If the gas delivered by Transporter to any downstream pipeline meets the quality specifications of Transporter but does not meet the downstream pipeline specifications, then Transporter shall use reasonable efforts to work with such downstream pipeline to resolve such differences to allow gas deliveries and the downstream pipeline shall have the continuing right to refuse to accept such gas deliveries.
- 2.5 If the gas stream delivered by Transporter to Shipper or Shipper's designee shall fail at any time to conform to any of the quality specifications set forth above, Shipper will notify Transporter of such deficiency and if Transporter fails to remedy such deficiency promptly, Shipper may, at its option, refuse to accept further

delivery pending correction by Transporter.

- 2.6 If the gas offered for transportation hereunder shall fail at any time to conform to the quality provisions set forth in the Service Agreement between Transporter and Shipper, or if in Transporter's sole judgment such gas may cause harm to its facilities, then Transporter shall notify Shipper of such deficiency and may, at its option, refuse to accept receipt pending correction by Shipper.
- 2.7 Transporter will not apply the quality specifications associated with Section 2.2 above for gas received into Transporter's system of less than 1,000 dth per day if said receipt conforms to each of the following specifications:
- A. shall not prevent delivery of the blended gas stream into a downstream pipeline and other points of delivery;
 - B. in the reasonable judgment of Transporter, will not adversely impact Transporter's facilities, pipeline integrity or operations;
 - C. exists as a point valid for transportation as of April 1, 2007; and
 - D. shall include only production and/or wells behind the receipt points existing as of April 1, 2007.

2. QUALITY

2.1 The gas stream delivered into Transporter's pipeline system by Shipper or Shipper's designee at receipt points shall conform to each of the following quality specifications:

- A. shall be commercially free from objectionable odors, 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;
- B. shall contain not more than seven (7) pounds/MMcf of water at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
- C. shall contain no hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
- D. shall contain not more than 0.1% by volume of oxygen;
- E. shall contain not more than 2.0% by volume of carbon dioxide;
- F. shall contain not more than a combined total of 3.0% by volume of carbon dioxide plus nitrogen;
- G. shall contain not more than one quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet of gas;
- H. shall contain not more than 0.3 grains of mercaptan sulfur per one hundred (100) cubic feet of gas;
- I. shall contain not more than 0.75 grains of total sulfur per one hundred (100) cubic feet of gas;
- J. 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 or be contrary to applicable government standards;
- K. shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per cubic foot; and
- L. shall have a temperature of not less than forty (40) degrees Fahrenheit, and not more than one hundred twenty (120) degrees Fahrenheit.

2.2 Transporter may not refuse to accept receipt of gas with a Hydrocarbon Dew point equal to or less than 15 degrees Fahrenheit provided that such gas satisfies all other applicable provisions of Transporter's FERC Gas Tariff. This standard shall be referred to as Transporter's Hydrocarbon Dew Point Safe Harbor.

- A. Transporter may, from time to time, as operationally necessary, establish and post on its Internet Website a limit on Hydrocarbon Dew point for receipts on specified segments or other specified locations on its system to prevent hydrocarbon liquid fallout, or to ensure that gas will be accepted for delivery into interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies; provided, however, Transporter may not make a posting that sets a Hydrocarbon Dew point limitation of less than 15 degrees Fahrenheit.
- B. When Transporter determines there is an operational necessity to post a Hydrocarbon Dew point on a specific line segment or location, Transporter shall post on its Internet Website each blended Hydrocarbon Dew point Transporter calculates for a line segment or location within 24 hours of such calculation, and the method by which the Hydrocarbon Dew point value was calculated. Transporter will include in such posting the anticipated duration of the limitation as well as an explanation of the basis for the Hydrocarbon Dew point limitation.

- C. Transporter will provide as much prior notice as reasonably practicable and will attempt to provide such notice at least two (2) days prior to the effective date of the limitation.
- D. When Transporter posts a Hydrocarbon Dew point limit for a particular pipeline segment or location, all gas receipts into the affected area from interconnects or from any adjacent pipeline segments feeding gas directly into the affected pipeline segment must meet the posted Hydrocarbon Dew point limit for the affected pipeline segment.
- E. Transporter shall post Hydrocarbon Dew point limitations for a given line segment or location only 1) to the extent necessary to prevent liquid fallout from occurring, 2) in order to manage and operate Transporter's system in a safe and reliable manner, and 3) as required to ensure that gas will be accepted for delivery at interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies. Such posted Hydrocarbon Dew point limitations shall remain in effect no longer than necessary.
- F. Transporter shall perform Receipt Point Hydrocarbon Dew point calculations for this Section 2.2 using the Peng-Robinson equation of state and C6+ assumptions consistent with industry practices. Upon a Shipper's request, Transporter shall conduct a C9+ analysis; provided that in no event shall Transporter be required to conduct such C9+ analysis at any one receipt point more frequently than once every twelve months. Transporter shall post on its Internet Website the chromatograph data available at not less than four (4) locations, including West of Thoreau, San Juan, Panhandle and West Texas mainlines, to monitor the gas quality of the blended gas stream existing in the mainline system. These gas quality monitoring locations shall be at points where the aggregated gas stream encompasses all or most of the gas from the West of Thoreau, San Juan, Panhandle and West Texas mainlines, respectively.

- 2.3 Transporter may refuse to accept any gas stream from Shipper or Shipper's designee which fails to conform with the gas quality specifications itemized in Sections 2.1 and 2.2. above; however Transporter, in its reasonable discretion exercised on a not unduly discriminatory basis, may accept any gas stream received into its pipeline system at receipt points, provided that such gas will not result in a blended gas stream which does not comply with the gas quality specifications listed in Sections 2.1 and 2.2 above, or will not prevent delivery of the blended gas stream into a downstream pipeline and other points of delivery, and in the reasonable judgment of Transporter, will not adversely impact Transporter's facilities, pipeline integrity or operations. Transporter may, but is not obligated to, process or treat the gas stream on its system to assure that the gas stream meets Transporter's gas quality specifications.

Any Shipper on Transporter's system shall have the option of: (i) processing the volumes it owns or (ii) entering into contractual arrangements with third-party plant operators for such processing.

- 2.4 Except as provided in Section 2.5 below, the gas stream delivered to Shipper or Shipper's designee by Transporter at the delivery points shall conform to each of the gas quality specifications set forth in Sections 2.1 and 2.2 above subject to the presence of substances in Transporter's pipeline system as of January 1, 1990. If the gas delivered by Transporter to any downstream pipeline meets the quality specifications of Transporter but does not meet the downstream pipeline specifications, then Transporter shall use reasonable efforts to work with such downstream pipeline to resolve such differences to allow gas deliveries and the downstream pipeline shall have the continuing right to refuse to accept such gas deliveries.
- 2.5 If the gas stream delivered by Transporter to Shipper or Shipper's designee shall fail at any time to conform to any of the quality specifications set forth above, Shipper will notify Transporter of such deficiency and if Transporter fails to remedy such deficiency promptly, Shipper may, at its option, refuse to accept further delivery pending correction by Transporter.

- 2.6 If the gas offered for transportation hereunder shall fail at any

time to conform to the quality provisions set forth in the Service Agreement between Transporter and Shipper, or if in Transporter's sole judgment such gas may cause harm to its facilities, then Transporter shall notify Shipper of such deficiency and may, at its option, refuse to accept receipt pending correction by Shipper.

- 2.7 Transporter will not apply the quality specifications associated with Section 2.2 above for gas received into Transporter's system of less than 1,000 dth per day if said receipt conforms to each of the following specifications:
- A. shall not prevent delivery of the blended gas stream into a downstream pipeline and other points of delivery;
 - B. in the reasonable judgment of Transporter, will not adversely impact Transporter's facilities, pipeline integrity or operations;
 - C. exists as a point valid for transportation as of April 1, 2007; and
 - D. shall include only production and/or wells behind the receipt points existing as of April 1, 2007.

GENERAL TERMS AND CONDITIONS

3. NORTH AMERICAN ENERGY STANDARDS BOARD ("NAESB") STANDARDS COMPLIANCE

Compliance with 18 CFR, Section 284.12

Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 2.0, which are required by the Federal Energy Regulatory 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.

I. Standards not Incorporated by Reference and their Location in these General Terms and Conditions:

<u>NAESB Standards</u>	<u>General Terms and Conditions Tariff Record</u>	<u>Tariff Provision</u>
1.2.5	22.Nomination and Scheduling of Capacity	22.1(Q)
1.2.6	22.Nomination and Scheduling of Capacity	22.3(B)
1.3.1	1.Definitions	1
1.3.2 (i-v)	22.Nomination and Scheduling of Capacity	22.1(A), (B)
1.3.3	22.Nomination and Scheduling of Capacity	22.1(J)
1.3.5	22.Nomination and Scheduling of Capacity	22.1(B) (5)
1.3.6	22.Nomination and Scheduling of Capacity	22.1(H)
1.3.8	22.Nomination and Scheduling of Capacity	22.5(B)
1.3.11	22.Nomination and Scheduling of Capacity	22.5(B) (1)
1.3.19	22.Nomination and Scheduling of Capacity	22.1(B) (8)
1.3.20	22.Nomination and Scheduling of Capacity	22.1(I)
1.3.21	22.Nomination and Scheduling of Capacity	22.1(L)
1.3.22(i-iii)	22.Nomination and Scheduling of Capacity	22.1(D), (E), (F)
1.3.23	22.Nomination and Scheduling of Capacity	22.1(B), (K)
1.3.24	22.Nomination and Scheduling of Capacity	22.1(Q)
1.3.25	22.Nomination and Scheduling of Capacity	22.1(Q)
1.3.29	22.Nomination and Scheduling of Capacity	22.1(P)
1.3.31	22.Nomination and Scheduling of Capacity	22.2(A)
1.3.32	22.Nomination and Scheduling of Capacity	22.5(A)
1.3.33	22.Nomination and Scheduling of Capacity	22.5(B) (5)
1.3.39	22.Nomination and Scheduling of Capacity	22.5(E)
1.3.40	22.Nomination and Scheduling of Capacity	22.1(G)
1.3.41	22.Nomination and Scheduling of Capacity	22.5(F)
1.3.42	22.Nomination and Scheduling of Capacity	22.5(G)
2.2.1	15.Operator Balancing Agreements	15.1
2.3.7	5.Measuring Stations	5.1(B)
2.3.11	5.Measuring Stations	5.7
2.3.14	5.Measuring Stations	5.7
3.2.1	1.Definitions	1
3.3.15	7.Payment	7.4
3.3.17	7.Payment	7.1
3.3.18	7.Payment	7.1
3.3.21	7.Payment	7.3
5.2.4	30.Capacity Release	30
5.2.5	30.Capacity Release	30
5.3.1	30.8 General Terms and Conditions (Capacity Release)	30.8(L)
5.3.2	30.4 Minimum Time Periods for Biddable Release Capacity and 30.6 Procedure for a Pre-Arranged Deal	30.4, 30.6
5.3.3	30.2 Evaluation Methods	30.2
5.3.13	30.5 Open Bids/Withdrawal of Bids	30.5(B) (3)
5.3.14	30.3 Offer to Release Capacity	30.3(E)
5.3.15	30.5 Open Bids/Withdrawal of Bids	30.5(B) (1)
5.3.16	30.3 Offer to Release Capacity	30.3(E)
5.3.19	30.8 General Terms and Conditions (Capacity Release)	30.8(D)
5.3.26	30.5 Open Bids/Withdrawal of Bids and 30.8 General Terms and Conditions (Capacity Release)	30.5(C), 30.8(C)
5.3.29	30.3 Offer to Release Capacity	30.3(A) (1)
5.3.62(a)	30.3 Offer to Release Capacity	30.3(A) (15)

II. Standards Incorporated by Reference:

(a) Additional Standards:

General: 0.3.1, 0.3.2, 0.3.16, 0.3.17

Creditworthiness: 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, 0.3.19, 0.3.20, 0.3.21, 0.3.22

Data Sets: 0.4.2, 0.4.3

Storage:

Data Set: 0.4.1

(b) Nominations Related Standards:

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.12, 1.2.13, 1.2.14, 1.2.15, 1.2.16, 1.2.17, 1.2.18, 1.2.19

Standards: 1.3.2(vi), 1.3.4, 1.3.7, 1.3.9, 1.3.13, 1.3.14, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.22(iv), 1.3.26, 1.3.27, 1.3.28, 1.3.30, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.43, 1.3.44, 1.3.45, 1.3.46, 1.3.47, 1.3.48, 1.3.49, 1.3.50, 1.3.51, 1.3.52, 1.3.53, 1.3.54, 1.3.55, 1.3.56, 1.3.57, 1.3.58, 1.3.59, 1.3.60, 1.3.61, 1.3.62, 1.3.63, 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

Data Sets: 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

(c) 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, 2.3.8, 2.3.9, 2.3.10, 2.3.12, 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, 2.3.33, 2.3.34, 2.3.35, 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, 2.3.49, 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

Data Sets: 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, 2.4.12, 2.4.13, 2.4.14, 2.4.15, 2.4.16, 2.4.17, 2.4.18

(d) Invoicing Related Standards:

Standards: 3.3.1, 3.3.2, 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, 3.3.16, 3.3.19, 3.3.20, 3.3.22, 3.3.23, 3.3.24, 3.3.25, 3.3.26

Data Sets: 3.4.1, 3.4.2, 3.4.3, 3.4.4

(e) Quadrant Electronic Delivery Mechanisms 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, 4.2.19, 4.2.20

Standards: 4.3.1, 4.3.2, 4.3.3, 4.3.5, 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, 4.3.29, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35, 4.3.36, 4.3.38, 4.3.39, 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, 4.3.51, 4.3.52, 4.3.53, 4.3.54, 4.3.55, 4.3.56, 4.3.57, 4.3.58, 4.3.59, 4.3.60, 4.3.61, 4.3.62, 4.3.65, 4.3.66, 4.3.67, 4.3.68, 4.3.69, 4.3.72, 4.3.73, 4.3.74, 4.3.75, 4.3.76, 4.3.78, 4.3.79, 4.3.80, 4.3.81, 4.3.82, 4.3.83, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 4.3.89, 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

(f) Capacity Release

Definitions: 5.2.1, 5.2.2, 5.2.3

Standards: 5.3.4, 5.3.5, 5.3.7, 5.3.8, 5.3.9, 5.3.10, 5.3.11, 5.3.12, 5.3.18, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.24, 5.3.25, 5.3.27, 5.3.28, 5.3.31, 5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.44, 5.3.45, 5.3.46, 5.3.47, 5.3.48, 5.3.49, 5.3.50, 5.3.51, 5.3.52, 5.3.53, 5.3.54, 5.3.55, 5.3.56, 5.3.57, 5.3.58, 5.3.59, 5.3.60, 5.3.62, 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

Data Sets: 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

(g) Internet Electronic Transport

Definitions: 10.2.1, 10.2.2, 10.2.3, 10.2.4, 10.2.5, 10.2.6, 10.2.7, 10.2.8, 10.2.9, 10.2.10, 10.2.11, 10.2.12, 10.2.13, 10.2.14, 10.2.15, 10.2.16, 10.2.17, 10.2.18, 10.2.19, 10.2.20, 10.2.21, 10.2.22, 10.2.23, 10.2.24, 10.2.25, 10.2.26, 10.2.27, 10.2.28, 10.2.29, 10.2.30, 10.2.31, 10.2.32, 10.2.33, 10.2.34, 10.2.35, 10.2.36, 10.2.37, 10.2.38

Standards: 10.3.1, 10.3.3, 10.3.4, 10.3.5, 10.3.6, 10.3.7, 10.3.8, 10.3.9, 10.3.10, 10.3.11, 10.3.12, 10.3.14, 10.3.15, 10.3.16, 10.3.17, 10.3.18, 10.3.19, 10.3.20, 10.3.21, 10.3.22, 10.3.23, 10.3.24, 10.3.25, 10.3.26, 10.3.27

GENERAL TERMS AND CONDITIONS

3. NORTH AMERICAN ENERGY STANDARDS BOARD ("NAESB") STANDARDS COMPLIANCE

Compliance with 18 CFR, Section 284.12

Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 2.0, which are required by the Federal Energy Regulatory 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.

I. Standards not Incorporated by Reference and their Location in these General Terms and Conditions:

<u>NAESB Standards</u>	<u>General Terms and Conditions Tariff Record</u>	<u>Tariff Provision</u>
1.2.5	22.Nomination and Scheduling of Capacity	22.1(Q)
1.2.6	22.Nomination and Scheduling of Capacity	22.3(B)
1.3.1	1.Definitions	1
1.3.2	22.Nomination and Scheduling of Capacity	22.1(A), (B)
1.3.3	22.Nomination and Scheduling of Capacity	22.1(J)
1.3.5	22.Nomination and Scheduling of Capacity	22.1(B) (5)
1.3.6	22.Nomination and Scheduling of Capacity	22.1(H)
1.3.8	22.Nomination and Scheduling of Capacity	22.5(B)
1.3.11	22.Nomination and Scheduling of Capacity	22.5(B) (1)
1.3.19	22.Nomination and Scheduling of Capacity	22.1(B) (8)
1.3.20	22.Nomination and Scheduling of Capacity	22.1(I)
1.3.21	22.Nomination and Scheduling of Capacity	22.1(L)
1.3.22(i-iii)	22.Nomination and Scheduling of Capacity	22.1(D), (E), (F)
1.3.23	22.Nomination and Scheduling of Capacity	22.1(B), (K)
1.3.24	22.Nomination and Scheduling of Capacity	22.1(Q)
1.3.25	22.Nomination and Scheduling of Capacity	22.1(Q)
1.3.29	22.Nomination and Scheduling of Capacity	22.1(P)
1.3.31	22.Nomination and Scheduling of Capacity	22.2(A)
1.3.32	22.Nomination and Scheduling of Capacity	22.5(A)
1.3.33	22.Nomination and Scheduling of Capacity	22.5(B) (5)
1.3.39	22.Nomination and Scheduling of Capacity	22.5(E)
1.3.40	22.Nomination and Scheduling of Capacity	22.1(G)
1.3.41	22.Nomination and Scheduling of Capacity	22.5(F)
1.3.42	22.Nomination and Scheduling of Capacity	22.5(G)
2.2.1	15.Operator Balancing Agreements	15.1
2.3.7	5.Measuring Stations	5.1(B)
2.3.11	5.Measuring Stations	5.7
2.3.14	5.Measuring Stations	5.7
3.2.1	1.Definitions	1
3.3.15	7.Payment	7.4
3.3.17	7.Payment	7.1
3.3.18	7.Payment	7.1
3.3.21	7.Payment	7.3
5.2.4	30.Capacity Release	30
5.2.5	30.Capacity Release	30
5.3.1	30.8 General Terms and Conditions (Capacity Release)	30.8(L)
5.3.2	30.4 Minimum Time Periods for Biddable Release Capacity and 30.6 Procedure for a Pre-Arranged Deal	30.4, 30.6
5.3.3	30.2 Evaluation Methods	30.2
5.3.13	30.5 Open Bids/Withdrawal of Bids	30.5(B) (3)
5.3.14	30.3 Offer to Release Capacity	30.3(E)
5.3.15	30.5 Open Bids/Withdrawal of Bids	30.5(B) (1)
5.3.16	30.3 Offer to Release Capacity	30.3(E)
5.3.19	30.8 General Terms and Conditions (Capacity Release)	30.8(D)
5.3.26	30.5 Open Bids/Withdrawal of Bids and 30.8 General Terms and Conditions (Capacity Release)	30.5(C), 30.8(C)
5.3.29	30.3 Offer to Release Capacity	30.3(A) (1)
5.3.62(a)	30.3 Offer to Release Capacity	30.3(A) (15)

II. Standards Incorporated by Reference:

(a) Additional Standards:

General: 0.3.1, 0.3.2, 0.3.16, 0.3.17

Creditworthiness: 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, 0.3.19, 0.3.20, 0.3.21, 0.3.22

Data Sets: 0.4.2, 0.4.3

Storage:

Data Set: 0.4.1

(b) Nominations Related Standards:

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.12, 1.2.13, 1.2.14, 1.2.15, 1.2.16, 1.2.17, 1.2.18, 1.2.19

Standards: 1.3.4, 1.3.7, 1.3.9, 1.3.13, 1.3.14, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.22 (iv), 1.3.26, 1.3.27, 1.3.28, 1.3.30, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.43, 1.3.44, 1.3.45, 1.3.46, 1.3.47, 1.3.48, 1.3.49, 1.3.50, 1.3.51, 1.3.52, 1.3.53, 1.3.54, 1.3.55, 1.3.56, 1.3.57, 1.3.58, 1.3.59, 1.3.60, 1.3.61, 1.3.62, 1.3.63, 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

Data Sets: 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

(c) 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, 2.3.8, 2.3.9, 2.3.10, 2.3.12, 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, 2.3.33, 2.3.34, 2.3.35, 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, 2.3.49, 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

Data Sets: 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, 2.4.12, 2.4.13, 2.4.14, 2.4.15, 2.4.16, 2.4.17, 2.4.18

(d) Invoicing Related Standards:

Standards: 3.3.1, 3.3.2, 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, 3.3.16, 3.3.19, 3.3.20, 3.3.22, 3.3.23, 3.3.24, 3.3.25, 3.3.26

Data Sets: 3.4.1, 3.4.2, 3.4.3, 3.4.4

(e) Quadrant Electronic Delivery Mechanisms 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, 4.2.19, 4.2.20

Standards: 4.3.1, 4.3.2, 4.3.3, 4.3.5, 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, 4.3.29, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35, 4.3.36, 4.3.38, 4.3.39, 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, 4.3.51, 4.3.52, 4.3.53, 4.3.54, 4.3.55, 4.3.56, 4.3.57, 4.3.58, 4.3.59, 4.3.60, 4.3.61, 4.3.62, 4.3.65, 4.3.66, 4.3.67, 4.3.68, 4.3.69, 4.3.72, 4.3.73, 4.3.74, 4.3.75, 4.3.76, 4.3.78, 4.3.79, 4.3.80, 4.3.81, 4.3.82, 4.3.83, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 4.3.89, 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

(f) Capacity Release

Definitions: 5.2.1, 5.2.2, 5.2.3

Standards: 5.3.4, 5.3.5, 5.3.7, 5.3.8, 5.3.9, 5.3.10, 5.3.11, 5.3.12, 5.3.18, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.24, 5.3.25, 5.3.27, 5.3.28, 5.3.31, 5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.44, 5.3.45, 5.3.46, 5.3.47, 5.3.48, 5.3.49, 5.3.50, 5.3.51, 5.3.52, 5.3.53, 5.3.54, 5.3.55, 5.3.56, 5.3.57, 5.3.58, 5.3.59, 5.3.60, 5.3.62, 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

Data Sets: 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

(g) Internet Electronic Transport

Definitions: 10.2.1, 10.2.2, 10.2.3, 10.2.4, 10.2.5, 10.2.6, 10.2.7, 10.2.8, 10.2.9, 10.2.10, 10.2.11, 10.2.12, 10.2.13, 10.2.14, 10.2.15, 10.2.16, 10.2.17, 10.2.18, 10.2.19, 10.2.20, 10.2.21, 10.2.22, 10.2.23, 10.2.24, 10.2.25, 10.2.26, 10.2.27, 10.2.28, 10.2.29, 10.2.30, 10.2.31, 10.2.32, 10.2.33, 10.2.34, 10.2.35, 10.2.36, 10.2.37, 10.2.38

Standards: 10.3.1, 10.3.3, 10.3.4, 10.3.5, 10.3.6, 10.3.7, 10.3.8, 10.3.9, 10.3.10, 10.3.11, 10.3.12, 10.3.14, 10.3.15, 10.3.16, 10.3.17, 10.3.18, 10.3.19, 10.3.20, 10.3.21, 10.3.22, 10.3.23, 10.3.24, 10.3.25, 10.3.26, 10.3.27

GENERAL TERMS AND CONDITIONS

3. NORTH AMERICAN ENERGY STANDARDS BOARD ("NAESB") STANDARDS COMPLIANCE

Transporter incorporates the following NAESB Definitions, Standards and Datasets by reference herein:
Version 1.9

(a) Additional Standards:

General: 0.3.1, 0.3.2, 0.3.16, 0.3.17

Creditworthiness: 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

Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

(b) Nominations Related Standards:

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.12, 1.2.13, 1.2.14, 1.2.15, 1.2.16, 1.2.17, 1.2.18, 1.2.19

Standards: 1.3.4, 1.3.7, 1.3.9, 1.3.13, 1.3.14, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.22(iv), 1.3.26, 1.3.27, 1.3.28, 1.3.30, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.43, 1.3.44, 1.3.45, 1.3.46, 1.3.47, 1.3.48, 1.3.49, 1.3.50, 1.3.51, 1.3.52, 1.3.53, 1.3.54, 1.3.55, 1.3.56, 1.3.57, 1.3.58, 1.3.59, 1.3.60, 1.3.61, 1.3.62, 1.3.63, 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

Data Sets: 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

(c) 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, 2.3.8, 2.3.9, 2.3.10, 2.3.12, 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, 2.3.33, 2.3.34, 2.3.35, 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, 2.3.49, 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

Data Sets: 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, 2.4.12, 2.4.13, 2.4.14, 2.4.15, 2.4.16, 2.4.17, 2.4.18

(d) Invoicing Related Standards:

Standards: 3.3.1, 3.3.2, 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, 3.3.16, 3.3.19, 3.3.20, 3.3.22, 3.3.23, 3.3.24, 3.3.25, 3.3.26

Data Sets: 3.4.1, 3.4.2, 3.4.3, 3.4.4

(e) Quadrant Electronic Delivery Mechanisms 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, 4.2.19, 4.2.20

Standards: 4.3.1, 4.3.2, 4.3.3, 4.3.5, 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, 4.3.29, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35, 4.3.36, 4.3.38, 4.3.39, 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, 4.3.51, 4.3.52, 4.3.53, 4.3.54, 4.3.55, 4.3.56, 4.3.57, 4.3.58, 4.3.59, 4.3.60, 4.3.61, 4.3.62, 4.3.65, 4.3.66, 4.3.67, 4.3.68, 4.3.69, 4.3.72, 4.3.73, 4.3.74, 4.3.75, 4.3.76, 4.3.78, 4.3.79, 4.3.80, 4.3.81, 4.3.82, 4.3.83, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 4.3.89, 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

