

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

1.1 "Administrator" shall mean the party designated by the Principals to act on their behalf under a Multi-Party Service Agreement.

1.2 "Billing Month" shall mean the period elapsed between consecutive final monthly meter readings and, when referred to in terms of a calendar month, shall mean that calendar month in which the majority of the Billing Month occurs.

1.3 "Btu" shall mean the British thermal unit as defined by international standards.

1.4 The words "Business Day" shall mean Monday through Friday, excluding Federal Banking Holidays.

1.5 "Central Clock Time" or "CT" shall mean Central Standard Time adjusted for Daylight Savings Time. Unless otherwise stated, all times in the Tariff are Central Clock Time.

1.6 "Commission" shall mean the Federal Energy Regulatory Commission.

1.7 "Confirmations" shall mean the process of Transporter agreeing with Interconnecting Operators on quantities that should flow at a location based on nominations received by Transporter and the Interconnecting Operator. Related confirmation terms are:

(a) "Confirming Party" shall mean the entity that Transporter shall contact for confirmation of a quantity of gas with respect to a nomination at a location. Confirming Parties include Interconnecting Operators or upstream/downstream title holders.

(b) "Confirmation by Exception" or "CBE" means that the Confirming Parties agree that one party deems that all requests at a location are confirmed by the other party (the CBE party) without response communication from that party. The CBE party can take exception to the request by so informing the other party within a mutually agreed upon time frame.

(c) "Explicit Confirmation" shall mean the requirement 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 confirmation methodology.

1.8 "Critical Notice" shall mean any notice pertaining to information on system conditions that affect scheduling or adversely affect scheduled gas flow.

1.9 "Cubic Foot" and "Standard Cubic Foot" shall mean that quantity of natural gas that occupies one cubic foot of volume at the Volumetric Measurement Base defined in Section 26.2 of the General Terms and Conditions.

1.10 "Designated Site" shall mean the electronic address used to contact an entity for EDI transmission.

1.11 "Dth" or "Dekatherm" shall mean one million Btu. The standard quantity for nominations, confirmation and scheduling is dekatherms per Gas Day in the United States, gigajoules per Gas Day in Canada gigacalories per Gas Day in Mexico. (For reference 1 dekatherm = 1,000,000 Btu's; and 1 gigajoule = 1,000,000,000 joules; and 1 gigacalorie = 1,000,000,000 calories.) For commercial purposes, the standard conversion factor between dekatherms and gigajoules is 1.055056 gigajoules per dekatherm and between dekatherms and gigacalories is 0.251996 gigacalories per dekatherm. The standard Btu is the International Btu, which is also called the Btu(IT); the standard joule is the joule specified in the SI system of units.

1.12 "Electronic Bulletin Board" and "EBB" shall mean Transporter's computerized system for the posting, sending and receiving of notices and other communications under this Tariff.

1.13 "EDI" shall mean electronic data interchange as defined by the standards established by the North American Energy Standards Board (NAESB) and approved by the Commission, or Transporter defined data sets where no NAESB standard exists.

1.14 "Elapsed Prorated Capacity" shall mean that portion of the capacity that would have theoretically been available for use prior to the effective time of the intraday recall based upon a cumulative uniform hourly use of the capacity.

1.15 "Elapsed Prorated Scheduled Quantity" or "ESPQ" shall mean that portion of the scheduled quantity that would have theoretically flowed up to the effective time of the intraday nomination being confirmed, based upon a cumulative uniform hourly quantity for each nomination period affected.

1.16 "Electronic Measurement" shall mean that form of measurement consisting of flow computers or computerized Remote Terminal Units (RTUs), electronic transducers, and associated power, data communications, and other electronic equipment to accomplish the measurement of gas and transfer of data without the use of charts or other paper Recordings.

1.17 "Electronic Notice Delivery" is the term used to describe the delivery of notices via Internet E-mail and/or EDI/EDM.

1.18 "Gas Day" or "Day" shall mean a period of 24 consecutive hours, beginning at 9:00 a.m. Central Clock Time (CT), as adjusted for Daylight Savings Time, and the date of the Day shall be that of its beginning.

1.19 "General Terms and Conditions" shall mean the currently effective General Terms and Conditions set forth in Volume No. 1 of this Tariff.

1.20 "Heating Value" shall mean the gross heating value on a dry basis, which is the number of British thermal units produced by the complete combustion at constant pressure of the amount of dry gas (gas containing no water vapor) that would occupy a volume of one Cubic Foot at 14.73 psia and 60° F with combustion air at the same temperature and pressure as the gas, the products of combustion being cooled to the initial temperature of the gas and air, and the water formed by combustion condensed to the liquid state.

1.21 "Interconnecting Operator" shall mean the entity with physical control either upstream or downstream of Transporter's facility.

1.22 "Intraday Nomination" shall mean a nomination submitted after the nomination deadline whose effective time is no earlier than the beginning of the Gas Day and runs through the end of that Gas Day.

1.23 "Master List of Interconnections" or "MLI" shall mean the list of interconnections, including receipt and delivery points with third parties, eligible for transportation services as maintained by Transporter on its EBB on an ongoing basis. As of May 1, 2006, the MLI will include one receipt meter and one delivery meter.

1.24 "Mcf" shall mean one thousand Cubic Feet of gas.

1.25 "Month" shall mean the period beginning at the start of the first Day of the calendar month and ending at the same hour on the first Day of the next succeeding calendar month.

1.26 "Multi-Party Service Agreement" shall mean the service agreement, as set forth in the Forms of Service Agreements, executed by Administrator on behalf of Principals as Shipper.

1.27 "Negotiated Rate" shall mean "negotiated rate" as defined in accordance with Commission policy, with respect to the negotiation of rates, rate components, fees, charges, surcharges, credits, retainage percentages, or formula pertaining to the same, for service under a Rate Schedule. A Negotiated Rate: must be mutually agreed to by Transporter and Shipper; may be less than, equal to, or greater than or less than the Recourse Rate and/or the minimum rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity.

1.28 "Nomination Cycle" shall mean the timing and activities related to nominations, capacity allocation, confirmation and scheduled quantities. Stated times are in Central Clock Time (CT). Nomination Cycles are:

(a) Timely Nomination Cycle

On the day prior to gas flow:

- (i) 1:00 p.m. for nominations leaving control of the nominating party;
- (ii) 1:15 p.m. for receipt of nominations by the Transporter (including from Title Transfer Tracking Service Providers (TTTSPs));
- (iii) 1:30 p.m. to send Quick Response;
- (iv) 4:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;
- (v) 5:00 p.m. for receipt of scheduled quantities by Shipper and Interconnecting Operator.

Scheduled quantities resulting from Timely Nominations should be effective at the start of the next Gas Day.

(b) Evening Nomination Cycle

- (i) 6:00 p.m. for nominations leaving control of the nominating party;
- (ii) 6:15 p.m. for receipt of nominations by the Transporter (including from TTTSPs);
- (iii) 6:30 p.m. to send Quick Response;
- (iv) 8:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;
- (v) 9:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators, and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from Evening Nominations shall be effective at the start of the next Gas Day.

(c) Intraday 1 Nomination Cycle

In the current Gas Day:

- (i) 10:00 a.m. for nominations leaving control of the nominating party;

(ii) 10:15 a.m. for receipt of nominations by the Transporter (including from TTTSPs);

(iii) 10:30 a.m. to send Quick Response;

(iv) 12:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;

(v) 1:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators, and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 1 Nominations should be effective at 2:00 p.m. on the current Gas Day.

(d) Intraday 2 Nomination Cycle

On the current Gas Day:

(i) 2:30 p.m. for nominations leaving control of the nominating party;

(ii) 2:45 p.m. for receipt of nominations by the Transporter (including from TTTSPs);

(iii) 3:00 p.m. to send Quick Response;

(iv) 5:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;

(v) 5:30 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 2 Nominations should be effective at 6:00 p.m. on the current Gas Day.

(e) Intraday 3 Nomination Cycle

In the current Gas Day:

(i) 7:00 p.m. for nominations leaving control of the nominating party;

(ii) 7:15 p.m. for receipt of nominations by the Transporter (including from TTTSPs);

(iii) 7:30 p.m. to send Quick Response;

(iv) 9:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;

(v) 10:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators.

Scheduled quantities resulting from Intraday 3 Nominations should be effective at 10:00 p.m. on the current Gas Day. Bumping is not allowed during the Intraday 3 Nomination Cycle.

(f) For purposes of (b), (c), (d) and (e) above, "provide" shall mean receipt at Shipper's or Interconnecting Operator's designated site, and for purposes of other forms of transmittal, it shall mean send or post.

1.29 "OBA" shall mean an Operational Balancing Agreement between two parties which specifies the procedures for managing operating variances and operational issues at an interconnect.

1.30 "OBA Party" shall mean the entity that has executed an Operational Balancing Agreement with Transporter.

1.31 "Operational Flow Order" or "OFO" shall mean an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity of Transporter's system or to maintain operations required to provide efficient and reliable firm service. Whenever Transporter experiences these conditions, any pertinent order shall be referred to as an Operational Flow Order.

1.32 "Package ID" shall mean a way to differentiate between discrete business transactions.

1.33 "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.

1.34 "Principal(s)" shall mean Shipper or Shippers that have a designated Administrator to act on its/their behalf under a Multi-Party Service Agreement.

1.35 "Recording" and "Record" when used herein shall include:

(a) charts or other paper recordings, or

(b) any binary or other machine-readable representation of information stored in computer memory or other electronic device.

1.36 "Recourse Rate" shall mean the Total Effective Rate (maximum base tariff rate plus all applicable surcharges) set forth in this Tariff for service under the corresponding Rate Schedule.

1.37 "Recurrence Interval" shall mean an annually recurring period of time, defined by month and day combinations, during which certain contract terms are effective.

1.38 "Retainage" shall mean the quantity of gas, expressed as a percentage of receipt quantities, Shipper must provide Transporter (in addition to quantities Transporter will deliver to Shipper) for company-use, lost, and unaccounted-for quantities under any of Transporter's Rate Schedules that refer to such term.

1.39 "Scheduled Daily Delivery Quantity" shall mean the quantity of gas scheduled by Transporter pursuant to Section 6 (Nominating, Scheduling, and Monitoring) of the General Terms and Conditions for delivery by Transporter on a daily basis to or for the account of Shipper pursuant to each Service Agreement under any of Transporter's Rate Schedules that refer to such term.

1.40 "Scheduled Daily Receipt Quantity" shall mean the quantity of gas scheduled by Transporter pursuant to Section 6 (Nominating, Scheduling, and Monitoring) of the General Terms and Conditions for receipt by Transporter on a daily basis for or on behalf of Shipper pursuant to each Service Agreement under any of Transporter's Rate Schedules that refer to such term.

1.41 "Shipper" shall mean any person or entity receiving service under any of Transporter's Rate Schedule(s).

1.42 "Title Transfer Tracking Service Provider" or "TTTSP" shall mean the party conducting the Title Transfer Tracking, which is the process of accounting for the progression of title changes from party to party that does not effect a physical transfer of the gas.

1.43 "Transporter" shall mean Central Kentucky Transmission Company.

1.44 "Transporter Holiday" shall mean those annually sanctioned holidays of Transporter.

1.45 The term "Thermal" or "Thermally Equivalent" shall mean an equal number of Btu's.

1.46 "Transportation Demand" shall mean the maximum daily quantity of gas that Transporter shall be obligated to deliver to or for the account of Shipper pursuant to a Service Agreement under Transporter's firm transportation Rate Schedule FTS.

1.47 "Transportation Quantity" shall mean the maximum daily quantity of gas that Transporter agrees to transport and deliver to or for the account of Shipper pursuant to a Service Agreement under Transporter's Rate Schedule ITS.

1.48 "Utilization Factor" shall mean the factor calculated by dividing the saturated heating value of the gas by the square root of its specific gravity.

2. ELECTRONIC BULLETIN BOARD

2.1 In General. Transporter shall operate and make available to Shippers and other third parties, as set forth below, an interactive electronic communications system (Electronic Bulletin Board (EBB)) (also referred to by its trade name Navigates™).

All Shippers receiving service under any of Transporter's Rate Schedules shall have the capability to make use of Transporter's EBB as required by this Tariff. The EBB shall be available to any party with compatible electronic equipment. All Shippers and parties making use of Transporter's EBB shall be bound by and comply with the procedures governing its use, as set forth in this Tariff and, for those Shippers or other parties utilizing electronic contracting through the EBB, in Section 5.7 of the General Terms and Conditions.

2.2 Operation.

The EBB shall provide, among other things (i) a search function for locating all information concerning specific transactions, and (ii) a menu that shall enable parties to separately access notices of available capacity, records of each transaction entered in the transportation log, and standards of conduct. Transporter will permit parties to download files from the EBB system so the contents can be reviewed in detail without tying up access to the system. Transporter will retain in an electronic format Records of the information displayed on the EBB for no less than the preceding three years, and will permit parties reasonable access to those Records.

2.3 Communications.

(a) The EBB shall be used to communicate initial and revised gas transportation schedules, confirmation of gas transportation nominations, and any other data or notice required by this Tariff. After notice by Transporter, the following types of communication may be permitted: notices not previously required to be given through the EBB, Service Agreements and amendments, and such other communications as the parties may agree in writing. Where electronic communications are required by this Tariff, Transporter may waive the requirements and accept such communications in another acceptable form on a nondiscriminatory basis. Notices posted on the EBB that require action by another party within two business days, including notices to interruptible shippers, shall also be communicated by Electronic Notice Delivery.

(b) In the event of failure of all or part of the EBB system, communications ordinarily conveyed through the EBB shall, to the extent possible, be conveyed through a combination of Electronic Notice Delivery, telephonic, or facsimile transmissions. Transporter will make available certain blank forms on its EBB that Shipper may print for use in case of a failure of Transporter's EBB and Shipper may transmit those completed forms to Transporter by facsimile transmission. Shipper will be responsible for printing and saving the blank forms in advance of any EBB failure. In the event of failure of all or part of the EBB system, the forms Shipper shall

transmit by facsimile transmission or other approved means of communication shall include: notices requiring action within two business days; requests for service not requiring open bidding; capacity releases made pursuant to an exempt transaction; executions of Service Agreements; and submissions of nominations. In the event of failure of all or part of the EBB system, the forms Transporter shall transmit by Electronic Notice Delivery or facsimile shall include status reports, executed Service Agreements, invoices, and notices requiring action within two business days.

(c) In the event that certain EBB functions effectively cannot be replaced, Transporter will, by Electronic Notice Delivery, telephone or facsimile transmission, provide notice to Shippers of the suspension of that function pending restoration of EBB operations. The activities or functions to be suspended for the duration of any EBB failure shall include: bidding for Transporter's available capacity or released capacity; 24-hour turnaround times for contracting between Transporter and other parties, such as Replacement Shippers of released capacity; and current capacity information, balancing data, or other operational information.

2.4 Information Available. The EBB will permit parties to obtain:

(a) Transporter's currently effective Tariff.

(b) On-line Help through a feature that provides user support and can be accessed from all areas.

2.5 Limitation. The EBB shall be employed by Shippers and other parties for the uses identified in this Section and elsewhere in this Tariff. To the extent other provisions of this Tariff prescribe that certain types of communications should be transmitted by means other than the EBB, those specific provisions shall govern.

2.6 Relation to Other Provisions. Communications made in accordance with this Section shall satisfy the requirements of the Rate Schedules, Service Agreements, and General Terms and Conditions, as specified in this Tariff, and shall be binding upon the parties to the same extent as if transmitted by any other means permitted by such Tariff provisions. Nothing in this Section, however, shall operate to override any requirements elsewhere in this Tariff with respect to the need for any communications, or the deadlines for such communications. In the event any conflict exists between this Section and any other provision of this Tariff or of any Service Agreement, the latter provisions shall control.

2.7 Access Requirements; Operations. Transporter's EBB will operate 24 hours per day, seven days a week, every week of the year, except as necessary to perform system maintenance. As noted in Section 2.1 above, access to the EBB shall be available to any party (i) that has compatible electronic equipment, and (ii) that complies with the provisions of this Section and, for electronic contracting purposes, with this Section and Section 5.7 of the General Terms and Conditions. Transporter will operate a toll free telephone helpline, answered 24 hours a day, to

provide technical support and an On-line Help feature that provides user support and can be accessed from all areas of the EBB.

(a) Equipment. EBB users must have computer equipment, software and Internet service meeting the minimum standards established by NAESB and incorporated elsewhere in this Tariff.

(b) Access Procedure. Any party desiring to use Transporter's EBB may arrange to do so by contacting Transporter's Navigates Help Desk, making the request, and providing the name, address, and telephone number of the company and the designated contact person and other information as may be required.

2.8 Warranty of Accuracy of Data. All parties using the EBB assume the responsibility that the data they transmit through the EBB is accurate and complete. Each such party further agrees that the party receiving data transmitted through the EBB may act in full reliance upon such data to the same extent that it could have had the data been delivered by any other means authorized under any Rate Schedule or Service Agreement.

2.9 Confidentiality. All communications received through the EBB, and any data contained therein, shall be subject to the same requirements of confidentiality, if any, applicable to such communications had they been made by any other means permitted under any Rate Schedule or Service Agreement.

2.10 Maintenance of Communication Link. Each party is responsible for maintaining an effective communication link with the Internet.

2.11 Determination of Receipt or Delivery of Transmissions. An EBB transmission shall be deemed to have been received when the transmission has been successfully received and time-stamped by Transporter's application (for electronic data interchange (EDI) transmissions) or by the EBB computer (for on-line transmissions).

2.12 Responsibility for Employees. Each party shall be responsible for the actions of its employees with respect to use of or access to Transporter's EBB. Each employee and agent shall be deemed to have authority to act on behalf of and to bind that party with respect to any communications and data in electronic transmissions initiated by that employee or agent.

2.13 Cost of Electronic Bulletin Board.

(a) Cost of Equipment. Each party shall provide and be responsible for its own costs for the data processing equipment it uses to send and receive electronic communications.

(b) Cost of EBB Services. Each party shall provide and be responsible for its own costs for accessing the Internet.

(c) Cost of Unauthorized Transmission. Use of the receiving party's designated site is limited to transactions permitted under this Tariff. No party may use another party's designated site for any other purpose unless otherwise expressly authorized under separate written agreement between the parties, including Transporter. If any party transmits to another party's designated site data not qualifying under this Tariff, the transmitting party will be liable to reimburse the receiving party for any direct costs incurred as a result of receiving any such unauthorized transmission.

2.14 Limitation on Access to Data. No party may obtain on its own initiative or otherwise any data from or relating to the other party except as specifically identified in this Section 2. In the event any party receives a transmission that the receiving party knows or should know is not directed to or intended for the receiving party, the receiving party shall immediately notify the transmitting party of such transmission and take such reasonable action as the transmitting party directs. In no event shall the receiving party utilize such information to the detriment of the transmitting party or any other party, or otherwise convey the substance of such transmission to any third party.

2.15 Security Breaches. Any Shipper or other party using the EBB agrees to notify Transporter promptly if there is any indication that a security breach may have occurred with regard to any electronic data interchange facilities or systems, and to make any changes in passwords or other changes necessary to ensure the continued integrity of the EBB system. A security breach shall include, but not be limited to (i) loss of confidentiality of the other party's account name or account number for its designated site; (ii) termination of employment of any employee authorized to affect EBB communications; and (iii) loss of authority to affect EBB communications by any previously authorized employee. Transporter shall, to the extent possible, accommodate requests by Shippers to limit the access of designated employees or representatives of Shipper to designated portions of the EBB.

2.16 Responsibility for System Failure. Each EBB user shall bear the consequences of any failure in its own EBB-related equipment or system, and no such failure shall in any way affect the requirements under Transporter's Tariff or Service Agreements for communications, or the impact under the Tariff or Service Agreements of any failure by either party to make or receive such communications. The standards of liability applicable to the operation of the EBB equipment within Transporter's ownership and control shall be the same standards as are applicable to Transporter's other equipment and operations.

3. REQUESTS FOR SERVICE

3.1 Request for Service Form. Valid requests for new or increased levels of service under any of Transporter's Rate Schedules shall be made by submitting to Transporter a fully-completed Request for Service Form in the form included in this Tariff and by otherwise complying with all of the provisions of this Section 3. Requests for amended Service Agreements shall be made on a form provided or approved by Transporter. The completed request for amended Service Agreements shall be forwarded to Transporter through Transporter's EBB, or other method of delivery approved by Transporter. A Shipper or prospective Shipper seeking new or increased service from Transporter, including a prospective bidder for released capacity under the provisions of Section 14 of the General Terms and Conditions, is referred to as "Requestor" in this Section 3.

3.2 Credit Data.

(a) Except as provided in Section 3.2(b), Requestor shall submit with its completed Request for Service Form the following credit evaluation data:

(1) a copy of Requestor's current financial statement prepared within the twelve months preceding the date of the request for service;

(2) a copy of Requestor's most recent Annual Report and, if applicable, most recent Forms 10-Q and 10-K; provided that if Requestor has no Annual Report or Forms 10-Q or 10-K it must provide its most recent audited financial statement and financial report, any current filings with other regulatory agencies that discuss Requestor's financial condition, and a detailed business description that includes Requestor's corporate form, the number of years or months it has been in business, the nature of its business, and the number of its employees;

(3) a list of Requestor's affiliates, including any parent and subsidiary companies;

(4) the names, addresses and telephone numbers of three trade references with whom Transporter may make reasonable inquiry into Requestor's creditworthiness, and copies of any available reports from credit reporting and bond rating agencies;

(5) names, addresses, and telephone numbers of bank references;

(6) disclosure of past or pending bankruptcy or other similar state or federal proceedings, outstanding judgments or pending claims or lawsuits that could affect the solvency of Requestor; and

(7) any other data Shipper desires to submit that would assist Transporter in determining creditworthiness.

(b) Transporter may waive the requirements of all or any part of Section 3.2 on a nondiscriminatory basis. A Requestor that is an existing Shipper on Transporter's system shall not be required to provide the information required by Section 3.2(a) in order to make a new request for service, provided, however, that Transporter may require an existing Shipper to furnish any information necessary to make a creditworthiness determination with respect to that Shipper/Requestor's new request for service.