(f) Capacity Release

Definitions: 5.2.1, 5.2.2, 5.2.3

Standards: 5.3.4, 5.3.5, 5.3.7, 5.3.8, 5.3.9, 5.3.10, 5.3.11, 5.3.12, 5.3.17, 5.3.18, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.24, 5.3.25, 5.3.27, 5.3.28, 5.3.30, 5.3.31, 5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.43, 5.3.44, 5.3.45, 5.3.46, 5.3.47, 5.3.48, 5.3.49, 5.3.50, 5.3.51, 5.3.52, 5.3.53, 5.3.54, 5.3.55, 5.3.56, 5.3.57, 5.3.58, 5.3.59, 5.3.60, 5.3.61, 5.3.62, 5.3.63, 5.3.64, 5.3.65, 5.3.66, 5.3.67, 5.3.68, 5.3.69

Data Sets: 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.4.15, 5.4.16, 5.4.17, 5.4.18, 5.4.19, 5.4.20, 5.4.21, 5.4.22, 5.4.23

(g) Internet Electronic Transport

Definitions: 10.2.1, 10.2.2, 10.2.3, 10.2.4, 10.2.5, 10.2.6, 10.2.7, 10.2.8, 10.2.9, 10.2.10, 10.2.11, 10.2.12, 10.2.13, 10.2.14, 10.2.15, 10.2.16, 10.2.17, 10.2.18, 10.2.19, 10.2.20, 10.2.21, 10.2.22, 10.2.23, 10.2.24, 10.2.25, 10.2.26, 10.2.27, 10.2.28, 10.2.29, 10.2.30, 10.2.31, 10.2.32, 10.2.33, 10.2.34, 10.2.35, 10.2.36, 10.2.37, 10.2.38

Standards: 10.3.1, 10.3.3, 10.3.4, 10.3.5, 10.3.6, 10.3.7, 10.3.8, 10.3.9, 10.3.10, 10.3.11, 10.3.12, 10.3.14, 10.3.15, 10.3.16, 10.3.17, 10.3.18, 10.3.19, 10.3.20, 10.3.21, 10.3.22, 10.3.23, 10.3.24, 10.3.25, 10.3.26, 10.3.27

GENERAL TERMS AND CONDITIONS

3. NORTH AMERICAN ENERGY STANDARDS BOARD ("NAESB") STANDARDS COMPLIANCE

Transporter incorporates the following NAESB Definitions, Standards and Datasets by reference herein:
Version 1.9

(a) Additional Standards:

General: 0.3.1, 0.3.2, 0.3.16, 0.3.17

Creditworthiness: 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

Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

(b) Nominations Related Standards:

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.12, 1.2.13, 1.2.14, 1.2.15, 1.2.16, 1.2.17, 1.2.18, 1.2.19

Standards: 1.3.4, 1.3.5, 1.3.7, 1.3.9, 1.3.13, 1.3.14, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.22, 1.3.23, 1.3.26, 1.3.27, 1.3.28, 1.3.30, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.43, 1.3.44, 1.3.45, 1.3.46, 1.3.47, 1.3.48, 1.3.49, 1.3.50, 1.3.51, 1.3.52, 1.3.53, 1.3.54, 1.3.55, 1.3.56, 1.3.57, 1.3.58, 1.3.59, 1.3.60, 1.3.61, 1.3.62, 1.3.63, 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

Data Sets: 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

(c) 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, 2.3.8, 2.3.9, 2.3.10, 2.3.12, 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, 2.3.33, 2.3.34, 2.3.35, 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, 2.3.49, 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

Data Sets: 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, 2.4.12, 2.4.13, 2.4.14, 2.4.15, 2.4.16, 2.4.17, 2.4.18

(d) Invoicing Related Standards:

Standards: 3.3.1, 3.3.2, 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, 3.3.16, 3.3.19, 3.3.20, 3.3.22, 3.3.23, 3.3.24, 3.3.25, 3.3.26

Data Sets: 3.4.1, 3.4.2, 3.4.3, 3.4.4

(e) Quadrant Electronic Delivery Mechanisms 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, 4.2.19, 4.2.20

Standards: 4.3.1, 4.3.2, 4.3.3, 4.3.5, 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, 4.3.29, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35, 4.3.36, 4.3.38, 4.3.39, 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, 4.3.51, 4.3.52, 4.3.53, 4.3.54, 4.3.55, 4.3.56, 4.3.57, 4.3.58, 4.3.59, 4.3.60, 4.3.61, 4.3.62, 4.3.65, 4.3.66, 4.3.67, 4.3.68, 4.3.69, 4.3.72, 4.3.73, 4.3.74, 4.3.75, 4.3.76, 4.3.78, 4.3.79, 4.3.80, 4.3.81, 4.3.82, 4.3.83, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 4.3.89, 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

(f) Capacity Release

Definitions: 5.2.1, 5.2.2, 5.2.3

Standards: 5.3.4, 5.3.5, 5.3.7, 5.3.8, 5.3.9, 5.3.10, 5.3.11, 5.3.12, 5.3.17, 5.3.18, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.24, 5.3.25, 5.3.26, 5.3.27, 5.3.28, 5.3.30, 5.3.31, 5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.43, 5.3.44, 5.3.45, 5.3.46, 5.3.47, 5.3.48, 5.3.49, 5.3.50, 5.3.51, 5.3.52, 5.3.53, 5.3.54, 5.3.55, 5.3.56, 5.3.57, 5.3.58, 5.3.59, 5.3.60, 5.3.61, 5.3.62, 5.3.62(a), 5.3.63, 5.3.64, 5.3.65, 5.3.66, 5.3.67, 5.3.68, 5.3.69

Data Sets: 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.4.15, 5.4.16, 5.4.17, 5.4.18, 5.4.19, 5.4.20, 5.4.21, 5.4.22, 5.4.23

(g) Internet Electronic Transport

Definitions: 10.2.1, 10.2.2, 10.2.3, 10.2.4, 10.2.5, 10.2.6, 10.2.7, 10.2.8, 10.2.9, 10.2.10, 10.2.11, 10.2.12, 10.2.13, 10.2.14, 10.2.15, 10.2.16, 10.2.17, 10.2.18, 10.2.19, 10.2.20, 10.2.21, 10.2.22, 10.2.23, 10.2.24, 10.2.25, 10.2.26, 10.2.27, 10.2.28, 10.2.29, 10.2.30, 10.2.31, 10.2.32, 10.2.33, 10.2.34, 10.2.35, 10.2.36, 10.2.37, 10.2.38

Standards: 10.3.1, 10.3.3, 10.3.4, 10.3.5, 10.3.6, 10.3.7, 10.3.8, 10.3.9, 10.3.10, 10.3.11, 10.3.12, 10.3.13, 10.3.14, 10.3.15, 10.3.16, 10.3.17, 10.3.18, 10.3.19, 10.3.20, 10.3.21, 10.3.22, 10.3.23, 10.3.24, 10.3.25, 10.3.26, 10.3.27

GENERAL TERMS AND CONDITIONS

3. [Reserved for Future Use]

4. MEASUREMENT

Unless otherwise agreed to by Transporter and Operator, Transporter shall perform the measurement of the quantities of gas received into or delivered from an interconnect point on Transporter's system.

The methods of computing measured quantities shall be: (1) for orifice meters, in accordance with the recommendations set forth in ANSI/API 2530, approved May 1985, or, alternatively, AGA-3, or as such recommendations may be amended from time to time, (2) for any gas measured by displacement or turbine meters, the methods of computation shall be in accordance with the procedures outlined in the latest addition of AGA Gas Measurement Manual, Part 7 "Measurement Calculations and Data Gathering", or as such manual may be amended from time to time.

The quantities of gas received or delivered hereunder shall be measured according to Boyle's and Charles' Laws for the measurement of gas under varying pressures and temperatures with deviation therefrom as provided in Section 4.6 herein and shall be determined as follows:

- 4.1 The unit of volume for the purpose of measurement shall be one (1) cubic foot of gas at a base temperature of sixty (60) degrees Fahrenheit, and at a pressure base of fourteen and seventy-three hundredths (14.73) pounds psia.
- 4.2 The unit of measurement for the purpose of billing shall be one (1) dekatherm (dth) consisting of one million (1,000,000) British Thermal Units. The number of dekatherms delivered shall be determined by multiplying the number of cubic feet of gas delivered, measured on the measurement basis hereinafter specified, by the total heating value of such gas, in British Thermal Units per cubic foot, as defined in Section 1 above, and by dividing the product by one million (1,000,000).
- 4.3 The average absolute atmospheric pressure shall be determined for the point of receipt or delivery.
- 4.4 For measurement by turbine or orifice meters, the arithmetic average of gas temperatures recorded during the periods of flow only shall be deemed the gas temperature for the purpose of calculating transport quantities. However, when computing quantities of gas measured by displacement type meters, the gas temperature shall be deemed to be the average monthly ambient temperature corresponding to each calendar month as recorded and published as Local Climatological Data by the U.S. Department of Commerce, Weather Bureau, for that weather station nearest the actual point of receipt or delivery; or as may be otherwise mutually agreed to by Operator and Transporter.
- 4.5 The specific gravity and total heating value of the gas to be measured shall be determined by one of the following methods: (1) a spot gas sample analyzed on a gas chromatograph with the frequency of the sampling being as agreed to by Operator and Transporter, (2) use of a continuous, proportional to flow, gas sampler and the sample analyzed on a gas chromatograph, (3) by the continuous use of an "on line" gas chromatograph, or (4) any other method agreed to by Operator and Transporter. All chromatographic analysis are to be as per GPA 2172 using factors from the latest edition of GPA 2145, as may be amended from time to time.
- 4.6 Deviation of the natural gas from Boyle's and Charles' Laws shall be calculated as per AGA Par Research Project NX-19 or by AGA Transmission Measurement Committee Report No. 8, as may be amended from time to time. The gas analysis required by Section 4.5 above shall be used for the chemical composition of the gas as required for calculation by NX-19 or AGA-8.

5. MEASURING STATIONS

5.1 Measuring Station:

- A. Measurement facilities installed and operated hereunder shall include standard orifice meters, turbine or standard displacement meters, or any other method mutually agreed upon by the interconnecting parties, and other necessary measuring equipment by which the quantity of gas hereunder shall be measured. The measurement facilities, including all primary and secondary elements, shall be installed and operated as set forth in the latest edition of ANSI/API 2530 (AGA-3), approved May 1985, as may be superseded from time to time, for orifice meters; AGA Gas Measurement Manual Part 2, as may be amended from time to time, for displacement meters; and AGA Gas Measurement Manual Part 4 and AGA Transmission Measurement Committee Report No. 7, as may be amended from time to time, for turbine meters. The Non-Measuring party shall have access to such measuring equipment at all reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by the Measurer.
- B. The party performing measurement at an interconnect point as required by this Tariff ("Measurer") shall furnish the interconnecting party not performing measurement at an interconnect point ("Non-Measurer") by the 6th business day after the end of each production month a statement reflecting the quantity of gas received or delivered during the previous month.

5.2 Check Measuring Equipment

At any interconnect point, Non-Measurer may install, maintain and operate at its own expense, such pressure regulators and/or check measuring equipment as it shall desire, provided that such equipment shall be so installed as not to interfere with the operation of Measurer's measuring equipment at or near the point of receipt or delivery. Measurer shall have access to such check measuring equipment at all reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by Non-Measurer.

5.3 Access to Equipment and Records

Each party 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 used in measuring receipts or deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request each will allow the other to inspect, upon reasonable notice, its records and charts, or copies thereof, together with calculations therefrom.

5.4 Care Required

All installations of measuring equipment, applying to or affecting receipts or deliveries hereunder, shall be made in such manner as to permit an accurate determination of the quantity of gas received or delivered and ready verification of the accuracy of measurement. Reasonable care shall be exercised in the installation, maintenance and operation of any upstream or downstream pressure regulating equipment which may be installed so as to avoid, so far as practicable, any inaccuracy in the determination of the quantity of gas received or delivered hereunder.

5.5 Failure of Meters

In the event a meter fails or is out of service, or registering inaccurately by more than one percent (1%); the quantity of gas received or delivered hereunder shall be estimated:

- A. By using the registration of any check meter or meters if installed and accurately registering, or, in the absence of (A);
- B. By correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation, or in the absence of both (A) and (B), then;
- C. By estimating the quantity of receipts or deliveries during periods under similar conditions when the meter was registering accurately.

5.6 Test of Meters

The accuracy of Measurer's measuring equipment, including chromatographs, shall be verified at least quarterly by routine tests (or as otherwise agreed to by the parties), upon reasonable notice to Non-Measurer, who shall have the right to witness. Non-Measurer shall verify the accuracy of its check measuring equipment. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure prompt verification of the equipment.

If either party at any time observes a variation between the designated meter and the check meter, it will promptly notify the other party thereof and both parties will then cooperate to secure an immediate verification of the accuracy of such equipment. Each party shall give to the other notice of the time of all tests of meters reasonably in advance of the holding of such tests in order that the other party may conveniently have its representative present.

5.7 Correction for Errors of Meters

If, upon test, the total measurement error at a meter is found to be in error not more than 1%, previous recordings of such equipment shall be considered accurate in computing receipts or deliveries hereunder; but such equipment shall be adjusted at once to record correctly. If, upon test, the total measurement error at a meter is found to be inaccurate by an amount exceeding 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 which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon, such correction shall be for a period extending one half of the time elapsed since the date of last test to the nearest day, not exceeding a correction period of 15 days, unless otherwise agreed to by the parties. Measurement data corrections shall be processed within six months from the date of production with a three month rebuttal period. This time limitation will not apply in cases of deliberate omission or misrepresentation or mutual mistake of fact. Transporter and Operator's other statutory or contractual rights shall not otherwise be diminished by this provision. A meter adjustment or correction becomes a prior period adjustment after the fifth business day following the production month. Any measurement prior period adjustments are taken back to the production month.

Refer to Section 5.5 hereof to determine the methods for correction of deliveries during periods of inaccurate measurement exceeding one percent (1%).

5.8 Preservation of Records

Each party shall preserve for a period of at least 3 years all test data, charts and other similar records.

6. BILLING

6.1 Monthly Bills

Transporter shall bill Shipper on or before the 9th business day of each month for the sums due for the preceding month, computed in accordance with Transporter's applicable Rate Schedule.

6.2 Access to Billing Data

Transporter and Shipper shall have the right at all reasonable times to examine the books, records, and charts of each other to the extent necessary to verify the accuracy of any billing, statement, charge or computation made by the other pursuant to any provision of this FERC Gas Tariff.

7. PAYMENT

7.1 Monthly Bills

Shipper shall pay Transporter by wire transfer of federal funds, unless otherwise agreed, on or before the 10th day following the invoice date for all sums due for the preceding month under the applicable Rate Schedule as billed by Transporter, except when such payment day is a Saturday, Sunday, or bank holiday, in which case payment is due the following business day. Any payment shall be considered to have been made on the date when such payment is wire transferred by Shipper to an address designated by Transporter. Notwithstanding the foregoing, FTS-2 shippers shall have the option to pay by wire transfer or normally accepted business practice.

Shipper shall submit supporting documentation with any payment and shall identify invoice numbers on all payments. In the event the Shipper's payment differs from the invoiced amount, Shipper shall provide remittance detail with the payment except when payment is made by electronic funds transfer (EFT), in which case, the remittance detail is due within two Business Days of the payment due date.

7.2 Failure to Pay and Disputed Bills

Should Shipper fail to pay any or all of the amount of any bill for gas transported when such sum is due, Transporter may charge interest on the unpaid portion of the bill computed from the due date until the date of payment at the same rate of interest and in the same manner as prescribed for pipeline refunds as set forth in Section 154.501 of the Federal Energy Regulatory Commission's Regulations under the Natural Gas Act. If such failure to pay continues for ten (10) days or more after payment is due, Transporter may notify Shipper by Internet e-mail or direct notification to Shipper's Internet URL address, whichever is chosen by Shipper, that collateral acceptable to Transporter equivalent to three (3) months worth of reservation charges is due. Shipper shall have five (5) business days within which to provide advance payment for one month's service and must satisfy the collateral requirements within thirty (30) days. If Shipper fails to provide the required security within these time periods, Transporter may suspend service immediately and provide simultaneous written notice to Shipper and the Commission that Transporter will terminate service in thirty (30) days if the Shipper fails to provide security; provided however, if Shipper in good faith shall dispute the amount of any bill or part thereof, Shipper shall pay such amount as is conceded to be correct and provide documentation identifying the basis for the dispute and post a bond for the balance, and Transporter shall not be entitled to suspend transportation of gas. Provided however, if the billing dispute is decided in the Shipper's favor, Transporter shall reimburse Shipper for the cost of the bond; provided, however, Transporter shall reimburse Shipper (in the same manner in which Shipper remits monthly payments to Transporter) for the cost of the bond, together with interest computed at the same rate and in the same manner as prescribed for pipeline refunds, as set forth in Section 154.501(d) of the Commission's Regulations under the Natural Gas Act, within thirty days of the resolution of the dispute.

7.3 Statement of Account

Transporter shall provide Shipper with a detailed Statement of Account. The Statement of Account should report outstanding balances by invoice.

7.4 Errors in Billing

No prior period adjustment (PPAs) shall be made unless the request for the adjustment is made within six (6) months of the production month. There will be a three (3) month rebuttal period. This time limitation shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact, or to rate changes required by governmental authorities having jurisdiction. Parties' other statutory or contractual rights shall not otherwise be diminished by this provision.

Interest computed at the same rate and in the same manner as prescribed for pipeline refunds as set forth in Section 154.501(d) of the Commission's Regulations under the Natural Gas Act shall be included in adjusting errors resulting in excessive billings to Shipper, provided such errors are not occasioned by mutual misinterpretation by both Shipper and Transporter of quantities or other billing information.

8. INSTALLATION OF FACILITIES

- 8.1 Transporter shall have no obligation to modify its existing facilities or construct new facilities in order to receive or deliver Shipper's gas under any Rate Schedule.
- 8.2 Subject to the conditions of Section 8.4 below and upon execution of an agreement mutually agreeable to Shipper and Transporter, Transporter will construct or modify those facilities, reasonably necessary to provide transportation services to Shipper hereunder, that interconnect with facilities which either cross or are adjacent to Transporter's existing facilities, if Shipper reimburses Transporter for the cost of said facilities.
- 8.3 Subject to the conditions of Sections 8.4 and 8.5 below, and on a not unduly discriminatory basis, Transporter may pay for all or part of the cost incurred by Transporter for the modification or construction of taps, valves, measurement equipment, laterals, or other facilities required at receipt or delivery point(s) to effectuate the receipt or delivery of natural gas hereunder, when the construction or modification of such facilities is economically beneficial to Transporter.

For the purposes of determining whether a gas supply project is economically beneficial to Transporter, Transporter will evaluate each prospective project, on a not unduly discriminatory basis, based upon the amount of the reserves and deliverability characteristics of the gas supply to be attached, the cost of the facilities to be constructed by Transporter, the incremental operating and maintenance expenses which would be attributable to the facilities, and the revenues which Transporter estimates will be generated as a result of constructing and/or modifying such facilities.

For the purposes of determining whether a project to deliver gas is economically beneficial to Transporter, Transporter will evaluate each prospective project, on a not unduly discriminatory basis, based upon the cost of the facilities to be constructed by Transporter, the incremental operating and maintenance expenses which would be attributable to the facilities, and the revenues which Transporter estimates will be generated as a result of constructing and/or modifying such facilities.

In estimating the revenues to be generated, Transporter will consider the existence of capacity limitations downstream of the proposed new facilities, the marketability of gas which may flow through said facilities, the interruptible versus firm nature of the transportation service for the gas, and other similar factors which determine whether gas will actually be transported through said facilities.

- 8.4 Transporter shall not construct or modify any facilities hereunder which will result in an increase or decrease in Transporter's mainline capacity, or which may compromise the operational integrity of Transporter's pipeline system. For those facilities which Transporter agrees to construct, Transporter will construct those facilities (1) pursuant to the authorization granted in Subpart F of Part 157 of the Commission's Regulations or (2) where the prior authorization of the Commission is not required to construct such facilities. Transporter will own and operate all facilities constructed hereunder. To the extent Shipper's reimbursement of Transporter's costs incurred to construct new facilities hereunder qualifies as a contribution in aid of construction under the Tax Reform Act of 1986, Pub. L. No. 99-514 (1986), as amended from time-to-time, Shipper shall also reimburse Transporter for Federal income taxes incurred by Transporter as a direct result of such contributions in aid of construction by Shipper.
- 8.5 Transporter shall have the right at any time during a calendar year to terminate, prospectively for the remainder of that calendar year, the reimbursement program described in Section 8.3 above for new projects.

9. POSSESSION OF AND RESPONSIBILITY FOR GAS

9.1 Possession of Gas Responsibility

Transporter shall be deemed to be in control and possession of the gas to be transported by it upon receipt at the point of receipt and before it is delivered to Shipper at the point of delivery, and Shipper shall be deemed to be in control and possession of such gas prior to such receipt by Transporter and after such delivery to Shipper.

9.2 Responsibility

Shipper shall have no responsibility with respect to any gas or on account of anything which may be done, happen, or arise with respect to said gas after receipt thereof by Transporter at the point of receipt and prior to the delivery thereof to Shipper, and Transporter shall have no responsibility with respect to such gas to be transported by Transporter or on account of anything which may be done, happen, or arise with respect to such gas prior to its receipt into Transporter's facilities at the point of receipt thereof and after its delivery to Shipper.

10. WARRANTY OF TITLE TO GAS

Shipper warrants that it will at the time of delivery have good and merchantable title to all gas delivered by it to Transporter for transportation by Transporter free and clear of all liens and encumbrances. Transporter warrants that at the time of delivery of such gas to Shipper such gas will be free and clear of all liens and encumbrances. Transporter and Shipper will each indemnify the other and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising out of the adverse claim of any person or persons to said gas for any taxes, licenses, fees or charges which are applicable prior to the time of delivery of such gas to such other party. Shipper will indemnify Transporter and save it harmless from all taxes and assessments levied and assessed upon the sale and delivery of such gas to Shipper and upon such gas prior to and upon delivery of such gas to Transporter for transportation. Transporter will indemnify Shipper and save it harmless from all taxes and assessments levied and assessed upon the transportation of such gas by Transporter.

11. FORCE MAJEURE / PRORATION OF DELIVERIES

11.1 Relief from Liability

Neither party shall be liable in damages to the other on account of "force majeure" occasioned by any act, omission, or circumstances occasioned by or in consequence of any act of God, strikes, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority, and any other cause, whether of the kind herein enumerated or not, and not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. However, failure to settle or prevent any strikes or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

11.2 Liabilities Not Relieved

Neither Shipper nor Transporter shall be relieved from liability in the event of its concurring negligence or failure on its part to use due diligence to remedy the force majeure and remove the cause with all reasonable dispatch nor shall such causes or contingencies affecting performance of the Service Agreement relieve either party from its obligations to make payments then due for its gas theretofore delivered.

11.3 Relief from Demand Charge Adjustment Where Curtailment of Deliveries on Transporter's System is Due to Compliance with Directives of Governmental Agencies

Whenever in order to comply with orders or directives of duly constituted authorities, including, but not limited to, the Department of Transportation and the Federal Energy Regulatory Commission, or its successor or agency, Transporter must curtail deliveries to Shipper and is unable to deliver to Shipper the quantities of gas which Transporter is then obligated to deliver to Shipper under a firm Service Agreement, Transporter shall not be obligated to reduce Shipper's demand charge, if any, under the demand charge adjustment provisions of any of Transporter's Rate Schedules, notwithstanding anything in such provisions to the contrary, nor shall Transporter be liable in damages or otherwise to Shipper or any other person or entity for any such failure to deliver such quantities of gas to Shipper.

11.4 Pro-ration of Impaired Deliveries Due to Capacity Shortage on Transporter's System

Interruptible transportation service provided by Transporter shall be (i) interrupted or curtailed for reasons of force majeure or when necessary in Transporter's sole opinion and judgment to meet its system operational requirements or its ability to meet its obligations under firm transportation agreements, or (ii) interrupted or curtailed due to any other operational considerations to be determined in the reasonable discretion of Transporter.

If at any time Transporter does not have sufficient capacity available for reasons of force majeure or due to any other operational considerations to be reasonably determined by Transporter, to enable Transporter to deliver to Shippers under all of Transporter's Rate Schedules the quantities of gas which Shippers may then require up to the quantities of gas Transporter has then scheduled to deliver to Shippers, then deliveries to such Shippers shall be curtailed in accordance with the following priorities of service:

- 1) Overrun transportation quantities and interruptible transportation quantities nominated in excess of contract quantities and scheduled pursuant to Section 22 of these General Terms and Conditions -- based on lowest price;
- 2) Firm transportation quantities -- on a pro rata basis, based on scheduled quantities.

12. NON-WAIVER CLAUSE

No waiver by either Shipper or Transporter or Operator of any default by the other in the performance of any provision of the Service Agreement or Operator Balancing Agreements shall operate or be construed as a waiver of any further default, whether of a like or different character.

13. CREDITWORTHINESS

- 13.1 Prior to execution of a Service Agreement, a Shipper or a prospective shipper (hereinafter in this section jointly referred to as "Shipper") shall be required to establish creditworthiness with Transporter. Transporter shall not be required to: (1) execute a Service Agreement providing for service on behalf of any Shipper who fails to meet Transporter's standards for creditworthiness; or (2) initiate service to a Shipper who fails to meet Transporter's standards for creditworthiness; or (3) continue transportation service on behalf of any Shipper who is or has become insolvent or who, at Transporter's request, fails within a reasonable period to demonstrate creditworthiness.
- 13.2 Shipper shall provide current financial statements, annual reports, or other filings with regulatory agencies which discuss Shipper's financial status, a list of all corporate affiliates, parent companies and subsidiaries, and any reports from credit reporting and bond rating agencies which are available. Shipper shall provide a bank reference and two trade references.
- 13.3 A shipper will be deemed creditworthy if (a) its rating by Standard & Poor's Corporation ("S&P") is at least BBB- or Baa3 by Moody's Investor Service ("Moody's") or (b) Shipper satisfies a credit appraisal performed by Transporter.
- 13.4 In the event Shipper does not meet the criterion in Section 13.3(a), Transporter shall evaluate Shipper's creditworthiness based upon the level of service requested. 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. Such credit appraisal shall be based upon Transporter's evaluation of the following information and credit criteria:
- (a) S&P and Moody's opinions, watch alerts, and rating actions will be considered in determining creditworthiness;
 - (b) Consistent financial statement analysis will be applied by Transporter to determine the acceptability of Shipper's current and future financial strength. Shipper's balance sheets, income statements, cash flow statements and auditor's notes will be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability;
 - (c) Results of bank and trade reference checks and credit reports should demonstrate that a Shipper is paying its undisputed obligations in a timely manner;
 - (d) Shipper is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws. An exception for a Shipper who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act will be made if Transporter is adequately assured that the service billing will be paid promptly as a cost of administration under the federal court's jurisdiction;
 - (e) Whether Shipper is subject to any lawsuits or judgments outstanding which would seriously reflect upon the Shipper's ability to remain solvent;
 - (f) Whether Shipper has any delinquent balances outstanding for services provided previously by Transporter and whether Shipper has paid its account balances according to the terms established in its service agreements and whether any deductions or payments were withheld for claims not authorized by the service agreements; and
 - (g) Any other information obtained that is relevant to Shipper's current and future financial strength.
- 13.5 Except as provided in Section 13.6 below, if a Shipper otherwise fails to establish or maintain creditworthiness as provided herein, Shipper may still receive service under the Service Agreement provided the Shipper maintains collateral for the term of the Service Agreement in the form of (1) a written guarantee in a form satisfactory to Transporter from a party which is creditworthy as determined above, (2) an irrevocable standby letter of credit, (3) a pre-payment, or (4) other security acceptable to Transporter. Such collateral shall be in an amount equal to the three highest months of reservation charges for firm Shippers or estimated usage charges for interruptible

service during the term of the Service Agreement. Upon notification by Transporter, Shipper shall have five (5) business days within which to provide partial collateral equal to one month's service and must satisfy the entire collateral requirement within thirty (30) days.