(c) In lieu of submitting all or any part of the data required by this Section 3.2, a Requestor that has submitted such data to Transporter within the past twelve months may certify that all or any part of such data has not changed in any manner material to creditworthiness and may update items that have materially changed.

3.3 Advance Determination of Creditworthiness. A Requestor shall submit the data required in this Section 3, at least 15 business days in advance of bidding for or requesting new or increased service, for an advance determination of creditworthiness by Transporter.

3.4 Deficient Requests. Transporter shall promptly notify a Requestor whose request for service has been rejected because of Requestor's failure to satisfy the provisions specified in this Section 3. Such notice shall identify the deficiencies that must be corrected in order to make a valid request to Transporter.

3.5 Material Changes. If any information provided by Requestor pursuant to this Section materially changes, Requestor shall provide Transporter with prompt written notification of such changes.

3.6 Denial of Requests. Transporter may reject any request for service from a Requestor that fails to meet Transporter's creditworthiness requirements unless Requestor provides assurance of payment as provided in Section 3.7 below. Grounds for rejection shall include, but shall not be limited to, Requestor's failure (a) to show that Requestor's obligations are being paid in a timely manner, or (b) to provide reasonable assurance that Requestor will be able to continue to pay its obligations in the future.

3.7 Assurance of Payment. If Transporter denies a request for service due to a failure to satisfy Transporter's creditworthiness requirements, Requestor may obtain service if it provides Transporter with assurance of payment in the manner set forth at Section 3.9 below and otherwise complies with the ongoing creditworthiness requirements set forth in Section 3.9. If Requestor fails to tender such assurance of payment within 10 days, or such longer time period reasonably established by Transporter, Transporter may deny Requestor's request for service or reject any bid submitted by Requestor.

3.8 Creditworthiness of Shipper.

(a) Subject to the provisions of paragraphs (b) and (c) immediately below, Transporter shall not be required to perform or to continue to perform service on behalf of any Shipper that (i) is or has become insolvent, (ii) has applied for bankruptcy under Chapter 11 of the Bankruptcy Code or is subject to similar proceedings under State or Federal Law, or (iii) fails, in Transporter's reasonable judgment, to demonstrate minimal creditworthiness for all or any part of the service requested, based upon Transporter's consideration of available credit data concerning Shipper and Shipper's past payment history, financial statements, and credit reports.

(b) Transporter may require adequate assurance of payment for any service under this Tariff requested by an insolvent or uncreditworthy Shipper. Such a Shipper may receive or continue to receive service if it provides adequate assurance of payment for service within 15 days after the date of written demand by Transporter. Adequate assurance of payment may include:

(1) deposit with Transporter of an amount equal to three months of demand and commodity charges for the service, as set forth in the applicable Service Agreement, provided that such deposit may be applied by Transporter to satisfy a delinquent account, and any deposit held by Transporter shall accrue simple interest at the Federal Funds Rate. Upon request by Shipper, Transporter will remit the balance of such interest to Shipper within thirty days, provided, however, that Transporter shall not be required to remit interest to Shippers more often than every thirty days;

(2) advance payment for service at the time service is scheduled;

(3) an irrevocable letter of credit from a creditworthy financial institution;

(4) a guarantee from a creditworthy entity; or

(5) a surety bond from an acceptable, creditworthy insurance company.

(c) Transporter may at any time re-evaluate the creditworthiness of Shipper and demand adequate assurance of payment or additional adequate assurances of payment if Transporter determines that Shipper has in any respect become uncreditworthy. Circumstances under which Transporter may re-evaluate Shipper's creditworthiness include, but are not limited to, a filing by Shipper for bankruptcy or a submission to bankruptcy or similar federal or state proceedings, an adverse change in Shipper's payment practices, a reorganization of Shipper's business structure, an assignment of Shipper's contracts, or a request by Shipper for increased service. If Transporter, following such a re-evaluation, makes an adverse preliminary creditworthiness determination, and Shipper is current in its payments to Transporter and otherwise has a good credit history with Transporter, Shipper will be given notice of such adverse determination and be allowed 10 days to submit data demonstrating its continued

creditworthiness before Transporter will make a final determination of creditworthiness and, if adverse, demand adequate assurance of payment. Transporter may at any time withdraw or revise its demand for adequate assurance of payment or extend its due date.

(d) If the Transporter requests additional information to be used for credit evaluation after the initiation of service, the Transporter contemporaneous with the request, should provide its reason(s) for requesting the additional information to the Shipper and designate to whom the response should be sent. The Transporter and the Shipper may mutually agree to waive the requirements of this standard.

(e) Upon receipt of either an initial or follow-up request from the Transporter for information to be used for creditworthiness evaluation, the Shipper's authorized representative(s) should acknowledge receipt of the Transporter's request. The Transporter and the Shipper may mutually agree to waive the requirements of this standard.

(f) The Shipper's authorized representative(s) should respond to the Transporter's request for credit information, as allowed by the Transporter's Tariff, on or before the due date specified in the request. The Shipper should provide all the credit information requested by the Transporter or provide the reason(s) why any of the requested information was not provided.

(g) Upon receipt for the Shipper of all credit information provided pursuant to the applicable NAESB WGQ standards, the Transporter should notify the Shipper's authorized representative(s) that it has received such information. The Transporter and the Shipper may mutually agree to waive the requirements of this standard.

(h) The Shipper should designate up to two representatives who are authorized to receive notices regarding the Shipper's creditworthiness, including requests for additional information, pursuant to the applicable NAESB WGQ standards and should provide to the Transporter the Internet E-mail addresses of such representative prior to the initiation of service. Written requests and responses should be provided via Internet E-Mail, unless otherwise agreed to by the parties. The obligation of the Transporter to provide creditworthiness notifications is waived until the above requirement has been met. The Shipper should manage internal distribution of any creditworthiness notices that are received.

The Transporter should designate on its Internet website or in written notices to the Shipper, the Internet E-mail addresses of up to two representatives who are authorized to receive notices regarding the Shipper's creditworthiness. The Shipper's obligation to provide confirmation of receipt is met by sending such confirmation of such representatives, and the Transporter should manage internal distribution of any such confirmations.

(i) At any time after the Shipper is determined to be non-creditworthy by the Transporter, The Shipper may initiate a creditworthiness re-evaluation by the Transporter. As part of the Shipper's re-evaluation request, the Shipper should either update or confirm in writing

the prior information provided to the Transporter related to the Shipper's creditworthiness. Such update should include any event(s) that the Shipper believes could lead to a material change in the Shipper's creditworthiness.

(j) After a Transporter's receipt of a Shipper's request for re-evaluation, including all required information pursuant to NAESB WGQ Standard 0.3.8 ("Shipper's Request"), within five (5) Business Days, the Transporter should provide a written response to the Shipper's Request. Such written response should include either a determination of creditworthiness status, clearly stating the reason(s) for the Transporter's decision, or an explanation supporting a future date by which a re-evaluation determination will be made. In no event should such re-evaluation determination exceed twenty (20) Business Days from the date of the receipt of the Shipper's Request unless specified in the Transporter's Tariff or if the parties mutually agree to some later date.

(k) In complying with the creditworthiness related notifications pursuant to the applicable NAESB WGQ standard, the Shipper(s) and the Transporter may mutually agree to other forms of communication in lieu of Internet E-mail notification.

3.9 Execution of Service Agreement. Following the approval of a request for service and the award of service by Transporter, Transporter and Requestor shall enter into a new or amended Service Agreement under each appropriate Rate Schedule in accordance with the provisions of Section 5 of the General Terms and Conditions. If Requestor fails to execute such Service Agreement within 15 days after Transporter tenders it to Requestor, or within such other time period agreed to by Transporter or required by a specific provision of this Tariff, Requestor's request for service and Transporter's offer of service shall be void and of no further force or effect. Service shall not commence until Requestor returns or transmits an executed electronic or paper Service Agreement to Transporter in compliance with the provisions of the Tariff. Transporter may waive the provisions of this subsection on a nondiscriminatory basis.

3.10 Record Retention. Transporter shall maintain records of all valid requests for service and their disposition for a period of three years from the date of receipt of those requests. Transporter shall not disclose such information, including information relating to bids for service, other than pursuant to the provisions of this Tariff, a Commission proceeding or valid court order.

3.11 Transporter shall not be obligated to accept requests for an aggregate Transportation Demand of less than one hundred (100) dekatherms per day.

3.12 Requests for service which do not include all of the above-referenced information shall be deemed null and void.

4. AUCTIONS OF AVAILABLE FIRM SERVICE

This Section governs the manner in which requests for firm services shall be accommodated by Transporter when capacity is or becomes available, unless otherwise indicated in the applicable Rate Schedule. This Section applies to existing firm capacity that may become available and not to new pipeline capacity. Additional provisions governing auctions of service under specific Rate Schedules are set forth in individual Rate Schedules in this Tariff.

4.1 Circumstances Under Which Capacity Becomes Available.

(a) Termination of Short-Term Service Agreements. Upon the termination of any firm Service Agreement having a term of less than one year, the capacity associated with such terminated Service Agreement shall be made available for bidding under the procedures described at Section 4.2 below, provided that: (i) the capacity is not previously committed under the terms of this Tariff and (ii) facility capacity remains available.

(b) Continuing Service Under Certain Long-Term Agreements. Transporter shall notify Shipper in writing of the upcoming expiration or termination of any firm Service Agreement with a term of 12 or more consecutive months of service at the applicable Recourse Rate for that service or any firm multi-year seasonal Service Agreement at the applicable Recourse Rate for that service (a long-term Service Agreement), and will provide such notice at least 30 days before Shipper is obligated to notify Transporter of its intent to exercise its right of first refusal or other service continuation rights under the Service Agreement as described in paragraph (c)(2) below. Upon completion of the term of any long-term Service Agreement, Shipper shall have the right to continue receiving service under that long-term Service Agreement if that Service Agreement is at the Recourse Rate and (i) otherwise extends beyond that term according to its terms, or (ii) does not provide for pregranted abandonment and Shipper executes a new long-term Service Agreement at the Recourse Rate. If the above requirements are not satisfied at the termination date of the primary term of a long-term Service Agreement, service under that long-term Service Agreement shall be subject to the termination and right of first refusal provisions set forth at paragraph (c) below.

(c) Termination of Long-Term Service Agreements; Exercise of Right of First Refusal.

(1)(a) If Shipper's long-term Service Agreement is at the applicable Recourse Rate for that service and does not extend according to its terms or otherwise continue as described at Section 4.1(b) above, or Shipper declines to extend the contract under the provisions described at Section 4.1(b) above, Shipper may continue service upon termination of that Service Agreement by (i) agreeing to match the highest value bid offered to Transporter for Shipper's firm service, or any portion (volume but not geographic portion) thereof, through the bidding process described at Section 4.2 below, and (ii) executing a new Service Agreement incorporating the new rate and term. This

right of first refusal shall apply only to (1) firm Service Agreements with a term of 12 or more consecutive months of service at the applicable Recourse Rate for that service, or (2) firm multi-year seasonal Service Agreements at the applicable Recourse Rate for that service. A "firm multi-year seasonal Service Agreement" as used in this Section 4 is a firm Service Agreement that has a multi-year term but does not provide for 12 consecutive months of service.

(b) Notwithstanding the provisions of Section 4.1(c)(1)(a), Transporter and its Shippers may mutually agree, on a not unduly discriminatory basis, to include in discount rate or negotiated rate firm Service Agreements that bear either a multi-year seasonal term or a term of 12 or more consecutive months of service, a contractual right of first refusal equivalent to the right of first refusal set forth from time to time in this Section 4.

(c) This right of first refusal shall be deemed to be assigned where a Shipper holding such a right permanently releases and assigns all or a portion (volume but not geographic portion) of the capacity under that Service Agreement, regardless of the duration of that permanent release. Moreover, a Shipper releasing and assigning all or a portion (volume but not geographic portion) of the capacity may structure the release so as to transfer the right of first refusal for the duration of the release, even if that release and assignment is subject to a recall by Shipper that would terminate that release and assignment.

(2) If Shipper intends to exercise its right of first refusal as described at paragraph (1) above, Shipper shall notify Transporter through Transporter's EBB of that intent at least twelve months before the termination date of its Service Agreement.

(3) In the event that Shipper provides Transporter with a twelve month notice of intent to exercise its right of first refusal, Transporter shall promptly post on its EBB the information described in Section 4.2 below, Transporter shall begin accepting bids from any prospective Shipper, for all or a portion (volume but not geographic portion) of the service rights under the existing Shipper's long-term Service Agreement, at least eleven months prior to the termination of such Service Agreement, and for the posting time periods set forth in Section 4.2(a) below.

(4) If Transporter receives an offer for all or a portion (volume but not geographic portion) of the service rights under Shipper's long-term Service Agreement, Transporter, within two business days after the last day for receiving offers, shall notify Shipper through the EBB of the offer having the greatest economic value to Transporter. For purposes of comparing the respective values of offers under this Section, Transporter shall evaluate all bids in accordance with the criteria set forth at Section 4.2(c) below. If Shipper elects to match the offer, Shipper shall notify Transporter of such election through the EBB within 15 days after receiving Transporter's notice and shall execute a new Service Agreement matching the offer prior to the termination of the existing long-

term Service Agreement. If Shipper does not elect to match the offer within 15 days after receiving Transporter's notice, Shipper's right of first refusal will immediately terminate.

(5) If no acceptable offers meeting Transporter's minimum terms are received, Transporter will notify Shipper within two business days after the close of the capacity auction periods as set forth in Section 4.2(a) below. Shipper may, thereafter, consistent with the terms of this Tariff, continue to receive all or a portion (volume but not geographic portion) of its service (i) on a month-to-month basis or for such other term and rate agreed to by Transporter and Shipper, or (ii) at the applicable Recourse Rate for a term to be specified by Shipper. Shipper shall execute any new Service Agreement prior to the termination of the existing long-term Service Agreement. Shipper continuing service under either (i) or (ii) retains its right of first refusal on the portion continued, if it is under a Service Agreement with a term of 12 or more consecutive months of service, at the applicable Recourse Rate for that service, or is a firm multi-year seasonal Service Agreement at the applicable Recourse Rate for that service. If Shipper does not continue all or a portion (volume but not geographic portion) of its service pursuant to the provisions of (i) or (ii) above, within 20 business days following Transporter's two day notification period as described in this Section 4.1(c)(4) above, or such other period as may be mutually agreed to between Transporter and Shipper on a not unduly discriminatory basis, Shipper's right of first refusal will immediately terminate.

(6) If no acceptable offers satisfying Transporter's stated minimum terms are received, and no new long-term Service Agreement has been reached between Transporter and the Shipper holding the capacity under the expiring Service Agreement, Transporter shall post such capacity for an indefinite period as Generally Available Capacity. Transporter will post minimum price and other terms for such Generally Available Capacity, as described at Section 4.2 below. Transporter may change those minimum price and other terms, or may withdraw the posting of such Generally Available Capacity, at any time prior to receipt of a bid satisfying the posted minimum terms for that capacity. Any such minimum price or other terms shall be subject to the same limitations applicable to other available capacity, as set forth in this Section 4.

(7) Transporter will accept Recourse Rate bids for posted Generally Available Capacity on a first-come, first-served basis. If Transporter receives an acceptable bid for such Generally Available Capacity that meets its stated minimum conditions but is at less than the Recourse Rate, Transporter will post that bid on its EBB for the posting periods set forth in Section 4.2(a) below. Any other competing bidder may obtain the capacity by submitting during the posting period a highest value bid (a bid that exceeds the value of the initial posted bid), as determined in accordance with the bid evaluation criteria set forth at Section 4.2(c) below.

(d) Termination of Other Long-Term Service Agreements. If a long-term Service Agreement is not continued by its own terms or by reason of the Shipper's exercise of its right of

first refusal, such long-term Service Agreement shall be subject to pregranted abandonment unless otherwise specified in the Service Agreement and shall terminate as specified therein and Transporter shall have no further obligation to Shipper.

4.2 Auctions of Capacity that Becomes Available. As capacity becomes available on Transporter's system for firm services under the circumstances set forth in Section 4.1 above or otherwise, such capacity shall be made available for bidding provided that it is not previously committed and capacity remains available.

(a) EBB Posting Procedure. Capacity that becomes or will become available will be posted by Transporter on its EBB for at least the following periods:

- (1) five business days for firm capacity that will be available for a term of twelve months or longer;
- (2) three business days for firm capacity that will be available for a term of at least five but less than twelve months; and
- (3) one hour ending at 10:00 a.m. (E.T.) for firm capacity that will be available for a term of less than five months.

Transporter's posting shall include the following information regarding the available capacity: (i) the daily and other applicable quantity of service available from the receipt point to the delivery point; (ii) the Recourse Rate as set forth in this Tariff; (iii) any applicable restrictions; (iv) whether the capacity is subject to an existing right of first refusal; (v) any minimum price or other terms applicable to the capacity; and (vi) the date when bids are due to Transporter. The due date set by Transporter for bids shall be in accordance with the posting periods set forth above in this Section 4.2(a).

(b) Bidding Procedure. A potential Shipper may submit multiple bids, each higher than its preceding bid, for all or any portion of the capacity or term of service made available by Transporter. Such bids shall be submitted electronically through Transporter's EBB and shall be displayed by Transporter on the EBB, without revealing the identity of the bidder, during the bidding period. Bidder shall specify the monthly reservation charge (or other firm or demand charge(s), if applicable, herein referred to collectively as Reservation Charge) it is bidding for the service. Bidder also shall provide to Transporter a valid request for service fully complying with Section 3 (Requests for Service) of the General Terms and Conditions. The price bid for the monthly reservation charge shall be expressed per Dth and shall be expressed to the nearest thousandth of one dollar (\$0.000). The bid shall not exceed the then-effective Maximum Base Reservation Charge for the applicable service set forth in this Tariff. In addition to the bid price, Bidder shall pay all applicable commodity charges, demand and commodity surcharges and any other applicable charges, as they may be adjusted from time to time by Transporter. Transporter shall have the right to reject any bids that: (i) are for a rate that is less than the minimum rate

stated in Transporter's posting of that capacity; (ii) do not satisfy any of the other terms specified in the posting; or (iii) include conditions or provisions that Transporter determines, in its reasonable discretion, to be unacceptable.

(c) Assessing Bids.

(1) Transporter shall assess the bids to assure that capacity is available.

(2) Transporter shall evaluate bids based upon their net present value as set forth below, taking into account the price and term offered. Transporter shall use the current Commission-approved interest rate in calculating the net present value of bids. Capacity shall be awarded, as set forth in paragraph (d) below, based on the acceptable highest value of the bids offered to Transporter calculated in accordance with this Section. Transporter shall publish the winning bids on its EBB.

(d) Awarding Capacity; Pro Rata Awards To Equal Bidders. Consistent with the bid assessment criteria set forth in paragraph (c) immediately above, Transporter shall award capacity: (i) first to an existing capacity holder that exercises a right of first refusal to match the highest value bid; and (ii) then to the bidder submitting the highest value bid or if two or more bidders submit equal acceptable highest value bids then pro rata to all bidders that submitted equivalent highest value bids based upon daily quantities requested.

(e) Binding Nature of Bids. All bids are binding; provided, however, that a bidder may decline to accept a pro rata allocation of capacity resulting in an award of less than the full capacity requested if such Shipper notifies Transporter of that decision through Transporter's EBB within one hour of Transporter's notice to that Shipper of the pro rata allocation. Otherwise, if a successful bidder fails to execute a Service Agreement within 15 days after such Service Agreement is tendered by Transporter, (or such later date established by Transporter through notice to Shipper), Transporter will then award the capacity to the next acceptable bidder on the basis of the highest net present value, as described in this Section. Shippers failing to return such Service Agreement shall be prohibited from bidding for six months, or less than six months if agreed to in writing by the Transporter. Nothing herein shall restrict Transporter from pursuing any other remedies it may have against a Shipper failing to execute and return a Service Agreement tendered by Transporter. If Transporter finds no other bid acceptable, the capacity shall be posted again and thereby made available for a new round of bids.

(f) Adjustment to Bid Rate. When the rate bid by a Bidder is at least for the Maximum Base Reservation Charge, that bid rate shall be subject to adjustment in accordance with the procedures of this Tariff and of the Commission, unless otherwise clearly stated in the Service Agreement. When the rate bid by a Bidder is lower than the Maximum Base Reservation Charge, that bid rate shall be subject to adjustment in accordance with the procedures of this Tariff and of the Commission by an amount proportionate to the increase or decrease in the Maximum Base Reservation Charge, unless otherwise clearly stated in the Service Agreement.

(g) Bona Fide Offers. All bids submitted for capacity pursuant to this Section must be bona fide offers, and must be submitted electronically through Transporter's EBB or as otherwise set forth in this Tariff. All Service Agreements entered into as a result of such bids must reflect an arms length transaction between the bidder and Transporter.

(h) Reserved Capacity. Transporter may elect to reserve for future expansion projects any unsubscribed capacity or capacity under expiring or terminating Service Agreements where such agreements do not have a right of first refusal or shipper does not exercise its right of first refusal (Available Reservation Capacity). If Transporter elects to reserve Available Reservation Capacity, it will notify Shippers of its intent as part of Transporter's posting of the Available Reservation Capacity under this Section 4.2(h) of the General Terms and Conditions. Available Reservation Capacity may be reserved for up to one year prior to the Transporter filing for Natural Gas Act Section 7(c) certificate approval for construction of the proposed expansion and thereafter until such expansion is placed into service. Transporter may only reserve Available Reservation Capacity for a future expansion project for which an open season has been held or will be held within one (1) year of the date that Transporter posts such Available Reservation Capacity as being reserved. Any Available Reservation Capacity reserved under this Section 4.2(h) shall be made available for transportation service pursuant to Transporter's General Terms and Conditions on a limited-term basis up to the in-service date of the expansion project(s). Transporter reserves the right to limit any extension rights provided in the Service Agreements and pursuant to Section 4.1 of the General Terms and Conditions governing rights of first refusal commensurate with the proposed in-service date of the expansion project(s).

Prior to reserving Available Reservation Capacity for future expansion projects, Transporter shall first make such capacity generally available to any Shipper or potential Shipper by posting such Available Reservation Capacity for bidding through an open season for a time period of at least five (5) business days. This Available Reservation Capacity open season posting shall contain the posting information required by General Terms and Conditions Section 4.2(a)(i) - (vi) and shall conform to the bidding and capacity award procedures of General Terms and Conditions Sections 4.2(b) - (g). When the Available Reservation Capacity open season is held prior to the expansion project open season, Transporter shall have the right to state in the Available Reservation Capacity open season posting minimum terms and conditions for bids that would be acceptable for consideration that are the same as the minimum terms and conditions anticipated for the future expansion project open season. In the event that the subsequent expansion project open season imposes minimum terms and conditions that are materially different from the terms and conditions imposed in the previous Available Reservation Capacity open season, Transporter shall hold another open season for the Available Reservation Capacity that uses the same minimum terms and conditions as were imposed for the expansion project open season. If the expansion project open season is held prior to or during the Available Reservation Capacity open season, Transporter shall use the same minimum terms and conditions as used for the expansion project open season.

Available Reservation Capacity may only be reserved in the 12-month period prior to the filing of the certificate application. Any Available Reservation Capacity reserved pursuant to this Section 4.2(h) for an expansion project that does not go forward because Transporter does not file any required application with the Commission within one-year from such reservation date, or because Transporter ultimately does not receive authorization, shall be posted as generally available within 30 days of the date the capacity becomes available subject to then existing commitments for the capacity.

Transporter postings for reserved Available Reservation Capacity shall include the following information: (a) a description of the expansion project(s) for which the capacity will be reserved; (b) the total quantity of capacity to be reserved; (c) the location of the proposed reserved capacity on the pipeline system; (d) whether, and if so, when Transporter anticipates that an open season for the capacity will be held or it will otherwise be posted for bids under the expansion; (e) the projected in-service date of the expansion projects; and (f) on a rolling basis, how much of the reserved capacity has been sold on a limited-term basis. Transporter shall make reasonable efforts to update the reservation posting to reflect material changes in the expansion project(s) up to the in-service date of the expansion project(s). The reservation posting shall also include a non-binding solicitation (or reverse open-season) for turnback capacity from Transporter's existing Shippers to serve the expansion project(s), provided that Transporter shall post the non-binding solicitation for turnback capacity no later than 90 days after the close of the expansion project open season(s).

5. SERVICE AGREEMENT AND ELECTRONIC CONTRACTING

5.1 Form of Service Agreement. Shipper shall enter into a Service Agreement with Transporter under Transporter's applicable standard Form of Service Agreement or Assignment Agreement prior to receiving service from Transporter under any Rate Schedule; provided, however, that a Service Agreement between Transporter and Shipper that was in effect on the effective date of this Tariff shall remain in effect until it is replaced, superseded, terminated, or expires by its own terms, and shall be considered as an executed Service Agreement to the extent that its provisions are not superseded by or in conflict with the provisions of this Tariff. Shippers with new levels of service shall execute new Service Agreements. As used in this Tariff, "Service Agreement" shall include Assignment Agreements unless otherwise specified.

5.2 Term. The period of time to be covered by the Service Agreement (but not including Assignment Agreements) shall be determined (i) by agreement between the parties or (ii) in accordance with the auction procedures set forth at Section 4 (Auctions of Available Firm Service) of the General Terms and Conditions. Where the Service Agreement supersedes or cancels an existing Service Agreement, however, Transporter may require that the term of the Service Agreement shall be not less than the unexpired portion of the term contained in the Service Agreement to be superseded or canceled. The term of an Assignment Agreement shall be determined in accordance with the provisions of Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions.

5.3 Quantity Obligations and Requirements. The quantities of gas to be transported by Transporter shall be set forth in the applicable Service Agreement.

5.4 Successors and Assigns. Any company that succeeds by purchase, merger, or consolidation to the gas properties of Transporter or of Shipper substantially as an entirety, and any Affiliated Successor in Interest that acquires from Transporter the properties of Transporter used in interstate commerce in rendering service to Shipper, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under the Service Agreement. Shipper, Transporter, and their successors may assign or pledge the Service Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument that it has executed or may execute hereafter; provided, however, that such mortgage, deed of trust, indenture or similar instrument shall cover the properties of such party as an entirety unless such party is an Affiliated Successor in Interest as described above. Otherwise no party shall assign the Service Agreement or any of its rights thereunder unless it first shall have obtained in writing the consent thereto of the other party; provided, however, that Shipper may release and assign service rights contracted for under such Service Agreement pursuant to the conditions, and subject to the limitations, of Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions. Any direct or indirect assignment of service rights by Shipper under this paragraph shall be made in good faith and not for the purpose of avoiding the requirements of Section 14.

5.5 Waiver of default. No waiver by either party of any one or more defaults by the other in the performance of any provisions of the Service Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or different character.

5.6 Choice of Law. Unless otherwise specifically stated in the Service Agreement, interpretation of the provisions of all Service Agreements or other agreements entered into between Shipper and Transporter, including any provisions of this Tariff related to such agreements, and any disputes arising from such agreements, shall be governed by the law of the State of West Virginia.

5.7 Electronic Contracting Agreement.

(a) In General. Transporter and Shipper may, and when required by the Tariff shall, enter into new or amended Service Agreements or Assignment Agreements by electronic communications through Transporter's EBB. Transporter and Shipper may also by mutual agreement enter into any other contract through electronic communications. Service Agreements, Assignment Agreements pursuant to Section 14 of the General Terms and Conditions (Release and Assignment of Service Rights) and other agreements are collectively referred to as "Contracts" in this Section 5.7. The consummation of Contracts electronically shall be governed by the provisions of this Section 5.7 and the Electronic Contracting Agreement.

(b) When Required. Shipper shall be required to enter into a Contract electronically if Shipper desires to commence service within five business days after a contract is awarded; provided, if Shipper nominates prior to execution of a Contract and such nomination is deemed to be execution of that Contract, Shipper shall nonetheless execute a Contract, either electronically or in writing.

(c) Prerequisites. Requestor shall not be eligible to enter into a Contract electronically until Requestor has executed and submitted to Transporter an Electronic Contracting Agreement in the form contained in this Tariff. Requestor shall execute the Electronic Contracting Agreement in duplicate by original handwritten signature(s) on paper and forward it to Transporter via mail or other delivery service at least 15 business days in advance of bidding for or requesting a Contract. The requirement in this Section 5.7(c) of timely submission of an executed Electronic Contracting Agreement may not be satisfied by facsimile transmission of an executed document, or any other method that results in Transporter receiving only a copy of a signature.

(d) Documents; Standards. Transporter and Shipper may, and when required by the Tariff shall, electronically transmit to or receive from the other party any of the electronic forms (including Contracts) listed by Transporter, currently or in the future, on the Transaction List posted on Navigates, (collectively "Documents"). Any transmission of data that is not a Document shall have no force or effect between the parties unless justifiably relied upon by the

receiving party. All Documents shall be transmitted in accordance with the standards set forth in the EBB User's Guide, as it may be amended or supplemented from time to time by Transporter.

(e) Signatures. Transporter shall adopt as its signature an electronic identification, and Transporter shall furnish to Subscriber one or more unique electronic identifications (User Identification and Password), consisting of symbol(s) or code(s), which are to be electronically affixed to or placed in each Document transmitted by such party (Signatures). The employee(s) or officer(s) designated by Subscriber in Appendix A of the Electronic Contracting Agreement shall perform the contracting function for Subscriber and thereby legally bind Subscriber to any Contract with Transporter by use of that person's assigned User Identification and Password. By entering into the Electronic Contracting Agreement, Subscriber represents and warrants that (i) the employee(s) or officer(s) identified in Appendix A thereof have been duly and legally authorized to enter into and execute Contracts electronically on behalf of Subscriber, and (ii) all other persons designated by Subscriber to receive a User Identification and Password have been duly authorized to send and receive Documents other than Contracts. The Signature of a party affixed to or contained in any transmitted Document shall be irrefutable proof that such party originated such Document. Neither party shall disclose to any unauthorized person the Signatures of the other party.

(f) Security Procedures. Each party shall be responsible for ensuring that all electronic executions with Signatures and all transmissions of Documents are authorized, and for protecting its business records and data from improper access. Parties shall be responsible for securing physical access to each of its computers utilizing Navigates software and for keeping confidential its User Identification(s) and Password(s). Transporter reserves the right to invalidate any User Identification or Password if it suspects a security breach.

(g) Transmissions.

(1) Proper Receipt. Documents shall not be deemed to have been properly received, and no Document shall give rise to any obligation, until it has been received as determined in accordance with Section 2.11 of the General Terms and Conditions.

(2) Acknowledgment. Upon proper receipt of any Document, the receiving party shall promptly and properly transmit electronically a functional acknowledgement of receipt, unless otherwise specified in the Transaction List. A functional acknowledgement shall constitute conclusive evidence a Document has been properly received.

(3) Acceptance. If acceptance of a Document is required by the Transaction List, the proper receipt of any such Document shall not give rise to any obligation unless and until the party initially transmitting such Document has properly received in return an Acceptance Document (as specified in the Transaction List).

(h) Pro Forma Service Agreement. When a party affixes its Signature to a Contract and transmits the Contract to Transporter in accordance with Section 5.7(g) above, it shall be bound, as applicable, by (i) the terms and conditions of the applicable pro forma Service Agreement or Assignment Agreement contained in this Tariff corresponding to the Rate Schedule under which that party is seeking service, or (ii) the terms and conditions of any generally available, nonjurisdictional agreement or contract that is a Document. The date of Transporter's acceptance of an executed and properly transmitted Contract under Section 5.7(g) shall be deemed to be the date of execution for purposes of the Contract and that execution date shall apply to any subsequently issued paper copy of the Contract that Transporter tenders to Shipper. The effective date and term of the Contract shall be determined in accordance with the provisions of this Section 5.7(h) and Section 5.2 of the General Terms and Conditions, but Transporter shall not be obligated to provide service to Subscriber prior to the date of acceptance.

(i) Replacement With Paper Copies of Service Agreements. (1) Transporter may terminate a Contract entered into electronically, and providing for firm service with a term of one year or more, 30 days after the date of execution, as determined in accordance with Section 5.7(h), unless Shipper executes in original handwriting a paper copy of that Service Agreement and returns it to Transporter prior to the expiration of such 30-day period. Transporter shall send the Service Agreement to Shipper through the EBB in sufficient time to enable Shipper to print, execute, and return a paper copy of that Service Agreement prior to the 30-day termination date.

(j) Termination. Except as stated in Section 5.7(g), the Electronic Contracting Agreement shall remain in effect until terminated by either party with at least 30 days prior written notice, which notice shall specify the effective date of termination; provided that: (i) the effective date of termination shall not precede the termination of any electronic Service Agreement or Transaction; (ii) any termination shall not affect the respective obligations or rights of the parties arising under any electronic Service Agreement or Documents, or otherwise arising under this Section prior to the effective date of termination; and (iii) any such termination by Transporter shall be only for due cause or upon the request of Shipper.

(k) Garbled Transmissions. If any transmitted Document is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party (if identifiable from the received Document) in a reasonable manner. In the absence of such a notice (where the originating party can be identified), the originating party's record of the contents of such Document shall control.

(l) Terms and Conditions of Electronic Contracting Agreement. The terms and conditions set forth in this Section 5.7(l) shall apply to the Electronic Contracting Agreements entered into by Transporter and Shippers.

(1) The Electronic Contracting Agreement shall be considered to be an integral part of any Contract heretofore or hereafter entered into between Transporter and Shipper.

(2) Execution of the Electronic Contracting Agreement shall evidence the parties' mutual intent to create binding contractual obligations by means of the electronic transmission and receipt of Documents.

(3) Any Document properly transmitted shall be deemed (in connection with any Transaction, Contract, or Electronic Contracting Agreement) to be a "writing" or "in writing"; and any such Document that includes a Signature (Signed Documents) shall be deemed for all purposes (i) to have been "signed" and (ii) to constitute an "original" when printed from electronic files or records established and maintained in the normal course of business.

(4) The conduct of the parties under an Electronic Contracting Agreement, including the use of properly transmitted Signed Documents, shall, for all legal purposes, evidence a course of dealing and a course of performance accepted by the parties in furtherance of any Transaction, Contract, or Electronic Contracting Agreement.

(5) By executing the Electronic Contracting Agreement, the parties agree not to contest or assert as a defense the validity or enforceability of Signed Documents under the provisions of any law, including the Statute of Frauds, relating to whether certain agreements are to be in writing or signed by the party to be bound thereby. Signed Documents, if introduced as evidence on paper in any judicial, arbitration, mediation or administrative proceedings, 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 form. Neither party shall contest the admissibility of copies of Signed Documents under the business records exception to the hearsay rule, the best evidence rule, or any other statute or rule of like kind or character on the basis that the Signed Documents were not originated or maintained in documentary form or a form not contemplated in the Electronic Contracting Agreement.

(6) Severability. Any provision of the Electronic Contracting Agreement that is determined to be invalid or unenforceable will be ineffective to the extent of such determination without invalidating the remaining provisions of the Electronic Contracting Agreement or affecting the validity or enforceability of such remaining provisions.

(7) Entire Agreement. The Electronic Contracting Agreement, the documents incorporated therein by reference, and the Documents transmitted pursuant to the Electronic Contracting Agreement shall (i) constitute the complete agreement of the parties relating to the matters specified in the Electronic Contracting Agreement, and (ii) supersede all prior representations or agreements, whether oral or written, with respect to such matters. No oral modification or waiver of any of the provisions of the Electronic Contracting Agreement shall be binding on either party. No modification or supplement to the terms and provisions of the Electronic Contracting Agreement shall be

effective unless it is in a paper writing signed in original handwriting by the parties. No obligation to enter into any Transaction is to be implied from the execution or delivery of the Electronic Contracting Agreement. The Electronic Contracting Agreement is for the benefit of, and shall be binding upon, the parties and their respective successors and assigns.

(m) Limitation of Damages.

(1) Neither party shall be liable to the other for any special, incidental, exemplary or consequential damages arising from or as a result of any delay, omission or error in the electronic transmission or receipt of any Documents pursuant to the Electronic Contracting Agreement, even if either party has been advised of the possibility of such damages.

(2) Shipper or any other party with access to Transporter's EBB shall defend and indemnify Transporter from and against any and all claims, demands and actions, and any resulting loss, costs, damages and expenses (including court costs and reasonable attorney fees) that may be asserted against or imposed upon Transporter by any person or entity as a result of the unauthorized or otherwise improper use of any User Identification or Password issued by Transporter to that Shipper or other party.

6. NOMINATING, SCHEDULING, AND MONITORING

6.1 General.

(a) Except for events solely within Transporter's control, the primary obligation and burden of responsibility to monitor, control, adjust and maintain a concurrent balance between tenders and takes of transportation gas shall rest with Shipper. Transporter neither assumes any responsibility nor any obligation to monitor or adjust Shipper's tenders or takes by the provisions of this Section.

(b) Unless otherwise stated in this Section 6, all notices or other communications from Shipper to Transporter pursuant to the requirements of this Section shall be submitted electronically through Transporter's EBB. The date and time of all such notices or other communications from Shipper to Transporter under this Section shall be deemed to be the date and time those notices or communications are received by Transporter, unless otherwise specified.

(c) Transporter will post to Transporter's EBB a telephone number to be used after normal business hours to assist Shippers having scheduling or confirmation problems.

(d) The sending party shall adhere to nomination, confirmation, and scheduling deadlines. It is the party receiving the request who has the right to waive the deadlines.

6.2 Nominations.

(a) Quantities of gas nominated and capacity awarded will be made effective at the time designated on the nomination provided Shipper adheres to the nomination timeline prescribed in Section 6.2(e) and receipt and delivery quantities can be confirmed pursuant to Section 6.3(a) of the General Terms and Conditions.

(b) A Shipper seeking to nominate quantities under any applicable Service Agreement shall furnish to Transporter, for each such Service Agreement (i) a Nominated Daily Delivery Quantity to be delivered by Transporter to or for Shipper at the delivery point on Transporter's pipeline system, and (ii) a Nominated Daily Receipt Quantity to be tendered to Transporter at the receipt point on Transporter's pipeline system. Retainage shall be included in the Nominated Daily Receipt Quantity, and will be calculated by using the following formula: $(1 - (\text{fuel \%}/100) \times \text{receipt quantity})$ rounded to the nearest Dth = delivery quantity. Shipper's Nominated Daily Delivery Quantity and Nominated Daily Receipt Quantity collectively are referred to as Shipper's "nominations".

(c) Quantities shall be nominated in dekatherm units and represent the total requested quantity for the Gas Day.

(d) Each nomination shall be considered an original nomination and shall be replaced to be changed. When a nomination includes a date range, each day within that range is considered an original nomination. When a subsequent nomination is received for one or more days within that range, the previous nomination is superseded by the subsequent nomination only to the extent of the days specified. The days of the previous nomination outside the range are unaffected. Nominations have a prospective effect only. Subsequent nominated quantities shall represent replacement daily quantities.

(e) Transporter will support the following Nomination cycles:

(1) Timely Nomination Cycle

On the day prior to gas flow:

- (i) 1:00 p.m. for nominations leaving control of the nominating party;
- (ii) 1:15 p.m. for receipt of nominations by the Transporter (including from Title Transfer Tracking Service Providers (TTTSPs));
- (iii) 1:30 p.m. to send Quick Response;
- (iv) 4:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;
- (v) 5:00 p.m. for receipt of scheduled quantities by Shipper and Interconnecting Operator.

Scheduled quantities resulting from Timely Nominations should be effective at the start of the next Gas Day.

(2) Evening Nomination Cycle

On the day prior to gas flow:

- (i) 6:00 p.m. for nominations leaving control of the nominating party;
- (ii) 6:15 p.m. for receipt of nominations by the Transporter (including from TTTSPs);
- (iii) 6:30 p.m. to send Quick Response;

(iv) 8:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;

(v) 9:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators, and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from Evening Nominations shall be effective at the start of the next Gas Day.

(3) Intraday 1 Nomination Cycle

On the current Gas Day:

(i) 10:00 a.m. for nominations leaving control of the nominating party;

(ii) 10:15 a.m. for receipt of nominations by the Transporter (including from TTTSPs);

(iii) 10:30 a.m. to send Quick Response;

(iv) 12:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;

(v) 1:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators, and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 1 Nominations should be effective at 2:00 p.m. on the current Gas Day.

(4) Intraday 2 Nomination Cycle

On the current Gas Day:

(i) 2:30 p.m. for nominations leaving control of the nominating party;

(ii) 2:45 p.m. for receipt of nominations by the Transporter (including from TTTSPs);

(iii) 3:00 p.m. to send Quick Response;

(iv) 5:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;

(v) 5:30 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from Intraday 2 Nominations should be effective at 6:00 p.m. on the current Gas Day.

(5) Intraday 3 Nomination Cycle

On the current Gas Day:

- (i) 7:00 p.m. for nominations leaving control of the nominating party;
- (ii) 7:15 p.m. for receipt of nominations by the Transporter (including from TTTSPs);
- (iii) 7:30 p.m. to send Quick Response;
- (iv) 9:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties;
- (v) 10:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and Interconnecting Operators.

Scheduled quantities resulting from Intraday 3 Nominations shall be effective at 10:00 p.m. on the current Gas Day. Bumping is not allowed during the Intraday 3 Nomination Cycle.

For purposes of (2), (3), (4) and (5) above, "provide" shall mean receipt at Shipper's or Interconnecting Operator's designated site, and for purposes of other forms of transmittal, it shall mean send or post.

(f) Except for intraday nominations, Shipper may nominate for several days, months or years in one day increments provided such nomination is within the begin and end dates of Shipper's Service Agreement.

(g) Overruns under Rate Schedule FTS must be nominated separately.

(h) Shipper may submit intraday nominations according to the deadlines noted in Section 6.2(e). For services that provide for intraday nominations and scheduling, there is no limitation as to the number of intraday nominations which Shipper may submit at any one

standard nomination cycle or in total across all standard nomination cycles. Such intraday nominations may be used to request increases or decreases in total flow, or to nominate new supply or market. All nominations, including intraday nominations, shall be based on a daily quantity; thus an intraday nominator need not submit an hourly nomination. Intraday nominations shall include an effective date and time. The interconnected parties shall agree on the hourly flow of the intraday nomination, if not otherwise addressed in Transporter's Service Agreement or Tariff. Intraday nominations do not rollover (i.e. intraday nominations span one Gas Day only). Intraday nominations do not replace the remainder of a standing nomination. There is no need to renominate if an intraday nomination modifies an existing nomination. Shipper may make intraday changes only if the following requirements and conditions are satisfied:

(1) Actual flows consistent with the requested nominations are confirmed at receipt and delivery points;

(2) Shipper's tenders or takes (i) during any 8-hour period may not exceed 33 percent of Shipper's Transportation Demand, unless Transporter and Shipper have otherwise agreed to a specific maximum hourly flow rate, and (ii) during any 24-hour period do not exceed Shipper's Transportation Demand, provided that all deliveries do not exceed the applicable maximum hourly limitations specified in Section 9 (Operating Conditions) of the General Terms and Conditions;

(3) Shipper's revised nominations during a Day under no circumstances fall below the Elapsed-prorated-scheduled quantity up to the effective time of the revised nominations; and

(4) Nominations received after the nomination deadline shall be scheduled after nominations received before the nomination deadline. All nomination procedures that apply to regular nominations (excluding timelines) including quick response, confirming with upstream and downstream parties and scheduling, also apply to intraday nominations.

(i) Shippers shall cause, by whatever means necessary, the interconnecting operator of the receipt and delivery point designated in any nomination or change in nomination submitted by Shipper to confirm all such nominations or changes in nominations in accordance with the timelines specified in Section 6.3 and also to comply with NAESB standard confirmation data sets.