13.6 This Section 13.6 applies to Shippers participating in an expansion project.

If Shipper is unable, at any time during the term of Shipper's Service Agreement, to establish and/or maintain creditworthiness in accordance with Section 13.3 above, then, within ten (10) days of Shipper's receipt of Transporter's notice by Internet e-mail or direct notification to Shipper's Internet URL address, whichever is chosen by Shipper, that Shipper has failed to maintain creditworthiness, Shipper shall either: (a) provide one of the following forms of credit support (each hereinafter referred to as "Credit Support"): (i) an irrevocable letter of credit issued by a bank acceptable to Transporter, and containing terms acceptable to Transporter, or (ii) a cash prepayment; or (b) provide to Transporter a guaranty in a form acceptable to Transporter of Shipper's obligations under Shipper's Service Agreement, executed by an entity that satisfies such creditworthiness standard.

The amount of any Credit Support to be provided by Shipper shall be determined based on (a) Shipper's proportionate share (based on MAXDTQ) of the cost of the expansion project, with such amount decreased by a percentage equal to one (1) divided by the number of years in Shipper's Service Agreement each year during the term of Shipper's Service Agreement, less (b) the present value of reservation revenue that would be collected if the capacity were resold for the remainder of the term, as determined by the higher of: (i) the average reservation rate for capacity awarded over the prior twelve (12) month period utilizing the Capacity Release, ROFR or Bid Solicitation mechanisms for the applicable path(s) for terms of longer than twelve (12) months, or (ii) such other mutually agreed upon mitigation value.

With respect to Rate Schedule FTS-5 Shippers, the amount of any Credit Support to be provided by Shipper shall be determined based on (a) Shipper's proportionate share (based on MAXDTQ) of the cost of the Phoenix Expansion Project, with such amount decreased by a percentage equal to one (1) divided by the number of years in Shipper's Service Agreement each year during the term of Shipper's Service Agreement (six point seven (6.7) percent each year during the term of fifteen (15) year service agreements), less (b) the present value of the reservation revenue that would be collected if the capacity were resold for the remainder of the term, as determined by the higher of: (i) the average reservation rate for capacity awarded over the prior twelve (12) month period utilizing the Capacity Release, ROFR or Bid Solicitation mechanisms for quantities Received from San Juan and Delivered to West of Thoreau East of California and for terms of longer than twelve (12) months, (ii) the average reservation rate for capacity awarded over the prior twelve (12) month period utilizing the Capacity Release, ROFR or Bid Solicitation mechanisms for quantities Received from East of Thoreau and Delivered to West of Thoreau East of California and for terms of longer than twelve (12) months, (iii) the current tariff reservation rate for quantities Received from West of Thoreau and Delivered to West of Thoreau East of California, or (iv) such other mutually agreed upon mitigation value.

14. ASSIGNMENT

Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Transporter or of Shipper or of Operator, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessors in title under a Service Agreement or Operator Balancing Agreement. Any party may, without relieving itself of its obligations under such agreement, assign any of its rights thereunder to a company with which it is affiliated, but otherwise no assignment of such agreement, or of any of the rights or obligations thereunder shall be made unless there first shall have been obtained the consent thereto of Transporter, in the event of any assignment by Shipper or Operator, or the consent thereto of Shipper or Operator, in the event of any assignment by Transporter. These restrictions on assignment shall not in any way prevent any party from pledging or mortgaging its rights under a Service Agreement or Operator Balancing Agreement as security of its indebtedness.

15. OPERATOR BALANCING AGREEMENTS

- 15.1 All Operators of gas transportation, processing, treating, production, or other facilities which either deliver gas into or receive gas from Transporter's system (except for customers under Rate Schedule FTS-2) must execute an Operator Balancing Agreement ("OBA") in a form consistent with the principles of the NAESB Model OBA. An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect.
- 15.2 Prior to execution of the OBA by an Operator, delivery of gas into Transporter's system or receipt of gas from Transporter's system shall constitute Operator's agreement to the terms of the Default OBA in this Tariff.
- 15.3 Transporter may amend the Default OBA from time to time by filing with the Federal Energy Regulatory Commission.
- 15.4 The following Sections of these General Terms and Conditions of this Tariff shall be applicable to the Operator Balancing Agreements: Sections 1, 2, 4, 5, and 34.
- 15.5 Transporter will make executed copies of OBA's available upon request pursuant to Federal Energy Regulatory Commission policy.
- 15.6 All penalty revenues collected pursuant to the OBA's will be refunded to shippers annually, based upon the ratio of each shipper's scheduled throughput and the total system scheduled throughput.

16. TERMINATION

16.1 Termination For Default

- A. Shippers Receiving Service under the Capacity Release Program: Transporter may terminate Shipper's Service Agreement for non-payment in accordance with Section 30.8(f) of these General Terms and Conditions.
- B. All other Shippers: If either Transporter or Shipper shall fail to perform any of the covenants or obligations imposed upon it or them under and by virtue of a Service Agreement hereunder, then in such event the other party may, at its option, terminate such Service Agreement by proceeding as follows: The party not in default shall cause a written notice to be served on the party in default stating specifically the cause for terminating the Service Agreement and declaring it to be the intention of the party giving the notice to terminate the same; thereupon, the party in default shall have thirty (30) days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the notice for terminating the Service Agreement, and if within said period of thirty (30) days the party in default does so remove and remedy said cause or causes and fully indemnify the party not in default for any and all consequences of such breach, by a good and sufficient indemnity bond or otherwise, then such notice shall be withdrawn and the Service Agreement shall continue in full force and effect. In case the party in default does not so remedy and remove the cause or causes or does not so indemnify the party giving the notice for any and all consequences of such breach within said period of thirty (30) days, then, after any necessary authorization by regulatory bodies having jurisdiction, the Service Agreement shall become null and void from and after the expiration of said period, provided that notice of termination has not been withdrawn prior thereto. Any cancellation of such Service Agreement pursuant to the provisions of this paragraph shall be without prejudice to the right of Transporter to collect any amounts then due to it for natural gas delivered prior to the time of cancellation, and to the right of a Shipper to receive any gas for which it has paid but has not received, although entitled thereto, prior to the time of cancellation, and for all Shippers this provision shall be without waiver of any remedy to which the party not in default may be entitled for violations of such Service Agreement.

16.2 Termination For Expiration of Service Agreement

Any short-term firm Service Agreement (one with a term of less than one year) or any interruptible Service Agreement will automatically terminate upon expiration of such Service Agreement, with pre-granted abandonment of the service under the Commission's Regulations.

17. GOVERNMENTAL REGULATIONS

The Service Agreement, and all terms and provisions contained or incorporated therein, and the respective obligations of the parties thereunder are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

18. INTERNET WEBSITE INFORMATION, AND WEBSITE ELECTRONIC CONTRACTING

18.1 Transporter will maintain, at all times, an Internet Website on which Transporter will make available, the following data concerning available capacity and the borrowing/ purchasing of supplies:

A) With regard to Available Capacity:

1) For unsubscribed capacity:

- i) Whether the available capacity is firm or interruptible,
- ii) the locations at which capacity is available,
- iii) the amount of capacity available at each location,
- iv) that the capacity is unsubscribed,
- v) the name of the person to contact, and
- vi) the applicable maximum rate.

2) For capacity released by a firm shipper, the notices and information required by section 30 of these General Terms and Conditions and the contracting procedures required under Section 18.6.C of these General Terms and Conditions.

B) With regard to a Shipper's Request to Purchase Supplies:

If a Shipper desires to purchase supplies from a third party, then Transporter shall post, at Shipper's request, on Transporter's Internet Website:

- 1) Shipper's request to purchase,
- 2) the point(s) of proposed purchase,
- 3) the quantity requested,
- 4) the name of the Shipper's representative to contact, and
- 5) any other information as Shipper may deem necessary.

C) With regard to offers to assume or purchase capacity, the prospective Shipper will provide the following information:

- 1) Whether the capacity requested is firm or interruptible,
- 2) the locations at which capacity is requested,
- 3) the amount of capacity requested at each location,
- 4) the term requested for capacity, and
- 5) the name of the person to contact.

18.2 Transporter has established a HTML page accessible via the Internet's World Wide Web (Internet Website). The following information is posted:

- 1) Notices (critical notices, operational notices, system wide notices, etc.).
- 2) FERC Standards of Conduct and postings required by the Standards of Conduct.
- 3) Operationally Available Capacity, Unsubscribed Capacity (separate reports for daily and monthly), and Design Capacity.
- 4) Index of Customers.
- 5) Transporter's Tariff (Terms, conditions and rates), or general terms and conditions.
- 6) Transporter's Service Agreement forms for electronic contracting.
- 7) Contractually binding discount transactions log in accordance with FERC Regulations.

18.3 Transporter will also provide a method for customers to download information contained in its Internet Website files.

18.4 Access to Transporter's Internet Website

Transporter shall operate on a not unduly discriminatory basis an Internet Website. Access will be available 24 hours a day except in the event of unavoidable system outages or planned system maintenance, for which prior notice shall be posted on Transporter's Internet Website.

18.5 Historical Information

- A) Transporter will backup the daily information on the Internet Website.
- B) Historical information shall be kept for a rolling three (3) year period, inclusive of both on-line and archived data.
- C) Retrieval of Historical Information
 - 1) Historical data will be moved to a designated location on the Internet Website to provide for online access. This data may be displayed on screen, downloaded, or printed by a user.
 - 2) Transporter may elect to archive historical data off-line from time to time. User may access this data as follows:
 - i) User may send a written request or an electronic mail request to Transporter requesting the historical data required.
 - ii) Transporter will retrieve and copy requested information electronically within two weeks of the date of the request, and make such available to the user.

18.6 Electronic Contract Execution

Shippers may request and contract for service under any Rate Schedule herein or an Operator Balancing Agreement electronically.

- A. Under the Capacity Release Program of this Tariff, a prospective Shipper or bidder may submit a Valid Bid or request transportation service electronically in accordance with Section 30 of these General Terms and Conditions. In such event, Transporter may tender a Service Agreement, and such party and Transporter may enter into and execute a Service Agreement, in accordance with an applicable Rate Schedule of this Tariff by electronic means, provided that: (1) such party shall have previously met the credit requirements of Section 13 herein and (2) that such party and Transporter mutually agree in writing to the terms and conditions of the electronic interchange of data necessary to accomplish contracting for transportation service by electronic means. The requirements in the applicable Rate Schedule that a Service Agreement be requested, tendered, and entered into (i.e. executed), and the requirement under the Capacity Release Program that a Valid Bid be submitted, shall be deemed satisfied when accomplished by electronic means.
- B. A prospective Shipper may submit a request electronically for service under any Rate Schedule herein or an Operator Balancing Agreement. In such event, Transporter may tender a Service Agreement, and such Party and Transporter may enter into and execute a Service Agreement, in accordance with an applicable Rate Schedule of this Tariff by electronic means, provided that (1) such party shall have previously met the credit requirements of the applicable Rate Schedule, and (2) that such party and Transporter mutually agree in writing to the terms and conditions of the electronic interchange of data necessary to accomplish contracting for transportation service by electronic means. The requirements in the applicable Rate Schedule that a Service Agreement be requested, tendered and entered into (i.e. executed) shall be deemed satisfied when accomplished by electronic means.
- C. Transporter and Shipper may enter into transactions and create binding obligations by means of electronic execution of documents under these procedures. These documents include, but are not limited to, Service Agreements, amendments to Service Agreements, PNR Service Agreements, Operator Balancing Agreements, and any other agreements that Transporter shall make available on Transporter's Internet Website ("Documents"). Execution of these documents under the terms mutually agreed for electronic means shall be considered, in connection with any transaction, to be a "writing" or "in writing" and any such Document shall be deemed for all purposes (a) to have been "signed" ("Signed Document") and (b) to constitute an "original" when printed from electronic files or records established and maintained in the normal course of business. All parties agree not to contest the validity or enforceability of such Signed Documents under the provisions of any applicable law relating to whether certain agreements are to be in writing or signed by the party to be bound thereby. Further, Signed Documents, if introduced as evidence on paper in any judicial arbitration, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary forms.

19. ORDER No. 2004 STANDARDS OF CONDUCT COMPLIANCE

19.1 Pursuant to Section 250.16(b) of the Commission's Regulations under the Natural Gas Act, 18 C.F.R. § 250.16(b), Transporter's procedures regarding complaints are as follows:

- A. All oral and written complaints should be directed to the Chief Compliance Officer whose contact information is available on Transporter's Internet Website under Contacts.

The complaint must be specific to a particular event(s), i.e., allocation of capacity, pending requests, etc. If the complaint is vague and does not address a specific event(s), complainant will be asked to provide further details.

- B. The recipient of the complaint will contact the appropriate person for review/resolution. Transporter will initially respond to complainant within 48 hours of the complaint. Transporter will respond in writing to the complainant within 30 days of the complaint. The response shall indicate the validity of the complaint and what corrective actions, if any, should be taken.

19.2 Procedures Regarding Compliance

Pursuant to Section 284.13(a) of the Commission's Regulations under the Natural Gas Act, Transporter will comply with the Standards of Conduct contained in 18 C.F.R. Part 358 of the Commission's Regulations in the manner described in the Standards of Conduct posting on Transporter's Internet Website.

20. RIGHT OF FIRST REFUSAL

- 20.1 For any firm Shipper who has executed a Service Agreement in effect prior to March 27, 2000 (grandfathered) which contains a term of one year or longer, or for any Shipper who permanently replaces a Releasing Shipper under a Service Agreement in effect prior to March 27, 2000 (grandfathered) which contained an original term of one year or longer, or any firm transportation Shipper who has executed a Service Agreement on or after March 27, 2000, which contains a term of one year or longer at the maximum rate, the Shipper shall have a "right of first refusal (ROFR)" as specified below with respect to the reservation of firm capacity upon termination of the service agreement; except for any capacity that is already under contract to a third party for a future period and that is expressly sold to Shipper without a right of first refusal. If Shipper's firm Service Agreement does not qualify for the right of first refusal under this Section 20, Transporter and Shipper may mutually agree otherwise to include ROFR rights on a not unduly discriminatory basis.
- 20.2 With respect to any capacity which has ROFR rights, Transporter and Shipper may mutually agree to extend the term of the existing Service Agreement or enter into a new Service Agreement for all or a portion of such capacity at any time prior to posting of the notice of available capacity under Section 20.3;
- 20.3 The Shipper will notify Transporter in writing if it wants to initiate the ROFR process at least six (6) months before the expiration of the Service Agreement. Transporter will, within ten business days, begin soliciting bids from other parties, by posting notice of the available capacity, and all pertinent data on Transporter's Website for a minimum of five business days. If the Shipper does not notify Transporter at least six (6) months before the expiration of the Service Agreement, then the right of first refusal shall be extinguished and Transporter will post such expiring capacity as generally available capacity beyond the term of the Service Agreement. All available capacity shall be allocated under these procedures, and Transporter will not maintain a firm transportation queue.
- 20.4 Transporter shall include in its notice of available capacity:
- A. the quantity (Dth/day)
 - B. the Primary Receipt and Delivery Points
 - C. the effective date the capacity is available
 - D. the deadline for submitting bids
 - E. whether Transporter is willing to consider bids at less than maximum tariff rates for all or any portion of the capacity or term
 - F. the maximum tariff rate for the applicable capacity
- 20.5 Transporter shall then evaluate the bids as follows:
- A. Highest present value, as determined in Section 24.4.D.
 - B. Transporter will determine which bid or combination of bids yields the highest total present value as set forth in A above, and will determine which bid(s), if any, are acceptable to Transporter.
- 20.6 Any third-party bidder who submits a bid for the available capacity shall be obligated to sign and submit, with its bid, a firm Service Agreement for such capacity at its bid price, subject to a right of first refusal by the Shipper. Any bid submitted will bind the bidder to the terms of the bid if Transporter selects such bid to receive the available capacity. If a firm Service Agreement does not accompany a bid or if the third-party bidder does not meet Transporter's creditworthiness standards, the bid shall be invalid and shall be rejected.
- 20.7 Bids must conform to the notice of available capacity set forth in 20.4 above, except that any third-party bidder may submit a bid for the entire quantity or a partial quantity. The bid shall also specify whether a Shipper is willing to accept a partial quantity bid in the event of tie bids or in the event that the existing Shipper elects to match a partial quantity bid by the third-party Shipper.
- 20.8 In the event two or more parties have bids of equal value which qualify as the best offer and which, in the aggregate, exceed the total capacity to become available, the capacity shall be allocated on a pro rata basis.
- 20.9 At least three months before the expiration of the Service Agreement, Transporter shall

notify the Shipper as to the terms of the acceptable bid(s) it has received, if any. Shipper shall have the right to match one or more of said bid(s) pursuant to Section 20.10 below or to negotiate continued service pursuant to Section 20.11 below no later than two (2) weeks after such notice is given by Transporter.

An FTS-1 Shipper exercising its ROFR may be required to match a bid up to a maximum rate higher than the currently effective maximum rate applicable to the capacity if there is an incremental rate on the system, the system is fully subscribed, and there is a competing bid above such currently effective maximum rate.

- 20.10 Transporter will present Shipper with the acceptable bid(s) ranked in order of highest present value. In the event the Shipper chooses to match the price and term of one or more of the acceptable bid(s) as to the entire quantity or any partial quantity, then Transporter and Shipper shall execute a new Service Agreement containing such terms. If such Shipper matches and retains only a partial quantity of one or more of the acceptable bid(s), the remainder of the capacity shall be allocated to the winning third-party(s) at its(their) bid price(s) unless the winning third-party(s) specified an unwillingness to accept a partial quantity. In the event the Shipper declines to match one or more of the acceptable bid(s), then Transporter shall execute the Service Agreement(s) previously submitted by the third party containing such terms; thereafter, Shipper shall have no further right to said capacity, and Transporter's obligation to perform the transportation service for Shipper shall be extinguished and abandoned.
- 20.11 In the event that no third-party(s) submit(s) an acceptable bid(s) for the available capacity or if a third-party(s) submits an acceptable bid(s) for only a partial quantity, then with respect to such available capacity for which there are no acceptable bids, the firm Shipper, if it agrees to pay the maximum rate, may continue the transportation service for any term it chooses for the entire quantity or any partial quantity, or may receive continued service at a mutually agreeable rate, volume and term.
- 20.12 Notwithstanding any other provision of this Section 20, unless Transporter has presented to the firm Shipper in writing acceptable bid(s) for matching, Transporter shall not be required to accept a bid, nor to execute a Service Agreement, containing a rate less than the maximum rate. Transporter shall indicate whether it is willing to accept bids at less than the maximum rate in the notice posting the available capacity.

20. RIGHT OF FIRST REFUSAL

- 20.1 For any firm Shipper who has executed a Service Agreement in effect prior to March 27, 2000 (grandfathered) which contains a term of one year or longer, or for any Shipper who permanently replaces a Releasing Shipper under a Service Agreement in effect prior to March 27, 2000 (grandfathered) which contained an original term of one year or longer, or any firm transportation Shipper who has executed a Service Agreement on or after March 27, 2000, which contains a term of one year or longer at the maximum rate, the Shipper shall have a "right of first refusal (ROFR)" as specified below with respect to the reservation of firm capacity upon termination of the service agreement; except for any capacity that is already under contract to a third party for a future period and that is expressly sold to Shipper without a right of first refusal. If the Shipper does not notify Transporter before the notification deadline in Section 20.3 below as to whether it desires to extend the Service Agreement, then no right of first refusal shall accrue to the Shipper. All available capacity shall be allocated under these procedures, and Transporter will not maintain a firm transportation queue. If Shipper's firm Service Agreement does not qualify for the right of first refusal under this Section 20, Transporter and Shipper may mutually agree otherwise to include ROFR rights on a not unduly discriminatory basis.
- 20.2 Nothing herein shall be deemed to prohibit the firm Shipper from negotiating a new Service Agreement with the Transporter, nor from extending the term of the Shipper's existing Service Agreement in accordance with the terms thereof.
- 20.3 The Shipper will notify Transporter in writing as to whether it desires to extend the Service Agreement at least six (6) months before the expiration of Service Agreements with a term of two years or less, or one year before the expiration of Service Agreements with a term exceeding two years. If the Shipper does wish to extend its Service Agreement for a mutually agreeable term, then the Transporter and Shipper will execute a new Service Agreement. If the Shipper does not wish to so extend its Service Agreement, then Transporter will, within ten business days, begin soliciting bids from other parties, by posting notice of the available capacity, and all pertinent data on Transporter's Website for a minimum of five business days.
- 20.4 Transporter shall include in its notice of available capacity:
- A. the quantity (Dth/day)
 - B. the Primary Receipt and Delivery Points
 - C. the effective date the capacity is available
 - D. the deadline for submitting bids
 - E. whether Transporter is willing to consider bids at less than maximum tariff rates for all or any portion of the capacity or term
 - F. the maximum tariff rate for the applicable capacity
- 20.5 Transporter shall then evaluate the bids as follows:
- A. Highest present value, as determined in Section 24.4.D.
 - B. Transporter will determine which bid or combination of bids yields the highest total present value as set forth in A above, and will determine which bid(s), if any, are acceptable to Transporter.
- 20.6 Any third-party bidder who submits a bid for the available capacity shall be obligated to sign and submit, with its bid, a firm Service Agreement for such capacity at its bid price, subject to a right of first refusal by the Shipper. Any bid submitted will bind the bidder to the terms of the bid if Transporter selects such bid to receive the available capacity. If a firm Service Agreement does not accompany a bid or if the third-party bidder does not meet Transporter's creditworthiness standards, the bid shall be invalid and shall be rejected.
- 20.7 Bids must conform to the notice of available capacity set forth in 20.4 above, except that any third-party bidder may submit a bid for the entire quantity or a partial quantity. The bid shall also specify whether a Shipper is willing to accept a partial quantity bid in the event of tie bids or in the event that the existing Shipper elects to match a partial quantity bid by the third-party Shipper.
- 20.8 In the event two or more parties have bids of equal value which qualify as the best offer and which, in the aggregate, exceed the total capacity to become available, the

capacity shall be allocated on a pro rata basis.

- 20.9 At least three months before the expiration of the Service Agreement, Transporter shall notify the Shipper as to the terms of the acceptable bid(s) it has received, if any. Shipper shall have the right to match one or more of said bid(s) pursuant to Section 20.10 below or to negotiate continued service pursuant to Section 20.11 below no later than two (2) weeks after such notice is given by Transporter.

An FTS-1 Shipper exercising its ROFR may be required to match a bid up to a maximum rate higher than the currently effective maximum rate applicable to the capacity if there is an incremental rate on the system, the system is fully subscribed, and there is a competing bid above such currently effective maximum rate.

- 20.10 Transporter will present Shipper with the acceptable bid(s) ranked in order of highest present value. In the event the Shipper chooses to match the price and term of one or more of the acceptable bid(s) as to the entire quantity or any partial quantity, then Transporter and Shipper shall execute a new Service Agreement containing such terms. If such Shipper matches and retains only a partial quantity of one or more of the acceptable bid(s), the remainder of the capacity shall be allocated to the winning third-party(s) at its(their) bid price(s) unless the winning third-party(s) specified an unwillingness to accept a partial quantity. In the event the Shipper declines to match one or more of the acceptable bid(s), then Transporter shall execute the Service Agreement(s) previously submitted by the third party containing such terms; thereafter, Shipper shall have no further right to said capacity, and Transporter's obligation to perform the transportation service for Shipper shall be extinguished and abandoned.
- 20.11 In the event that no third-party(s) submit(s) an acceptable bid(s) for the available capacity or if a third-party(s) submits an acceptable bid(s) for only a partial quantity, then with respect to such available capacity for which there are no acceptable bids, the firm Shipper, if it agrees to pay the maximum rate, may continue the transportation service for any term it chooses for the entire quantity or any partial quantity, or may receive continued service at a mutually agreeable rate, volume and term.
- 20.12 Notwithstanding any other provision of this Section 20, unless Transporter has presented to the firm Shipper in writing acceptable bid(s) for matching, Transporter shall not be required to accept a bid, nor to execute a Service Agreement, containing a rate less than the maximum rate. Transporter shall indicate whether it is willing to accept bids at less than the maximum rate in the notice posting the available capacity.

21. GRI VOLUNTARY CONTRIBUTION MECHANISM

21.1 Purpose

Gas Research Institute (GRI), an Illinois not for profit corporation, has been organized for the purpose of sponsoring Research, Development and Demonstration (RD&D) programs in the field of natural and manufactured gas for the purpose of assisting all segments of the gas industry in providing adequate, reliable, safe, economic and environmentally acceptable gas service for the benefit of gas consumers and the general public.

21.2 Voluntary Contribution Mechanism.

For the purpose of funding GRI's endeavors, Shippers may voluntarily choose to contribute to GRI programs through a "check-the-box" mechanism on Shipper invoices. The "check-the-box" mechanism will permit Shippers to specify the level of contribution and the project(s) or project area(s) to be funded at the time of the Shipper's contribution payment. Transporter shall serve as voluntary collection agent for such collections and amounts collected pursuant to the "check-the-box" mechanism will not be considered part of pipeline rates.

21.3 Remittance to GRI

Transporter shall remit to GRI, not later than fifteen (15) days after the receipt thereof, all monies received by virtue of the Voluntary Contribution Mechanism, less any amounts properly payable to a Federal, State or Local authority relating to the monies received hereunder. Transporter shall indicate to the GRI the amounts applicable to specified project(s) and project area(s), if so indicated by Shipper(s).

21.4 Payment by Shipper

Shipper's voluntary GRI contribution shall be due and payable with the bill for the month Shipper has chosen to contribute.