(j) Transporter shall electronically on its EBB make available to Shipper on a daily basis Shipper's imbalance status or information from which Shipper can determine its imbalance status. Such daily electronic updates by Transporter shall be based upon the data available to Transporter at that time. Shipper may avoid the imbalance penalties provided for in Transporter's Tariff by eliminating imbalances in its account as soon as possible but in no event later than the

last day of the month in which Shipper is notified of its imbalance status for the immediately preceding month.

(k) Transporter shall electronically on its EBB make available to all Shippers on a daily basis Transporter's pipeline system imbalance status. Such daily electronic updates by Transporter shall be based upon the data available to Transporter at that time.

(l) To the extent Transporter's other scheduling requirements are met, Shipper will be permitted to redirect scheduled quantities under a service agreement to other receipt points upstream of a constraint point or delivery points downstream of a constraint point at any of the subsequent nomination cycle(s) for the subject Gas Day under the same service agreement without a requirement that the quantities be rescheduled through the point of constraint.

6.3 Confirmation and Scheduling by Transporter.

(a) No gas shall flow under any nomination until Transporter has confirmed the nomination, awarded capacity, and scheduled the applicable quantities. If Shipper's gas is not confirmed on the same day in which capacity is nominated, the nomination of that Shipper shall be void and the capacity shall be offered to the next eligible shipper.

(b) Transporter shall initiate confirmation (Request for Confirmation) with the Confirming Party or respond to request for confirmation (Confirmation Response) from the Confirming Party. Transporter shall complete confirmations by the following deadlines:

(1) The Timely Nomination Cycle: Confirmation shall be completed by 4:30 p.m. (CT) the day before the start of the Gas Day.

(2) The Evening Nomination Cycle: Confirmation shall be completed by 8:30 p.m. (CT) the day before the start of the Gas Day.

(3) The Intraday 1 Nomination Cycle: Confirmation shall be completed by 12:30 p.m. (CT) on the current Gas Day.

(4) The Intraday 2 Nomination Cycle: Confirmation shall be completed by 5:00 p.m. (CT) on the current Gas Day.

(5) The Intraday 3 Nomination Cycle: Confirmation shall be completed by 9:30 p.m. (CT) on the current Gas Day.

(c) Transporter shall provide to Shippers and Interconnecting Operators their scheduled quantities by the following timelines and provisions:

(1) The Timely Nomination Cycle: Scheduled Quantities shall be provided by 5:00 p.m. (CT) the day before the start of the Gas Day.

(2) The Evening Nomination Cycle: Scheduled Quantities shall be provided by 9:00 p.m. (CT) the day before the start of the Gas Day.

(3) The Intraday 1 Nomination Cycle: Scheduled Quantities shall be provided by 1:00 p.m. (CT) on the current Gas Day.

(4) The Intraday 2 Nomination Cycle: Scheduled Quantities shall be provided by 5:30 p.m. (CT) on the current Gas Day.

(5) The Intraday 3 Nomination Cycle: Scheduled Quantities shall be provided by 10:00 p.m. (CT) on the current Gas Day.

(6) 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 EDI/EDM, the Transporter should send an end of Gas Day Scheduled Quantity and Scheduled Quantity for Operator file. Receivers of either of these documents can waive the Transporter's requirements to send such documents. Transporter may, at its discretion and in a non-discriminatory fashion, waive these deadlines.

(d) Where discrepancies in quantities exist between confirming parties, the confirmed quantity shall be determined as follows:

(1) With respect to the Timely Nomination Cycle, 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 scheduled quantity for the Timely Nomination Cycle of the previous Gas Day should be the new confirmed quantity.

(2) With respect to increases during the Evening Nomination Cycle, Intraday 1 Nomination Cycle, Intraday 2 Nomination Cycle and Intraday 3 Nomination Cycle, 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 scheduled quantity for the previous nomination cycle for the subject Gas Day should be the new confirmed quantity.

(3) With respect to decreases during the Evening Nomination Cycle, Intraday 1 Nomination Cycle, Intraday 2 Nomination Cycle and Intraday 3 Nomination Cycle, 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.

(4) If there is no response to a Request for Confirmation or an unsolicited Confirmation Response, Transporter shall provide Shipper with the following information to explain why the nomination failed, as applicable:

(i) the Shipper's Transporter did not conduct the confirmation;

(ii) the Shipper is told by its Transporter that the upstream confirming party did not conduct the confirmation;

(iii) the Shipper is told by its Transporter that the pstream Shipper did not have the gas or submit the nomination;

(iv) the Shipper is told by its Transporter that the downstream confirming party did not conduct the confirmation;

(v) the Shipper is told by its Transporter that the downstream Shipper did not have the market or submit the nomination.

This information should be imparted to the Shipper on the Scheduled Quantity document.

(e) If only partial confirmations are received by Transporter from the upstream and downstream entities delivering or receiving gas on behalf of Shipper, Shipper's nominations shall be reduced in accordance with the priorities set forth on a priority reduction list to be furnished by Shipper with the nomination. If Shipper fails to provide a priority reduction list, Transporter may reduce the Shipper's nominations on a pro-rata basis.

(f) If after Shipper's gas is confirmed, Transporter is notified that Shipper's gas is not available, then Transporter may cease deliveries.

(g) The Explicit Confirmation process requires that the Confirming Party and Transporter 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) When a previously confirmed and scheduled quantity is altered, notification of such alteration will be provided to all of the parties below that are affected. Applicable notification(s) of such alterations will be provided to the affected parties reasonably proximate in time to the time during which the event causing the alteration was acted upon by Transporter.

With respect to the implementation of this process, Transporter and the Confirming Party will send the applicable document(s) to the applicable party(ies) no later than the next time they are slated to communicate confirmations or scheduled quantities. The Confirming Party has an obligation to notify Transporter within the established NAESB deadlines when a previously confirmed and scheduled quantity is altered. Affected parties to be notified by Transporter are:

- (1) Confirming Party in a Confirmation Response (or unsolicited Confirmation Response as applicable) document by Transporter;
- (2) Confirming Party in a Request for Confirmation document by Transporter;
- (3) Shipper in a Scheduled Quantity document by Transporter.

6.4 Shipper's Notice of Changes. Except for reasons of force majeure, as described at Section 15 (Force Majeure) of the General Terms and Conditions, Shipper shall notify Transporter or cause Transporter to be notified (via posting on Transporter's EBB) at least 24 hours in advance of any anticipated material change in the daily quantity of gas Shipper desires to deliver or to cause to be delivered to Transporter for transportation under Transporter's Rate Schedules. The 24-hour notice period shall not apply to intraday nominations. If an unanticipated or a force majeure event causes a material change in the quantity of gas Shipper will deliver or cause to be delivered to Transporter for transportation, Shipper shall notify or cause Transporter to be notified as soon as possible after occurrence of that event. In the event of such material changes, Shipper shall tender or cause to be tendered to Transporter such estimated daily quantities at flow rates as close as possible to uniform hourly rates. Departures by Shipper from the daily quantities that it has notified Transporter it intends to tender to Transporter under a Rate Schedule shall be kept to a minimum and in no event shall exceed the amount permitted by operating conditions.

6.5 Monitoring.

(a) Transporter may monitor: (i) the daily tenders of gas by or on behalf of any Shipper; (ii) the quantities delivered by an Intermediate Transporter (such as a local distribution company or other entity that receives Shipper's gas from Transporter) to Shipper or Shipper's end-user(s); and (iii) the daily usage of gas by Shipper or Shipper's end-user(s). Transporter may do so for the purpose of monitoring on an hourly, daily, weekly, or monthly basis the quantities being tendered to and delivered by Transporter and thereby to maintain, as nearly as possible, a concurrent balance between receipts and deliveries of gas. The approximate quantities determined by Transporter in that monitoring process shall be referred to herein as Monitored Quantities.

(b) Monitoring may be performed by Transporter using either the estimates or actual data received by Transporter pursuant to this Section or actual meter readings by Transporter.

Transporter may make reasonable prospective adjustments to Shipper's Scheduled Daily Delivery Quantity and Scheduled Daily Receipt Quantity based upon either the Monitored Quantities or the actual data received by Transporter pursuant to the provisions of this Section. Any such adjustments by Transporter shall not result in Shipper's incurrence of any penalty if Transporter, in making such adjustment, relied upon inaccurate estimates, inaccurate meter readings, or inaccurate data received by Transporter pursuant to this Section.

Transporter may make such adjustments upon Electronic Notice Delivery or telephonic notice to Shipper 24 hours in advance of the effective time of the adjustment (or, in the case of intraday changes in nominations, upon reasonable notice to the Shipper being bumped); provided, however, that Transporter need not provide any advance notice in the event of adjustments resulting from: (i) interruptions of Shipper's service pursuant to Section 16 (Interruptions of Service) of the General Terms and Conditions; (ii) operational flow order issued by Transporter pursuant to Section 17 (Operational Flow Orders) of the General Terms and Conditions; or (iii) the cessation of deliveries pursuant to Section 6.3(f). Nothing in this Section is intended to diminish the Shipper's right to utilize intraday nominations. Transporter also shall have the right to notify any entity described at paragraphs (c) and (d) of this Section of the revised Scheduled Daily Receipt Quantities it will accept on behalf of Shipper.

(c) Transporter shall have the right to contact and obtain actual or estimated data regarding tenders to Transporter on behalf of Shipper from any entity (i) from whom Shipper is purchasing gas for tender to Transporter, or any other brokers or resellers of such gas; or (ii) that is delivering or causing the tender of gas to Transporter for Shipper's account. Shipper shall cause each such entity to provide such actual or estimated data to Transporter upon request in the normal course of business as soon as such data is available.

(d) Shipper shall furnish to Transporter with its nominations a list showing the names and addresses of each entity identified in paragraph (c) above and the name and telephone number of the contact person who will provide the data required to be furnished pursuant to paragraph (c) above. Shipper's nominations shall also include the identity of the shipper on any upstream or downstream pipeline that will be tendering the gas directly to Transporter or taking gas from Transporter and the shipper's contract number on such upstream pipeline or downstream pipeline. Such data shall be furnished regardless of the entity from whom Shipper is purchasing the gas. A marketer, broker or other similar entity selling gas or arranging the sale of gas to more than one Shipper may furnish such data to Transporter on behalf of all such Shippers, segregated to each Shipper. Transporter reserves the right, in appropriate circumstances on a non-discriminatory basis, to waive the information requirements set forth in this paragraph.

(e) At times established by Transporter, each Shipper and Intermediate Transporter shall provide to Transporter any data requested by Transporter concerning gas used by Shipper or delivered to or for Shipper or Shipper's end-user(s). The Intermediate Transporter shall furnish such data either on an actual basis or on an estimated basis sufficient to allow Transporter accurately to monitor tenders and deliveries and adjust Shipper's Scheduled Daily Delivery

Quantity or Scheduled Daily Receipt Quantity. Intermediate Transporters shall only be required to furnish such data on an aggregate basis for end-users on their system for whom transportation gas is delivered by Transporter.

6.6 Additional Information. Shipper will comply with reasonable requests by Transporter for additional information which Transporter believes is necessary to perform service hereunder or to comply with the valid reporting requirements of the Commission or other regulatory agencies having jurisdiction.

7. CAPACITY ALLOCATION

This Section sets forth the manner in which Transporter shall allocate capacity among its Rate Schedules when it has received nominations from Shippers that exceed available capacity.

7.1 General Priority. Transporter shall allocate capacity on its system in the following order commencing with the highest priority:

- (a) capacity at the delivery point;
- (b) capacity at the receipt point.

7.2 Transportation Delivery Points. For transportation capacity at the delivery point under Rate Schedules FTS and ITS of this Tariff, Transporter shall allocate capacity sequentially among the Rate Schedule priority groupings and within those Rate Schedule priority groupings, in the manner set forth below:

(a) Rate Schedule FTS. For deliveries to the delivery point under the FTS Rate Schedule, upon the occurrence of a force majeure event or the existence of a condition identified in Section 16 (Interruptions of Service) of the General Terms and Conditions, Transporter shall allocate capacity among those Shippers on a pro rata basis, based upon those Shippers' respective levels of Transportation Demand.

(b) Rate Schedule ITS and Overrun Quantities Under Rate Schedule FTS.

(1) Where requested deliveries at the same highest rate exceed available capacity, Transporter shall allocate capacity first to those Shippers flowing gas on a pro rata basis, based upon respective confirmed nominations; and second to all remaining Shippers based upon the order in which Transporter received nominations from those Shippers (equally to any Shippers submitting nominations on the same day).

(2) If intraday nominations require an allocation of the pipeline system, the following will describe the circumstances that allow a higher priority service to bump a lower priority service.

(a) Evening Nomination Cycle: For nominations received by 6:00 p.m. CT and to be effective at the start of the upcoming Gas Day, nomination increases submitted under Rate Schedule FTS will have priority over nominated and scheduled quantities under Rate Schedule ITS and overruns under the firm rate schedule and may bump such quantities effective at 9:00 a.m. CT the next day. Nomination increases submitted under Rate Schedule ITS and overruns under the firm rate schedules shall be subject to available unscheduled capacity and will not

bump scheduled quantities. Transporter shall notify Shippers being bumped as a result of intraday nominations by 9:00 p.m. CT.

(b) Intraday 1 Nomination Cycle: For nominations received by 10:00 a.m. CT and to be effective at 2:00 p.m. on the current Gas Day, nomination increases submitted under Rate Schedule FTS will have priority over nominated and scheduled quantities under Rate Schedule ITS and overruns under the firm rate schedule and may bump such quantities effective at 2:00 p.m. CT on the current Gas Day. Nomination increases submitted under Rate Schedule ITS and overruns under the firm rate schedule shall be subject to available unscheduled capacity and will not bump scheduled quantities. Transporter shall notify Shippers being bumped as a result of Intraday 1 Nominations by 1:00 p.m. CT.

(c) Intraday 2 Nomination Cycle: For nominations received by 2:30 p.m. CT and to be effective at 6:00 p.m. CT on the current Gas Day, nomination increases submitted under Rate Schedule FTS will have priority over nominated and scheduled quantities under Rate Schedule ITS and overruns under the firm rate schedule and may bump such quantities effective at 6:00 p.m. CT on the current Gas Day. Nomination increases submitted under Rate Schedule ITS and overruns under the firm rate schedules shall be subject to available unscheduled capacity and will not bump scheduled quantities. Transporter shall notify Shippers being bumped as a result of Intraday 2 Nominations by 5:30 p.m. CT.

(d) Intraday 3 Nomination Cycle: For nominations received by 7:00 p.m. CT and to be effective at 10:00 p.m. CT on the current Gas Day, nomination increases regardless of Rate Schedule shall be subject to available unscheduled capacity and shall not bump scheduled quantities under any Rate Schedule.

(3) Transporter shall notify parties that are bumped during the Evening, Intraday 1 Nomination and Intraday 2 Nomination Cycles by providing the scheduled quantities information and notification to Shipper's representative through Shipper's choice of Electronic Notice Delivery mechanism(s). Unless Shipper and Transporter have agreed to exclusive notification via EDI/EDM, Shipper should provide Transporter with at least one Internet E-mail address to be used for Electronic Notice Delivery of intraday bump, operational flow orders and other critical notices. 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 intraday bump, operational flow orders or other critical notices to two Internet E-mail addresses for each Shipper. Intraday bump notices will indicate whether daily penalties will apply for the Gas Day for which quantities are reduced.

7.3 Transportation Receipt Point. For transportation capacity at the receipt point under Rate Schedules FTS and ITS of this Tariff, Transporter shall allocate capacity sequentially among the

Rate Schedule priority groupings set forth below and within those Rate Schedule priority groupings, in the manner set forth below:

(a) Rate Schedule FTS. For capacity at the receipt point under the FTS Rate Schedule of this Tariff, Transporter, upon the occurrence of a force majeure event or the existence of a condition identified in Section 16 (Interruptions of Service) of the General Terms and Conditions, shall allocate such capacity to Shippers under the FTS Rate Schedule on a pro rata basis, based upon each such Shipper's respective Transportation Demand.

(b) Rate Schedule ITS And Overrun Quantities Under Rate Schedule FTS. Transporter shall allocate capacity in the manner set forth at Section 7.2(b) above.

7.4 Allocations Based on Value. For purposes of allocating capacity pursuant to Sections 7.2 and 7.3, Shippers paying more than the Recourse Rate will be considered to be paying the Recourse Rate.

7.5 Posting Procedures for Capacity Allocation. Except for force majeure events and/or events or conditions which threaten the integrity of Transporter's system or Transporter's ability to meet its firm service obligations, Transporter will notify Shippers at least 24 hours in advance on its Internet EBB. In addition to the general restrictions described below, more specific restrictions may be imposed when necessary in accordance with the provisions of this Tariff.

(1) No Capacity Restrictions. Transporter, based on forecasted system conditions and utilization, has determined there is adequate system capacity to make all nominated deliveries.

(2) Capacity Restrictions. Transporter, based on forecasted system conditions and utilization, has determined there is a limited amount of Non-Firm Capacity available for deliveries. Transporter will post on its EBB the Non-Firm Capacity available. Seller will allocate capacity as described in Section 7 above.

(3) Zero Non-Firm Capacity. Transporter, based on forecasted system conditions and utilization, has determined there is zero Non-Firm Capacity available for deliveries and will post this on its EBB. Provisions of Section 19.7 (Critical Day) of the General Terms and Conditions apply.

8. METER ALLOCATIONS

This Section specifies the procedures for allocating any differences between (i) the aggregate of all Shippers' Scheduled Daily Delivery Quantities and actual deliveries, and (ii) the aggregate of all Shippers' Scheduled Daily Receipt Quantities and actual receipts (Difference(s)) at the delivery point at which gas is being delivered to or for the account of multiple Shippers or at the receipt point from which gas is being received by Transporter for the account of multiple Shippers. Unless otherwise agreed to between Transporter and Confirming Party, physically measured quantities shall be allocated on scheduled daily quantities and shall be made using dekatherm units.

8.1 Delivery Point Allocation.

The aggregate of all Shippers' Scheduled Daily Delivery Quantities shall be deemed to be the actual deliveries at the delivery meter on that Gas Day.

8.2 Receipt Point Allocation. Differences at a receipt point shall be allocated (1) in accordance with the provisions of an OBA, if an OBA covers such point; or (2) pro rata among all Shippers at that receipt point on the basis of the Scheduled Daily Receipt Quantities, unless the upstream interconnecting operator providing the point confirmation submits a PDA to the allocating party before the start of the Gas Day, and Transporter accepts the PDA.

8.3 Predetermined Allocation Method (PDA).

(a) As used in this Section 8, a PDA is an agreement by or among interconnecting operators, submitted to Transporter prior to the beginning of the Gas Day, at the receipt point to allocate the difference between the scheduled daily quantity and the actual daily flow of gas in a mutually agreeable manner. Types of allocation methods include, but are not limited to, Ranked, Pro Rata, Percentage, Swing, and Operator Provided Value. If the two parties cannot agree upon an allocation methodology, pro rata based upon confirmed nominations shall be used as the default method. PDAs shall be provided by the interconnecting operator, and for multi-tiered allocations, may be provided by the upstream titleholders or Shippers. Interconnecting operators at receipt locations shall provide a PDA to allocate to upstream titleholders. Upstream titleholders may provide a PDA to allocate to the parties taking possession of their gas at a receipt location. Shippers may provide a PDA to allocate to their nominations at the receipt location.

(b) If confirming parties cannot agree upon an allocation methodology at the receipt point, pro rata based upon confirmed nominations shall be used as the default method.

(c) Transporter may negotiate and enter into OBAs with interstate pipelines, intrastate pipelines and other entities. No Difference balanced in-kind shall be allocated to any Shipper at the receipt point covered by the OBA. If an interstate pipeline charges Transporter for

Differences in the OBA, however characterized, Transporter shall charge such interstate pipeline an equivalent and offsetting charge. If Transporter is unable to charge or collect such equivalent and offsetting charges for such Differences, Transporter, on an as-billed basis, shall allocate and bill such charges to Shippers responsible for the imbalance at the point of interconnection at which the Difference giving rise to the charges occurred.

(d) Where an OBA exists between interconnecting parties at the receipt point, a PDA is not necessary.

(e) Changes to a PDA may be made prospectively during the Month. Only one PDA may be submitted per allocation period. Transporter may in its reasonable discretion make retroactive reallocations of transactions to correct for errors. Otherwise, no retroactive reallocations of any transactions shall be permitted without the approval of Transporter and the agreement of those Shippers with Service Agreements affected by such retroactive reallocations, provided that the agreement by such affected Shippers shall not be unreasonably withheld.

(f) PDAs shall remain in effect until a replacement PDA is received from the interconnecting operator or upstream title holder; provided, however, if necessary, PDAs shall be updated at the beginning of each Month. A new allocation detail may be needed when a nomination changes.

(g) If the PDA is provided using EDI, Transporter shall respond with an EDI confirmation indicating receipt of the PDA within 15 minutes and whether there are any errors associated with the PDA.

8.4 (a) Prior Period Adjustments. Except for minor variations as agreed to by all affected parties, prior period measurement adjustments will be taken back to the production month and reflected as such on invoices, imbalance statements and allocation statements. A meter adjustment becomes a prior period adjustment after the fifth business day following a business month. Missing or late measurement data shall be estimated and actuals will be treated as a prior period adjustment, with the measuring party to provide the estimate. Measurement corrections shall be processed within 6 months of the end of the month in which the error occurred, with a 3-month rebuttal period. This provision does not apply in cases of deliberate omission, or misrepresentation, or mutual mistake of fact. No Party's other statutory or contractual rights are diminished by this provision. Mutual agreement between parties, legal decisions, and regulatory guidance may be necessary to determine if the event qualifies for an extension of the above time periods.

(b) Disputed Allocations. Disputed allocations shall be communicated to Transporter within 6 months of the initial month-end allocation, with a 3-month rebuttal period. This time limitation shall not apply in the case of deliberate omission or misrepresentation, or mutual mistake of fact. No Party's other statutory or contractual rights are diminished by this provision.