22. NOMINATION AND SCHEDULING OF CAPACITY

22.1 Nominations of Receipts and Deliveries

- A. Unless otherwise mutually agreed, or as provided in Section 22.5 of this Section 22, Shipper shall nominate to Transporter's Commercial Group according to the following Minimum NAESB standard nomination cycles:
- 1) The Timely Nomination Cycle: 11:30 a.m. for nominations leaving control of the nominating party; 11:45 a.m. for receipt of nominations by the Transporter; (including from Title Transfer Tracking Service Providers ("TTTSPs")); noon to send quick response; 3:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 4:30 p.m. for receipt of scheduled quantities by Shipper and point operator (central clock time on the day prior to flow).
 - 2) The Evening Nomination Cycle: 6:00 p.m. for nominations leaving control of the nominating party; 6:15 p.m. for receipt of nominations by Transporter (including from TTTSPs); 6:30 p.m. to send quick response; 9:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 10:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the day prior to flow). Transporter shall provide affected parties with notification of bumping through the Shipper's choice of electronic notice delivery mechanism. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet E-mail address to be used for electronic notice delivery of notification of bumping. Transporter will support the sending of electronic notification of bumping to E-mail addresses provided by each affected party. Affected parties will manage internal distribution of notices received by electronic notice delivery. Scheduled quantities resulting from an Evening Nomination that does not cause another service requester on the subject Transportation Service Provider to receive notice that it is being bumped should be effective at 9:00 a.m. on gas day; and when an Evening Nomination causes another service requester on the subject Transportation Service Provider to receive notice that it is being bumped, the scheduled quantities should be effective at 9:00 a.m. on gas day.
 - 3) The Intraday 1 Nomination Cycle: 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by the Transporter (including from "TTTSPs"); 10:30 a.m. to send quick response; 1:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 2:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the day prior to flow). Transporter shall provide affected parties with notification of bumping through the Shipper's choice of electronic notice delivery mechanism. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet E-mail address to be used for electronic notice delivery of notification of bumping. Transporter will support the sending of electronic notification of bumping to E-mail addresses provided by each affected party. Affected parties will manage internal distribution of notices received by electronic notice delivery. Scheduled quantities resulting from Intraday 1 Nominations should be effective at 5:00 p.m. on gas day.
 - 4) The Intraday 2 Nomination Cycle: 5:00 p.m. for nominations leaving control of the nominating party; 5:15 p.m. for receipt of nominations by the Transporter (including TTTSPs); 5:30 p.m. to send quick response; 8:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 9:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators (central clock time on the gas day). Scheduled quantities resulting from Intraday 2 Nominations should be effective at 9:00 p.m. on gas day. Bumping is not allowed during the Intraday 2 Nomination Cycle.
- B. Such nominations shall contain the following information:
- 1) The contract number under which service is being nominated; and
 - 2) The quantity of gas, in dekatherms, to be tendered; and

- 3) The receipt point, the upstream contract number and/or identifier code and the associated ranking; and
 - 4) The delivery point, the downstream contract number and/or identifier code and the associated ranking; and
 - 5) The term of the nomination (beginning and ending date), provided the nomination begin and end dates are within the term of Shipper's Service Agreement; and
 - 6) If applicable, the affected contract number(s) and quantities if the gas nominated in Paragraph 22.1(A) above will be transported directly to another contract under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 or ITS-2.
 - 7) Shipper rankings.
 - 8) Overrun quantities shall be nominated as a separate transaction.
- C. For purposes of The Evening Nomination Cycle, the Intraday 1 Nomination Cycle and The Intraday 2 Nomination Cycle, "provide" shall mean for transmittals pursuant to standards 1.4.1, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.
- D. With respect to the timely nomination/confirmation process at a receipt or delivery point, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the confirmed quantity. If there is no response to a request for confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the previously scheduled quantity should be the new confirmed quantity. Previously scheduled quantity is intended to be the scheduled quantity previously scheduled for the prior gas day during that gas day's timely nomination period.
- E. With respect to the processing of requests for increases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited confirmation response, the previously scheduled quantity should be the new confirmed quantity.
- F. With respect to the processing of requests for decreases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a request for confirmation or an unsolicited confirmation response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity should be the new confirmed quantity.
- G. The explicit confirmation process requires that the confirming party respond to a Request for Confirmation or initiate an unsolicited confirmation response. Absent mutual agreement to the contrary, explicit confirmation is the default methodology.
- H. Nominations received after the nomination deadline shall be processed after the nominations received before the nomination deadline.
- I. The receiver of a nomination initiates the confirmation process. The party that would receive a request for confirmation or an unsolicited confirmation response may waive the obligation of the sender to send.
- J. At the end of each gas day, Transporter should provide the final scheduled quantities for the just completed gas day. With respect to the implementation of this process via the 1.4.5 and 1.4.6 scheduled quantity related standards, Transporter should send an end of gas day scheduled quantity document. Receivers of the end of gas day scheduled quantity document can waive the sender's sending of the end of gas day scheduled quantity document.
- K. Transporter shall use Shipper-provided rankings when making reductions during the scheduling process to the extent this methodology does not conflict with Transporter's FERC Gas Tariff.

- L. The sending party shall adhere to nomination, confirmation, and scheduling deadlines. The receiving party has the right to waive the deadline.
- M. Shipper shall provide to Transporter the following information: (1) the name, position and phone number of a person authorized by Shipper to submit nominations; and (2) the name and phone number of a person authorized by Shipper to perform day-to-day dispatching.
- N. If Shipper fails to comply with all the provisions of this Section 22.1, then Transporter shall not schedule the initiation of or changes to service nominated by Shipper.
- O. Transporter reserves the right to take any necessary action to verify gas is flowing as scheduled by Transporter. Upon request of Transporter, Shipper shall contact its source of supply and verify to Transporter that the source is flowing as scheduled hereunder.
- P. For in-kind fuel reimbursement methods, Transportation Service Provider should not reject a nomination for reasons of rounding differences due to fuel calculation of less than 5 Dth.
- Q. A package ID is a way to differentiate between discrete business transactions. When used, Package ID should be supported for nominating and scheduling; mutually agreed between the applicable parties for allocation and imbalance reporting; supported for invoicing (Sales and Purchase), and mutually agreed for transport invoicing. Use of the Package ID is at the discretion of the service requester, and if sent, should be accepted and processed by the service provider.

22.2 Scheduling of Capacity

- A. Transporter shall schedule all firm transportation quantities prior to the scheduling of interruptible transportation quantities. The transportation priority for fuel should be the same as the level of service as the transaction to which it applies.
- B. With respect to receipt point allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled from Primary Physical Receipt Points on a pro rata basis.
 - 2. Quantities scheduled from Primary pool Receipt Points on a pro rata basis.
 - 3. Quantities scheduled from Alternate Receipt Points on a pro rata basis.
 - 4. Interruptible transportation quantities at the receipt point within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.
- C. With respect to delivery point allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled to Primary Delivery Points on a pro rata basis.
 - 2. Quantities scheduled to Alternate Delivery Points on a pro rata basis.
 - 3. Interruptible transportation quantities at the delivery point within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.
- D. With respect to mainline/lateral capacity allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled on firm transportation agreements (whether primary or alternate) when the allocation is at a location within the primary path of the contract on a pro rata basis.

2. Quantities scheduled on alternate paths when the allocation is at a location outside the primary path of the contract on a pro rata basis.
3. Interruptible transportation quantities on the path within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.

A path is defined by a Shipper's Primary Receipt and Delivery Points and direction of flow.

- E. After volumes have been scheduled, Transporter has the right to reduce receipts and/or deliveries of natural gas below the scheduled volume if the available capacity for such quantity is reduced as a result of force majeure or any operational consideration reasonably determined by Transporter. Transporter shall reduce all scheduled overrun transportation volumes or Rate Schedules ITS-1 and ITS-2 volumes on the basis of the lowest price first.

22.3 Operational Procedure Provisions

- A. If Transporter determines, in the exercise of its reasonable judgment, that sufficient supplies are not being received by Transporter at the receipt point(s) for transportation to a Shipper, then Transporter may, at Transporter's option, unilaterally re-schedule, upon two (2) hours notice by Transporter to Shipper, on a prospective basis only, the quantities nominated by a Shipper so as to conform to the quantities being received at such point(s), or temporarily suspend deliveries to the Shipper. If scheduled quantities are not being taken at the delivery point(s), then Transporter may, at Transporter's option, unilaterally re-schedule, upon two (2) hours notice by Transporter to Shipper, on a prospective basis only, the quantities nominated by a Shipper so as to conform to the quantities being taken at such delivery point(s), or temporarily suspend receipts of gas from the Shipper. Such two (2) hours notice shall not be applicable, and such re-scheduled volumes may be effective immediately, notwithstanding any other provision of this Section 22, in the event of operational distress, which shall be defined as including any situation which prevents Transporter from operating in a safe and efficient manner, consistent with applicable laws, rules, regulations, standard industry operating practices, and Transporter's Tariff, or from maintaining the integrity of pipeline operations; provided, however, Transporter shall not unilaterally reschedule volumes without two (2) hours notice unless such rescheduling is reasonably anticipated to reduce or eliminate said operational distress.
- B. An Operational Flow Order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service providers system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order.
- C. Upon request by Transporter, Operator shall provide estimated hourly flows to Transporter's gas control personnel.

22.4 Alert Day

- A. Transporter shall have the right to declare an Alert Day in the event of operational distress caused by actual or anticipated flow variances at delivery points which threaten the integrity or safe operation of the pipeline. Transporter shall use reasonable efforts to resolve the situation causing the operational distress prior to declaring an Alert Day. A High Line Pack Alert Day shall be applied to flow variances that exacerbate the high line pack conditions (i.e. undertakes from Transporter at a delivery point(s)). A Low Line Pack Alert Day shall be applied to flow variances that exacerbate the low line pack conditions (i.e. overtakes from Transporter at a delivery point(s)). Transporter will localize its imposition of an Alert Day to the smallest affected area necessary to resolve the problem and to those Operator(s) causing the problem where such Operator(s) may be identified.

Transporter will determine whether it will issue an Alert Day based on the operating status of the pipeline system using the following criteria: weather forecast, system conditions-line pack, overall projected pressures at monitored locations, facility status-horsepower utilization and availability, and overall send out projections and availability. The Alert Day will be in effect only for the gas day for which it is issued. If conditions require, new Alert Days will be issued for subsequent gas days based upon the above stated criteria. Transporter will post a low, high or normal line pack indicator at each scheduling cycle. Such posting shall be for general informational purposes only and Shippers shall not rely on such postings as permission for actual volumes to vary from scheduled volumes.

- B. Transporter shall provide as much notice of the Alert Day declaration as is reasonably possible, but in any event such notice shall be provided: (i) for a Next Day Alert Day, at least two (2) hours before the beginning of the evening nomination cycle for the upcoming gas day; and (ii) for a Same Day Alert Day, at least three (3) hours before the beginning of the Intraday 1 nomination cycle for the current gas day. The notice shall designate whether the Alert Day is a Next Day Alert Day or a Same Day Alert Day, the estimated duration of the Alert Day condition, whether it is a High Line Pack Alert Day or a Low Line Pack Alert Day and whether it applies system wide, only in certain affected areas, or only to certain Operator(s). Transporter shall provide affected parties with notification of Alert Days through the affected party's choice of Internet e-mail or direct notification to the affected party's Internet URL address. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet e-mail address to be used for notification of Alert Days. The obligation of Transporter to provide notification is waived until the above requirement has been met. Transporter will support the concurrent sending of electronic notification of Alert Days to Internet e-mail addresses for each affected party. Affected parties will manage internal distribution of electronic notices.
- C. In the case of a Low Line Pack Alert Day, if Operator's actual quantities at a delivery point exceed scheduled quantities at such point (a "Low Line Pack Alert Day Variance"), Operator shall be imposed Alert Day charges as follows:
1. For a Next Day Alert Day, for that portion of any Low Line Pack Alert Day Variance that is more than 500 Dth or four percent (4%), whichever is greater, but less than six percent (6%), Operator shall pay Transporter an Alert Day charge equal to the greater of \$5.00 per Dth or two (2) times the applicable Daily Index Price ("DIP"), pursuant to Section 22.4.C.3, per Dth of such variance. If the Low Line Pack Alert Day Variance is more than 500 Dth and equal to or greater than six percent (6%), Operator shall pay Transporter an Alert Day charge equal to the greater of \$10.00 per Dth or three (3) times the applicable DIP per Dth for that portion of the Low Line Pack Alert Day Variance. An amount equal to that portion of the Low Line Pack Alert Day Variance that is more than 500 Dth or four percent (4%), whichever is greater, times the applicable DIP, shall be deducted from the collected Alert Day charge and retained by Transporter and shall be deemed to be a resolution of the operational imbalance for such portion of the Low Line Pack Alert Day Variance, and such operational imbalance quantity shall be excluded from the operational imbalances otherwise resolved pursuant to Operator's Operational Balancing Agreement. The remaining portion of the Alert Day charge not retained by Transporter shall be deemed to be Alert Day Penalty Revenues for purposes of refunds under Section 22.4.F.
 2. For a Same Day Alert Day, for that portion of any Low Line Pack Alert Day Variance that is more than 500 Dth or four percent (4%), whichever is greater, Operator shall pay Transporter an Alert Day charge equal to the applicable DIP per Dth, pursuant to Section 22.4.C.3, unless Operator is subject to an Operational Balancing Agreement that includes a daily price valuation and applies to the delivery point at which the Low Line Pack Alert Day Variance occurred. Alert Day charges collected by Transporter under this Section 22.4.C.2 shall be deemed to be a resolution of the operational imbalance for such portion of the Low Line Pack Alert Day Variance that is more than 500 Dth or four percent (4%), whichever is greater, and such operational imbalance quantity shall be excluded from the operational imbalances otherwise resolved pursuant to Operator's Operational Balancing Agreement. No portion of the Alert Day charges collected by Transporter under this Section 22.4.C.2 shall be deemed to be Alert Day Penalty Revenues for purposes of refunds under Section 22.4.F.
 3. The DIP shall be the greater of the "SoCal Gas", "El Paso, South Mainline", or "Waha" price published in Platts Gas Daily in the table titled "Daily Price Survey", for the subject day or either of the next two days.
 4. Transporter shall consider consecutive Low Line Pack Alert Days as a single Low Line Pack Alert Day if such calculation reduces the Alert Day charges that would otherwise be incurred by Operator.

- D. In the case of a High Line Pack Alert Day, if Operator's actual quantities at a delivery point are less than scheduled quantities at such point (a "High Line Pack Alert Day Variance"), Operator shall be imposed Alert Day charges as follows:
1. For a Next Day Alert Day, for that portion of any High Line Pack Alert Day Variance that is more than 500 Dth or four percent (4%), whichever is greater, but less than six percent (6%), Operator shall pay Transporter an Alert Day Charge equal to the greater of \$5.00 per Dth or two (2) times the applicable Daily Index Price ("DIP") per Dth, pursuant to Section 22.4.D.3, of such variance. If the High Line Pack Alert Day Variance is more than 500 Dth and equal to or greater than six percent (6%), Operator shall pay Transporter an Alert Day charge equal to the greater of \$10.00 per Dth or three (3) times the applicable DIP per Dth for that portion of the High Line Pack Alert Day Variance.
 2. For a Same Day Alert Day, for that portion of any High Line Pack Alert Day Variance that is more than 500 Dth or four percent (4%), whichever is greater, Operator shall pay Transporter an Alert Day charge equal to \$1 per Dth.
 3. The DIP shall be calculated as the lesser of the "Transwestern, San Juan" or "Transwestern, Permian" price published in Platts Gas Daily in the table titled "Daily Price Survey", for the subject day or either of the next two days.
 4. Payment of the Alert Day charges shall not be deemed to be a resolution of the operational imbalance for any portion of a High Line Pack Alert Day Variance, and such High Line Pack Alert Day Variance shall continue to be resolved pursuant to the Operator's Operational Balancing Agreement.
 5. All Alert Day charges collected pursuant to this Section 22.4.D shall be deemed to be Alert Day Penalty Revenues for purposes of refunds under Section 22.4.F.
- E. Notwithstanding the provisions of Section 22.4 C or D, Transporter shall not charge Operator an Alert Day charge if the Low Line Pack or High Line Pack Alert Day Variance is caused by a "Force Majeure" event, as defined in Section 11.1 of the General Terms and Conditions of this Tariff, a unilateral scheduling change made by Transporter at the Intraday 2 nomination cycle, or due to error, omission or request of Transporter.
- F. All penalty revenues collected pursuant to this section will be refunded to Shippers annually, based upon the ratio of each Shipper's scheduled throughput to the total system scheduled throughput.

22.5 Intra-day Nominations

- A. There is no limitation as to the number of intra-day nominations (line items as per NAESB WGQ Standard 1.2.1) which a service requester may submit at any one standard nomination cycle or in total across all standard nomination cycles. Such nominations must be submitted on a currently existing Service Agreement.
- B. Shipper shall have ability to nominate on an intra-day basis on Transporter's system under the following conditions:
1. Intra-day nominations may be used to request an increase or decrease in scheduled volumes or a change in receipt or delivery points, consistent with Shipper's Service Agreement. A nomination reduction shall not result in a revised nomination which is less than the volume of gas received or delivered on behalf of such Shipper by Transporter on that gas day.
 2. Shipper must obtain prior confirmation from all affected upstream and downstream Operators.
 3. Intra-day nominations will be scheduled only if operationally feasible.
 4. Intra-day nominations do not rollover and are applicable to one (1) day only.
 5. Intra-day nominations may be used to nominate new supply or market.
- C. In order to nominate on an intra-day basis, Shipper must submit to Transporter the information required in Section 22.1. In addition, intra-day nominations should include an effective time.

- D. Firm intra-day nominations are entitled to bump scheduled interruptible service only during the Evening and Intraday 1 Nomination cycles. Transporter will provide advance notice of bumping to interruptible shippers. Such notice will be provided in the same manner in which Transporter provides notice of Operational Flow Orders. Transporter will provide notification of bumped volumes through the scheduled quantities statement. Transporter will also electronically communicate notice directly to bumped Shippers in accordance with the grid-wide timeline for scheduled quantities.
- E. Bumping that affects transactions on multiple Transportation Service Providers should occur at grid-wide synchronization times only.
- F. The daily grid-wide synchronization times for scheduled flow are 9:00 a.m., 5:00 p.m., and 9:00 p.m.
- G. It is understood that a Transportation Service Provider exceeding the standard nomination timelines is not required to hold capacity for grid wide nominations until a standard nomination cycle.
- H. Flow Day Diversion ("FDD") means a nomination consistent with NAESB Standard 1.3.80, submitted during the NAESB standard nomination cycles or during the Final A.M. cycle that allows a Shipper to redirect scheduled quantities to other receipt points upstream of a constraint point or delivery points downstream of a constraint point for the same gas day, under the same contract, without a requirement that the quantities be rescheduled through the point of constraint.
- I. Final A.M. Nomination Cycle
 - 1. The Final A.M. Nomination Cycle 5 is an after-hours nomination cycle in which Shipper, Transporter, and upstream and downstream connected parties agree to balance changes in actual receipts and deliveries that occur after the standard Intraday 2 cycle with nominated and confirmed quantities prior to the end of the Gas Day. Receipt of nominations for the Final A.M. Nomination cycle are due by 8:00 a.m.; receipt of completed confirmations by Transporter from upstream and downstream connected parties are due by 8:20 a.m. Bumping is not allowed during this cycle.
 - 2. To the extent that Transporter and affected point operators agree to a change in gas flow after the NAESB standard nomination cycles, Shipper may submit a nomination during the Final A.M. Nomination cycle consistent with the provisions of Section 22.1.B. Transporter reserves the right to reject such nomination if actual receipts and deliveries are not consistent with such nomination.

22. NOMINATION AND SCHEDULING OF CAPACITY

22.1 Nominations of Receipts and Deliveries

A. Unless otherwise mutually agreed, or as provided in Section 22.5 of this Section 22, Shipper shall nominate to Transporter's Commercial Group according to the following Minimum NAESB standard nomination cycles:

- 1) The Timely Nomination Cycle: 11:30 a.m. for nominations leaving control of the nominating party; 11:45 a.m. for receipt of nominations by the Transporter; (including from Title Transfer Tracking Service Providers ("TTTSPs")); noon to send quick response; 3:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 4:30 p.m. for receipt of scheduled quantities by Shipper and point operator (central clock time on the day prior to flow).
- 2) The Evening Nomination Cycle: 6:00 p.m. for nominations leaving control of the nominating party; 6:15 p.m. for receipt of nominations by Transporter (including from TTTSPs); 6:30 p.m. to send quick response; 9:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 10:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the day prior to flow). Transporter shall provide affected parties with notification of bumping through the Shipper's choice of electronic notice delivery mechanism. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet E-mail address to be used for electronic notice delivery of notification of bumping. Transporter will support the sending of electronic notification of bumping to E-mail addresses provided by each affected party. Affected parties will manage internal distribution of notices received by electronic notice delivery. Scheduled quantities resulting from an Evening Nomination that does not cause another service requester on the subject Transportation Service Provider to receive notice that it is being bumped should be effective at 9:00 a.m. on gas day; and when an Evening Nomination causes another service requester on the subject Transportation Service Provider to receive notice that it is being bumped, the scheduled quantities should be effective at 9:00 a.m. on gas day.
- 3) The Intraday 1 Nomination Cycle: 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by the Transporter (including from "TTTSPs"); 10:30 a.m. to send quick response; 1:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 2:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the day prior to flow). Transporter shall provide affected parties with notification of bumping through the Shipper's choice of electronic notice delivery mechanism. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet E-mail address to be used for electronic notice delivery of notification of bumping. Transporter will support the sending of electronic notification of bumping to E-mail addresses provided by each affected party. Affected parties will manage internal distribution of notices received by electronic notice delivery. Scheduled quantities resulting from Intraday 1 Nominations should be effective at 5:00 p.m. on gas day.
- 4) The Intraday 2 Nomination Cycle: 5:00 p.m. for nominations leaving control of the nominating party; 5:15 p.m. for receipt of nominations by the Transporter (including TTTSPs); 5:30 p.m. to send quick response; 8:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 9:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators (central clock time on the gas day). Scheduled quantities resulting from Intraday 2 Nominations should be effective at 9:00 p.m. on gas day. Bumping is not allowed during the Intraday 2 Nomination Cycle.

B. Such nominations shall contain the following information:

- 1) The contract number under which service is being nominated; and
- 2) The quantity of gas, in dekatherms, to be tendered; and
- 3) The receipt point, the upstream contract number and/or identifier code and the

associated ranking; and

- 4) The delivery point, the downstream contract number and/or identifier code and the associated ranking; and
 - 5) The term of the nomination (beginning and ending date), provided the nomination begin and end dates are within the term of Shipper's Service Agreement; and
 - 6) If applicable, the affected contract number(s) and quantities if the gas nominated in Paragraph 22.1(A) above will be transported directly to another contract under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 or ITS-2.
 - 7) Shipper rankings.
 - 8) Overrun quantities shall be nominated as a separate transaction.
- C. For purposes of The Evening Nomination Cycle, the Intraday 1 Nomination Cycle and The Intraday 2 Nomination Cycle, "provide" shall mean for transmittals pursuant to standards 1.4.1, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.
- D. With respect to the timely nomination/confirmation process at a receipt or delivery point, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the confirmed quantity. If there is no response to a request for confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the previously scheduled quantity should be the new confirmed quantity. Previously scheduled quantity is intended to be the scheduled quantity previously scheduled for the prior gas day during that gas day's timely nomination period.
- E. With respect to the processing of requests for increases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited confirmation response, the previously scheduled quantity should be the new confirmed quantity.
- F. With respect to the processing of requests for decreases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a request for confirmation or an unsolicited confirmation response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity should be the new confirmed quantity.
- G. The explicit confirmation process requires that the confirming party respond to a Request for Confirmation or initiate an unsolicited confirmation response. Absent mutual agreement to the contrary, explicit confirmation is the default methodology.
- H. Nominations received after the nomination deadline shall be processed after the nominations received before the nomination deadline.
- I. The receiver of a nomination initiates the confirmation process. The party that would receive a request for confirmation or an unsolicited confirmation response may waive the obligation of the sender to send.
- J. At the end of each gas day, Transporter should provide the final scheduled quantities for the just completed gas day. With respect to the implementation of this process via the 1.4.5 and 1.4.6 scheduled quantity related standards, Transporter should send an end of gas day scheduled quantity document. Receivers of the end of gas day scheduled quantity document can waive the sender's sending of the end of gas day scheduled quantity document.
- K. Transporter shall use Shipper-provided rankings when making reductions during the scheduling process to the extent this methodology does not conflict with Transporter's FERC Gas Tariff.
- L. The sending party shall adhere to nomination, confirmation, and scheduling

deadlines. The receiving party has the right to waive the deadline.

- M. Shipper shall provide to Transporter the following information: (1) the name, position and phone number of a person authorized by Shipper to submit nominations; and (2) the name and phone number of a person authorized by Shipper to perform day-to-day dispatching.
- N. If Shipper fails to comply with all the provisions of this Section 22.1, then Transporter shall not schedule the initiation of or changes to service nominated by Shipper.
- O. Transporter reserves the right to take any necessary action to verify gas is flowing as scheduled by Transporter. Upon request of Transporter, Shipper shall contact its source of supply and verify to Transporter that the source is flowing as scheduled hereunder.
- P. For in-kind fuel reimbursement methods, Transportation Service Provider should not reject a nomination for reasons of rounding differences due to fuel calculation of less than 5 Dth.
- Q. A package ID is a way to differentiate between discrete business transactions. When used, Package ID should be supported for nominating and scheduling; mutually agreed between the applicable parties for allocation and imbalance reporting; supported for invoicing (Sales and Purchase), and mutually agreed for transport invoicing. Use of the Package ID is at the discretion of the service requester, and if sent, should be accepted and processed by the service provider.

22.2 Scheduling of Capacity

- A. Transporter shall schedule all firm transportation quantities prior to the scheduling of interruptible transportation quantities. The transportation priority for fuel should be the same as the level of service as the transaction to which it applies.
- B. With respect to receipt point allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled from Primary Physical Receipt Points on a pro rata basis.
 - 2. Quantities scheduled from Primary pool Receipt Points on a pro rata basis.
 - 3. Quantities scheduled from Alternate Receipt Points on a pro rata basis.
 - 4. Interruptible transportation quantities at the receipt point within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.
- C. With respect to delivery point allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled to Primary Delivery Points on a pro rata basis.
 - 2. Quantities scheduled to Alternate Delivery Points on a pro rata basis.
 - 3. Interruptible transportation quantities at the delivery point within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.
- D. With respect to mainline/lateral capacity allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled on firm transportation agreements (whether primary or alternate) when the allocation is at a location within the primary path of the contract on a pro rata basis.
 - 2. Quantities scheduled on alternate paths when the allocation is at a location outside the

primary path of the contract on a pro rata basis.

3. Interruptible transportation quantities on the path within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.

A path is defined by a Shipper's Primary Receipt and Delivery Points and direction of flow.

- E. After volumes have been scheduled, Transporter has the right to reduce receipts and/or deliveries of natural gas below the scheduled volume if the available capacity for such quantity is reduced as a result of force majeure or any operational consideration reasonably determined by Transporter. Transporter shall reduce all scheduled overrun transportation volumes or Rate Schedules ITS-1 and ITS-2 volumes on the basis of the lowest price first.

22.3 Operational Procedure Provisions

- A. If Transporter determines, in the exercise of its reasonable judgment, that sufficient supplies are not being received by Transporter at the receipt point(s) for transportation to a Shipper, then Transporter may, at Transporter's option, unilaterally re-schedule, upon two (2) hours notice by Transporter to Shipper, on a prospective basis only, the quantities nominated by a Shipper so as to conform to the quantities being received at such point(s), or temporarily suspend deliveries to the Shipper. If scheduled quantities are not being taken at the delivery point(s), then Transporter may, at Transporter's option, unilaterally re-schedule, upon two (2) hours notice by Transporter to Shipper, on a prospective basis only, the quantities nominated by a Shipper so as to conform to the quantities being taken at such delivery point(s), or temporarily suspend receipts of gas from the Shipper. Such two (2) hours notice shall not be applicable, and such re-scheduled volumes may be effective immediately, notwithstanding any other provision of this Section 22, in the event of operational distress, which shall be defined as including any situation which prevents Transporter from operating in a safe and efficient manner, consistent with applicable laws, rules, regulations, standard industry operating practices, and Transporter's Tariff, or from maintaining the integrity of pipeline operations; provided, however, Transporter shall not unilaterally reschedule volumes without two (2) hours notice unless such rescheduling is reasonably anticipated to reduce or eliminate said operational distress.
- B. An Operational Flow Order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service providers system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order.
- C. Upon request by Transporter, Operator shall provide estimated hourly flows to Transporter's gas control personnel.

22.4 Alert Day

- A. Transporter shall have the right to declare an Alert Day in the event of operational distress caused by actual or anticipated flow variances at receipt or delivery points which threaten the integrity or safe operation of the pipeline. Transporter shall use reasonable efforts to resolve the situation causing the operational distress prior to declaring an Alert Day. A High Line Pack Alert Day shall be applied to flow variances that exacerbate the high line pack conditions (e.g. overdelivery into Transporter at a receipt point(s) or undertakes from Transporter at a delivery point(s)). A Low Line Pack Alert Day shall be applied to flow variances that exacerbate the low line pack conditions (e.g. underdelivery into Transporter at a receipt point(s) or overtakes from Transporter at a delivery point(s)). Transporter will localize its imposition of an Alert Day to the smallest affected area necessary to resolve the problem and to those Operator(s) causing the problem where such Operator(s) may be identified. Transporter will determine whether it will issue an Alert Day based on the operating status of

the pipeline system using the following criteria: weather forecast, system conditions-line pack, overall projected pressures at monitored locations, facility status-horsepower utilization and availability, and overall send out projections and availability. The Alert Day will be in effect only for the gas day for which it is issued. If conditions require, new Alert Days will be issued for subsequent gas days based upon the above stated criteria. Transporter will post a low, high or normal line pack indicator at each scheduling cycle. Such posting shall be for general informational purposes only and Shippers shall not rely on such postings as permission for actual volumes to vary from scheduled volumes.

- B. Transporter shall provide as much notice of the Alert Day declaration as is reasonably possible, but in any event such notice shall be provided at least two (2) hours before the beginning of the evening nomination cycle for the upcoming gas day. The notice shall designate the estimated duration of the Alert Day condition, whether it is a High Line Pack Alert Day or a Low Line Pack Alert Day and whether it applies system wide, only in certain affected areas, or only to certain Operator(s). Transporter shall provide affected parties with notification of Alert Days through the Shipper's choice of Internet e-mail or direct notification to the Shipper's Internet URL address. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet e-mail address to be used for notification of Alert Days. The obligation of Transporter to provide notification is waived until the above requirement has been met. Transporter will support the concurrent sending of electronic notification of Alert Days to Internet e-mail addresses for each affected party. Affected parties will manage internal distribution of electronic notices.
- C. If actual volumes vary from scheduled volumes in the direction of the condition (e.g. high line pack or low line pack) on an Alert Day, a penalty may be imposed on Operator(s) subject to the Alert Day declaration as follows:

1. For Operator's actual volumes which vary from scheduled volumes by more than 500 MMBtu or four percent (4%), whichever is greater, at a measured point subject to the Alert Day declaration, a penalty shall apply.

Operator shall pay a penalty imposed by Transporter equal to the greater of \$5.00 per Dth or two (2) times the applicable MIP or average of the applicable MIPs per dth for volumes in excess of the greater of 500 MMBtu or four percent (4%) tolerance but less than the six percent (6%) tolerance level. Operator shall also pay a penalty imposed by Transporter equal to the greater of \$10.00 per Dth or three (3) times the applicable MIP or average of the applicable MIPs per dth for volumes in excess of the greater of 500 MMBtu or equal to or greater than the six percent (6%) tolerance level.

2. Such penalty shall not be charged if the variance is caused by a "Force Majeure" event as defined in Section 11.1 of the General Terms and Conditions of this Tariff or due to error, omission or request of Transporter.
3. All penalty revenues collected pursuant to this section will be refunded to Shippers annually, based upon the ratio of each Shipper's scheduled throughput to the total system scheduled throughput.

22.5 Intra-day Nominations

- A. There is no limitation as to the number of intra-day nominations (line items as per NAESB WGQ Standard 1.2.1) which a service requester may submit at any one standard nomination cycle or in total across all standard nomination cycles. Such nominations must be submitted on a currently existing Service Agreement.
- B. Shipper shall have ability to nominate on an intra-day basis on Transporter's system under the following conditions:
1. Intra-day nominations may be used to request an increase or decrease in scheduled volumes or a change in receipt or delivery points, consistent with Shipper's Service Agreement. A nomination reduction shall not result in a revised nomination which is less than the volume of gas received or delivered on behalf of such Shipper by Transporter on that gas day.
 2. Shipper must obtain prior confirmation from all affected upstream and downstream Operators.
 3. Intra-day nominations will be scheduled only if operationally feasible.

4. Intra-day nominations do not rollover and are applicable to one (1) day only.
 5. Intra-day nominations may be used to nominate new supply or market.
- C. In order to nominate on an intra-day basis, Shipper must submit to Transporter the information required in Section 22.1. In addition, intra-day nominations should include an effective time.
- D. Firm intra-day nominations are entitled to bump scheduled interruptible service only during the Evening and Intraday 1 Nomination cycles. Transporter will provide advance notice of bumping to interruptible shippers. Such notice will be provided in the same manner in which Transporter provides notice of Operational Flow Orders. Transporter will provide notification of bumped volumes through the scheduled quantities statement. Transporter will also electronically communicate notice directly to bumped Shippers in accordance with the grid-wide timeline for scheduled quantities.
- E. Bumping that affects transactions on multiple Transportation Service Providers should occur at grid-wide synchronization times only.
- F. The daily grid-wide synchronization times for scheduled flow are 9:00 a.m., 5:00 p.m., and 9:00 p.m.
- G. It is understood that a Transportation Service Provider exceeding the standard nomination timelines is not required to hold capacity for grid wide nominations until a standard nomination cycle.

22. NOMINATION AND SCHEDULING OF CAPACITY

22.1 Nominations of Receipts and Deliveries

A. Unless otherwise mutually agreed, or as provided in Section 22.5 of this Section 22, Shipper shall nominate to Transporter's Commercial Group according to the following Minimum NAESB standard nomination cycles:

- 1) The Timely Nomination Cycle: 11:30 a.m. for nominations leaving control of the nominating party; 11:45 a.m. for receipt of nominations by the Transporter; (including from Title Transfer Tracking Service Providers ("TTTSPs")); noon to send quick response; 3:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 4:30 p.m. for receipt of scheduled quantities by Shipper and point operator (central clock time on the day prior to flow).
- 2) The Evening Nomination Cycle: 6:00 p.m. for nominations leaving control of the nominating party; 6:15 p.m. for receipt of nominations by Transporter (including from TTTSPs); 6:30 p.m. to send quick response; 9:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 10:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the day prior to flow). Transporter shall provide affected parties with notification of bumping through the Shipper's choice of electronic notice delivery mechanism. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet E-mail address to be used for electronic notice delivery of notification of bumping. Transporter will support the sending of electronic notification of bumping to E-mail addresses provided by each affected party. Affected parties will manage internal distribution of notices received by electronic notice delivery. Scheduled quantities resulting from an Evening Nomination that does not cause another service requester on the subject Transportation Service Provider to receive notice that it is being bumped should be effective at 9:00 a.m. on gas day; and when an Evening Nomination causes another service requester on the subject Transportation Service Provider to receive notice that it is being bumped, the scheduled quantities should be effective at 9:00 a.m. on gas day.
- 3) The Intraday 1 Nomination Cycle: 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by the Transporter (including from "TTTSPs"); 10:30 a.m. to send quick response; 1:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 2:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (central clock time on the day prior to flow). Transporter shall provide affected parties with notification of bumping through the Shipper's choice of electronic notice delivery mechanism. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet E-mail address to be used for electronic notice delivery of notification of bumping. Transporter will support the sending of electronic notification of bumping to E-mail addresses provided by each affected party. Affected parties will manage internal distribution of notices received by electronic notice delivery. Scheduled quantities resulting from Intraday 1 Nominations should be effective at 5:00 p.m. on gas day.
- 4) The Intraday 2 Nomination Cycle: 5:00 p.m. for nominations leaving control of the nominating party; 5:15 p.m. for receipt of nominations by the Transporter (including TTTSPs); 5:30 p.m. to send quick response; 8:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 9:00 p.m. for Transportation Service Provider to provide scheduled quantities to affected Shippers and point operators (central clock time on the gas day). Scheduled quantities resulting from Intraday 2 Nominations should be effective at 9:00 p.m. on gas day. Bumping is not allowed during the Intraday 2 Nomination Cycle.

B. Such nominations shall contain the following information:

- 1) The contract number under which service is being nominated; and
- 2) The quantity of gas, in dekatherms, to be tendered; and
- 3) The receipt point, the upstream contract number and/or identifier code and the

- associated ranking; and
- 4) The delivery point, the downstream contract number and/or identifier code and the associated ranking; and
 - 5) The term of the nomination (beginning and ending date), provided the nomination begin and end dates are within the term of Shipper's Service Agreement; and
 - 6) If applicable, the affected contract number(s) and quantities if the gas nominated in Paragraph 22.1(A) above will be transported directly to another contract under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 or ITS-2.
 - 7) Shipper rankings.
 - 8) Overrun quantities shall be nominated as a separate transaction.
- C. For purposes of The Evening Nomination Cycle, the Intraday 1 Nomination Cycle and The Intraday 2 Nomination Cycle, "provide" shall mean for transmittals pursuant to standards 1.4.1, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.
- D. With respect to the timely nomination/confirmation process at a receipt or delivery point, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the confirmed quantity. If there is no response to a request for confirmation or an unsolicited Confirmation Response, the lesser of the confirmation quantity or the previously scheduled quantity should be the new confirmed quantity. Previously scheduled quantity is intended to be the scheduled quantity previously scheduled for the prior gas day during that gas day's timely nomination period.
- E. With respect to the processing of requests for increases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity. If there is no response to a Request For Confirmation or an unsolicited confirmation response, the previously scheduled quantity should be the new confirmed quantity.
- F. With respect to the processing of requests for decreases during the intraday nomination/confirmation process, in the absence of agreement to the contrary, the lesser of the confirmation quantities should be the new confirmed quantity, but in any event no less than the elapsed-prorated-scheduled quantity. If there is no response to a request for confirmation or an unsolicited confirmation response, the greater of the confirmation quantity or the elapsed-prorated-scheduled quantity should be the new confirmed quantity.
- G. The explicit confirmation process requires that the confirming party respond to a Request for Confirmation or initiate an unsolicited confirmation response. Absent mutual agreement to the contrary, explicit confirmation is the default methodology.
- H. Nominations received after the nomination deadline shall be processed after the nominations received before the nomination deadline.
- I. The receiver of a nomination initiates the confirmation process. The party that would receive a request for confirmation or an unsolicited confirmation response may waive the obligation of the sender to send.
- J. At the end of each gas day, Transporter should provide the final scheduled quantities for the just completed gas day. With respect to the implementation of this process via the 1.4.5 and 1.4.6 scheduled quantity related standards, Transporter should send an end of gas day scheduled quantity document. Receivers of the end of gas day scheduled quantity document can waive the sender's sending of the end of gas day scheduled quantity document.
- K. Transporter shall use Shipper-provided rankings when making reductions during the scheduling process to the extent this methodology does not conflict with Transporter's FERC Gas Tariff.
- L. The sending party shall adhere to nomination, confirmation, and scheduling

deadlines. The receiving party has the right to waive the deadline.

- M. Shipper shall provide to Transporter the following information: (1) the name, position and phone number of a person authorized by Shipper to submit nominations; and (2) the name and phone number of a person authorized by Shipper to perform day-to-day dispatching.
- N. If Shipper fails to comply with all the provisions of this Section 22.1, then Transporter shall not schedule the initiation of or changes to service nominated by Shipper.
- O. Transporter reserves the right to take any necessary action to verify gas is flowing as scheduled by Transporter. Upon request of Transporter, Shipper shall contact its source of supply and verify to Transporter that the source is flowing as scheduled hereunder.
- P. For in-kind fuel reimbursement methods, Transportation Service Provider should not reject a nomination for reasons of rounding differences due to fuel calculation of less than 5 Dth.
- Q. A package ID is a way to differentiate between discrete business transactions. When used, Package ID should be supported for nominating and scheduling; mutually agreed between the applicable parties for allocation and imbalance reporting; supported for invoicing (Sales and Purchase), and mutually agreed for transport invoicing. Use of the Package ID is at the discretion of the service requester, and if sent, should be accepted and processed by the service provider.

22.2 Scheduling of Capacity

- A. Transporter shall schedule all firm transportation quantities prior to the scheduling of interruptible transportation quantities. The transportation priority for fuel should be the same as the level of service as the transaction to which it applies.
- B. With respect to receipt point allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled from Primary Physical Receipt Points on a pro rata basis.
 - 2. Quantities scheduled from Primary pool Receipt Points on a pro rata basis.
 - 3. Quantities scheduled from Alternate Receipt Points on a pro rata basis.
 - 4. Interruptible transportation quantities at the receipt point within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.
- C. With respect to delivery point allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled to Primary Delivery Points on a pro rata basis.
 - 2. Quantities scheduled to Alternate Delivery Points on a pro rata basis.
 - 3. Interruptible transportation quantities at the delivery point within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.
- D. With respect to mainline/lateral capacity allocations, transportation service within the contract quantities shall be scheduled in the following order:
 - 1. Quantities scheduled on firm transportation agreements (whether primary or alternate) when the allocation is at a location within the primary path of the contract on a pro rata basis.
 - 2. Quantities scheduled on alternate paths when the allocation is at a location outside the

primary path of the contract on a pro rata basis.

3. Interruptible transportation quantities on the path within contract quantities and overrun transportation quantities nominated in excess of contract quantities under Rate Schedule(s) FTS-1, LFT, FTS-2, FTS-4, FTS-5, ITS-1 and ITS-2 shall be scheduled based upon the highest price. If two or more Shippers are paying the same highest price, then a pro rata allocation will be made. For purposes of allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying the maximum tariff rate.

A path is defined by a Shipper's Primary Receipt and Delivery Points and direction of flow.

- E. After volumes have been scheduled, Transporter has the right to reduce receipts and/or deliveries of natural gas below the scheduled volume if the available capacity for such quantity is reduced as a result of force majeure or any operational consideration reasonably determined by Transporter. Transporter shall reduce all scheduled overrun transportation volumes or Rate Schedules ITS-1 and ITS-2 volumes on the basis of the lowest price first.

22.3 Operational Procedure Provisions

- A. If Transporter determines, in the exercise of its reasonable judgment, that sufficient supplies are not being received by Transporter at the receipt point(s) for transportation to a Shipper, then Transporter may, at Transporter's option, unilaterally re-schedule, upon two (2) hours notice by Transporter to Shipper, on a prospective basis only, the quantities nominated by a Shipper so as to conform to the quantities being received at such point(s), or temporarily suspend deliveries to the Shipper. If scheduled quantities are not being taken at the delivery point(s), then Transporter may, at Transporter's option, unilaterally re-schedule, upon two (2) hours notice by Transporter to Shipper, on a prospective basis only, the quantities nominated by a Shipper so as to conform to the quantities being taken at such delivery point(s), or temporarily suspend receipts of gas from the Shipper. Such two (2) hours notice shall not be applicable in the event of operational distress, which shall be defined as including any situation which prevents Transporter from operating in a safe and efficient manner, consistent with applicable laws, rules, regulations, standard industry operating practices, and Transporter's Tariff, or from maintaining the integrity of pipeline operations; provided, however, Transporter shall not unilaterally reschedule volumes without two (2) hours notice unless such rescheduling is reasonably anticipated to reduce or eliminate said operational distress.
- B. An Operational Flow Order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service providers system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order.
- C. Upon request by Transporter, Operator shall provide estimated hourly flows to Transporter's gas control personnel.

22.4 Alert Day

- A. Transporter shall have the right to declare an Alert Day in the event of operational distress caused by actual or anticipated flow variances at receipt or delivery points which threaten the integrity or safe operation of the pipeline. Transporter shall use reasonable efforts to resolve the situation causing the operational distress prior to declaring an Alert Day. A High Line Pack Alert Day shall be applied to flow variances that exacerbate the high line pack conditions (e.g. overdelivery into Transporter at a receipt point(s) or undertakes from Transporter at a delivery point(s)). A Low Line Pack Alert Day shall be applied to flow variances that exacerbate the low line pack conditions (e.g. underdelivery into Transporter at a receipt point(s) or overtakes from Transporter at a delivery point(s)). Transporter will localize its imposition of an Alert Day to the smallest affected area necessary to resolve the problem and to those Operator(s) causing the problem where such Operator(s) may be identified. Transporter will determine whether it will issue an Alert Day based on the operating status of the pipeline system using the following criteria: weather forecast, system conditions-line

pack, overall projected pressures at monitored locations, facility status-horsepower utilization and availability, and overall send out projections and availability. The Alert Day will be in effect only for the gas day for which it is issued. If conditions require, new Alert Days will be issued for subsequent gas days based upon the above stated criteria.

B. Transporter shall provide as much notice of the Alert Day declaration as is reasonably possible, but in any event such notice shall be provided at least two (2) hours before the beginning of the evening nomination cycle for the upcoming gas day. The notice shall designate the estimated duration of the Alert Day condition, whether it is a High Line Pack Alert Day or a Low Line Pack Alert Day and whether it applies system wide, only in certain affected areas, or only to certain Operator(s). Transporter shall provide affected parties with notification of Alert Days through the Shipper's choice of Internet e-mail or direct notification to the Shipper's Internet URL address. Unless the affected party and Transporter have agreed to exclusive notification via EDI/EDM, the affected party should provide Transporter with at least one Internet e-mail address to be used for notification of Alert Days. The obligation of Transporter to provide notification is waived until the above requirement has been met. Transporter will support the concurrent sending of electronic notification of Alert Days to Internet e-mail addresses for each affected party. Affected parties will manage internal distribution of electronic notices.

C. If actual volumes vary from scheduled volumes in the direction of the condition (e.g. high line pack or low line pack) on an Alert Day, a penalty may be imposed on Operator(s) subject to the Alert Day declaration as follows:

1. For Operator's actual volumes which vary from scheduled volumes by more than 500 MMBtu or four percent (4%), whichever is greater, at a measured point subject to the Alert Day declaration, a penalty shall apply.

Operator shall pay a penalty imposed by Transporter equal to the greater of \$5.00 per Dth or two (2) times the applicable MIP or average of the applicable MIPs per dth for volumes in excess of the greater of 500 MMBtu or four percent (4%) tolerance but less than the six percent (6%) tolerance level. Operator shall also pay a penalty imposed by Transporter equal to the greater of \$10.00 per Dth or three (3) times the applicable MIP or average of the applicable MIPs per dth for volumes in excess of the greater of 500 MMBtu or equal to or greater than the six percent (6%) tolerance level.

2. Such penalty shall not be charged if the variance is caused by a "Force Majeure" event as defined in Section 11.1 of the General Terms and Conditions of this Tariff or due to error, omission or request of Transporter.

3. All penalty revenues collected pursuant to this section will be refunded to Shippers annually, based upon the ratio of each Shipper's scheduled throughput to the total system scheduled throughput.

22.5 Intra-day Nominations

A. There is no limitation as to the number of intra-day nominations (line items as per NAESB WGQ Standard 1.2.1) which a service requester may submit at any one standard nomination cycle or in total across all standard nomination cycles. Such nominations must be submitted on a currently existing Service Agreement.

B. Shipper shall have ability to nominate on an intra-day basis on Transporter's system under the following conditions:

1. Intra-day nominations may be used to request an increase or decrease in scheduled volumes or a change in receipt or delivery points, consistent with Shipper's Service Agreement. A nomination reduction shall not result in a revised nomination which is less than the volume of gas received or delivered on behalf of such Shipper by Transporter on that gas day.

2. Shipper must obtain prior confirmation from all affected upstream and downstream Operators.

3. Intra-day nominations will be scheduled only if operationally feasible.

4. Intra-day nominations do not rollover and are applicable to one (1) day only.

5. Intra-day nominations may be used to nominate new supply or market.

- C. In order to nominate on an intra-day basis, Shipper must submit to Transporter the information required in Section 22.1. In addition, intra-day nominations should include an effective time.
- D. Firm intra-day nominations are entitled to bump scheduled interruptible service only during the Evening and Intraday 1 Nomination cycles. Transporter will provide advance notice of bumping to interruptible shippers. Such notice will be provided in the same manner in which Transporter provides notice of Operational Flow Orders. Transporter will provide notification of bumped volumes through the scheduled quantities statement. Transporter will also electronically communicate notice directly to bumped Shippers in accordance with the grid-wide timeline for scheduled quantities.
- E. Bumping that affects transactions on multiple Transportation Service Providers should occur at grid-wide synchronization times only.
- F. The daily grid-wide synchronization times for scheduled flow are 9:00 a.m., 5:00 p.m., and 9:00 p.m.
- G. It is understood that a Transportation Service Provider exceeding the standard nomination timelines is not required to hold capacity for grid wide nominations until a standard nomination cycle.

23. ANNUAL CHARGE ADJUSTMENT (ACA)

The purpose of this Section 23 is to establish procedures designed to implement Section 154.402 of the FERC's Regulations which allows a natural gas pipeline to adjust its rates annually to recover from its customers annual charges assessed it by the FERC under Part 382 of the FERC's Regulations - Assessment of Annual Charges (annual charges). Transporter shall not recover any annual charges assessed by the FERC and recorded in FERC Account No. 928 in an NGA Section 4 rate case for any time period that this ACA clause is in effect.

23.1 Application

In order to recover such annual charges, this Section 23 establishes an ACA unit charge per dth to be applicable to quantities of natural gas transported under Transporter's Rate Schedules FTS-1, FTS-2, FTS-4, FTS-5, LFT, ITS-1 and ITS-2. The ACA charge calculated by the Commission is in addition to any amounts otherwise payable to Transporter under said Rate Schedules.

23.2 ACA Unit Charge

The ACA unit charge, as revised annually and posted on the Commission's website located at <http://www.ferc.gov>, is incorporated by reference in Transporter's Tariff. The annual charges unit charge (ACA unit charge) is stated on the Commission's website under "Natural Gas, Annual Charges, FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge." The ACA unit charge is restated to be effective each October 1 on the first day of the Commission's fiscal year.

23.3 Payment by Shipper

The amount of Shipper's applicable ACA unit charge shall be due and payable concurrently with such bill for gas service as specified in Section 7.1 of these General Terms and Conditions.

23. ANNUAL CHARGE ADJUSTMENT (ACA)

The purpose of this Section 23 is to establish procedures designed to implement Section 154.402 of the FERC's Regulations which allows a natural gas pipeline to adjust its rates annually to recover from its customers annual charges assessed it by the FERC under Part 382 of the FERC's Regulations - Assessment of Annual Charges (annual charges). Transporter shall not recover any annual charges assessed by the FERC and recorded in FERC Account No. 928 in an NGA Section 4 rate case for any time period that this ACA clause is in effect.

23.1 Application

In order to recover such annual charges, this Section 23 establishes an ACA Unit Surcharge per dth to be applicable to quantities of natural gas transported under Transporter's Rate Schedules.

23.2 Basis of the ACA Unit Charge

Transporter's Transportation Rate Schedules shall include a separately identified rate increment for an ACA Unit Surcharge. Such ACA Unit Surcharge shall be that increment, adjusted to Transporter's measurement basis (dekatherm), which shall be authorized on an annual basis by the FERC for each fiscal year commencing October 1 and ending September 30 pursuant to Section 382 of the FERC Regulations. The ACA Unit Surcharge shall be separately reflected in the Currently Effective Rates for the applicable Rate Schedule of this FERC Gas Tariff.

23.3 Filing Procedure

The initial ACA Unit Surcharge or any subsequent changes in such surcharge shall be filed by Transporter at least thirty (30) days prior to the proposed effective date.

Transporter shall effectuate rate adjustments made pursuant to this Section 23 on October 1 of each year. Any such rate adjustment shall not become effective unless it becomes effective without suspension or refund obligation.

23.4 Payment by Shipper

The amount of Shipper's applicable ACA Unit Surcharge shall be due and payable concurrently with such bill for gas service as specified in Section 7.1 of these General Terms and Conditions.

24 CAPACITY POSTING AND CONTRACT PROCEDURES

24.1 Applicability

This section shall apply to the process of posting and contracting for capacity on existing facilities other than capacity which is available under the ROFR process or through the capacity release program, or as part of an expansion project.

24.2 Posting

Transporter shall maintain and update postings of unsubscribed capacity, operationally available capacity, and design capacity, in accordance with 18 CFR 284.13 and in the format set forth in NAESB standard 4.3.23.