8.5 For operational monitoring at electronically measured locations, allocated quantities shall be available one business day after the gas has flowed at the end of the Gas Day. The scheduled quantity shall be made available at locations which are not measured electronically. Transporter shall provide allocation statements to the appropriate party for the meters it operates each month.

8.6 Month-end allocations shall be based on a measurement closing date of the fifth business date after the business month. If actual quantities are not available, quantities will be estimated by the Measuring Party.

8.7 Transporter shall have no obligation to negotiate and execute an OBA with any party except as required by 18 C.F.R. § 284.12(c)(2)(i) at points of interconnection with interstate and intrastate pipelines and by applicable laws, rules or regulations.

8.8 Nothing in this Section 8 nor in any executed OBA and/or PDA shall limit Transporter's rights to take any action as may be required to adjust receipts under any Service Agreement to ensure that such receipts reflect actual quantities received through such point or to ensure system integrity.

9. OPERATING CONDITIONS

9.1 Receipt and Delivery Quantities. Transporter may refuse to receive gas from Shipper or for Shipper's account at the Receipt Point on such day or days that Shipper does not accept the quantity nominated by Shipper at the Delivery Point. Transporter may refuse to deliver quantities to Shipper at the Delivery Point if Shipper should be unable to provide the equivalent quantities to Transporter at the Receipt Point.

9.2 Daily Rates of Flow. The gas to be transported hereunder shall be received and delivered at uniform hourly and daily rates of flow as nearly as practicable, subject to the daily nominations as provided in Shipper's applicable Rate Schedule and Section 6 hereof. It is recognized that due to operating conditions, the quantities of gas received and delivered may not be in balance on any one particular day. Transporter and Shipper shall endeavor to keep such variance to a minimum.

9.3 Flow Control. Nothing contained herein or in Transporter's Rate Schedules shall limit Transporter's right to operate flow control or other equipment to require Shippers to remain precisely in balance as to receipts and deliveries at any time. Failure by Transporter to operate flow control or other equipment, or any allowance by Transporter of imbalances up to or exceeding balancing limits shall not limit Transporter's right to require Shippers to maintain strict balances or Transporter's right to operate flow control or other equipment to require Shippers to remain precisely in balance. Transporter will provide Shippers with advance notice of the implementation of any flow control, but reserves the right to implement flow control without prior notice in circumstances when it is necessary to protect system integrity.

9.4 Hourly Flow. Transporter shall have the right but not the obligation to mutually agree with any Shipper to an hourly flow rate for a stated period at any receipt and/or delivery point(s) identified in the Rate Schedule FTS pro forma Service Agreement that is different than the even hourly flow rate required by Section 9.2 above and, where necessary, upon specified conditions to ensure that such agreements do not have any adverse effect on Transporter's system. Transporter will not enter into hourly flow obligations or conditions that will adversely affect Transporter's ability to meet its firm service obligations to an existing Shipper. In the event that Transporter and Shipper mutually agree to such an hourly flow rate for a stated period of time, the hourly flow rate and any conditions will be specified in the pro forma Service Agreement in the blank space provided. Transporter shall have the right to install flow control or other equipment to ensure compliance with the hourly flow rate agreed to by Transporter and Shipper under this Section 9.4.

9.5 Third Party Arrangements. Shipper shall be responsible for making all necessary arrangements with third parties (i) at or upstream of the point of receipt at which Shipper tenders gas to Transporter for transportation services, and (ii) at or downstream of the point of delivery at which Transporter delivers gas for the account of Shipper. Shipper shall be responsible for (i) insuring that any such arrangements are consistent with the terms and conditions of the applicable Rate Schedule under which it seeks to have Transporter transport the gas, and (ii)

requiring such third parties to confirm all of Shipper's nominations with Transporter in a form and manner approved by Transporter. Such third-party arrangements shall be coordinated with Transporter.

9.6 Service Obligation. Transporter shall not be required to perform service under any of its Rate Schedules if any of the facilities necessary to render the requested service do not exist or are not available including periods during which facilities are being maintained or repaired, in which case, interruptions of service shall be made consistent with Section 16 (Interruptions of Service) of the General Terms and Conditions. Transporter shall not be required to construct facilities; provided, however, that Shipper may request construction of facilities, including under the provisions of Section 27 (Construction of Facilities) of the General Terms and Conditions.

9.7 General Limitation of Transporter's Obligation. Transporter shall not be required to perform or continue service on behalf of any Shipper that, within 10 days after receipt of notice from Transporter, fails to comply with any of the terms of the applicable Rate Schedule and Shipper's Service Agreement with Transporter; provided however that Shipper's failure to comply with the billing and payment requirements of this Tariff shall be governed by the provisions of Section 10 (Billing and Payment) of the General Terms and Conditions. Other provisions of such Rate Schedule notwithstanding, Transporter shall have the right to take unilateral action to protect the integrity of its system in the event Transporter, in its reasonable discretion, determines that immediate or irreparable harm to Transporter's facilities or operations will be caused by Shipper's failure to comply with any of the terms of the applicable Rate Schedule, the terms of Shipper's Service Agreement with Transporter, or the General Terms and Conditions of this Tariff.

9.8 Balancing at Termination of Service Agreement. Following the termination of a Service Agreement, or at Transporter's discretion in the event Shipper fails to make prompt payment under Section 10 (Billing and Payment) of the General Terms and Conditions, or if Transporter redetermines Shipper's creditworthiness pursuant to Section 3.9 of the General Terms and Conditions, Transporter may take the following steps:

(a) Shipper under that Service Agreement shall be required to correct any outstanding imbalance in receipts and deliveries within 60 days after Transporter determines, and notifies Shipper, that such an imbalance exists, or within such longer period of time agreed to by Shipper and Transporter (the balancing period). Shipper shall correct in-kind any undertender imbalance by making arrangements upstream of Transporter for delivery to Transporter to correct such undertender imbalance during the balancing period. Shipper shall correct in-kind any overtender imbalance by (i) obtaining a Service Agreement (e.g., under the ITS Rate Schedule) from Transporter pursuant to the terms of this Tariff, and scheduling to receive such overtender imbalance quantities from Transporter under such Service Agreement pursuant to the terms of this Tariff, or (ii) otherwise making arrangements pursuant to this Tariff to dispose of its overtender imbalance. If, after the end of the balancing period, Transporter determines that an

imbalance continues to exist in Shipper's account, Transporter shall resolve such imbalance as set forth below.

(b) If Transporter determines that it delivered quantities to or for Shipper in excess of the quantities tendered to Transporter by or for Shipper, Transporter shall assess and collect from Shipper a reimbursement penalty. Shipper shall pay Transporter a penalty for each Dth of such outstanding imbalance, grossed up for the Retainage percentages applicable to Transporter's ITS Rate Schedule. The penalty shall be the sum of: (i) 150% of the Spot Market Price for the month during which such quantities are made up by Transporter; plus (ii) the cost of transporting such quantities. "Spot Market Price", for purposes of this Section, shall mean, for the applicable Month, the contract price index, last published during the applicable month for gas delivered to Transporter as reported in Natural Gas Intelligence or successor publication. For purposes of calculating Penalty Revenues pursuant to Section 19.6 of the General Terms and Conditions, 100 percent of the Spot Market Price times the applicable number of replenishment dekatherms plus the cost of transporting such quantities shall be retained by Transporter. 50 percent of the Spot Market Price times the applicable number of replenishment dekatherms shall be treated as Penalty Revenues as defined in Section 19.6 of the General Terms and Conditions. Upon payment of such charge, the imbalance shall be removed from Shipper's account.

(c) If Transporter determines that Shipper tendered to Transporter quantities in excess of the quantities taken by or for Shipper at the delivery point(s), any such quantities automatically shall be forfeited by Shipper to Transporter free and clear of all liens and encumbrances. Transporter shall post such forfeited quantities on its EBB as gas available for sale to the highest bidder within a 24-hour notice period. Upon receipt of payment, Transporter shall treat the forfeited gas proceeds as Penalty Revenues as defined in Section 19.6 of the General Terms and Conditions.

9.9 Transporter may waive the provisions of Section 9.8 on a nondiscriminatory basis.

10. BILLING AND PAYMENT

10.1 Billing.

(a) Transporter shall render or cause to be rendered to Shipper by the tenth (10th) day of each month following the date of the final monthly meter reading (Billing Month) an imbalance statement, and an invoice setting forth the volume of gas and the Btu of the gas tendered at the point(s) of receipt and point(s) of delivery during the preceding month, the net billing rate and the amount due, together with information sufficient to explain and support any adjustments made by Transporter with respect to the quantity of gas delivered hereunder. Rendered is defined as postmarked, time-stamped, or delivered to the designated site. All invoices shall be based on actuals (if available) or on best available data. Quantities at points where OBAs exist shall be invoiced on scheduled quantities.

(b) When information necessary for billing purposes is in the control of Shipper, Shipper shall furnish such information to Transporter on or before the fifth day after the final meter reading of each Billing Month.

(c) Both Transporter and Shipper shall have the right to examine, at reasonable times agreed to by both parties, books, records, and charts of the other to the extent necessary to verify the accuracy of any statement, charge, or computation made pursuant to any of the provisions of this Section.

10.2 Payment.

(a) Transporter shall notify Shipper through its EBB the billing date which will be used for determining on-time payments. If Transporter fails to perform such notification, the billing date will be deemed the later of the 10th calendar day after the flow month or the actual date the invoice was posted on Transporter's EBB. Shipper shall pay Transporter by wire or other electronic fund transfer (EFT) of Federal Funds which are made immediately available to Transporter at such bank account as Transporter shall designate, on or before the tenth (10th) day after Transporter has presented to Shipper an invoice for payment, except when such tenth (10th) day is a Saturday, Sunday or Federal Bank Holiday, in which case payment is due on the following business day, provided however, a Shipper whose monthly invoice shows a total amount due of less than \$5,000 (five thousand dollars) may elect to make payment by check which shall be sent by U.S. Mail, first class delivery and postmarked on or before the tenth (10th) day after the posted billing date. All such payments shall be considered to have been made on the date when Transporter has use of said funds. Shipper shall identify invoice number(s) on all payments. Shipper should submit supporting documentation.

Transporter should apply payment per supporting documentation provided by Shipper. If payment differs from the invoiced amount, remittance detail should be provided by the Shipper with the payment except when payment is made by EFT in which case, the remittance detail is due

within two Business Days of the payment due date. Shipper shall pay the portion not in dispute and shall provide documentation identifying the basis for the dispute.

(b) If rendering of a bill by Transporter is delayed after the tenth day following the date of the final monthly meter reading, then the time of payment shall be extended by the same number of days unless Shipper is responsible for such delay.

(c) Should Shipper fail to pay all of the amount of any bill as herein provided, interest on the unpaid portion of such bill shall be computed at the rate set forth in Section 154.501 of the Commission's Regulations, prorated for the number of days from the due date of payment until the actual date of payment.

(d) If Shipper in good faith disputes the amount of any such bill or part thereof, Transporter shall not be entitled to suspend further delivery of gas if (i) Shipper pays to Transporter such amounts as it concedes to be correct and provides written documentation as to the basis for the dispute; (ii) within 30 days of a demand made by Transporter, Shipper furnishes good and sufficient surety bond in an amount and with surety satisfactory to Transporter; (iii) such surety bond guarantees payment to Transporter of the amount ultimately found due upon such bill, plus accrued interest, upon a final determination by agreement or by judgment of the courts; and (iv) Shipper does not default on the conditions of such bond. If Shipper (i) has complied with all of the requirements in the immediately preceding sentence; (ii) prevails on the merits of such dispute concerning such bill by reason of a final determination by agreement or by judgment of the courts; and (iii) makes payment to Transporter in accordance with such final determination, then Transporter shall reimburse Shipper for the reasonable premium cost incurred by Shipper in obtaining such surety bond upon Transporter's receipt from Shipper of the documentation of such premium cost.

10.3 Adjustment of Billing Errors. If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under this Section 10 and Shipper has actually paid the bills containing such overcharge or undercharge, Transporter shall refund the amount of any such overcharge or Shipper shall pay the amount of any such undercharge within 30 days after final determination of such amounts. In the event an error is discovered in the amount billed in any statement rendered by Transporter, such error shall be adjusted within 30 days of Transporter's determination thereof, provided that claim therefore shall have been made within 30 days from the date of discovery of such error but in any event within 6 months from the date of such statement with a 3 month rebuttal period. These time limitations shall not apply in cases of Commission required rate changes, to deliberate omissions, to misrepresentations or mutual mistake of fact. Neither Shipper's nor Transporter's other statutory or contractual rights shall be diminished by this provision.

10.4 Suspension or Termination for Nonpayment. If Shipper under any Rate Schedule fails to make payment when due, Transporter, in addition to any other remedies it chooses to exercise, may suspend service by sending a written notification to Shipper and the Commission providing

the Shipper with notice that Transporter will suspend service to Shipper and cancel Shipper's Service Agreement if Shipper fails to make full payment within ten (10) days of Shipper's receipt of the notice. Neither suspension of service nor termination of the Service Agreement shall excuse payment of any amounts due or otherwise limit Shipper's obligations incurred under any Service Agreement prior to such agreement's termination.

10.5 Billing Disputes. If Shipper in good faith disputes an invoice from Transporter and complies with the provisions of Section 10.2(d) above, further resolution of the dispute shall be in accordance with the provisions of Section 30 (Complaint Resolution Procedure) of the General Terms and Conditions.

10.6 Refunds. Transporter shall pay any refunds owed in excess of \$50,000 to any Shipper by wire or other EFT of Federal Funds immediately available to Shipper at such bank account as Shipper shall designate.

10.7 Right to Set Off Unpaid Amounts. In the event the Shipper does not pay the full amount due Transporter in accordance with Section 10.2 hereof, Transporter, without prejudice to any other rights or remedies it may have, shall have the right to withhold and set off payment of any amounts of monies due or owing by Transporter to Shipper, against any and all amounts or monies due or owing by Shipper to Transporter for services performed by Transporter for Shipper. In addition, if Shipper has an overtender(s) of gas on any Service Agreement(s), Transporter will have the right to net that overtender of gas against any existing undertender(s) of gas on any of Shipper's Service Agreement(s).

11. PRIMARY RECEIPT AND DELIVERY POINTS

The point(s) of receipt for all gas tendered to Transporter for transportation under Transporter's Rate Schedules shall be at the interconnection of the facilities of Transporter, Shipper or any applicable third parties, or at such other primary point agreed upon by Shipper and Transporter and specified in Shipper's Service Agreement with Transporter. The point of delivery for all gas delivered by Transporter to Shipper or to a third party on behalf of Shipper under Transporter's Rate Schedules shall be (i) at the interconnection of the facilities of Transporter and Shipper or any applicable third parties, or (ii) at such other primary point agreed upon by Shipper and Transporter and specified in Shipper's Service Agreement with Transporter.

12. MAXIMUM DAILY QUANTITY AT RECEIPT AND DELIVERY POINTS

(a) Shipper's Maximum Daily Quantity at each point of receipt and delivery under Transporter's firm service Rate Schedule shall be set forth in the applicable Service Agreement.

(b) The sum of Shipper's Maximum Daily Quantity at all receipt points shall equal the sum of the Transportation Demand under Shipper's firm Service Agreement(s) plus quantities necessary for Retainage.

(c) Unless waived by Transporter in its reasonable discretion, the aggregate of Shipper's Maximum Daily Quantity at receipt and delivery points shall be reduced in proportion to any reduction by Shipper in its Transportation Demand. Shipper shall have the right to specify the receipt and delivery points at which the reductions or adjustments in the Maximum Daily Quantity shall be made.

13. PRESSURE

13.1 Transporter shall deliver gas at the delivery point to or for the account of Shipper at the pressure which shall be available from time to time in Transporter's pipeline, less any pressure reduction that may occur through any measurement, flow control, regulation or other appurtenant facilities that are owned by Transporter; provided, however, that Transporter and Shipper may mutually agree to a specific minimum delivery pressure for a stated period at the delivery point which Transporter shall agree to meet or exceed, and where necessary, upon specified conditions to ensure that such agreements do not have any adverse effects on Transporter's system. Transporter's obligation to meet or exceed this minimum delivery pressure shall be contingent upon total deliveries at the particular delivery point not exceeding the combined total Maximum Daily Quantity (MDQ) of all Shippers who hold firm service rights to said point. Transporter may meet or exceed the specified minimum delivery pressure if deliveries at the delivery point are in excess of the combined total MDQ or any specified hourly flow commitments, but shall have no obligation to do so. If Transporter and Shipper agree to a specific minimum delivery pressure obligation for a stated period, the pressure obligation and any conditions will be specified in the pro forma Service Agreement in the blank space provided. Transporter may at any time, and from time to time, exceed a minimum delivery pressure obligation it has made to a Shipper. Transporter also may operate its facilities at less than the minimum delivery pressure obligation made to a Shipper when the Shipper does not require the agreed-upon minimum delivery pressure.

13.2 Shipper shall deliver gas or cause gas to be delivered to Transporter at the receipt point at a pressure sufficient to allow the gas to enter Transporter's pipeline, as such pressure shall vary from time to time. Transporter shall not be required to compress into its pipeline gas transported under any Rate Schedule, or otherwise change its normal pipeline operations. At the receipt point, Shipper shall provide, or cause to be provided, equipment acceptable to Transporter that will prevent overpressuring of Transporter's pipeline. Transporter and Shipper may agree to a specific minimum receipt pressure for a stated period at the point, below which Transporter is not obligated to receive gas from or on behalf of Shipper, and where necessary, upon specified conditions to ensure that such agreements do not have any adverse effects on Transporter's system. If Transporter and Shipper agree to a specific minimum receipt point pressure obligation for a stated period, the pressure obligation and any conditions will be specified in the pro forma Service Agreement in the blank space provided.

13.3 Transporter will not enter into minimum pressure obligations or conditions that will adversely affect Transporter's ability to meet its firm service obligations to an existing Shipper.

14. RELEASE AND ASSIGNMENT OF SERVICE RIGHTS

14.1 Capacity Release and Assignment Procedures

(a) The procedures set forth in this Section governing the release and assignment of service rights by Shippers shall apply to all services offered by Transporter for which such right is provided in the applicable Rate Schedule. A Shipper under such applicable Rate Schedule may release and assign all or any portion of the service under its Service Agreement. Any Shipper accepting such assignment (Replacement Shipper) must meet the Transporter's creditworthiness requirements, must have executed an Electronic Contracting Agreement with Transporter, and must be an authorized EBB user complying with all conditions and requirements set forth in the General Terms and Conditions and in the applicable Rate Schedule and Service Agreement.

(b) The capacity release timeline 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 acquiring shipper has been determined to be credit worthy before the capacity release bid is tendered, 2) for index-based capacity release transactions, the Releasor has provided Transporter with sufficient instructions to evaluate the corresponding bid(s) according to the timeline, and 3) there are no special terms or conditions of the release. In addition, Transporter may complete the capacity release process on a different timeline if the offer includes unfamiliar or unclear terms and condition (*e.g.*, designation of an index not supported by Transporter).

(c) Capacity Release Timeline:

For biddable releases (1 year or less):

- (1) offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day;
- (2) open season ends at 10:00 a.m. on the same or a subsequent Business Day;
- (3) evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made, and ties are broken;
- (4) if no match is required, the evaluation period ends and the Award is posted by 11:00 a.m.;

- (5) where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the Award is posted by 12:00 Noon.;
- (6) the Service Agreement is issued within one hour of the Award posting (with a new Service Agreement number, when applicable);
- (7) nomination is possible beginning at the next available nomination cycle for the effective date of the Service Agreement.

For biddable releases (more than 1 year):

- (8) offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day;
- (9) open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days;
- (10) evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made, and ties are broken;
- (11) if no match is required, the evaluation periods ends and the Award is posted by 11:00 a.m.;
- (12) where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the Award is posted by 12:00 Noon;
- (13) the Service Agreement is issued within one hour of the Award posting (with new Service Agreement number, when applicable);
- (14) nomination is possible beginning at the next available nomination cycle for the effective date of the Service Agreement.

For non-biddable releases:

- (15) the posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle. The posting deadlines are:
 - (i) Timely Cycle 12:00 Noon
 - (ii) Evening Cycle 5:00 p.m.

- (iii) Intraday 1 Cycle 9:00 a.m.
- (iv) Intraday 2 Cycle 1:30 p.m.
- (v) Intraday 3 Cycle 6:00 p.m.;

- (16) the Service Agreement is issued within one hour of Award posting (with a new Service Agreement number, when applicable);
- (17) nomination is possible beginning at the next available nomination cycle for the effective date of the Service Agreement.

14.2 Initiating the Release and Assignment.

(a) Electronic Bulletin Board. The release and assignment of service rights by Shipper shall be facilitated through Transporter's EBB, described in Section 2 (Electronic Bulletin Board) of the General Terms and Conditions. As explained below, Shippers seeking to release and assign firm service rights (Releasors) shall post offers to release and notices of prearranged assignments through Transporter's EBB. Potential Replacement Shippers also may post offers to purchase service rights and bids for capacity through Transporter's EBB. Such postings shall be made through the interactive features of Transporter's EBB and shall remain posted for at least 30 days. Transporter reserves the right to request modifications in, or to delete all or any portion of, postings that do not conform to the requirements of Section 14.2(b) below; provided, however, that Transporter shall have no responsibility for any errors, omissions, or other aspects of these postings from third parties on its EBB.