24.3 Contracting for Available Capacity

Except as otherwise provided in Section 24.4 and Section 24.5 herein, Transporter will award offers for posted capacity (including requests to change primary receipts or primary delivery points) on a first-come, first-served basis and in accordance with the currently effective rate schedules of this tariff. Posted capacity will be awarded on a first-come, first-served basis to any Shipper willing to pay the applicable maximum tariff rate, and a Shipper need not offer to pay a different rate (including, without limitation, a negotiated rate) that may be in excess of the maximum tariff rate to obtain such capacity. Nothing herein requires Transporter to accept requests to change primary receipt or delivery points or accept offers for available capacity at less than maximum tariff rates; provided however, that Transporter will treat all requests or offers on a nondiscriminatory basis. The unsubscribed capacity postings set forth in 24.2 above will be updated at each nomination cycle to reflect any capacity that has been awarded.

24.4 Bid Solicitation

To the extent Transporter conducts a "bid solicitation" for unsubscribed capacity posted on its Internet Website, all bids received during the bid solicitation period will be treated as having been received at the same time and will be awarded utilizing a present value method based on the bid criteria set forth below.

A. Bid Solicitation Notice

Transporter's bid solicitation shall specify:

1. quantity (dth/day)
2. the available points, paths or segments
3. the effective date capacity is available
4. the deadline for submitting bids
5. whether Transporter is willing to consider offers at less than maximum tariff rates for all or any portion of the capacity or term
6. A Shipper need not offer to pay a different rate (including, without limitation, a negotiated rate) that may be in excess of the maximum tariff rate to obtain such capacity.
7. Whether there is a pre-arranged Shipper that has submitted a binding offer to Transporter in advance of the bid solicitation. Any creditworthy party that is not an affiliate of Transporter may submit a pre-arranged offer.

B. Minimum Bid Solicitation Timelines

The following are the minimum periods that the notice of a bid solicitation will be posted:

1. For a term of less than five (5) months, the bid solicitation period shall be a minimum of one (1) business day.
2. For a term of five (5) months to one (1) year, the bid solicitation period shall be a minimum of three (3) business days.
3. For a term of greater than one (1) year, the bid solicitation period shall be a minimum of five (5) business days.

C. Bids

To be considered a valid bid, bids must be binding, must be received by the bid solicitation deadline and must specify:

1. the quantity desired (and whether the shipper is willing to accept a portion of the quantity)
2. primary receipt point(s)
3. primary delivery point(s)
4. the term
5. reservation rate

D. Bid Evaluation

Valid bids will be evaluated by determining the highest present value using the current Commission

interest rate as defined in 18 C.F.R. Section 154.501(d) pursuant to the following formula:

$$R \times \frac{1 - (1 + i)^{-n}}{i} \times Q \times 30.4 \text{ days/month} = \text{present value}$$

where: i = interest rate per month using the current Commission interest rate as defined in 18 C.F.R. Section 154.501(d)
 n = term, in months
 R = the rate bid (\$/dth reservation charge, if a two-part rate, or if a one-part rate, the reservation charge plus the usage rate), and
 Q = the Quantity stated in dth/day

If Transporter receives both maximum rate bids and negotiated rate bids, then any negotiated rate bid exceeding the maximum tariff rate shall be considered equal to the maximum tariff rate for the purpose of evaluation.

Transporter will award the capacity to the Shipper(s) whose bid(s) represents the highest total present value, subject to the right of a pre-arranged Shipper, if any, to promptly match the highest bid(s). For purposes of determining the highest total present value, Transporter will consider the guaranteed incremental revenues from the bid or combination of bids that yield the highest total present value.

Bids with equal present value will be awarded on a pro rata basis, provided however, that if one or more of the parties with equal bids is unwilling to accept a portion of the quantity desired, then such bid(s) will be eliminated from the pro rata calculation.

- E. Transporter will notify all bidders of the acceptance or rejection of their respective bids by the close of the business day following the bid solicitation deadline.
- F. To the extent that capacity becomes available for paths on the San Juan lateral or paths on the mainline west of Thoreau, Transporter will, prior to awarding such capacity, post the availability of such capacity for the minimum timelines set forth in Section 24.4.B above, and any bids received during the timeline will be evaluated in accordance with the bid solicitation procedures set forth in Section 24.4.D above. Transporter is not obligated to conduct a bid solicitation for any other paths, or for point capacity that becomes available from time to time (including capacity that becomes available as a result of a Shipper's changes to primary receipt and/or delivery points).
- G. To the extent Transporter enters into firm agreements for operationally available capacity (i.e. non-sustainable short-term capacity that is not available on Transporter's Unsubscribed Capacity posting), such agreements shall be subject to the bid solicitation requirements set forth above and shall not be rolled over without prior posting and the opportunity for other Shippers to obtain such capacity.

24.5 Reservation of Unsubscribed Capacity in Conjunction with a Proposed Expansion Project

Transporter may, in conjunction with a proposed expansion of Transporter's system, reserve generally available capacity, which includes capacity from expiring contracts, provided that:

- A. Transporter has held an open season for such proposed expansion.
- B. Generally available ("unsubscribed") capacity is posted on Transporter's Internet Website in accordance with Section 18.1(A)(1) of this Tariff.
- C. Unsubscribed capacity to be reserved will be posted on Transporter's Internet Website for at least five (5) business days. Any party wishing to bid on capacity to be reserved must submit a request in accordance with Sections 18 and 24 of these General Terms and Conditions, and must be in accordance with the minimum bid requirements in Section 24.5.D, below.
- D. To the extent that there is not sufficient generally available capacity for a proposed expansion and Transporter proposes to construct new facilities to provide incremental capacity, then Transporter shall make a non-binding solicitation to existing firm Shippers for turnback capacity to minimize the new facilities to be constructed, subject to the following conditions:
 - 1. To participate in any such solicitation, a Shipper must have capacity under a firm Service Agreement with a remaining term and with primary receipt and delivery point rights that would allow the use of such capacity in connection with the proposed expansion project and that would avoid the need for construction of new facilities.
 - 2. Any firm Shipper holding capacity that qualifies under subsection 24.5.D.1 ("Qualified Capacity") may submit a written offer in response to Transporter's solicitation ("Turnback Offer") that specifies (1) the volume of Qualified Capacity that such Shipper wishes to turn

- back (which may be less than the total maximum daily quantity under such Shipper's contract(s)), (2) the applicable primary receipt and delivery points, and (3) the rate that such Shipper is currently paying with respect to such Qualified Capacity ("Existing Rate"). If the Existing Rate is greater than the proposed rate that Transporter will receive from Shippers participating in the expansion project ("Expansion Rate"), then the Shipper shall, as part of its Turnback Offer, either: (1) agree to pay Transporter on a monthly basis the difference between the two rates during the remaining term of the Shipper's existing contract(s); or (2) offer to make one or more payments to Transporter in an amount proposed by Shipper and set forth in its Turnback Offer to mitigate any revenue reduction that would be experienced by Transporter as a result of the turnback of such capacity, provided that in no event shall such payment(s) exceed the net present value (as determined in accordance with Section 24.4.D) of the difference between the Existing Rate and the Expansion Rate over the remaining term of the Shipper's existing contract(s).
3. Transporter will accept a Turnback Offer if the volume of Qualified Capacity subject to such Turnback Offer is sufficient to eliminate the need to construct facilities and if such Turnback Offer is not economically detrimental to Transporter.
 4. To the extent that Transporter receives multiple Turnback Offers and elects to accept at least one, Transporter will first accept the Turnback Offer that results in the lowest decrease in the firm transportation revenues to be collected by Transporter. If Transporter then elects, in its sole discretion, to accept any additional Turnback Offers, Transporter will next accept the Turnback Offer that results in the second lowest decrease in the firm transportation revenues to be collected by Transporter, and so on until Transporter determines that it will accept no further requests. If Transporter receives two or more Turnback Offers that result in the same impact on the firm transportation revenues to be collected by Transporter, Transporter shall accept such requests on a pro rata basis.
 5. Any requests for capacity turnback that are accepted by Transporter in accordance with subsection 4 above shall become binding on Shipper upon acceptance by Transporter and shall be effective only upon the in-service date of the applicable expansion project.
- E. The information Transporter shall post regarding capacity to be reserved on its website shall include:
1. a description of the expansion project for which the capacity is being reserved and the estimated in-service date;
 2. the location and quantity of the capacity being reserved;
 3. the minimum acceptable bid for the available capacity posted to be reserved. The minimum acceptable bid shall be the lowest total present value calculated under Section 24.4.D above in evaluating all expansion precedent agreements or expansion contracts.
- F. The capacity is reserved for a period beginning no earlier than twelve (12) months prior to the filing by Transporter of an NGA Section 7 certificate application requesting FERC authorization for such system expansion and ending upon the in-service date of the expansion.
- G. Capacity so reserved will remain available on a limited term basis for open access transportation for any Shipper requesting such capacity during the interim period preceding the in-service date of the expansion. Transporter reserves the right to limit any extension rights provided in the Service Agreement and Section 20 herein.
- H. Any capacity reserved for a proposed expansion that does not go forward, for any reason, shall be reposted as generally available capacity within thirty (30) days of the date the capacity becomes available.

GENERAL TERMS AND CONDITIONS

25. [Reserved for Future Use]

26. REQUESTS FOR SERVICE

26.1 Valid requests for transportation service or requests to amend existing service shall be made electronically pursuant to the procedures in Section 18.6 of the General Terms and Conditions of this Tariff or in writing to:

Transwestern Pipeline Company, LLC
Commercial Group
711 Louisiana Street, Suite 900
Houston, TX 77002

Standardized request forms shall be available for Shipper's convenience on Transporter's Internet Website or by contacting any Transportation Representative of Transporter or by writing to the address referenced above.

26.2 The specific information required from a Shipper for a valid request for transportation service shall include the information specified in Transporter's current standardized service request form, as such may be revised from time to time. A valid request shall include sufficient information to determine Shipper's creditworthiness in accordance with Section 13 herein.

26.3 Upon Transporter's acceptance to provide the requested service, Transporter shall tender to Shipper for execution a Service Agreement in the form as contained in Transporter's FERC Gas Tariff. Such tender and execution may be by electronic means.

26.4 Except as otherwise provided in Section 20, 24 or 30, requests for transportation will be deemed null and void if Shipper fails to provide Transporter with a fully executed Service Agreement within fifteen (15) days after Transporter has tendered such Service Agreement to Shipper.

26.5 By execution of the Service Agreement, Shipper certifies that Shipper has, or will have, prior to nominating gas under such Service Agreement and during transportation of such gas on Transporter's system, title to the gas to be delivered to Transporter for transportation, and has entered into or will enter into those arrangements necessary to assure all upstream and downstream transportation will be in place prior to the commencement of service.

27. SHIPPER IMBALANCE RESOLUTION PROVISIONS:

Although Shippers must submit balanced nominations (nominated deliveries must equal nominated receipts less fuel), and notwithstanding the fact that Transporter has OBA's at all points, minor inadvertent Shipper imbalances can be created as a result of the simultaneous confirmation process. A Shipper Imbalance on a Service Agreement shall be defined as a volume variance between the Service Agreement's scheduled receipts less fuel and the Service Agreement's scheduled deliveries which occurs when a confirming party, in the Intraday 2 Cycle, confirms a different quantity than was submitted for confirmation.

27.1 The Shipper Imbalance shall be resolved in accordance with the provisions of Section 27.5 below.

27.2 The MIP applicable to a Shipper Imbalance shall be determined by the location(s) in which the confirmation quantities differed. The MIP for each month shall equal the average of the daily prices for that month as reported in Gas Daily's table entitled "Daily Price Survey" for delivery into Transporter's mainline system for the following:

Imbalance Location *****	MIP Gas Daily - Daily Price Survey *****
East of Thoreau Area	"Permian Basin Area, Transwestern"
North of Blanco	"New Mexico - San Juan Basin, El Paso - Bondad"
Blanco	"New Mexico - San Juan Basin, El Paso - San Juan Basin"
West of Thoreau, Except PG&E Topock	"Others, SoCal Gas"
West of Thoreau - PG&E Topock	"Others, PG&E, South"

If a range of prices is shown for any particular day, the midpoint of such range shall represent that day's price at a particular location.

If for any reason, Gas Daily ceases to be available for a particular month, the MIP for that month will equal the average of the applicable daily prices (excluding weekends and holidays) for each above-described location for the applicable month as reported in any other generally accepted available industry publication chosen by Transporter.

27.3 Transporter will post the MIP for each month on its Internet Website within one (1) business day following the end of the applicable month.

27.4 No penalties shall be applicable to Shipper Imbalances.

27.5 Resolution of Shipper Imbalances:

Imbalances between Shippers and Transporter may be offset by netting and trading.

Imbalance netting and trading activity shall follow the steps outlined below.

- A. To the extent the Shipper has multiple points within the same imbalance location at which imbalances accrue, such monthly imbalances held by a single legal entity shall be accumulated and netted prior to the posting of imbalances as provided for in (B) below.
- B. On or before the ninth (9th) business day of the month, Transporter will post on its Internet Website each Shipper's volumetric imbalance by imbalance location.
- C. A Shipper may negotiate with other Shippers to trade the volumetric imbalances (as posted in accordance with (B) above) within each imbalance location. This trading will occur only between Shippers (Transporter will not be involved).
- D. All Shippers will have until the close of the 17th business day of the month to complete imbalance trading.
- E. Shippers must notify Transporter prior to the close of the 17th business day via fax or e-mail of the volumes traded and the trading partners (all Shippers involved in the trade must notify Transporter of the intent and amount traded).

- F. Imbalance netting and trading will be completed at no additional cost to the Shipper.
- G. After close of the 17th business day of the month, Transporter will calculate the Shipper's final volumetric imbalance. Any remaining volumetric imbalances will be assigned a dollar value by applying the applicable MIP as set forth in Section 27.2 above. Such dollar amounts will be due and payable by the 20th business day of the month. Interest shall accrue on the dollar value of the Imbalance from such date due until the date of payment, at the interest rate set forth in 18 CFR 154.501(d)(1), as may be amended from time to time.
- H. Any discrepancies between notifications to Transporter by trading parties will result in the trade not being confirmed and the imbalances to both Shippers will be subject to the applicable imbalance valuation and cash-out provisions outlined above.

28. RECEIPT / DELIVERY POINT AREAS:

Service under this Tariff is divided into three Receipt/Delivery Point Areas as shown in Part III of this Tariff.

The East of Thoreau Area includes the area that is east of a line extending north and south of a point on Transporter's mainline facilities located approximately 26 miles west of the existing Thoreau Compressor Station in McKinley County, New Mexico (herein referred to as the "Thoreau/San Juan Point"), excluding the San Juan Lateral Area. The East of Thoreau Area does not include the San Juan Lateral Area.

The West of Thoreau Area includes the area that is west of a line extending north and south of the Thoreau/San Juan Point and excluding the San Juan Lateral Area.

The San Juan Lateral Area includes the area that: 1) is east of a line extending from the Thoreau/San Juan Point to the southwest corner of San Juan County, New Mexico, extending north along the state line dividing Arizona and New Mexico, 2) is west of a line extending from the Thoreau/San Juan Point to the southeast corner of San Juan County, New Mexico extending north along the county line dividing San Juan County and Rio Arriba County, New Mexico, and 3) includes La Plata County, Colorado.

The Phoenix Area includes the area that is south of a line extending east and west of a point at approximate milepost 235.7 on Transporter's mainline near the city of Ash Fork in Yavapai County, Arizona.

29. NONDISCRIMINATORY GATHERING ACCESS

- 29.1 Transporter will provide nondiscriminatory access to all sources of supply in accordance with Part 284 of the Commission's Regulations and will not give shippers transporting gas on gathering facilities owned in whole or in part by an affiliate undue preference over shippers of nonaffiliated gatherers or other customers in scheduling, transportation, storage or curtailment priority.
- 29.2 Transporter will not condition or tie its agreement to provide transportation service to: (1) an agreement by the producer, customer, end-user, or shipper relating to any service offered by an affiliate offering gathering services; (2) any services offered by Transporter on behalf of a gathering affiliate; or (3) any services in which a gathering affiliate is involved.

30. CAPACITY RELEASE

In this Section 30, Releasing Shipper shall mean a Shipper who releases or is seeking to release all or any part of its firm transportation capacity to a third party.

Replacement Shipper shall mean a third party who receives either temporarily or permanently released capacity, as defined below, from the Releasing Shipper under the Capacity Release Program.

For Index-based Capacity Release, Rate Floor shall mean 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 Tranporter's minimum reservation charge or zero cents when there is no stated minimum reservation charge.

For Index-based Capacity Release, Rate Default shall mean 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.

30. CAPACITY RELEASE

In this Section 30, Releasing Shipper shall mean a Shipper who releases or is seeking to release all or any part of its firm transportation capacity to a third party.

Replacement Shipper shall mean a third party who receives either temporarily or permanently released capacity, as defined below, from the Releasing Shipper under the Capacity Release Program.

For Index-based Capacity Release, Rate Floor shall mean 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 Tranporter's minimum reservation charge or zero cents when there is no stated minimum reservation charge.

For Index-based Capacity Release, Rate Default shall mean 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.

30. CAPACITY RELEASE

In this Section 30, Releasing Shipper shall mean a Shipper who releases or is seeking to release all or any part of its firm transportation capacity to a third party.

Replacement Shipper shall mean a third party who receives either temporarily or permanently released capacity, as defined below, from the Releasing Shipper under the Capacity Release Program.

30.1 Introduction

Permanent Release: Under the FTS-1, LFT, FTS-4 and FTS-5 Rate Schedules, Releasing Shipper will have the ability to permanently release its capacity, or any portion thereof. Transporter is not required to but may choose to accept a bid at less than the rate provided for in Releasing Shipper's Service Agreement provided that (i) Releasing Shipper remits as an exit fee, a lump sum payment for the positive difference between the rate provided for in the Releasing Shipper's Service Agreement and the bid rate for the full term of the capacity release, or agrees to remain liable for any positive difference between the Releasing Shipper's contract rate and the bid rate for the full term of the capacity release, and (ii) when the Releasing Shipper's contract is at maximum tariff rates, Transporter and Replacement Shipper reach agreement on a mechanism permitting the periodic adjustment to the bid rate to reflect subsequent rate adjustments filed for and approved by the FERC. Upon such permanent release, except as provided for herein for releases at less than the Releasing Shipper's contract rates, Releasing Shipper is relieved of its obligation to Transporter for payment of reservation charges and any surcharges to the reservation charge.

Temporary Release: Under the FTS-1, LFT, FTS-4 and FTS-5 Rate Schedules, Releasing Shipper will have the ability to temporarily release its capacity, or any portion thereof, for a term designated by Releasing Shipper not to exceed the term of its underlying Service Agreement. Upon such release, Releasing Shipper remains responsible to the Transporter only for payment of reservation charges and any surcharges to the reservation charge, in compliance with the underlying Service Agreement.

Releasing Shipper has the right to tender its capacity to Transporter to be released to potential Replacement Shippers. The release of capacity is a permanent or temporary release of capacity from specified receipt points to specified delivery points, for a designated term and rate.

30.2 Evaluation Methods

All capacity available for release shall be allocated to the Replacement Shipper(s) based upon one of the following methods, as determined by Releasing Shipper:

- A. Highest rate
- B. Highest net revenue
- C. Highest present value calculated in accordance with Section 24.4 herein
- D. Shipper designated method.

For Index-based Capacity Release, Releasing Shipper will provide the necessary information and instructions to be used for the evaluation method.

30.2 Evaluation Methods

All capacity available for release shall be allocated to the Replacement Shipper(s) based upon one of the following methods, as determined by Releasing Shipper:

- A. Highest rate
- B. Highest net revenue
- C. Highest present value calculated in accordance with Section 24.4 herein
- D. Shipper designated method

30.3 Offer to Release Capacity

- A. During any period in which Releasing Shipper wishes to release its firm capacity, the following information relating to the availability of such capacity shall be posted on Transporter's Internet Website:
1. MAXDTQ available per day, in dekatherms, and the total release period quantity,
 2. term of availability, and any rollover or evergreen provisions,
 3. receipt and delivery points, and any restrictions which will be placed on the modifications of Primary Receipt and primary Delivery Points,
 4. rates,
 5. whether and to what extent the capacity (under temporary release) will be subject to recall, and the terms and conditions applicable to such right to recall or reput,
 6. the method under which capacity is to be allocated,
 7. the party to contact,
 8. the method by which ties will be broken,
 9. If minimum conditions are to be disclosed during the open season, any minimum conditions concerning the rate, term, or volume that the Releasing Shipper is willing to accept, including whether a volumetric rate will be accepted and, if so, the method for evaluating such bid,
 10. whether the Releasing Shipper is willing to accept contingent bids and when the contingency must be removed,
 11. the date when bids and executed Service Agreements must be submitted,
 12. whether the release is permanent or temporary,
 13. whether the release is a re-release, and
 14. for Pre-Arranged releases, whether the release is to an asset manager or a marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 248.8,
 15. for Index-based Capacity Release, a Rate Floor specified by Releasing Shipper, and
 16. other special terms or conditions, if any.
- B. Any Releasing Shipper offering capacity for Capacity Release will, by electronically posting capacity or by having Transporter electronically post capacity, automatically enter into an amendment to Shipper's underlying contract, subject to procedures set out in Section 18.6 of these General Terms and Conditions. Such amendment shall take effect only upon the confirmation of a prearranged transaction or upon the award of such capacity.
- C. The information set forth in the Offer to release capacity shall be posted on Transporter's Internet Website by the Releasing Shipper, or by Transporter if requested by Releasing Shipper. Transporter shall only post completed offers to release capacity. Such information shall be posted in accordance with the minimum time periods set forth in Section 30.4. With respect to offers to be posted by Transporter, Transporter shall post any such offer upon receipt, unless the Releasing Shipper requests otherwise. The Releasing Shipper may request a posting time consistent with the time lines set forth in Section 30.4. A Releasing Shipper shall separately provide to Transporter any minimum conditions that are not to be disclosed in the offer to release capacity.
- D. Transporter shall post on its Internet Website the following information in the offer to release capacity:
1. the maximum reservation rate (including demand-type surcharges) specifically applicable to the shipper's capacity being released,
 2. the date and time by which bids must be submitted under the applicable allocation method,
 3. the date and time the notice is posted on the Internet Website and
 4. latest date and time capacity will be awarded in accordance with the time lines set forth in this Section 30.

- E. Withdrawal of offer to release capacity: The Releasing Shipper may withdraw or cause Transporter to withdraw the offer to release capacity up to the close of the applicable bid submittal period; provided, however, withdrawal will be allowed only if the Releasing Shipper has an unanticipated requirement for the capacity and no minimum bid has been made. An offer to release capacity is binding until notice of withdrawal is received by Transporter on its Customer Activities Web site.

- F. Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. The Releasing Shipper shall submit the Releasing Shipper's recall or reput notices to Transporter using Transporter's Internet Website in accordance with the deadlines and procedures established in the NAESB Standards. Notification by Transporter to all affected Replacement Shippers for each recall that is processed shall be through direct notice using Internet E-mail or direct notification to Shipper's Internet URL address. Shipper is responsible for providing current addresses to Transporter. Failure of Shipper to maintain current addresses on file with Transporter will relieve Transporter of this obligation. Transporter has the right to rely on a Releasing Shipper's notice and a Releasing Shipper shall defend and indemnify Transporter against any claims, losses, liabilities, or expense (including reasonable attorney's fees) resulting from claims by any Replacement Shipper that released capacity was not recalled in accordance with the recall rights specified in the Releasing Shipper's offer.

30.3 Offer to Release Capacity

- A. During any period in which Releasing Shipper wishes to release its firm capacity, the following information relating to the availability of such capacity shall be posted on Transporter's Internet Website:
1. MAXDTQ available per day, in dekatherms, and the total release period quantity,
 2. term of availability, and any rollover or evergreen provisions,
 3. receipt and delivery points, and any restrictions which will be placed on the modifications of Primary Receipt and primary Delivery Points,
 4. rates,
 5. whether and to what extent the capacity (under temporary release) will be subject to recall, and the terms and conditions applicable to such right to recall or reput,
 6. the method under which capacity is to be allocated,
 7. the party to contact,
 8. the method by which ties will be broken,
 9. If minimum conditions are to be disclosed during the open season, any minimum conditions concerning the rate, term, or volume that the Releasing Shipper is willing to accept, including whether a volumetric rate will be accepted and, if so, the method for evaluating such bid,
 10. whether the Releasing Shipper is willing to accept contingent bids and when the contingency must be removed,
 11. the date when bids and executed Service Agreements must be submitted,
 12. whether the release is permanent or temporary,
 13. whether the release is a re-release, and
 14. for Pre-Arranged releases, whether the release is to an asset manager or a marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 248.8,
 15. for Index-based Capacity Release, a Rate Floor specified by Releasing Shipper, and
 16. other special terms or conditions, if any.
- B. Any Releasing Shipper offering capacity for Capacity Release will, by electronically posting capacity or by having Transporter electronically post capacity, automatically enter into an amendment to Shipper's underlying contract, subject to procedures set out in Section 18.6 of these General Terms and Conditions. Such amendment shall take effect only upon the confirmation of a prearranged transaction or upon the award of such capacity.
- C. The information set forth in the offer to release capacity shall be posted on Transporter's Internet Website by the Releasing Shipper, or by Transporter if requested by Releasing Shipper. Transporter shall only post completed offers to release capacity. Such information shall be posted in accordance with the minimum time periods set forth in Section 30.4. With respect to offers to be posted by Transporter, Transporter shall post any such offer upon receipt, unless the Releasing Shipper requests otherwise. The Releasing Shipper may request a posting time consistent with the time lines set forth in Section 30.4. A Releasing Shipper shall separately provide to Transporter any minimum conditions that are not to be disclosed in the offer to release capacity.
- D. Transporter shall post on its Internet Website the following information in the offer to release capacity:
1. the maximum reservation rate (including demand-type surcharges) specifically applicable to the shipper's capacity being released,
 2. the date and time by which bids must be submitted under the applicable allocation method,
 3. the date and time the notice is posted on the Internet Website and
 4. latest date and time capacity will be awarded in accordance with the time lines set forth in this Section 30.

- E. Withdrawal of offer to release capacity: The Releasing Shipper may withdraw or cause Transporter to withdraw the offer to release capacity up to the close of the applicable bid submittal period; provided, however, withdrawal will be allowed only if the Releasing Shipper has an unanticipated requirement for the capacity and no minimum bid has been made. An offer to release capacity is binding until written or electronic notice of withdrawal is received by Transporter.

- F. Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. The Releasing Shipper shall submit the Releasing Shipper's recall or reput notices to Transporter using Transporter's Internet Website in accordance with the deadlines and procedures established in the NAESB Standards. Notification by Transporter to all affected Replacement Shippers for each recall that is processed shall be through direct notice using Internet E-mail or direct notification to Shipper's Internet URL address. Shipper is responsible for providing current addresses to Transporter. Failure of Shipper to maintain current addresses on file with Transporter will relieve Transporter of this obligation. Transporter has the right to rely on a Releasing Shipper's notice and a Releasing Shipper shall defend and indemnify Transporter against any claims, losses, liabilities, or expense (including reasonable attorney's fees) resulting from claims by any Replacement Shipper that released capacity was not recalled in accordance with the recall rights specified in the Releasing Shipper's offer.

30.3 Offer to Release Capacity

- A. During any period in which Releasing Shipper wishes to release its firm capacity, the following information relating to the availability of such capacity shall be posted on Transporter's Internet Website:
1. MAXDTQ available per day, in dekatherms, and the total release period quantity,
 2. term of availability, and any rollover or evergreen provisions,
 3. receipt and delivery points, and any restrictions which will be placed on the modifications of Primary Receipt and primary Delivery Points,
 4. rates,
 5. whether and to what extent the capacity (under temporary release) will be subject to recall, and the terms and conditions applicable to such right to recall or reput,
 6. the method under which capacity is to be allocated,
 7. the party to contact,
 8. the method by which ties will be broken,
 9. If minimum conditions are to be disclosed during the open season, any minimum conditions concerning the rate, term, or volume that the Releasing Shipper is willing to accept, including whether a volumetric rate will be accepted and, if so, the method for evaluating such bid,
 10. whether the Releasing Shipper is willing to accept contingent bids and when the contingency must be removed,
 11. the date when bids and executed Service Agreements must be submitted,
 12. whether the release is permanent or temporary,
 13. whether the release is a re-release, and
 14. for Pre-Arranged releases, whether the release is to an asset manager or a marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 248.8,
 15. for Index-based Capacity Release, a Rate Floor, and
 16. other special terms or conditions, if any.
- B. Any Releasing Shipper offering capacity for Capacity Release will, by electronically posting capacity or by having Transporter electronically post capacity, automatically enter into an amendment to Shipper's underlying contract, subject to procedures set out in Section 18.6 of these General Terms and Conditions. Such amendment shall take effect only upon the confirmation of a prearranged transaction or upon the award of such capacity.
- C. The information set forth in the offer to release capacity shall be posted on Transporter's Internet Website by the Releasing Shipper, or by Transporter if requested by Releasing Shipper. Transporter shall only post completed offers to release capacity. Such information shall be posted in accordance with the minimum time periods set forth in Section 30.4. With respect to offers to be posted by Transporter, Transporter shall post any such offer upon receipt, unless the Releasing Shipper requests otherwise. The Releasing Shipper may request a posting time consistent with the time lines set forth in Section 30.4. A Releasing Shipper shall separately provide to Transporter any minimum conditions that are not to be disclosed in the offer to release capacity.
- D. Transporter shall post on its Internet Website the following information in the offer to release capacity:
1. the maximum reservation rate (including demand-type surcharges) specifically applicable to the shipper's capacity being released,
 2. the date and time by which bids must be submitted under the applicable allocation method,
 3. the date and time the notice is posted on the Internet Website and
 4. latest date and time capacity will be awarded in accordance with the time lines set forth in this Section 30.

- E. Withdrawal of offer to release capacity: The Releasing Shipper may withdraw or cause Transporter to withdraw the offer to release capacity up to the close of the applicable bid submittal period; provided, however, withdrawal will be allowed only if the Releasing Shipper has an unanticipated requirement for the capacity and no minimum bid has been made. An offer to release capacity is binding until written or electronic notice of withdrawal is received by Transporter.

- F. Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. The Releasing Shipper shall submit the Releasing Shipper's recall or reput notices to Transporter using Transporter's Internet Website in accordance with the deadlines and procedures established in the NAESB Standards. Notification by Transporter to all affected Replacement Shippers for each recall that is processed shall be through direct notice using Internet E-mail or direct notification to Shipper's Internet URL address. Shipper is responsible for providing current addresses to Transporter. Failure of Shipper to maintain current addresses on file with Transporter will relieve Transporter of this obligation. Transporter has the right to rely on a Releasing Shipper's notice and a Releasing Shipper shall defend and indemnify Transporter against any claims, losses, liabilities, or expense (including reasonable attorney's fees) resulting from claims by any Replacement Shipper that released capacity was not recalled in accordance with the recall rights specified in the Releasing Shipper's offer.

30.3 Offer to Release Capacity

- A. During any period in which Releasing Shipper wishes to release its firm capacity, the following information relating to the availability of such capacity shall be posted on Transporter's Internet Website:
1. MAXDTQ available per day, in dekatherms, and the total release period quantity,
 2. term of availability, and any rollover or evergreen provisions,
 3. receipt and delivery points, and any restrictions which will be placed on the modifications of Primary Receipt and primary Delivery Points,
 4. rates,
 5. whether and to what extent the capacity (under temporary release) will be subject to recall, and the terms and conditions applicable to such right to recall or reput,
 6. the method under which capacity is to be allocated,
 7. the party to contact,
 8. the method by which ties will be broken,
 9. If minimum conditions are to be disclosed during the open season, any minimum conditions concerning the rate, term, or volume that the Releasing Shipper is willing to accept, including whether a volumetric rate will be accepted and, if so, the method for evaluating such bid,
 10. whether the Releasing Shipper is willing to accept contingent bids and when the contingency must be removed,
 11. the date when bids and executed Service Agreements must be submitted,
 12. whether the release is permanent or temporary,
 13. whether the release is a re-release, and
 14. for Pre-Arranged releases, whether the release is to an asset manager or a marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 248.8, and
 15. other special terms or conditions, if any.
- B. Any Releasing Shipper offering capacity for Capacity Release will, by electronically posting capacity or by having Transporter electronically post capacity, automatically enter into an amendment to Shipper's underlying contract, subject to procedures set out in Section 18.6 of these General Terms and Conditions. Such amendment shall take effect only upon the confirmation of a prearranged transaction or upon the award of such capacity.
- C. The information set forth in the offer to release capacity shall be posted on Transporter's Internet Website by the Releasing Shipper, or by Transporter if requested by Releasing Shipper. Transporter shall only post completed offers to release capacity. Such information shall be posted in accordance with the minimum time periods set forth in Section 30.4. With respect to offers to be posted by Transporter, Transporter shall post any such offer upon receipt, unless the Releasing Shipper requests otherwise. The Releasing Shipper may request a posting time consistent with the time lines set forth in Section 30.4. A Releasing Shipper shall separately provide to Transporter any minimum conditions that are not to be disclosed in the offer to release capacity.
- D. Transporter shall post on its Internet Website the following information in the offer to release capacity:
1. the maximum reservation rate (including demand-type surcharges) specifically applicable to the shipper's capacity being released,
 2. the date and time by which bids must be submitted under the applicable allocation method,
 3. the date and time the notice is posted on the Internet Website and
 4. latest date and time capacity will be awarded in accordance with the time lines set forth in this Section 30.
- E. Withdrawal of offer to release capacity: The Releasing Shipper may withdraw or cause Transporter to withdraw the offer to release capacity up to the close of the applicable bid submittal period; provided, however, withdrawal will be allowed only if the Releasing Shipper has an unanticipated requirement for the capacity and no minimum bid has been made. An offer to release capacity is binding until written or electronic notice of withdrawal is received by Transporter.

- F. Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. The Releasing Shipper shall submit the Releasing Shipper's recall or reprint notices to Transporter using Transporter's Internet Website in accordance with the deadlines and procedures established in the NAESB Standards. Notification by Transporter to all affected Replacement Shippers for each recall that is processed shall be through direct notice using Internet E-mail or direct notification to Shipper's Internet URL address. Shipper is responsible for providing current addresses to Transporter. Failure of Shipper to maintain current addresses on file with Transporter will relieve Transporter of this obligation. Transporter has the right to rely on a Releasing Shipper's notice and a Releasing Shipper shall defend and indemnify Transporter against any claims, losses, liabilities, or expense (including reasonable attorney's fees) resulting from claims by any Replacement Shipper that released capacity was not recalled in accordance with the recall rights specified in the Releasing Shipper's offer.

30.4 Minimum Time Periods for Biddable Released Capacity

The following are the minimum time periods for biddable released capacity based on the term for which that capacity is released. The offers may be posted for any longer periods of time.

- A. For biddable releases (1 year or less):
 - 1. Offers should be tendered by 12:00 P.M. on a business day;
 - 2. open season ends no later than 1:00 P.M. on a business day (evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of best Bid is made, and ties are broken);
 - 3. evaluation period ends and Award posting if no match required at 2:00 P.M.;
 - 4. match or Award is communicated by 2:00 P.M.;
 - 5. match response by 2:30 P.M.;
 - 6. where match required, Award posting by 3:00 P.M.;
 - 7. contract issued within one hour of Award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time)

- B. For biddable releases (more than 1 year):
 - 1. Offers should be tendered by 12:00 P.M. four business days before Award;
 - 2. open season ends no later than 1:00 P.M. on the business day before timely nominations are due (open season is three business days);
 - 3. evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of best Bid is made, and ties are broken;
 - 4. evaluation period ends and Award posting if no match required at 2:00 P.M.;
 - 5. match or Award is communicated by 2:00 P.M.;
 - 6. match response by 2:30 P.M.;
 - 7. where match required, Award posting by 3:00 P.M.;
 - 8. contract issued within one hour of Award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time)

30.4 Minimum Time Periods for Biddable Released Capacity

The following are the minimum time periods for biddable released capacity based on the term for which that capacity is released. The offers may be posted for any longer periods of time.

- A. For biddable releases (1 year or less):
 - 1. offers should be tendered by 12:00 P.M. on a business day;
 - 2. open season ends no later than 1:00 P.M. on a business day (evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of best bid is made, and ties are broken);
 - 3. evaluation period ends and award posting if no match required at 2:00 P.M.;
 - 4. match or award is communicated by 2:00 P.M.;
 - 5. match response by 2:30 P.M.;
 - 6. where match required, award posting by 3:00 P.M.;
 - 7. contract issued within one hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time)

- B. For biddable releases (more than 1 year):
 - 1. offers should be tendered by 12:00 P.M. four business days before award;
 - 2. open season ends no later than 1:00 P.M. on the business day before timely nominations are due (open season is three business days);
 - 3. evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of best bid is made, and ties are broken;
 - 4. evaluation period ends and award posting if no match required at 2:00 P.M.;
 - 5. match or award is communicated by 2:00 P.M.;
 - 6. match response by 2:30 P.M.;
 - 7. where match required, award posting by 3:00 P.M.;
 - 8. contract issued within one hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time)

30.5 Open Bids / Withdrawal of Bids

- A. Open Bids - The bidding process shall be open.
1. During the open season and bid submittal periods, all valid bids will be posted listing all pertinent terms and conditions of the valid bids without posting bidders' names.
 2. A bidder may not have more than one bid submitted for a given package of released capacity at the same time, except that it may withdraw a bid as specified below.
 3. There will be no extensions of the original bid period or the pre-arranged deal match period.
- B. Withdrawal of Bids
1. A bidder may withdraw a bid for the released capacity up to the close of the open season or bid submittal period.
 2. Once a bidder has withdrawn its bid, the bidder may only submit a new bid for that released capacity at a higher rate.
 3. Bids are binding until notice of withdrawal is received by Transporter on its Customer Activities Web site.
- C. Valid Bids: In order to be valid, a Bid must include a completed bid form and an executed firm transportation Service Agreement (including electronically executed) which conforms with and adheres to the method specified in the Offer to release capacity and is submitted within the required time period for such Offer to release capacity. A valid bid may contain Transporters' maximum reservation rate as an alternative to Releasing Shipper's capacity release Offer, except when the capacity release is index-based for a term of one year or less or utilizes market-based rates. Invalid bids will be rejected.
- Any Pre-Arranged Shipper acquiring capacity through capacity release which confirms a prearranged transaction and any Replacement Shipper which submits a bid for posted capacity will, by confirmation or entering a bid, respectively, automatically enter into a service agreement for the service set out in the posting of the prearranged transaction or in the bid, respectively, effective upon the respective confirmation or award of such capacity.
- D. Bid Evaluation: Transporter will evaluate and rank all bids in all situations in accordance with the evaluation methodology specified by the Releasing Shipper in the offer to release capacity. Such timely bid, if determined to be valid, should be evaluated by Transporter for the purpose of identifying the winning bidder associated with the offer upon which the bid was made. The evaluation period will end in accordance with Section 30.4.
- E. Award Posting:
1. Transporter will communicate the award of released capacity and will issue the contract in accordance with Section 30.4; provided however, in the event of a non-biddable pre-arranged deal, then Transporter will post the award of released capacity.
 2. Transporter shall post the award regarding each transaction on its Internet Website for a period of seven (7) days. Irrespective of when the notice of completed transaction is posted, service shall commence once capacity has been awarded and a Service Agreement has been executed by both parties.

30.5 Open Bids / Withdrawal of Bids

- A. Open Bids - The bidding process shall be open.
1. During the open season and bid submittal periods, all valid bids will be posted listing all pertinent terms and conditions of the valid bids without posting bidders' names.
 2. A bidder may not have more than one bid submitted for a given package of released capacity at the same time, except that it may withdraw a bid as specified below.
 3. There will be no extensions of the original bid period or the pre-arranged deal match period.
- B. Withdrawal of Bids
1. A bidder may withdraw a bid for the released capacity up to the close of the open season or bid submittal period.
 2. Once a bidder has withdrawn its bid, the bidder may only submit a new bid for that released capacity at a higher rate.
 3. Bids are binding until written or electronic notice of withdrawal is received by Transporter.
- C. Valid Bids: In order to be valid, a bid must include a completed bid form and an executed firm transportation Service Agreement (including electronically executed) which conforms with and adheres to the method specified in the offer to release capacity and is submitted within the required time period for such offer to release capacity. A valid bid may contain Transporters' maximum reservation rate as an alternative to Releasing Shipper's capacity release offer, except when the capacity release is index-based for a term of one year or less or utilizes market-based rates. Invalid bids will be rejected.
- Any Pre-Arranged Shipper acquiring capacity through capacity release which confirms a prearranged transaction and any Replacement Shipper which submits a bid for posted capacity will, by confirmation or entering a bid, respectively, automatically enter into a service agreement for the service set out in the posting of the prearranged transaction or in the bid, respectively, effective upon the respective confirmation or award of such capacity.
- D. Bid Evaluation: Transporter will evaluate and rank all bids in all situations in accordance with the evaluation methodology specified by the Releasing Shipper in the offer to release capacity. Such timely bid, if determined to be valid, should be evaluated by Transporter for the purpose of identifying the winning bidder associated with the offer upon which the bid was made. The evaluation period will end in accordance with Section 30.4.
- E. Award Posting:
1. Transporter will communicate the award of released capacity and will issue the contract in accordance with Section 30.4; provided however, in the event of a non-biddable pre-arranged deal, then Transporter will post the award of released capacity.
 2. Transporter shall post the award regarding each transaction on its Internet Website for a period of seven (7) days. Irrespective of when the notice of completed transaction is posted, service shall commence once capacity has been awarded and a Service Agreement has been executed by both parties.

30.5 Open Bids / Withdrawal of Bids

- A. Open Bids - The bidding process shall be open.
1. During the open season and bid submittal periods, all valid bids will be posted listing all pertinent terms and conditions of the valid bids without posting bidders' names.
 2. A bidder may not have more than one bid submitted for a given package of released capacity at the same time, except that it may withdraw a bid as specified below.
 3. There will be no extensions of the original bid period or the pre-arranged deal match period.
- B. Withdrawal of Bids
1. A bidder may withdraw a bid for the released capacity up to the close of the open season or bid submittal period.
 2. Once a bidder has withdrawn its bid, the bidder may only submit a new bid for that released capacity at a higher rate.
 3. Bids are binding until written or electronic notice of withdrawal is received by Transporter.
- C. Valid Bids: In order to be valid, a bid must include a completed bid form and an executed firm transportation Service Agreement (including electronically executed) which conforms with the offer to release capacity and is submitted within the required time period for such offer to release capacity. Invalid bids will be rejected.
- Any Pre-Arranged Shipper acquiring capacity through capacity release which confirms a prearranged transaction and any Replacement Shipper which submits a bid for posted capacity will, by confirmation or entering a bid, respectively, automatically enter into a service agreement for the service set out in the posting of the prearranged transaction or in the bid, respectively, effective upon the respective confirmation or award of such capacity.
- D. Bid Evaluation: Transporter will evaluate and rank all bids in all situations in accordance with the evaluation methodology specified by the Releasing Shipper in the offer to release capacity. Such timely bid, if determined to be valid, should be evaluated by Transporter for the purpose of identifying the winning bidder associated with the offer upon which the bid was made. The evaluation period will end in accordance with Section 30.4.
- E. Award Posting:
1. Transporter will communicate the award of released capacity and will issue the contract in accordance with Section 30.4; provided however, in the event of a non-biddable pre-arranged deal, then Transporter will post the award of released capacity.
 2. Transporter shall post the award regarding each transaction on its Internet Website for a period of seven (7) days. Irrespective of when the notice of completed transaction is posted, service shall commence once capacity has been awarded and a Service Agreement has been executed by both parties.

30.6 Procedure for a Pre-Arranged Deal

When capacity is released under a pre-arranged deal, the posting and bidding procedure set forth in this Section shall apply and the terms of such deal shall be posted on Transporter's Internet Website as soon as possible, but not later than the first nomination, after the release transaction commences. In addition, Transporter will provide a copy of the pre-arranged deal to any requesting party within one business day.

A. Procedures for Pre-Arranged Deals Not Subject to Bid

There shall be no posting and bidding procedures for the following non-biddable pre-arranged deals: (1) releases to an asset manager, as defined by FERC regulations at 18 C.F.R. 284.8, (2) releases to a marketer participating in a state-regulated retail access program as defined by FERC regulations at 18 C.F.R. 284.8, (3) releases for more than one year at the maximum rate, or (4) releases with terms of thirty-one (31) days or less, unless Releasing Shipper provides otherwise: The award posting and time lines for a non-biddable pre-arranged deal shall be according to the following guidelines.

Timely Cycle

- posting of prearranged deals not subject to bid are due by 10:30 A.M. (Central Clock Time)

Evening Cycle

- posting of prearranged deals not subject to bid are due by 5:00 P.M. (Central Clock Time)

Intraday 1 Cycle

- posting of prearranged deals not subject to bid are due by 9:00 A.M. (Central Clock Time)

Intraday 2 Cycle

- posting of prearranged deals not subject to bid are due by 4:00 P.M. (Central Clock Time)

The Pre-arranged Shipper must submit a confirmation bid. The contract will be issued within one hour of Award posting (with a new contract number, when applicable) and nomination will be possible beginning at the next available nomination cycle for the effective date of the contract.

B. Procedures for Bidding on a Pre-arranged Deal

1. Third Party Bid: Any third party may submit a bid for the released capacity by offering a better bid than the posted bid for said capacity, with rates not to exceed the maximum rate which may be collected by Transporter.
2. Third Party Obligation: Any third party bid shall be identical to the pre-arranged deal, excluding those terms which are subject to bidding as set forth in the offer to release capacity.
3. Bid Evaluation: Subject to the Pre-Arranged Shipper's posting and bidding procedure, capacity shall be allocated to such third party (or parties, if the winning bids are for portions of the total capacity available) submitting the best bid, as determined by Transporter, based upon the Releasing Shipper's criteria. In the event two or more third parties submit equivalent best bids, as determined by Transporter, based upon the Releasing Shipper's criteria and such bids are for more than the total available capacity, the capacity shall be allocated by means of any non-discriminatory, objective standard designated by Releasing Shipper, and included in the offer to release capacity (or, if no designation, then by means of a pro rata allocation).
4. Pre-Arranged Shipper posting and bidding procedure: In the event a third party(ies) submits a better bid than the Pre-Arranged Shipper, Transporter shall communicate, in accordance with Section 30.4, to the Pre-Arranged Shipper, that a third party(ies) has submitted a better bid. The Pre-Arranged Shipper shall have the right to match said offer during the minimum time period set forth in Section 30.4.

If the Pre-Arranged Shipper chooses to match the better bid, then Transporter shall allocate said capacity to the Pre-Arranged Shipper. In the event the Pre-Arranged Shipper declines to match the better bid, the Pre-Arranged Shipper shall have no further right to said capacity, and Transporter shall assign said capacity to the successful bidding third party(ies).

30.6 Procedure for a Pre-Arranged Deal

When capacity is released under a pre-arranged deal, the posting and bidding procedure set forth in this Section shall apply and the terms of such deal shall be posted on Transporter's Internet Website as soon as possible, but not later than the first nomination, after the release transaction commences. In addition, Transporter will provide a copy of the pre-arranged deal to any requesting party within one business day.

A. Procedures for Pre-Arranged Deals Not Subject to Bid

There shall be no posting and bidding procedures for the following non-biddable pre-arranged deals: (1) releases to an asset manager, as defined by FERC regulations at 18 C.F.R. 284.8, (2) releases to a marketer participating in a state-regulated retail access program as defined by FERC regulations at 18 C.F.R. 284.8, (3) releases for more than one year at the maximum rate, or (4) releases with terms of thirty-one (31) days or less, unless Releasing Shipper provides otherwise: The award posting and time lines for a non-biddable pre-arranged deal shall be according to the following guidelines.

Timely Cycle

- posting of prearranged deals not subject to bid are due by 10:30 A.M. (Central Clock Time)

Evening Cycle

- posting of prearranged deals not subject to bid are due by 5:00 P.M. (Central Clock Time)

Intraday 1 Cycle

- posting of prearranged deals not subject to bid are due by 9:00 A.M. (Central Clock Time)

Intraday 2 Cycle

- posting of prearranged deals not subject to bid are due by 4:00 P.M. (Central Clock Time)

The Pre-arranged Shipper must submit a confirmation bid. The contract will be issued within one hour of award posting (with a new contract number, when applicable) and nomination will be possible beginning at the next available nomination cycle for the effective date of the contract.

B. Procedures for Bidding on a Pre-arranged Deal

1. Third Party Bid: Any third party may submit a bid for the released capacity by offering a better bid than the posted bid for said capacity, with rates not to exceed the maximum rate which may be collected by Transporter.
2. Third Party Obligation: Any third party bid shall be identical to the pre-arranged deal, excluding those terms which are subject to bidding as set forth in the offer to release capacity.
3. Bid Evaluation: Subject to the Pre-Arranged Shipper's posting and bidding procedure, capacity shall be allocated to such third party (or parties, if the winning bids are for portions of the total capacity available) submitting the best bid, as determined by Transporter, based upon the Releasing Shipper's criteria. In the event two or more third parties submit equivalent best bids, as determined by Transporter, based upon the Releasing Shipper's criteria and such bids are for more than the total available capacity, the capacity shall be allocated by means of any non-discriminatory, objective standard designated by Releasing Shipper, and included in the offer to release capacity (or, if no designation, then by means of a pro rata allocation).
4. Pre-Arranged Shipper posting and bidding procedure: In the event a third party(ies) submits a better bid than the Pre-Arranged Shipper, Transporter shall communicate, in accordance with Section 30.4, to the Pre-Arranged Shipper, that a third party(ies) has submitted a better bid. The Pre-Arranged Shipper shall have the right to match said offer during the minimum time period set forth in Section 30.4.

If the Pre-Arranged Shipper chooses to match the better bid, then Transporter shall allocate said capacity to the Pre-Arranged Shipper. In the event the Pre-Arranged Shipper declines to match the better bid, the Pre-Arranged Shipper shall have no further right to said capacity, and Transporter shall assign said capacity to the successful bidding third party(ies).

30.7 Additional Provisions

- A. Direct Postings: If a Releasing Shipper/bidder directly posts an offer to release capacity/bid on Transporter's Internet Website, such offer/bid shall be subject to certain corrections by Transporter for errors discovered upon Transporter's review of such offer/bid. Transporter shall have the right to amend any offer/bid found to be incorrect after Transporter verifies such offer/bid within twenty-four (24) hours of the posting of such offer/bid. Transporter shall notify Releasing Shipper/bidder prior to amending any such offer/bid.
- B. Service Agreement Amendments: No amendments may be made to the Service Agreement except that: 1) a Replacement Shipper, to the extent not restricted under the terms of its Service Agreement, shall have the same right to change Primary Receipt and Delivery Points as any other FTS-1, LFT, FTS-4 or FTS-5 Shipper; and 2) upon mutual agreement of the Releasing Shipper and the Replacement Shipper, the Service Agreement will be terminated by Transporter.
- C. Marketing of Released Capacity: Transporter shall have no obligation to market any capacity available to be released by Releasing Shipper; however, Transporter may agree to market capacity for Releasing Shipper and may negotiate a fee with the Releasing Shipper for such service ("Marketing Fee").
- D. Billing: For any releases of capacity (primary, secondary, or subsequent), Transporter shall directly bill the Replacement Shipper the negotiated rate for the released capacity, as well as any applicable usage charges and penalties which may be assessed on such transaction. The Replacement Shipper shall pay such amounts directly to Transporter in accordance with the requirements of the FTS-1, LFT, FTS-4 and FTS-5 Rate Schedules and Transporter shall apply such amounts first to the reservation charge(s) due for transportation service and then to any reservation surcharges(s) (if applicable), including late charges related solely to such reservation charge(s), then to any penalty due, then to usage charges, and finally to late charges not related to any reservation charge(s) due. The Releasing Shipper will be billed for and shall pay to Transporter any negotiated Marketing Fee plus the difference between the Transporter's applicable rates under the Releasing Shipper's Service Agreement and the negotiated rates billed to the Replacement Shipper, subject to Section 30.8.F. In the event that the Replacement Shipper's as-billed rate exceeds the Releasing Shipper's applicable rate, the difference shall, at the Releasing Shipper's discretion, either be credited by Transporter to the Releasing Shipper's account with Transporter, or be refunded. Any amounts credited shall be limited to reservation charge revenues received from the Replacement Shipper pursuant to the Replacement Shipper's Service Agreement with Transporter. If a refund is elected by the Releasing Shipper, Transporter shall make such refund by wire transfer within ten days of its receipt of final payment from the Replacement Shipper, together with interest computed in the manner set forth in Section 7.2 of these General Terms and Conditions.
- E. Termination for Non-payment: Should Replacement Shipper not make full payment of all amounts billed to it by Transporter within 10 days of the date of any invoice, Transporter shall notify the Replacement Shipper in writing, with a courtesy copy to Releasing Shipper, advising that if default continues for a thirty day period from such invoice date, the Service Agreement may be terminated; provided however, Replacement Shipper may avoid termination by providing Transporter with good and sufficient indemnity bond. If Replacement Shipper fails to cure or remedy non-payment within such thirty day period, the Service Agreement between Transporter and the Replacement Shipper may be terminated at the discretion of Transporter or Releasing Shipper, and Releasing Shipper shall immediately be able to again release such capacity under these procedures.