(b) Release Notice. Releasor may initiate the assignment of the service rights it is seeking to release and assign by electronically transmitting the information specified below to Transporter's EBB (Release Notice). Such electronic Release Notice shall contain the following information regarding the capacity that Shipper is seeking to release:

- (1) Releasor's identity, the Rate Schedule under which Releasor seeks to release capacity, and the Service Agreement number assigned by Transporter to the Service Agreement under which Shipper seeks to release capacity;
- (2) whether release is on a temporary or permanent basis;
- (3) the numeric quantity being released on a per day basis for transportation, and the term (duration);
- (4) the receipt and delivery points;
- (5) any applicable recall provisions relating to the proposed release, and whether the Replacement Shipper will have the option to refuse the capacity after recall has ended;

(6) any minimum conditions concerning the rate, term, or volume that the releasing shipper is willing to accept (and that Releasor wishes to have posted on Transporter's EBB), or a statement that it has separately revealed to Transporter any such minimum conditions, which shall be posted following the close of bidding;

(7) whether Releasor will accept contingent bids for the capacity being released and, if so, all terms and conditions of acceptable contingencies including the manner in which such contingent bids will be evaluated;

(8) the maximum reservation charge (including demand-type surcharges) applicable to the capacity being released;

(9) the date and time of (i) the posting of the release notice on Transporter's EBB, and (ii) the close of the bidding for the released capacity;

(10) whether the Releasor has a prepackaged arrangement to assign the service to a specified Replacement Shipper; and, if so, the identity, address, and telephone number of the designated Replacement Shipper and the price the prospective Replacement Shipper has agreed to pay under any such prepackaged arrangement;

(11) objective criteria for evaluating responsive bids by potential Replacement Shippers and for breaking ties among highest bidders, to the extent that Releasor's criteria are at variance with the criteria established by Transporter in this Section;

(12) the name, and Internet E-mail address or EDI/EDM Electronic Notice Delivery Mechanism of Releasor's designated contact person;

(13) the rate basis on which bids for the released capacity are to be submitted, either reservation or one-part volumetric;

(14) for non-index based releases, whether bids for the released capacity are to be submitted on a fixed dollars and cents amount or on a percentage of maximum rate basis;

(15) for index-based releases, whether there is a rate floor, any applicable rate default to be used when the index-based formula is not available or cannot be computed, and which of the following methods is acceptable: (a) a percentage of the formula; (b) a dollars and cents differential from the formula; (c) a dollars and cents differential from the rate floor; or (d) an approved method in Transporter's tariff, if any;

(16) whether the release is subject to an indemnification provision pursuant to which the initial Replacement Shipper indemnifies Releasor against any claims by

successive Replacement Shippers relating to refunds (where Releasor has provided correctly calculated refunds to the initial Replacement Shipper), and all terms of any such indemnification provision;

(16) whether the release is to an asset manager, as defined in Section 284.8 of the Commission's regulations; and

(17) whether the release is to a marketer participating in a State-regulated retail access program as defined in Section 284.8 of The Commission's regulations.

(c) Evaluation Criteria.

(1) General Requirement. For the capacity release business process timing model, only the following methodologies are required to be supported by Transporter and provided to Releasor as choices from which they may select and, once chosen, should be used in determining the awards from the bid(s) submitted. They are: 1) highest rate, 2) net revenue and 3) present value. Other choices of bid evaluation methodology (including other Releasor defined evaluation methodologies) can be accorded similar timeline evaluation treatment at the discretion of Transporter. However, Transporter is not required to offer other choices or similar timeline treatment for other choices, nor, is Transporter held to the timeline should Releasor elect another method of evaluation. Releasor shall include all such alternative evaluation criteria in the Release Notice to be posted on Transporter's EBB. When Transporter makes awards of capacity for which there have been multiple bids meeting minimum conditions, Transporter shall award the bids, best bid first, until all offered capacity is awarded.

(2) Index-Based Releases. For index-based capacity release transactions, the Releasor should provide the necessary information and instructions to support the chosen methodology. Where the result of an award under an index-based release is to be applied on a monthly basis and the formula detailed in the capacity release award requires calculations on a daily basis, the results of such daily calculations may exceed the maximum daily reservation rate or be less than the applicable minimum daily reservation rate. Any resulting monthly reservation rate may not be less than the rate floor specified in the release, if applicable. If the resulting monthly reservation is less than the rate floor, the rate floor will be used for invoicing. Except for releases with a term of one year or less, the resulting monthly reservation rate may not exceed the applicable monthly maximum recourse rate. For releases with a term of more than one year, if the resulting monthly reservation rate exceeds the applicable maximum recourse rate, the maximum recourse rate will be used for invoicing. For index-based capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology.

(d) At any time up to the close of the bidding period for the posted capacity, Releasor may withdraw its posting for release of capacity if unanticipated circumstances justify the withdrawal and no minimum bid has been made. Such a withdrawal shall be affected by Releasor placing a notice of withdrawal on Transporter's EBB. Offers will be binding until a written or electronic notice of withdrawal is received by Transporter.

14.3 Posting.

Posting of Release Notices on Transporter's EBB shall be complete and subject to the conditions and exceptions set forth below.

(a) Exempt Transactions. Posting for the purpose of inviting bids shall not be required for (i) prepackaged arrangements Releasor has arranged with a designated Replacement Shipper for a period of 31 days or less; (ii) prepackaged arrangements for more than one (1) year under which the designated Replacement Shipper agrees to pay the maximum reservation charge and commodity rate, and applicable surcharges, and meets all requirements set forth in this Tariff; (iii), releases to an asset manager, as defined in Section 284.8 of the Commission's regulations; or (iv) releases to a marketer participating in a state-regulated retail access program as defined in Section 284.8 of the Commission's regulations (collectively "exempt transactions").

(b) Notice to Transporter; Informational Posting. For any exempt transaction, as described in paragraph (a) immediately above, Releasor shall provide Transporter (for Service Agreement execution purposes), and shall post on Transporter's EBB in accordance with the capacity release timeline under Section 14.1(c) above: (i) the information required for a Release Notice; (ii) the price and term of the assignment; (iii) the identity of the Replacement Shipper; and (iv) for releases to an asset manager (as defined in Section 284.8 of the Commission's regulations), the asset manager's delivery obligation to Releasor. Releasor may post such exempt transactions at any time. Transporter shall issue an Assignment Agreement within one (1) hour of such posting and shall allow nominations under such Assignment Agreement in the next available nomination cycle, as specified in Section 6.2(e) of the General Terms and Conditions. In the event Shipper has not executed the Assignment Agreement prior to making its nomination, Shipper shall be deemed to have executed the Assignment Agreement with Transporter pursuant to which the nomination is being made.

(c) Limitations on Continuation of Exempt Transactions. A Releasor that has employed an exempt transaction to assign service to a designated Replacement Shipper for a period of 31 days or less, as described in Section 14.3(a)(i) above: (i) shall not roll over, extend, or otherwise continue that release beyond its original term without complying with the posting and competitive bidding requirements applicable to all non-exempt transactions, as set forth in this Section, unless the rollover, extension, or continuation is at the maximum rate for a term of more than one (1) year, meets all of the terms and conditions of the Release Notice, and qualifies as an exempt transaction under Section 14.3(a) above; and (ii) shall not re-release to the same Replacement Shipper for 28 days after termination of the earlier release period without fully

complying with the ordinary posting and competitive bidding requirements applicable to all non-exempt transactions, as set forth in this Section, unless the re-release is at the maximum rate for a term of more than one (1) year, meets all of the terms and conditions of the Release Notice, and qualifies as an exempt transaction under Section 14.3 (a) above. This Section does not apply to releases to an asset manager or releases to a marketer participating in a state-regulated retail access program.

(d) Timing and Duration of Posting. Offers to release and assign capacity shall be posted on Transporter's EBB in accordance with the capacity release timeline under Section 14.1(c) above. Releasor may not specify an extension of the original bid period or the pre-arranged deal match period without posting a new release.

(e) Method to Post. Transporter shall post offers and bids, including pre-arranged deals, upon receipt. Releasor may request a later posting time for posting of such offer, and Transporter shall support such a request insofar as it comports with the standard capacity release timeline specified in NAESB WGQ Standard 5.3.2.

14.4 Bidding.

(a) Potential Replacement Shippers shall submit bids for released capacity which comport with the methodology of the release notice stated in ten-thousandths of one dollar (\$0.0000) per Dth one day per month for reservation charges, or in hundredths of one cent (0.00¢) per Dth for one-part volumetric rate bids or a percent of maximum, accompanied by a valid Bid for Capacity Release Form in the form included in this Tariff. Potential Replacement Shippers may bid the maximum applicable reservation rate as an alternative to the method specified by the Releasor, except when the release is index-based for a term of one year or less or utilizes market-based rates. Bids submitted for a permanent release shall be submitted on a valid Request for Service as set forth in Section 3 (Requests for Service) of the General Terms and Conditions. Such bids (i) shall be submitted electronically by potential Replacement Shippers to Transporter's EBB in the format established by Transporter for such bids on the EBB, (ii) shall be displayed on the EBB when complete without revealing the identity of the bidder during the bidding period, and (iii) in accordance with Transporter's specifications, shall specifically reference the capacity for which the bid is being submitted.

(b) A potential Replacement Shipper responding to the posting of a Release Notice shall be permitted to bid a quantity and a term of service different from those specified in the posted Release Notice; provided, however, that a Bidder shall not be permitted to bid a quantity or a term of service lower than any minimum quantity or term disclosed and posted by Releasor in the Release Notice. Bidders must accept all other conditions set forth in the Release Notice.

(c) Bids shall be submitted by potential Replacement Shippers without bidders knowing the identities of other bidders. Bidders may submit multiple bids, each higher than the previous bid, during the posting period established pursuant to Section 14.3(e) above.

(d) All bidders must: (i) have pre-qualified under Transporter's creditworthiness standards, and (ii) where execution of an Assignment Agreement will be required within five days of its transmission by Transporter, have executed an Electronic Contracting Agreement with Transporter, as required by Section 3 (Requests for Service) and Section 5 (Service Agreement and Electronic Contracting) of the General Terms and Conditions.

(e) Releasers that have (i) Service Agreements with Transporter and with Columbia, or (ii) multiple Service Agreements with Transporter may post Release Notices for capacity under such Service Agreements with a "Stand-Alone" or "Not Stand Alone" indicator. Potential Replacement Shippers must submit bids on all parcels that "Stand Together".

(f) All bids for capacity release transactions of more than one (1) year in length shall neither exceed the maximum rates nor be less than the minimum rates permitted by the Commission for the released services. Bids for capacity release transactions of one (1) year or less shall not be less than the minimum rates permitted by the Commission for the released services. Bids for capacity for a term of more than one (1) year that are offered at a one-part volumetric rate (which shall apply only to the reservation portion of the rate) shall not exceed a maximum rate calculated by converting the applicable maximum reservation charge into a volumetric charge at a 100 percent load factor plus the applicable commodity charges. Bids may not be adjusted to reflect a daily, monthly, or seasonal rate.

(g) Bids are binding, other than contingent bids, until notice of withdrawal is received by Transporter's EBB. Bids may be withdrawn before the close of the bidding period but may not be withdrawn after the bid period ends. Any bidder that withdraws its bid for released capacity may not, within that same bidding period, submit a bid at a lower rate for any portion of that same capacity.

(h) Where higher bids are received for capacity that Releaser proposes to release under a prepackaged arrangement that is subject to competitive bidding (including prepackaged arrangements for 31 days or less for which Releaser requests competitive bidding), the Replacement Shipper designated by Releaser (designated Replacement Shipper) shall be notified by Transporter and shall exercise its right to match the highest competing bid in accordance with the capacity release timeline under Section 14.1(c) above. A Releaser shall not be able to specify an extension of the original pre-arranged match period without posting a new release.

14.5 Evaluation of Bids and Assigning Service Rights.

(a) Transporter shall perform the evaluation of bids in accordance with the criteria specified in the Release Notice and shall determine which, if any, bids to accept.

(b) In the absence of any such Releaser-developed alternative criteria to the contrary, as specified in Releaser's Release Notice, bids shall be evaluated and rights to released capacity

assigned by Transporter in accordance with the bid evaluation criteria referenced at Section 14.2(c).

(c) Where Releasor has posted a prepackaged arrangement at less than the maximum rate (including prepackaged arrangements for 31 days or less for which the Releasor requests competitive bidding), the designated Replacement Shipper under that arrangement will be awarded the capacity if, within the time limits specified in Section 14.2(h) immediately above, that designated Replacement Shipper matches the competing bid(s) offering the highest economic value, as calculated in accordance with the bid evaluation criteria set forth in Section 14.2(c) or in the Release Notice.

(d) Where highest bids of equal value are received for released capacity from more than one bidder, not including a designated Replacement Shipper under a prepackaged arrangement, the capacity (i) shall be assigned in accordance with any nondiscriminatory method for breaking ties established by Releasor in the Release Notice, or (ii) shall, if Releasor does not establish a tie-breaking method, be assigned pro rata on the basis of the respective quantities bid by the winning bidders. Bidders may specify in their bids the minimum quantities they will accept. If a pro rata allocation would result in assignment of quantities below a bidder's minimum quantity, any such bidder will not be assigned the capacity, and the total quantity available for assignment will then be re-allocated among the remaining highest value bidders on a pro rata basis.

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

(f) Transporter shall post on the EBB the winning bid and the identity of the winning bidder(s) in accordance with the capacity release timeline under Section 14.1(c) above.

14.6 Assignment Agreements.

(a) For all transactions pursuant to this Section 14, Transporter shall electronically transmit an Assignment Agreement upon receipt of Replacement Shipper's electronic confirmation reflecting the terms of the Release Notice to Replacement Shipper in accordance with the capacity release timeline under Section 14.1(c) above.

(b) Transporter and Replacement Shipper shall execute the Assignment Agreement in substantially the form contained in this Tariff; provided that such an Agreement shall be executed electronically where an executed Agreement is required within five business days of its transmission by Transporter. That Assignment Agreement shall contain all terms and conditions of the release and assignment; provided that such terms and conditions are identical to those set forth in the underlying Release Notice. Where electronic contracting is required as described immediately above, all Replacement Shippers must have executed an Electronic Contracting

Agreement in accordance with the electronic contracting procedures specified in Section 5.7 of the General Terms and Conditions. All Replacement Shippers must meet the Transporter's creditworthiness requirements. Service will not be provided unless the Assignment Agreement properly has been executed. If the Replacement Shipper does not execute and return such Assignment Agreement within two business days of Transporter's tender (or such later date established by Releasor through notice to Transporter and Replacement Shipper), Transporter's offer of an Assignment Agreement shall be void and Transporter will tender an Assignment Agreement to the next highest acceptable bidder, if any, consistent with the terms of the Release Notice. Except with respect to prearranged transactions described in Section 14.3(a) above, Replacement Shippers failing to return such agreement shall be prohibited from bidding for six months, or less than six months if agreed to in writing by the Releasor. Nothing herein shall restrict Releasor from pursuing any other remedies it may have against a Replacement Shipper failing to execute and return an Assignment Agreement tendered by Transporter.

14.7 Implementation; Receipt and Delivery Points. Replacement Shippers may submit nominations to Transporter in the next available nomination cycle, as specified in Section 6.2(e) of the General Terms and Conditions, following execution of an Assignment Agreement, consistent with the electronic contracting requirement set forth in Section 5.7 of the General Terms and Conditions. In the event Replacement Shipper has not executed the Assignment Agreement prior to making its nomination, Shipper will be deemed to have executed the Assignment Agreement with Transporter pursuant to which the nomination is made. Quantities flowing under assigned service rights shall have the same priority as those quantities had under the applicable underlying Service Agreement originally entered into by Releasor and Transporter, and that priority shall be unaffected by whether or not the assignment is subject to recall, as described at Section 14.8 below.

14.8 Recall; Reassignment of Assigned Service Rights.

(a) Agreements Subject to Recall. Releasors shall be permitted to specify as a condition for releasing capacity the right to recall that assigned capacity upon notice to Transporter and to Replacement Shipper. Any such recall provision must be included in the Release Notice originally submitted by Releasor and in the Assignment Agreement executed following assignment of the capacity. The Release Notice and the Assignment Agreement governing the assigned capacity shall clearly state (i) the frequency with which Releasor may recall any released capacity, (ii) the maximum duration of any such recall, (iii) whether and under what conditions any right of first refusal held by Releasor is transferred to Replacement Shipper, and (iv) such other terms as Releasor may specify.

Replacement Shipper shall be permitted to make secondary assignments of all or any part of the capacity, unless prohibited by the Releasor, contained in its Assignment Agreement that is subject to Releasor's right to recall, provided, however, that such assignments shall not vary the recall provisions contained in the original assignment.

(b) Replacement Shipper Release. Replacement Shipper that desires to release some or all of its assigned capacity (Replacement Shipper/Secondary Releasor) may release and reassign all or a portion of the assigned capacity to other parties (Secondary Replacement Shippers) subject to the requirements set forth in paragraph (a) immediately above. Any such reassignment must satisfy all of the posting, bidding and notice requirements set forth in this Section, and any Secondary Replacement Shipper must satisfy all of the creditworthiness and other requirements set forth in this Section. No limitation unless required by the Releasor shall be placed on the number of times service rights that are not subject to recall may be reassigned, provided, however, that a Replacement Shipper/Secondary Releasor may not assign rights any greater than the rights it received pursuant to the earlier assignment, and may not place any unreasonable or discriminatory conditions on such assignments.

(c) For all released capacity subject to recall rights, the following recall notification periods shall apply:

Timely Recall Notification:

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

(2) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 9:00 a.m. on the day that Timely Nominations are due;

Early Evening Recall Notification:

(3) Releasing Shipper recalling capacity shall provide notice of such recall to the Transporter and the first Replacement Shipper no later than 3:00 p.m. on the day that Evening Nominations are due;

(4) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 4:00 p.m. on the day that Evening Nominations are due;

Evening Recall Notification:

(5) Releasing Shipper recalling capacity shall provide notice of such recall to the Transporter and the first Replacement Shipper no later than 5:00 p.m. on the day that Evening Nominations are due;

(6) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 6:00 p.m. on the day that Evening Nominations are due;

Intraday 1 Recall Notification:

(7) Releasing Shipper recalling capacity shall provide notice of such recall to the Transporter and the first Replacement Shipper no later than 7:00 a.m. on the day that Intraday 1 Nominations are due;

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

Intraday 2 Recall Notification:

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

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

Intraday 3 Recall Notification:

(11) Releasor recalling capacity shall provide notice of such recall to the Transporter and the first Replacement Shipper no later than 4:00 p.m. on the day that Intraday 3 Nominations are due;

(12) Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 5:00 p.m. on the day that Intraday 3 Nominations are due.

For recall notification provided to Transporter prior to the recall notification deadline specified above and received between 7:00 a.m. and 5:00 p.m., Transporter shall provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification. For recall notification provided to Transporter after 5:00 p.m. and prior to 7:00 a.m., Transporter shall provide notification to all affected Replacement Shippers no later than 8:00 a.m. after receipt of such recall notification. Recalled capacity notices will indicate whether penalties will apply for the Gas Day for which quantities are being reduced due to a capacity recall.

(d) For the recall notification provided to Transporter, the quantity shall conform to Transporter's capacity recall notification specification. Transporter requires that the quantity must be expressed in terms of adjusted total released capacity entitlements based upon the Elapsed Prorated Capacity. Transporter will not be obligated to deliver in excess of the total daily contract quantity of the release.

(e) Assignment Agreements that call for payment by Shipper of a one-part volumetric rate may not be released and assigned.

14.9 Billing.

(a) Transporter, in accordance with the terms of this Tariff, shall: (i) bill the Releasor for the full reservation charge, applicable reservation-related surcharges and any other fixed charges for which Releasor is otherwise obligated to Transporter, less either the reservation charge bid by Releasor's Replacement Shipper, or the reservation charge portion of amounts billed to Replacement Shippers paying one-part volumetric rates; and (ii) bill the Replacement Shipper for (A) the reservation charge bid by that Replacement Shipper (except for periods during which the Releasor has recalled the capacity), (B) all commodity charges, or all payments under one-part volumetric rates, and any minimum volumetric commitment agreed to but not met by the Replacement Shipper, (C) any commodity surcharges, (D) any penalties or imbalance correction costs associated with the assigned capacity, and (E) any applicable overrun charges, as any of these charges may change from time to time upon approval of the Commission. For all payments received from Replacement Shipper, Transporter shall allocate such payment first to the reservation charge (or to the reservation charge component under a one-part rate) and then any amounts above that level to the commodity charge (or to the commodity charge component under a one-part rate). Replacement Shipper may, upon notice to Transporter and approval of the Releasor, appoint Releasor as its agent to receive such billings from Transporter. The charges shall be pro-rated for a Billing Month if necessary.

(b) For all assignments of service rights, Releasor shall remain ultimately responsible to Transporter for full payment of the reservation charge, any applicable reservation-related surcharges, and any other fixed charges for which Releasor is otherwise obligated to Transporter. For permanent releases of capacity, Transporter may in its reasonable discretion agree to release the Releasor from this responsibility. Such discretion shall be exercised by Transporter in a nondiscriminatory manner. Until payment by Replacement Shipper to Transporter of any unpaid reservation charges, any claims Releasor may have relating to those charges shall be subordinated to those of Transporter. Any reservation charge payments made by Replacement Shipper to Transporter will not be withheld from Releasor by Transporter due to Replacement Shipper's failure to pay Transporter other amounts owed that are unrelated to the released capacity. In the event of termination of Releasor's Service Agreement with Transporter, Replacement Shipper's Service Agreement with Transporter, Replacement Shipper's Service Agreement with Transporter is deemed terminated unless (1) Replacement Shipper agrees to pay Transporters the currently effective maximum rate for service under the tariff, or (2) Transporter and Replacement

Shipper mutually agree upon a discounted rate or negotiated rate for services under this tariff; provided, however, that any Replacement Shipper shall be entitled to continued service at the contract rate between the Releasor and Transporter.

(c) In the event that a Replacement Shipper (including a Secondary Replacement Shipper) fails to pay Transporter's invoice relating to the released capacity, Transporter shall within five business days (or as soon thereafter as possible) provide the Releasor (the most recent Releasor, where the capacity has been secondarily assigned) with written or telephonic notice of such nonpayment. Upon Releasor's receipt of such notice of Replacement Shipper's nonpayment, Releasor, without prejudice to any other rights it may have, may immediately recall the assigned capacity upon 24-hour notice to Replacement Shipper unless within such period Replacement Shipper pays in full the outstanding indebtedness, together with accrued interest at the Commission approved interest rate, and furnishes adequate assurance of payment to Releasor if required by Releasor.

(d) Transporter should provide the original Releasor with Internet E-mail notification reasonably proximate in time with any of the following formal notices given by Transporter to the Releasor's Replacement Shipper(s), of the following:

- (1) Notice to the Replacement Shipper regarding the Replacement Shipper's past due, deficiency, or default status pursuant to Transporter's Tariff;
- (2) Notice to the Replacement Shipper regarding the Replacement Shipper's suspension of service notice;
- (3) Notice to the Replacement Shipper regarding the Replacement Shipper's contract termination notice due to default of credit-related issues; and
- (4) Notice to the Replacement Shipper that the Replacement Shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to Transporter's Tariff.

14.10 Refunds.

(a) For all refunds other than those described at paragraph (b) immediately below, the original Releasor of any capacity shall receive from Transporter any reservation charge-related refunds associated with the assigned capacity, including any refunds related to the reservation charge portion of payments under a one-part volumetric rate. The Replacement Shipper holding the assigned right to service at the time of the overpayment shall receive from Transporter its share of any commodity charge-related refunds, including any refunds related to the commodity portion of payments under a one-part volumetric rate, associated with the assigned capacity. Refunds owed by Transporter will be made by Transporter directly to Replacement Shipper, or

indirectly through the Releasor if Replacement Shipper has appointed Releasor as its agent for billings pursuant to Section 14.9(a) above.

(b) The refund obligation of Transporter set forth in paragraph (a) shall be modified where Releasor has released capacity at a rate in excess of that owed by Releasor to Transporter for that capacity (Releasor's Margin). To the extent that Releasor's Margin equals or exceeds the amount of any refund obligation, Transporter shall not be obligated to make refunds to Releasor. Any refunds ultimately paid to a Replacement Shipper in that event shall be paid by Releasor.

14.11 Fees. Transporter shall not charge a fee for posting of a Release Notice or a Request to Purchase on its EBB. Transporter shall be entitled to charge a reasonable fee if Releasor and Transporter agree that Transporter shall receive a fee for actively marketing the capacity Releasor seeks to release.

14.12 Term. The term a Releasing Shipper imposes may not conflict with any provision of the Service Agreement, Rate Schedule or General Terms and Conditions of Transporter's Tariff. In the event of such conflict, Transporter may withdraw the Shipper's notice from posting.

14.13 Termination. If the Releasing Shipper fails to pay any monthly bill in accordance with the provisions of its Service Agreement and of Section 10 of the General Terms and Conditions, the Service Agreement at issue shall terminate and the capacity under contract by that Releasing Shipper shall revert back to Transporter. Any Service Agreement(s) of a Replacement Shipper(s) for such capacity shall terminate as well.

15. FORCE MAJEURE

15.1 Defined. Neither Transporter nor Shipper shall be liable to the other for any damages occurring because of force majeure. The term force majeure means an event that creates an inability to serve that could not be prevented or overcome by the due diligence of the party claiming force majeure. Such events include, but are not defined by or limited to, acts of God, strikes, lockouts, acts of a public enemy, acts of sabotage, wars, blockades, insurrections, riots, epidemics, landslides, earthquakes, fires, hurricanes, storms, tornadoes, floods, washouts, civil disturbances, explosions, accidents, freezing of wells or pipelines, partial or entire electronic failure (including the failure of the EBB and the EBB backup plan, or the failure of SCADA or electronic measurement equipment), mechanical or physical failure that affects the ability to transport gas, or the binding order of any court, legislative body, or governmental authority which has been resisted in good faith by all reasonable legal means. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension.

15.2 In Operation. Such causes or contingencies affecting the performance hereunder by either Transporter or Shipper, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve either party from meeting all payment obligations, except as provided in Section 15.3.

15.3 Reservation Charge Credits During Interruption of Firm Transportation Service Due to No-Force Majeure Events. If during any one or more days Transporter is unable to provide the quantity of natural gas for firm transportation service that a Shipper has scheduled for delivery, taking into consideration an allowable variation of 2%, up to the maximum quantity that Transporter is obligated under the Service Agreement to deliver to Shipper, than the reservation charge as otherwise computed shall be reduced by an amount equal to the applicable daily rate per Dth times the difference between the quantity of natural gas tendered for delivery during the day or days in question and the quantity of natural gas scheduled by Shipper for delivery at primary delivery points during the day or days in question; provided that if Transporter's inability to perform is due to a force majeure event described in Section 15.1 of General Terms and Conditions of Transporter's Tariff, Transporter will be obligated to provide a partial reduction (50%) of Shipper's reservation charges for failure to tender delivery at Shipper's primary or secondary delivery point(s). If Transporter's inability to perform is due to a routine, non-emergency maintenance event, Transporter will not be obligated to reduce Shipper's charges, in the manner described herein, for non-delivery at a secondary delivery point(s) if Shipper re-nominates and Transporter re-schedules delivery to Shipper's primary delivery point(s).

16. INTERRUPTIONS OF SERVICE

Interruptions of service for purposes of this Tariff (i) shall include but not be limited to decreasing, suspending, or discontinuing the receipt or delivery of gas, and (ii) shall be effected by Transporter in accordance with the provisions of this Section.

16.1 Interruptions of Firm Services.

(a) If due to force majeure, other unforeseen conditions on Transporter's system, or operating conditions (such as, but not limited to, performing routine maintenance, making modifications, tests or repairs to Transporter's pipeline system or protection of the integrity and performance capability of its transmission facilities), the gas available for delivery from Transporter's system or portion thereof is temporarily insufficient to meet all of Transporter's authorized firm services on any day, then Transporter, upon providing as much notice as possible, shall interrupt all such services in accordance with the priorities set forth at Section 16.4 below. Transporter shall notify Shipper of interruptions by Electronic Notice Delivery to Shipper's representative and shall do so 72 hours in advance in the case of interruptions due to routine maintenance. Shipper must make available a representative to maintain 24-hour contact with Transporter to receive such notices. Such a representative shall have the requisite authority and capability to make any adjustments required as a result of Transporter's notice of interruption. Transporter will specify in interruption orders issued pursuant to this Section the: (i) date and time by which Shipper must comply; and (ii) the revised quantity (if any) authorized to flow (Lowered Quantity). Transporter's obligation to provide reservation charge credits during interruptions of firm service that are not associated with force majeure is set forth in Section 15.3 of the General Terms and Conditions.

(b) A Shipper that fails to interrupt its firm service as directed by Transporter shall be subject to penalties as set forth at Section 19 (Penalties) of the General Terms and Conditions.

16.2 Interruptions of Interruptible Service.

(a) Transporter may interrupt any interruptible services (i) for the reasons set forth in Section 16.1 above, or (ii) for the purpose of making capacity available for firm services. Whenever Transporter determines that such interruption is appropriate, Transporter shall do so in accordance with the priorities set forth at Section 16.4 below.

(b) A Shipper that fails to interrupt its interruptible service as directed by Transporter shall be subject to penalties as set forth at Section 19 (Penalties) of the General Terms and Conditions.

16.3 Notice of Interruptions. Transporter reserves the right to interrupt services under any of its Rate Schedules at any time during any Day and shall give as much notice of such interruptions as is practicable. When possible, Transporter shall announce interruptions at 3:00 p.m. on the

Day preceding the planned interruption. Transporter shall notify via Electronic Notice Delivery each Shipper whose service is interrupted and shall post interruptions on its EBB. Direct interconnect parties shall also receive notice of interruptions from Transporter's Gas Controllers by Electronic Notice Delivery (or via telephone); provided that such direct interconnect parties have, as required, made available a representative to maintain 24-hour contact with Transporter to receive such notices. Such a representative shall have the requisite authority and capability to make any adjustments required as a result of Transporter's notice of interruption. In the event of any conflicting communications, notices from Transporter's Gas Controllers shall control. In the event of interruption, Shippers shall only be entitled to receive such services as Transporter can provide under Transporter's applicable Rate Schedules. Electronic Notice Delivery shall be according to the following provisions:

(a) Transporter will provide affected parties with notification of intraday bumps, operational flow orders and other critical notices through the affected party's choice of Electronic Notice Delivery mechanism(s).

(b) 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 intraday bumps, operational flow orders and other critical notices. The obligation of Transporter to provide notification is waived until the above requirement has been met.

(c) Transporter will support the concurrent sending of electronic notification of intraday bumps, operational flow orders and other critical notices to two Internet E-mail addresses for each affected party.

16.4 Service Priorities.

Transportation Services. The provisions of this Section 16.4 shall apply to Transporter's FTS and ITS Rate Schedules and all Service Agreements with Shippers thereunder. In the event capacity is not available to continue the receipt, transportation or delivery of all Shippers' gas which has been scheduled and is flowing on Transporter's transmission system, Transporter, in the capacity constrained area shall interrupt capacity sequentially among the Rate Schedule priority groupings set forth below, and within those Rate Schedule priority groupings in the order and manner set forth below until the necessary level of interruption is achieved:

(1) Quantities under Transporter's ITS Rate Schedule, and overrun quantities in excess of a Shipper's Transportation Demand under Transporter's FTS Rate Schedule, beginning with quantities attributable to Shippers paying the lowest rate, and pro rata among Shippers paying the same rate;

(2) Quantities at primary receipt point under Transporter's FTS Rate Schedule, allocated pro rata based on Transportation Demand; and

(3) Quantities at primary delivery point under Transporter's FTS Rate Schedule, allocated pro rata based on Transportation Demand.

16.5 Relief from Interruptions of Firm Transportation Service in Emergency Situations.

(a) Transporter shall adjust interruptions made pursuant to this Section to the extent necessary to respond to emergency situations. An emergency situation exists when irreparable injury to life or property (including minimum plant protection requirements) will occur if natural gas transportation service is not rendered to a Shipper under Transporter's firm transportation Service Agreements. Emergency exemptions from interruption procedures or orders under this Section may be requested by a Shipper of firm transportation services when supplemental deliveries in excess of its pro rata interruption level are required to prevent irreparable injury to life or property, and such Shipper (1) has arranged to use all alternate sources of supply and capacity available, including other pipeline capacity capable of operationally serving the affected area of interruption, recallable released capacity, and alternate fuels, for the period involved, and (2) has interrupted and will continue to interrupt service to its interruptible, off-system sales and low priority shippers during the emergency.

(b) Such request shall be submitted by the Shipper to Transporter by telephonic or facsimile transmission, and shall be confirmed in writing, within 24 hours of the request, including a sworn, notarized statement attesting (1) to the details of the emergency; (2) its estimated length; (3) that Shipper has unsuccessfully attempted to obtain capacity from other sources, including capacity release and assignment; (4) that all sources of gas supply and capacity, including that available from other pipelines capable of operationally serving the affected area of interruption are being used; (5) that interruptible services are unavailable; (6) that no alternate fuel can be used to avoid the emergency; and (7) that it has interrupted service to its interruptible shippers, off-system sales and other low priority shippers and will continue to do so during the emergency.

(c) Transporter shall adjust the capacity available to such Shipper to avoid the emergency to the extent such adjustment can be made without creating any other emergency for other Shippers of firm service or jeopardizing Transporter's operations. Capacity shall be made available by increasing the pro rata interruption of other Shippers (to the extent that an emergency is not created for any such Shipper) in accordance with Section 16.4. Any additional capacity made available hereunder shall not exceed the lesser of (1) the minimum quantity of capacity necessary to alleviate the emergency situation, or (2) that quantity which, when added to the capacity already available, would equal Shipper's contractual entitlement at the relevant point(s) of delivery. Any relief granted hereunder to such Shipper shall consist exclusively of an additional allocation of capacity, and Transporter shall have no obligation to provide quantities of gas not otherwise available to such Shipper under the terms of the pertinent Service Agreement. The time during which additional capacity is made available hereunder shall not exceed that which is necessary to alleviate the emergency situation. Shipper shall notify Transporter immediately upon cessation of the emergency situation. Transporter shall not be liable to any person for any

damages whatsoever resulting from Transporter's interruption pursuant to this Section 16.5, unless such interruption is caused by the negligence or willful misconduct of Transporter.

(d) A Shipper receiving relief under this Section shall compensate any other Shipper injured thereby. Such compensation shall consist of payment to such injured Shipper, by the Shipper receiving relief, of the daily equivalent of Transporter's applicable reservation charge for the time period and amount of capacity taken from the injured Shipper. Payment for the capacity so taken shall be made to Transporter, which will then credit such payment to the injured Shipper in the billing cycle applicable to the period in which the emergency interruption occurred. Nothing in this Section 16.5 shall limit the rights of a Shipper which has capacity adjusted pursuant to this Section 16.5 in order to provide relief from emergency interruption to another Shipper from seeking any damages from such Shipper receiving relief, to the extent permitted by applicable law.

(e) In the event Shipper does not provide the sworn statement as required by this Section 16.5, or receives emergency relief on the basis of any representation in such sworn statement that is determined to have been materially false, then all of the quantities attributable to the adjustment made by Transporter shall be billed to that Shipper, in addition to all other charges, at a rate of \$25 per dekatherm. All revenues attributable to such \$25 per dekatherm charge shall be credited, on a pro rata basis, to those Shippers interrupted to a lower quantity as a result of the anticipated sworn statement.

(f) To the extent Transporter's interruption of any Shipper pursuant to this Section 16.5 would cause such Shipper to incur a penalty due Transporter through no fault of Shipper, Transporter shall not assess that penalty against that Shipper. This provision does not excuse Shipper from taking all reasonable action necessary to remove itself from a penalty situation.

(g) In the event emergency relief is provided pursuant to this Section 16.5, Transporter shall post on its EBB the following information within two hours after such relief has been granted: (1) the name of the Shipper(s) whose request(s) for emergency relief have been granted; (2) the date and the time when the emergency relief was initiated to the Shipper(s); (3) the expected duration of the emergency; (4) the specific location of the emergency; and (5) a brief description of the nature of the capacity constraint and the emergency.

(h) Transporter will maintain, and make available for inspection by any interested party, all written and electronic information generated in connection with the granting or denial of emergency relief pursuant to this Section 16.5, including but not limited to the sworn statement and facsimile transmissions required by Section 16.5(b), and the EBB notice required by Section 16.5(g).

16.6 Interruptions Due To Upstream or Downstream Facilities.

In instances in which an interruption on Transporter is necessitated by an interruption of service on an upstream or downstream facility and Transporter can identify the specific Shipper on Transporter's system whose upstream or downstream service is interrupted, Transporter will interrupt such specific Shipper.

16.7 Force Majeure Interruptions.

Force majeure interruption may be ordered by Transporter as to service being performed by its system at any time when force majeure affects or in Transporter's judgment threatens to affect Transporter's ability to provide full shipments, upon the giving of such notice as is reasonable under the circumstances.

16.8 Situation Reports and Notices.

(a) Shipper shall have the responsibility to inform its suppliers, other transporters and all others involved in the transportation, as to any interruption.

(b) Shipper shall hold Transporter harmless for any and all claims, suits, actions or proceedings whatsoever threatened or initiated as a result of any interruption invoked by Transporter pursuant to the terms hereof, except that Transporter shall not be held harmless for its own gross negligence or willful misconduct.

17. OPERATIONAL FLOW ORDERS

17.1 In General.

(a) Transporter, in its reasonable discretion, shall have the right to issue Operational Flow Orders (OFO) as specified in this Section upon determination by Transporter that action is required in order to alleviate conditions which threaten the integrity of Transporter's system, to maintain pipeline operations at the pressures required to provide reliable firm services, to have adequate supplies in the system to deliver on demand (including injection of gas into the mainline and providing line pack), to maintain firm service to all Shippers and for all firm services, and to maintain the system in balance for the foregoing purposes. To the extent feasible, Transporter shall attempt to direct such OFOs to those Shippers causing the condition that necessitates issuance of the OFO.

(b) Each OFO shall contain the following information:

- (1) Time and date of issuance;
- (2) Time that OFO is effective;
- (3) Duration of OFO (If none specified, the OFO will remain in effect until further notice);
- (4) The Shipper(s) or class of Shippers affected;
- (5) The action that Shipper(s) must take;
- (6) The reason or justification for issuing the OFO; and
- (7) Any other information which may be required by the terms of this Tariff.

(c) Except for force majeure events, events or conditions which threaten the integrity of Transporter's system, or as specified in Section 17.2(a), Transporter will give at least 24 hours general advance notice of an OFO by posting on the EBB the conditions that may jeopardize the system or affect Transporter's ability to meet its firm service obligations. Transporter reserves the right to issue an OFO to be effective upon less than 24 hours notice if necessary to protect the integrity of its system. If Transporter issues an OFO without providing such 24 hours notice, except for those OFOs issued pursuant to Section 17.2(a), Transporter shall post on EBB and send to the Commission a detailed explanation containing information specific to that individual situation to justify issuance of the OFO.

(d) In addition to the 24-hour notice requirement of Section 17.1(c) above, Transporter shall post, giving as much advance warning as reasonably possible, information

regarding the operational variables that give, or will in the future give rise to issuance of an OFO and Transporter will provide updates regarding the expected duration of an OFO based on those operational variables. In addition, and within a reasonable period of time following termination of an OFO, Transporter shall post on its EBB a report detailing the factors requiring the issuance and the termination of an OFO.

(e) Transporter shall issue OFOs by posting on its EBB and by Electronic Notice Delivery to Shipper's representative. Shippers shall monitor Transporter's EBB for any OFO applicable to Shipper's service and shall be solely responsible for compliance with each OFO. Electronic Notice Delivery shall be according to the following provisions:

(1) Transporter will provide affected parties with notification of intraday bumps, OFOs and other critical notices through the affected party's choice of Electronic Notice Delivery mechanism(s).

(2) 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 intraday bumps, OFOs and other critical notices. The obligation of Transporter to provide notification is waived until the above requirement has been met.

(3) Transporter will support the concurrent sending of electronic notification of intraday bumps, OFOs and other critical notices to two Internet E-mail addresses for each affected party.

(f) Operational Remedies. Prior to the issuance of an OFO, Transporter may implement any or all the following operational remedies in any order that Transporter deems necessary when addressing operational constraints on Transporter's pipeline system:

(1) Transporter may restrict non-firm (that is, interruptible and secondary) deliveries to Transporter's affected pipeline segment(s) by posting a reduced level (down to zero) of non-firm deliveries into those affected pipeline segment(s).

(2) Transporter may impose hourly flow rates and limitations in accordance with the provisions of this Tariff.

These operational remedies will be implemented consistent with Transporter's routine EBB posting obligations under Section 2 of the General Terms and Conditions.

17.2 Pipeline-Specific Operational Standards for Issuance of OFOs.

(a) If, in Transporter's judgment, impending operating conditions will cause the delivery pressure to one or more Shippers to drop below the pressure provided in the Service

Agreement(s) of the Shipper(s), Transporter may immediately issue an OFO pursuant to this Section requiring that deliveries under all of Transporter's Rate Schedules be made on a basis consistent with the flow rates and limitations set forth in the OFO. For the duration of this OFO, increases in scheduled delivery quantities will be made on a prospective basis only.

(b) Transporter shall have the right to issue OFOs requiring Shippers to deliver gas to Transporter at Shipper's primary receipt points under Shipper's FTS Service Agreement with Transporter. This right shall also apply to Shippers that have acquired capacity via Transporter's capacity release and assignment procedures.

(c) Proper utilization of Transporter's system is critical. Thus, Transporter may issue an OFO as follows to preserve its ability to provide firm service to Shippers:

(1) Transporter may issue an OFO limiting all Shippers to receipts and deliveries at primary points.

(2) Transporter may issue an OFO directing a Shipper to correct imbalances or operate within the limitations on transportation as set forth in the Shipper's Service Agreement or the applicable Rate Schedule.

(d) Transporter may, on a nondiscriminatory basis, issue such other reasonable OFOs as may be required for the purposes set forth in this Section in order to provide the services contemplated by this Tariff. For example, but without limitation, Transporter may issue an OFO directing a Shipper to take certain actions to enable Transporter to adequately respond to the following type of exigent circumstances occurring on Transporter's system:

(1) Freezing of wells or pipelines or other essential equipment to the extent that such freezing damages or destroys or otherwise impairs Transporter's essential facilities or Transporter's ability to monitor and control Transporter's essential facilities or results in the loss of supplies of natural gas from upstream transporters, or producers of natural gas.

(2) Partial or entire electronic failure (including the failure of the EBB and the EBB backup plan, or the failure of SCADA or electronic measurement equipment), that impairs Transporter's ability to monitor and control Transporter's essential facilities.

(3) Mechanical or physical failure that affects Transporter's ability to transport gas, including for example but without limitation, pipeline failure, compressor failure, regulator failure or other similar mechanical or physical failure.

(4) External operations, including for example but not limited to, surface or subsurface mining operations or highway construction operations or blasting operations

that require Transporter to reduce operating pressures in, or remove from service, a portion of Transporter's pipeline facilities.

(5) Federal or state rules, regulations or orders, such as safety inspection orders and environmental safety orders, that require Transporter to reduce operating pressures in, or remove from service, a portion or Transporter's pipeline facilities.

(6) Failure of Shipper's to comply with hourly flow requirements contained in Transporter's Tariff.

(7) Loss of natural gas supply from upstream transporters, producers, storage providers or LNG providers due to exigencies occurring on those entities' systems.

(8) Unscheduled pipeline maintenance and repairs affecting capacity.

(9) Non-compliance with the balancing requirements of any service where such non-compliance threatens Transporter's system integrity.

(10) When the applicable tolerance level has not been exceeded by an individual Shipper or OBA Party but on a system-wide basis, pipeline operations require stricter tolerance levels for operational reasons.

(e) Transporter has the right to issue OFOs on a nondiscriminatory basis without liability except in cases of Transporter's gross negligence or undue discrimination. Compliance with the OFOs and the other terms and conditions of Transporter's Tariff is essential to Transporter's ability to provide deliveries and services under all Rate Schedules. A failure by one or more Shipper(s) to comply with the Operational Flow Orders may affect Transporter's ability to provide such deliveries and services. In such event and in addition to other provisions hereof and not in lieu of any other remedies available in law or at equity, Transporter will, except in cases of Transporter's gross negligence or undue discrimination, have no liability or responsibility for its inability to provide deliveries and services and will be indemnified and held harmless against any claims related to such failure to provide deliveries and services by the Shipper(s) failing to comply with Transporter's Tariff and in particular, the provisions of this Section.