30.8 General Terms and Conditions

- A. Priority: All released capacity will have priority over the Transporter's interruptible services.
- B. Alternate Points: Alternate Receipt Points and Alternate Delivery Points may be utilized by a Replacement Shipper as described in Section 22 of the General Terms and Conditions of this Tariff.
- C. Rates: Releasing Shipper cannot release capacity for an effective price less than Transporter's minimum rates nor more than Transporter's just and reasonable maximum rates, as set forth in Transporter's current FERC Gas Tariff. The maximum rate that may be charged for capacity released is the maximum firm rate which may be charged by Transporter for such transportation, plus Transport Fuel and all applicable surcharges. Except that no maximum rate limitation applies to a release of capacity 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 Transporter is notified of the release.

Releasing Shipper may specify in the denomination of bids: (1) non-index-based release - dollars and cents; (2) non-index-based release - percentages of the maximum tariff rate; or (3) Index-based formula as specified in the capacity release offer.

Maximum and minimum rates specified by the Releasing Shipper must include the Reservation Charge and all demand surcharges.

- D. Secondary/Subsequent Releases: Replacement Shipper, and any third parties receiving capacity rights from any Replacement Shipper, will be authorized or permitted to release the capacity to other third parties only under the same set of conditions described herein, i.e., any Replacement Shipper will be considered the Releasing Shipper for purposes of subsequent assignments of capacity, and any third party receiving such capacity in such transactions will be considered the Replacement Shipper.
- E. Creditworthiness: Qualification for participation in the capacity release program - Any potential Replacement Shipper that wishes to acquire released capacity under the capacity release program must satisfy the creditworthiness requirements contained in Section 13 of the General Terms and Conditions of this Tariff by pre-qualifying prior to submitting a bid for capacity. Upon pre-qualification, Transporter shall continue to review potential Replacement Shipper's financial records and other sources of public information for creditworthiness. Transporter shall have the right to amend a potential Replacement Shipper's line of credit from time to time and thereby lower or increase the quantity and term for which potential Replacement Shipper is qualified to submit future bids for released capacity. A potential Replacement Shipper cannot bid for released capacity which exceeds its qualified level of creditworthiness. Notwithstanding the determination of creditworthiness, Transporter does not guarantee the payment of any outstanding amounts by a Replacement Shipper.
- F. Shipper Liability: In the event capacity is temporarily released hereunder, liability for payment of reservation charges and any surcharges applicable to the reservation charge will remain with the Releasing Shipper. If the Releasing Shipper permanently releases capacity hereunder, Transporter will relieve said Releasing Shipper from its obligations under its Service Agreement, if (1) the release is at or above the rates provided for under (and for the remaining term of) Releasing Shipper's Service Agreement or, (2) the release is at less than rates provided for in Releasing Shipper's Service Agreement and the Releasing Shipper remits as an exit fee, a lump sum payment for the positive difference between the Releasing Shipper's contract rate and the bid rate for the full term of the capacity release, and, when the Releasing Shipper's contract is at maximum tariff rates, the Replacement Shipper and Transporter reach agreement on a mechanism permitting the periodic adjustment to the bid rate to reflect subsequent rate adjustments filed for and approved by the FERC. The Replacement Shipper and any of its subsequent assignees shall be responsible for any amounts billed to them under Section 30.7(D) of this Tariff, but shall not be responsible for any other amounts billed to the Releasing Shipper.
- G. Transporter's Right to Terminate a Temporary Capacity Release: Transporter may elect to terminate a Replacement Shipper's Service Agreement, upon 30 days written notice to the Replacement Shipper, under the following conditions:
 - 1. The Releasing Shipper has failed to maintain creditworthiness in accordance with Section 13 of the General Terms and Conditions of this Tariff;
 - 2. Transporter has terminated the Releasing Shipper's Service Agreement in accordance with Sections 13 and 16 of the General Terms and Conditions of this Tariff; and
 - 3. The rate stated in the effective Replacement Shipper's Service Agreement is less than the Releasing Shipper's contract rate.

The Replacement Shipper may avoid termination of the temporary capacity release if, Prior to the end of the 30-day notice period, the Replacement Shipper agrees that, beginning the first day after the end of the 30-day notice period, it will pay the lower of (1) the former Releasing Shipper's contract rate, or (2) the maximum applicable reservation and usage rates as stated in this tariff for the applicable service for the remainder of the Replacement Shipper's contract term.

- H. Term Limitation: The term of any agreement providing for the release of capacity cannot extend beyond the term of the underlying Service Agreement. Released capacity may be allocated with a future effective date.
- I. Refunds: Releasing Shipper and any Replacement Shipper must track any changes in Transporter's rates approved by the Commission. In the event the Commission orders refunds of any such rates charged by Transporter and previously approved, Transporter and/or Releasing Shipper, as the case may be, must make corresponding refunds to such Releasing Shipper or any Replacement Shipper, to the extent that Releasing Shipper or Replacement Shipper(s) has paid a rate in excess of Transporter's just and reasonable, applicable maximum rates, unless otherwise specified by the terms of the release.
- J. Conditions: Releasing Shipper and any Replacement Shipper are authorized to impose reasonable, nondiscriminatory conditions upon the release of their capacity on Transporter's system. Such conditions must not be inconsistent with Transporter's FERC Gas Tariff and the Service Agreement between the Releasing Shipper and Transporter or Replacement Shipper and Transporter.
- K. Rollover Limitations: A Releasing Shipper may re-release to the same Replacement Shipper for a term of thirty-one (31) days or less if either: 1) a period of twenty-eight (28) days has elapsed after the first release for thirty-one (31) days or less has expired or 2) an offer to release capacity has been posted, and capacity has been allocated to the shipper submitting the best bid. The twenty-eight (28) day hiatus does not apply to releases to an asset manager or marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 284.8. An agreement for capacity to be released for a term of thirty-one (31) days or less shall not contain an evergreen provision and may not be rolled over for any additional time period.
- L. Capacity Release Timeline: The capacity release timeline as described herein is applicable to all parties involved in the capacity release process provided that: (1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered; (2) for an Index-based Capacity Release, Releasing Shipper has provided Transporter with sufficient instructions to evaluate all valid bids in accordance with 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).
- M. Service for the Replacement Shipper under Transporter's capacity release program shall be in accordance with the terms and conditions of the applicable Rate Schedules of Transporter's FERC Gas Tariff and Replacement Shipper's Service Agreement.
- N. A Replacement Shipper may submit changes to its primary points consistent with its Service Agreement, its contract demand, the terms of the offer by the Releasing Shipper and subject to available capacity. If a Replacement Shipper has contracted for a temporary capacity release, and the Releasing Shipper has limited the movement of the primary points, then the Replacement Shipper must submit dual requests for changes: one for the point change that it is requesting and a second where the primary points of the Releasing Shipper are requested at the end of the temporary capacity release.

30.8 General Terms and Conditions

- A. Priority: All released capacity will have priority over the Transporter's interruptible services.
- B. Alternate Points: Alternate Receipt Points and Alternate Delivery Points may be utilized by a Replacement Shipper as described in Section 22 of the General Terms and Conditions of this Tariff.
- C. Rates: Releasing Shipper cannot release capacity for an effective price less than Transporter's minimum rates nor more than Transporter's just and reasonable maximum rates, as set forth in Transporter's current FERC Gas Tariff. The maximum rate that may be charged for capacity released is the maximum firm rate which may be charged by Transporter for such transportation, plus Transport Fuel and all applicable surcharges. Except that no maximum rate limitation applies to a release of capacity 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 Transporter is notified of the release.

Releasing Shipper may specify in the denomination of bids: (1) non-index-based release - dollars and cents; (2) non-index-based release - percentages of the maximum tariff rate; or (3) Index-based formula as specified in the capacity release offer.

Maximum and minimum rates specified by the Releasing Shipper must include the Reservation Charge and all demand surcharges.

- D. Secondary/Subsequent Releases: Replacement Shipper, and any third parties receiving capacity rights from any Replacement Shipper, will be authorized or permitted to release the capacity to other third parties only under the same set of conditions described herein, i.e., any Replacement Shipper will be considered the Releasing Shipper for purposes of subsequent assignments of capacity, and any third party receiving such capacity in such transactions will be considered the Replacement Shipper.
- E. Creditworthiness: Qualification for participation in the capacity release program - Any potential Replacement Shipper that wishes to acquire released capacity under the capacity release program must satisfy the creditworthiness requirements contained in Section 13 of the General Terms and Conditions of this Tariff by pre-qualifying prior to submitting a bid for capacity. Upon pre-qualification, Transporter shall continue to review potential Replacement Shipper's financial records and other sources of public information for creditworthiness. Transporter shall have the right to amend a potential Replacement Shipper's line of credit from time to time and thereby lower or increase the quantity and term for which potential Replacement Shipper is qualified to submit future bids for released capacity. A potential Replacement Shipper cannot bid for released capacity which exceeds its qualified level of creditworthiness. Notwithstanding the determination of creditworthiness, Transporter does not guarantee the payment of any outstanding amounts by a Replacement Shipper.
- F. Shipper Liability: In the event capacity is temporarily released hereunder, liability for payment of reservation charges and any surcharges applicable to the reservation charge will remain with the Releasing Shipper. If the Releasing Shipper permanently releases capacity hereunder, Transporter will relieve said Releasing Shipper from its obligations under its Service Agreement, if (1) the release is at or above the rates provided for under (and for the remaining term of) Releasing Shipper's Service Agreement or, (2) the release is at less than rates provided for in Releasing Shipper's Service Agreement and the Releasing Shipper remits as an exit fee, a lump sum payment for the positive difference between the Releasing Shipper's contract rate and the bid rate for the full term of the capacity release, and, when the Releasing Shipper's contract is at maximum tariff rates, the Replacement Shipper and Transporter reach agreement on a mechanism permitting the periodic adjustment to the bid rate to reflect subsequent rate adjustments filed for and approved by the FERC. The Replacement Shipper and any of its subsequent assignees shall be responsible for any amounts billed to them under Section 30.7(D) of this Tariff, but shall not be responsible for any other amounts billed to the Releasing Shipper.
- G. Transporter's Right to Terminate a Temporary Capacity Release: Transporter may elect to terminate a Replacement Shipper's Service Agreement, upon 30 days written notice to the Replacement Shipper, under the following conditions:
 1. The Releasing Shipper has failed to maintain creditworthiness in accordance with Section 13 of the General Terms and Conditions of this Tariff;
 2. Transporter has terminated the Releasing Shipper's Service Agreement in accordance with Sections 13 and 16 of the General Terms and Conditions of this Tariff; and
 3. The rate stated in the effective Replacement Shipper's Service Agreement is less than the Releasing Shipper's contract rate.

The Replacement Shipper may avoid termination of the temporary capacity release if, Prior to the end of the 30-day notice period, the Replacement Shipper agrees that, beginning the first day after the end of the 30-day notice period, it will pay the lower of (1) the former Releasing Shipper's contract rate, or (2) the maximum applicable reservation and usage rates as stated in this tariff for the applicable service for the remainder of the Replacement Shipper's contract term.

- H. Term Limitation: The term of any agreement providing for the release of capacity cannot extend beyond the term of the underlying Service Agreement. Released capacity may be allocated with a future effective date.
- I. Refunds: Releasing Shipper and any Replacement Shipper must track any changes in Transporter's rates approved by the Commission. In the event the Commission orders refunds of any such rates charged by Transporter and previously approved, Transporter and/or Releasing Shipper, as the case may be, must make corresponding refunds to such Releasing Shipper or any Replacement Shipper, to the extent that Releasing Shipper or Replacement Shipper(s) has paid a rate in excess of Transporter's just and reasonable, applicable maximum rates, unless otherwise specified by the terms of the release.
- J. Conditions: Releasing Shipper and any Replacement Shipper are authorized to impose reasonable, nondiscriminatory conditions upon the release of their capacity on Transporter's system. Such conditions must not be inconsistent with Transporter's FERC Gas Tariff and the Service Agreement between the Releasing Shipper and Transporter or Replacement Shipper and Transporter.
- K. Rollover Limitations: A Releasing Shipper may re-release to the same Replacement Shipper for a term of thirty-one (31) days or less if either: 1) a period of twenty-eight (28) days has elapsed after the first release for thirty-one (31) days or less has expired or 2) an offer to release capacity has been posted, and capacity has been allocated to the shipper submitting the best bid. The twenty-eight (28) day hiatus does not apply to releases to an asset manager or marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 284.8. An agreement for capacity to be released for a term of thirty-one (31) days or less shall not contain an evergreen provision and may not be rolled over for any additional time period.
- L. Capacity Release Timeline: The capacity release timeline as described herein is applicable to all parties involved in the capacity release process provided that: (1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered; (2) for an Index-based Capacity Release, Releasing Shipper has provided Transporter with sufficient instructions to evaluate all valid bids in accordance with 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).
- M. Service for the Replacement Shipper under Transporter's capacity release program shall be in accordance with the terms and conditions of the applicable Rate Schedules of Transporter's FERC Gas Tariff and Replacement Shipper's Service Agreement.
- N. A Replacement Shipper may submit changes to its primary points consistent with its Service Agreement, its contract demand, the terms of the offer by the Releasing Shipper and subject to available capacity. If a Replacement Shipper has contracted for a temporary capacity release, and the Releasing Shipper has limited the movement of the primary points, then the Replacement Shipper must submit dual requests for changes: one for the point change that it is requesting and a second where the primary points of the Releasing Shipper are requested at the end of the temporary capacity release.

30.8 General Terms and Conditions

- A. Priority: All released capacity will have priority over the Transporter's interruptible services.
- B. Alternate Points: Alternate Receipt Points and Alternate Delivery Points may be utilized by a Replacement Shipper as described in Section 22 of the General Terms and Conditions of this Tariff.
- C. Rates: Releasing Shipper cannot release capacity for an effective price less than Transporter's minimum rates nor more than Transporter's just and reasonable maximum rates, as set forth in Transporter's current FERC Gas Tariff. The maximum rate that may be charged for capacity released is the maximum firm rate which may be charged by Transporter for such transportation, plus Transport Fuel and all applicable surcharges. Except that no maximum rate limitation applies to a release of capacity 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 Transporter is notified of the release.

Releasing Shipper may specify dollars and cents or percentages of the maximum tariff rate in the denomination of bids.

Maximum and minimum rates specified by the Releasing Shipper must include the Reservation Charge and all demand surcharges.

- D. Secondary/Subsequent Releases: Replacement Shipper, and any third parties receiving capacity rights from any Replacement Shipper, will be authorized or permitted to release the capacity to other third parties only under the same set of conditions described herein, i.e., any Replacement Shipper will be considered the Releasing Shipper for purposes of subsequent assignments of capacity, and any third party receiving such capacity in such transactions will be considered the Replacement Shipper.
- E. Creditworthiness: Qualification for participation in the capacity release program - Any potential Replacement Shipper that wishes to acquire released capacity under the capacity release program must satisfy the creditworthiness requirements contained in Section 13 of the General Terms and Conditions of this Tariff by pre-qualifying prior to submitting a bid for capacity. Upon pre-qualification, Transporter shall continue to review potential Replacement Shipper's financial records and other sources of public information for creditworthiness. Transporter shall have the right to amend a potential Replacement Shipper's line of credit from time to time and thereby lower or increase the quantity and term for which potential Replacement Shipper is qualified to submit future bids for released capacity. A potential Replacement Shipper cannot bid for released capacity which exceeds its qualified level of creditworthiness. Notwithstanding the determination of creditworthiness, Transporter does not guarantee the payment of any outstanding amounts by a Replacement Shipper.
- F. Shipper Liability: In the event capacity is temporarily released hereunder, liability for payment of reservation charges and any surcharges applicable to the reservation charge will remain with the Releasing Shipper. If the Releasing Shipper permanently releases capacity hereunder, Transporter will relieve said Releasing Shipper from its obligations under its Service Agreement, if (1) the release is at or above the rates provided for under (and for the remaining term of) Releasing Shipper's Service Agreement or, (2) the release is at less than rates provided for in Releasing Shipper's Service Agreement and the Releasing Shipper remits as an exit fee, a lump sum payment for the positive difference between the Releasing Shipper's contract rate and the bid rate for the full term of the capacity release, and, when the Releasing Shipper's contract is at maximum tariff rates, the Replacement Shipper and Transporter reach agreement on a mechanism permitting the periodic adjustment to the bid rate to reflect subsequent rate adjustments filed for and approved by the FERC. The Replacement Shipper and any of its subsequent assignees shall be responsible for any amounts billed to them under Section 30.7(D) of this Tariff, but shall not be responsible for any other amounts billed to the Releasing Shipper.
- G. Transporter's Right to Terminate a Temporary Capacity Release: Transporter may elect to terminate a Replacement Shipper's Service Agreement, upon 30 days written notice to the Replacement Shipper, under the following conditions:
 1. The Releasing Shipper has failed to maintain creditworthiness in accordance with Section 13 of the General Terms and Conditions of this Tariff;
 2. Transporter has terminated the Releasing Shipper's Service Agreement in accordance with Sections 13 and 16 of the General Terms and Conditions of this Tariff; and
 3. The rate stated in the effective Replacement Shipper's Service Agreement is less than the Releasing Shipper's contract rate.The Replacement Shipper may avoid termination of the temporary capacity release if,

Prior to the end of the 30-day notice period, the Replacement Shipper agrees that, beginning the first day after the end of the 30-day notice period, it will pay the lower of (1) the former Releasing Shipper's contract rate, or (2) the maximum applicable reservation and usage rates as stated in this tariff for the applicable service for the remainder of the Replacement Shipper's contract term.

- H. Term Limitation: The term of any agreement providing for the release of capacity cannot extend beyond the term of the underlying Service Agreement. Released capacity may be allocated with a future effective date.
- I. Refunds: Releasing Shipper and any Replacement Shipper must track any changes in Transporter's rates approved by the Commission. In the event the Commission orders refunds of any such rates charged by Transporter and previously approved, Transporter and/or Releasing Shipper, as the case may be, must make corresponding refunds to such Releasing Shipper or any Replacement Shipper, to the extent that Releasing Shipper or Replacement Shipper(s) has paid a rate in excess of Transporter's just and reasonable, applicable maximum rates, unless otherwise specified by the terms of the release.
- J. Conditions: Releasing Shipper and any Replacement Shipper are authorized to impose reasonable, nondiscriminatory conditions upon the release of their capacity on Transporter's system. Such conditions must not be inconsistent with Transporter's FERC Gas Tariff and the Service Agreement between the Releasing Shipper and Transporter or Replacement Shipper and Transporter.
- K. Rollover Limitations: A Releasing Shipper may re-release to the same Replacement Shipper for a term of thirty-one (31) days or less if either: 1) a period of twenty-eight (28) days has elapsed after the first release for thirty-one (31) days or less has expired or 2) an offer to release capacity has been posted, and capacity has been allocated to the shipper submitting the best bid. The twenty-eight (28) day hiatus does not apply to releases to an asset manager or marketer participating in a state-regulated retail access program, as defined by FERC regulations at 18 C.F.R. 284.8. An agreement for capacity to be released for a term of thirty-one (31) days or less shall not contain an evergreen provision and may not be rolled over for any additional time period.
- L. Capacity Release Timeline: The capacity release timeline as described herein is applicable to all parties involved in the capacity release process; however, it is only applicable if: (1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered; and (2) there are no special terms or conditions of the release.
- M. Service for the Replacement Shipper under Transporter's capacity release program shall be in accordance with the terms and conditions of the applicable Rate Schedules of Transporter's FERC Gas Tariff and Replacement Shipper's Service Agreement.
- N. A Replacement Shipper may submit changes to its primary points consistent with its Service Agreement, its contract demand, the terms of the offer by the Releasing Shipper and subject to available capacity. If a Replacement Shipper has contracted for a temporary capacity release, and the Releasing Shipper has limited the movement of the primary points, then the Replacement Shipper must submit dual requests for changes: one for the point change that it is requesting and a second where the primary points of the Releasing Shipper are requested at the end of the temporary capacity release.

31. DISCOUNTING

31.1 Discounted Rates

From time to time Shipper and Transporter may agree in writing on a level of discount of the otherwise applicable rates and charges in addition to a basic discount from the stated maximum rates. For example, Transporter may provide a specific discounted rate:

- (1) to certain specified quantities under the Service Agreement;
- (2) if specified quantity levels are actually achieved or with respect to quantities below a specified level;
- (3) to production reserves committed by the Shipper;
- (4) during specified time periods;
- (5) to points of receipt, points of delivery, supply areas, transportation paths or defined geographical areas;
- (6) in a specified relationship to the quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to quantities actually transported);
- (7) based on published index prices for specific receipt or delivery points or other agreed upon pricing reference points for price determination or based on any other formula (Such discounted rate may be based on the published index price point differential or arrived at by formula. Any Service Agreement containing such a discount will identify what rate component is discounted. To the extent the firm reservation charge is discounted, the index price differential or rate formula shall be calculated to state a rate per unit of MAXDTQ.); or
- (8) to provide that if one rate component which was equal to or within the applicable maximum and minimum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate or is below the applicable minimum rate due to a change in Transporter's maximum rates and/or minimum rates, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum rate, then other rate components may be adjusted upward or downward to achieve the agreed-upon overall rate, so long as none of the resulting rate components exceed the maximum rate or are below the minimum rate applicable to the rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sections. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable.

In all circumstances the discounted rate shall be between the maximum rate and the minimum rate applicable to the service provided.

31.2 Discount-Type Adjustments

A discount-type adjustment to recourse rates for negotiated rate agreements shall 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 such discount-type adjustment for negotiated rate agreements does not have an adverse impact on its recourse rate shippers by:

- (1) 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

- (2) making another comparable showing that the negotiated rate discount contributes more fixed costs to the system than could have been achieved without the discount.

Transporter may also seek to include in a discount-type adjustment for negotiated rate agreements that were converted from pre-existing discounted Part 284 agreements to negotiated rate agreements. Such adjustment would be based on the greater of: (i) the negotiated rate revenues received or (ii) the discounted recourse rate revenues which otherwise would have been received.

31. DISCOUNTING

From time to time Shipper and Transporter may agree in writing on a level of discount of the otherwise applicable rates and charges in addition to a basic discount from the stated maximum rates. For example, Transporter may provide a specific discounted rate:

- (1) to certain specified quantities under the Service Agreement;
- (2) if specified quantity levels are actually achieved or with respect to quantities below a specified level;
- (3) to production reserves committed by the Shipper;
- (4) during specified time periods;
- (5) to points of receipt, points of delivery, supply areas, transportation paths or defined geographical areas;
- (6) in a specified relationship to the quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to quantities actually transported);
- (7) based on published index prices for specific receipt or delivery points or other agreed upon pricing reference points for price determination or based on any other formula (Such discounted rate may be based on the published index price point differential or arrived at by formula. Any Service Agreement containing such a discount will identify what rate component is discounted. To the extent the firm reservation charge is discounted, the index price differential or rate formula shall be calculated to state a rate per unit of MAXDTQ.); or
- (8) to provide that if one rate component which was equal to or within the applicable maximum and minimum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate or is below the applicable minimum rate due to a change in Transporter's maximum rates and/or minimum rates, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum rate, then other rate components may be adjusted upward or downward to achieve the agreed-upon overall rate, so long as none of the resulting rate components exceed the maximum rate or are below the minimum rate applicable to the rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sections. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable.

In all circumstances the discounted rate shall be between the maximum rate and the minimum rate applicable to the service provided.

32. OFF SYSTEM SERVICES

From time to time, Transporter may enter into transportation and/or storage agreements with other third party entities. In the event that Transporter acquires capacity on a third party entity, Transporter will use such capacity to render service to Shippers on the acquired capacity pursuant to Transporter's FERC Gas Tariff and subject to Transporter's approved rates, as such tariff and rates may change from time to time. For use of the capacity which Transporter has acquired on third party facilities, the "shipper must hold title" requirement is waived on the acquired capacity.

33. CAPACITY SEGMENTING

Transporter's currently effective rate and fuel charges set forth in the Currently Effective Rates for the applicable Rate Schedule establish the available capacity segments on Transporter's system. Shippers may contract for one or more of these segments on a single contract or may elect to contract for each segment on a separate agreement. A Shipper's election to contract for segments on separate agreements need not be made until after the capacity is awarded and will not effect the valuation of a Shipper's bid in any bid evaluation process set forth in Section 24. A Shipper that separately contracts for capacity segments may release capacity segments pursuant to the provisions of Section 30.

Nothing herein prevents a Shipper from nominating capacity segments with a backhaul and a forwardhaul to the same delivery point at the same time where such backhaul transactions can be performed by displacement, and provided further that such nominations are subject to the scheduling priorities set forth in Section 22 and the rate provisions set forth in Section 3.1 of the FTS-1 Rate Schedule.

A Shipper may at any time and at the Shipper's option, aggregate or disaggregate capacity segments through contract amendments. A Shipper's election to segment an existing agreement into multiple agreements will not alter a Shipper's total contractual rate or any revenue obligation under the existing agreement. To the extent a contract is disaggregated into segmented contracts, Transporter shall bill the reservation portion of Shipper's rate on the existing agreement and the usage portion of Shipper's rates on the new capacity segment agreements.

34. IMBALANCE NETTING AND TRADING - OPERATOR BALANCING AGREEMENTS

Imbalances accruing on different contracts between a third party (Company) and Transporter may be offset by netting and trading.

Imbalance netting and trading activity shall follow the steps outlined below.

- 34.1 To the extent the Company has multiple points at which an imbalance accrues, the monthly imbalances held by a single legal entity shall be accumulated and netted within the same location prior to applying the applicable index price as set forth in the provisions regarding index prices in Section 27.2 of this Tariff and calculating the imbalance dollar valuation.
- 34.2 By the ninth (9th) business day of the month, Company may request that Transporter post on its Internet Website the Company's dollar valued imbalances.
- 34.3 A Company may negotiate with other Companies to trade the existing dollar imbalances. This trading will occur only between Companies (Transporter will not be involved).
- 34.4 All Companies will have until the close of the 17th business day of the month to complete dollar imbalance trading.
- 34.5 Companies must notify Transporter prior to the close of the 17th business day via fax or e-mail of the dollars traded and the trading partners (all Companies involved in the trade must notify Transporter of the intent and amount traded).
- 34.6 Imbalance netting and trading will be completed at no additional cost to the Company.
- 34.7 After close of the 17th business day of the month, Transporter will calculate the Company's final dollar imbalance. Any remaining dollar imbalances net of trading will be subject to the applicable imbalance valuation provisions outlined above and resolved in accordance with the provisions outlined in the Operator Balancing Agreement Form of Service Agreement of this Tariff.
- 34.8 Any discrepancies between trading Company's imbalance trade notifications to Transporter will result in the trade not being confirmed and the dollars remaining as an imbalance to both Companies which will be subject to the applicable imbalance valuation provisions outlined above.