(f) Transporter will have the right to issue an OFO to any Shipper or OBA Party when, in Transporter's sole judgment, an OFO is required to alleviate conditions which threaten system integrity, safety or service or to ensure compliance with the provisions contained in this Tariff. During conditions which threaten system integrity, safety or service, an OFO will not be issued to protect interruptible service.

(g) Nothing shall limit Transporter's right to take action as may be required to physically adjust actual receipts and actual deliveries of gas in order to alleviate conditions that threaten the integrity of its system.

17.3 Limitations.

(a) Shipper shall not be required to flow gas pursuant to this Section in excess of Shipper's Transportation Demand specified in Shipper's Service Agreement(s) with Transporter.

(b) A Shipper must comply with an OFO within the time period set forth therein unless the Shipper is able to demonstrate that such compliance: (1) is not within Shipper's physical or contractual control; (2) is prevented by operating conditions on a third party pipeline system beyond Shipper's control; (3) is precluded by its contractual restrictions with a third party pipeline system; and/or (4) is prevented due to a force majeure event as defined in Section 15 (Force Majeure) of the General Terms and Conditions; provided that Shipper shall make a good faith effort to comply with an OFO, including seeking waivers of any contractual limits with third party pipelines or modifications of operating conditions on third party pipeline systems. Shipper shall notify Transporter immediately if it believes that it is excused from compliance with the OFO for the reasons set forth in this subparagraph (b), and shall promptly provide Transporter with documentation sufficient to support its basis for non-compliance.

(c) A Shipper shall not incur penalties for complying with an OFO.

18. TRANSFERS OR IMBALANCE NETTING AND TRADING

18.1 Transfers Generally. A Shipper may transfer imbalances in its account to its other account(s) or the accounts of other Shippers under this Section. For purposes of this Section, the term "account" shall mean a Shipper's gas account under a transportation Service Agreement with Transporter. A Shipper seeking to transfer imbalances between accounts pursuant to this Section shall notify Transporter electronically through Transporter's EBB using Transporter's approved nomination form as set forth on Transporter's EBB. Transporter shall not be obligated to provide any information to a Shipper concerning the account status of other Shippers' accounts. Transporter will permit a Shipper, upon request, to post on Transporter's EBB an announcement of Shipper's desire to transfer imbalances, but Shipper shall remain responsible for making all arrangements effecting the proposed transfer.

18.2 No Cost Transfers. A Shipper may transfer imbalances from an account under an FTS or ITS Service Agreement with Transporter to an account under an FTS or ITS Service Agreement with Transporter without incurring transportation charges or surcharges, and without assessment of Retainage on the transferred quantity.

18.3 Nominated Transfers. A Shipper seeking to transfer imbalances from and to accounts under Service Agreements with Transporter other than those permitted without cost or assessment of Retainage as set forth in Section 18.2 shall nominate such imbalance quantities for transportation pursuant to the terms of the Service Agreement with Transporter under which said imbalance is held in account for Shipper. Such nomination shall be pursuant to Section 6 (Nominations, Scheduling and Monitoring) of the General Terms and Conditions. Nominated and transferred imbalance quantities shall be subject to the charges and surcharges, and assessment of Retainage applicable to the Service Agreement with Transporter specified in the nomination.

18.4 Effectiveness of Transfers. Any transfer made pursuant to Section 18.2 shall be effective on the date a Shipper's completed nomination form is received by Transporter electronically through its EBB, unless Transporter rejects the transfer within two business days of Transporter's receipt of such completed nomination form pursuant to Section 18.5. Any transfer made pursuant to Section 18.3 shall be effective on the date a Shipper's nomination to transport imbalance quantities is received by Transporter electronically through its EBB, unless Transporter rejects the nomination prior to transportation pursuant to Section 18.5. A transfer shall become effective as of a date certain in accordance with the foregoing, and shall have prospective, as opposed to retroactive, effect with respect to the affected accounts from that date certain. The cumulative balance in such affected accounts shall be adjusted as of the effective date of a transfer in accordance with the transfer.

18.5 Rejection by Transporter. Transporter may, in its reasonable discretion, reject any proposed transfer if it determines that such transfer cannot be accommodated: (i) without diminishing Transporter's ability to provide firm service to any Shipper; (ii) without increasing

Transporter's firm service obligations; (iii) because the gas sought to be transferred is not on Transporter's system; (iv) because of the actual account status of the transferor's and transferee's accounts, as reflected in Transporter's records; (v) because the transfer is requested to have a retroactive effective date; or (vi) without threatening the integrity of Transporter's system. If the transfer is rejected pursuant to this Section 18.5, Transporter shall provide the Shipper seeking to transfer imbalance that Shipper's actual account status under the applicable Service Agreement.

18.6 Definitions. For purposes of this Section 18 the following definitions shall be applicable:

(1) "Operational Impact Area" is the term used to describe Transporter's designation of the largest possible area(s) on its system in which imbalances have a similar operational effect. For purposes of this Section 18, "Operational Impact Area" shall mean the entire Central Kentucky system without restriction.

(2) "Netting" is the term used to describe the process of resolving imbalances for Shipper within an Operational Impact Area. There are two types of Netting:

(a) Summing is the accumulation of all imbalances above any applicable tolerances for Shipper or agent; and

(b) Offsetting is the combination of positive or negative imbalances above any applicable tolerances for Shipper or agent.

18.7 Month-end Imbalances.

(a) Transporter shall allow Shipper (including agents of Shipper) to net imbalances within the same Operational Impact Area on and across Service Agreements with Shipper and to trade imbalances within the same Operational Impact Area.

(b) Transporter shall provide Shippers the ability to post and trade imbalances until at least the close of the seventeenth (17th) business day of the month.

(c) Transporter shall provide Shippers the ability to view and, upon request, download posted imbalances.

(d) Imbalances to be posted for trading should be authorized by Shipper.

(e) An authorization to Post Imbalances that is received by Transporter by 11:45 a.m. (CT) will be effective by 8:00 a.m. (CT) the next business day. An imbalance that is previously authorized for posting will be posted on or before the ninth (9th) business day of the month.

(f) Transporter is not required to post zero imbalances.

(g) Netting, posting, and trading of imbalances shall be accomplished based upon Transporter's current method for accounting for imbalances and does not require Transporter to institute daily imbalance procedures, if they are not already present on the Transporter's system.

(h) Transporter shall enable the imbalance trading process by: receiving the Request for Imbalance Trade, receiving the Imbalance Trade Confirmation, sending the Imbalance Trade Notification, and reflecting the trade prior to or on the next monthly Shipper Imbalance.

(i) When trading imbalances, Shippers shall specify a quantity.

(j) An imbalance trade can only be withdrawn by the Initiating Trader and only prior to the Confirming Trader's confirmation of the trade. An imbalance trade is considered final when confirmed by the Confirming Trader and effectuated by Transporter.

(k) To account for any imbalances after imbalance trading, where Transporter associates such imbalance with a Service Agreement, Shipper and Transporter shall agree to designate one of Shipper's valid Service Agreements in the Operational Impact Area where the original imbalance occurred, for such purpose.

19. PENALTIES

The penalties set forth in this Section apply to the FTS and ITS Rate Schedules, unless otherwise indicated in this Section or in individual Rate Schedules.

19.1 Takes in Excess of Total Transportation Demand. If Shipper's takes on any Day exceed 103 percent of its Total Transportation Demand (TD), Shipper shall be assessed and pay a penalty of \$10.00 per Dth for all such quantities in excess of 103 percent of its TD. This penalty shall not apply to authorized overruns pursuant to Section 2(c) of Rate Schedule FTS.

19.2 Failure to Interrupt Service. If Shipper fails to interrupt service as directed by Transporter pursuant to Section 16 (Interruptions of Service) of the General Terms and Conditions, and thereby delivers gas to or takes gas from Transporter in excess of 103 percent of the sum of the lowered Scheduled Daily Receipt Quantity or lowered Scheduled Daily Delivery Quantity under all applicable Rate Schedules set by Transporter's interruption order, Shipper shall be assessed and pay penalties of \$5.00 per Dth on the first three percent of quantities taken or delivered in excess of its lowered Scheduled Daily Receipt Quantity or lowered Scheduled Daily Delivery Quantity, and \$10.00 per Dth for quantities taken or delivered in excess of 103 percent of its lowered Schedule Daily Receipt Quantity or lowered Daily Scheduled Delivery Quantity. The penalties set forth in this Section and in Section 19.1 shall not both be assessed for the same actions by Shipper.

19.3 Failure to Comply with OFOs. If Shipper fails to comply with an OFO issued by Transporter pursuant to Section 17 (Operational Flow Orders) of the General Terms and Conditions, a penalty of \$5.00 per Dth per day shall be assessed on all quantities taken or delivered in violation of that OFO.

19.4 Monthly Imbalances. A penalty of \$0.25 per Dth shall be assessed to Shipper on any difference between actual cumulative receipts (less Retainage) and actual cumulative deliveries in excess of 5 percent of actual cumulative deliveries during a Billing Month. No imbalance penalty will be imposed when a prior period adjustment applied to the current period causes or increases a current month penalty.

19.5 Miscellaneous.

(a) All penalties and charges assessed under this Section shall be paid in addition to the applicable transportation rates and charges, including any overrun charge.

(b) In the event Shipper seeks to avoid any penalty provided for in this Section on the grounds that such charge was incurred because of a force majeure event as defined at Section 15 (Force Majeure) of the General Terms and Conditions, Shipper shall document such force majeure event to Transporter. Transporter shall waive penalties to the extent that it determines that the penalty was caused by a bona fide force majeure event as defined at Section 15.

(c) In the event Shipper, or any other individual or entity receiving or delivering gas on behalf of, as a Replacement Shipper of, or otherwise for the benefit of Shipper, does not (i) provide the schedules, allocations, or other data required by this Section, Section 6 (Scheduling, Nominations and Monitoring Service) or Section 8 (Meter Allocations) of the General Terms and Conditions, or by any other provision of this Tariff on or before the due dates scheduled by Transporter, or (ii) provide other data required by Transporter within two business days after Transporter requests such data, Transporter shall have the right to impose penalties based upon the data otherwise available to Transporter, without regard to actual imbalances. Shipper shall have no right to contest the imposition of such penalties on the basis that the imbalance levels reflected in the data available to Transporter are at variance with the actual imbalance level.

(d) Transporter may waive its right to collect all or any portion of the penalties assessed against Shipper, provided that any such waiver is granted in a nondiscriminatory manner.

(e) To the extent that any penalty directly results from Shipper's reliance on inaccurate data from Transporter, or is otherwise caused by Transporter, no penalty will be assessed that is attributable to such inaccurate data.

19.6 Penalty Crediting Mechanism.

(a) The purpose of this provision is to provide the mechanism (except the mechanism currently existing at Section 16.5(e) of the General Terms and Conditions) and by which Transporter shall credit any "Penalty Revenues," as defined herein, to "Non-Penalized Shippers."

(b) For purposes of this Section 19.6 the following definitions shall apply:

(i) The term "Penalty Revenues" shall mean penalty amounts assessed and actually collected, net of Transporter's costs, during each month of a contract year (November 1 to October 31) pursuant to the penalty provisions of this Tariff; exclusive of (a) Transporter's actual gas, transportation and retainage costs for the replenishment of gas quantities with respect to Section 9.8(b) of the General Terms and Conditions; and (b) overrun transportation revenue imposed pursuant to the terms of any of Transporter's Rate Schedules.

(ii) The term "Non-Penalized Shippers" shall mean Shippers, other than Shippers that were assessed penalties during any month of a contract year (November 1 to October 31) pursuant to the penalty provision of this Tariff, under Transporter's FTS and ITS Rate Schedules.

(c) At the end of the contract year, Transporter shall calculate the amount of Penalty Revenues. Transporter will include interest on the Penalty Revenues balance at the rate specified in the Commission's Regulations at Section 154.501(d)(1). For each month of the preceding

contract year, Transporter shall allocate Penalty Revenues for that month to the Non-Penalized Shippers based on their actual monthly throughput for that month under the Non-Penalized Shippers' FTS and ITS Service Agreements. Transporter shall credit the bills of Non-Penalized Shippers that are the original capacity holders (and not Replacement Shippers under Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions) for such allocated amounts within 60 days of the end of the contract year. To the extent that there are no Non-Penalized Shippers in a month in which there are Penalty Revenues, the Penalty Revenues will be carried forward to the next succeeding month and will be allocated to Non-Penalized Shippers in that month.

(d) Transporter will file a report within 60 days of the close of the contract year showing the Penalty Revenues, the costs netted against the Penalty Revenues, and the resulting Penalty Revenue credits for each month of the contract year.

19.7 Critical Day Requirement for Penalties.

A "Critical Day" for transportation will be declared by Transporter whenever Transporter, in Transporter's reasonable discretion, determines (based on criteria such as weather forecasts, line pack, pipeline pressures, horsepower availability, system supply and demand, and other operational circumstances) that operating conditions are such that Transporter faces a threat to its system integrity and/or to Transporter's ability to meet its firm service obligations. With the exception of (1) failure to interrupt penalties imposed pursuant to Sections 16 and 19 of the General Terms And Conditions and/or the failure to interrupt provisions of individual Rate Schedules and (2) OFO penalties imposed pursuant to the provisions of Sections 17 and 19 of the General Terms And Conditions and/or the OFO provisions of individual Rate Schedules, Transporter will not impose penalties under this Section 19 and under any Rate Schedule unless a Critical Day, as defined above, has been declared and is in effect on Transporter's system. For penalties ascribed for conduct that occurs over a monthly as opposed to a daily period of time, these monthly penalties will be imposed only if Transporter has declared a Critical Day on any day occurring in that monthly period.

Except for force majeure events and/or events or conditions which threaten the integrity of Transporter's system or Transporter's ability to meet its firm service obligations, Transporter will notify Shippers at least 24 hours in advance on its Internet EBB (1) the effective dates of the Critical Day; and (2) the type of penalties that will be applicable during the Critical Day period. If due to declaration of a Critical Day, a monthly penalty becomes applicable, Transporter will notify Shippers by posting on its Internet EBB notice that the monthly penalty is applicable. Within two weeks of a Critical Day event, Transporter will post information on its EBB describing the events leading up to the declaration of the Critical Day.

19.8 No Imposition of Multiple Penalties.

Transporter will not impose on a Shipper both OFO or failure to interrupt service penalties, and Critical Day penalties for the same infraction.

19.9 Critical Day Miscellaneous.

(a) Transporter anticipates that Critical Day penalties will be implemented to impose system discipline to ensure Transporter's ability to meet its firm service obligations. To the extent Critical Day penalties are no longer imposing system discipline, such that Transporter's firm service obligations are being threatened, Transporter can implement an OFO to alleviate conditions threatening the integrity of Transporter's system. Transporter can also implement an OFO to deal with sudden, unexpected and catastrophic events on its system.

(b) When reasonably feasible, Transporter will post notices on its EBB advising that if Shippers take certain specific actions, Transporter may be able to avoid the issuance of a Critical Day, or minimize the sequential issuance of Critical Days.

20. DISCOUNTING

20.1 In General. Transporter may at any time in its sole discretion selectively discount the rate(s) applicable to any individual Shipper under the Rate Schedules set forth in this Tariff; provided, however, that such discounted rate(s) shall not be less than the Minimum Rate(s) for the applicable service as set forth in this Tariff. If Transporter discounts any rate to any Shipper, Transporter shall file with the Commission any required reports respecting such discounted rates. Transporter and Shipper shall enter into a written agreement describing the terms of any such discounting of Shipper's rate(s).

20.2 Allocation or Interruption. To the extent that Transporter allocates or interrupts service rights based upon price, as set forth in Section 7 (Capacity Allocation) and Section 16 (Interruptions of Service) of the General Terms and Conditions, the price utilized by Transporter for such purposes, where rates for service have been discounted by Transporter, shall be Shipper's discounted rate for the service.

20.3 Refunds. If the rates charged Shipper exceed the rates ultimately approved by the Commission, any required refund shall be made based on the amount by which the rate actually collected from Shipper exceeds the rate approved by the Commission.

20.4 Apportionment of Discounts. For each transaction discounted pursuant to this provision, the amount of the discount (the difference between the maximum rate otherwise applicable to the transaction and the total rate billed) shall be apportioned among the components of the rate in the following order: (1) The General R&D Funding Unit (GRI Surcharge); (2) the Base Tariff Rate; and (3) any surcharges that may become applicable.

21. REGULATORY FEES

Shipper shall pay to Transporter all fees required by the Commission, or any regulatory body having jurisdiction, relating to service provided under any of Transporter's Rate Schedules including, but not limited to, filing, reporting, and application fees.

22. POSSESSION OF GAS

After Shipper delivers gas or causes gas to be delivered to Transporter at the point of receipt specified in the Service Agreement, Transporter shall be deemed to be in control and possession of the gas until thermally equivalent quantities (less Retainage) are redelivered to Shipper or for the account of Shipper at the point of delivery. Shipper shall have no responsibility with respect to any gas deliverable by Transporter or on account of anything which may be done, happen, or arise with respect to such gas until Transporter delivers such gas to Shipper or for the account of Shipper. Transporter shall have no responsibility with respect to such gas before Shipper delivers or causes such gas to be delivered to Transporter or after Transporter redelivers such gas to Shipper or for the account of Shipper, or on account of anything which may be done, happen, or arise with respect to such gas before such delivery or after such redelivery.

23. WARRANTY OF TITLE TO GAS

Each Shipper under this Tariff warrants for itself, its successors and assigns, that Shipper or the party on whose behalf Shipper is acting will at the time of delivery to Transporter for transportation have good and merchantable title to or good right to receive all gas so delivered free and clear of all liens, encumbrances and claims whatsoever. Shipper will indemnify Transporter and save it harmless from all suits, actions, regulatory proceedings, debts, damages, costs, losses and expenses (including reasonable attorney fees) arising from or out of adverse claims arising from breach of this warranty (including, without limitation, claims for any royalties, taxes, license fees or charges applicable to such gas or to the delivery thereof to Transporter for transportation under Transporter's applicable Rate Schedule). Replacement Shippers under Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions shall be considered to be "Shippers" for purposes of this Section, and therefore Releasers under Section 14 shall not be liable under this Section for breach of the foregoing warranty by its Replacement Shippers.

24. WARRANTY OF ELIGIBILITY FOR TRANSPORTATION

(a) Each Shipper under this Tariff warrants for itself, its successors and assigns, that all gas delivered to Transporter for transportation shall be eligible for transportation in interstate commerce under applicable rules, regulations or orders of the Commission. Shipper will indemnify Transporter and save it harmless from all suits, actions, damages, costs, losses, expenses (including reasonable attorney fees), and regulatory proceedings arising from breach of this warranty. Replacement Shippers under Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions shall be considered to be "Shippers" for purposes of this Section, and therefore Releasers under Section 14 shall not be liable under this Section for breach of the foregoing warranty by its Replacement Shippers.

(b) Where transportation will be provided under § 311 of the Natural Gas Policy Act (15 U.S.C. § 3371) and pursuant to Subpart B of Part 284 of the Commission's Regulations (18 C.F.R. §§ 284.101 et seq.), Shipper warrants that such transportation service is authorized to be provided within the meaning of 18 C.F.R. Section 284.102(d)(3), if the local distribution company or intrastate pipeline company on whose behalf the transportation service is being provided will not have physical custody of and transport the gas or will not hold title to the gas. Where transportation will be provided under Transporter's blanket certificate, Shipper warrants that an interstate pipeline will receive some benefit from the transaction.

25. GAS QUALITY

25.1 General Requirement. Natural gas delivered to Transporter shall at all times conform to the quality provisions set forth in this Section. Transporter shall not be required to receive gas that does not conform to the requirements of this Section. Interconnecting Party shall indemnify Transporter and save it harmless from all suits, actions, regulatory proceedings, damages, costs, losses and expenses (including reasonable attorney fees) arising out of the failure of said gas to conform to such quality provisions.

25.2 Gas. The gas delivered to Transporter hereunder shall be a combustible gas consisting wholly of, or a mixture of:

(a) natural gas of the quality and composition produced in its natural state except as provided for in Section 25.3(a) herein;

(b) gas generated by vaporization of Liquefied Natural Gas (LNG); or

(c) manufactured, reformed, or mixed gas consisting essentially of hydrocarbons of the quality and character produced by nature in the petroleum, oil, and gas fields with physical properties such that when the gases are commingled they become indistinguishable with respect to the physical properties of the mixture.

25.3 Heating Value. Transporter shall not be required to accept natural gas having a Heating Value of less than 967.

25.4 Objectionable Properties. The gas received and delivered:

(a) shall be commercially free from particulates or other solid or liquid matter which might interfere with its merchantability or cause injury to or interference with proper operation of the lines, regulators, meters and other equipment of Transporter;

(b) shall not contain more than twenty-five hundredths (0.25) grains of hydrogen sulfide per one hundred (100) Cubic Feet of gas;

(c) shall not contain more than twenty (20) grains of total sulfur per one hundred (100) Cubic Feet;

(d) shall not contain more than 1.25% Carbon Dioxide;

(e) shall not contain more than 0.02% Oxygen.

(f) Transporter and Shipper may agree, or governmental authorities may require, that the gas be odorized by use of a malodorant agent of such character as to indicate by a distinctive

odor the presence of gas. Whenever odorized gas is delivered, the quality and specifications of such gas, as set forth in this Section 25, shall be determined prior to the addition of malodorant and with proper allowance for changes or additions to the gas due to such malodorant. Such odorization of the gas by the Transporter, unless otherwise mutually agreed by Shipper and Transporter, shall be for the purpose of detection of the gas only during the time it is in possession of the Transporter, prior to delivery to the Shipper.

(g) Transporter may refuse to accept gas or may impose additional gas quality specifications and restrictions if Transporter, in its reasonable judgment, determines that harm to Transporter's facilities or operations could reasonably be expected to occur if it receives gas that fails to meet such additional specifications and restrictions. Transporter reserves the right to refuse to execute any agreement which does not contain the gas quality specifications and restrictions deemed reasonable and necessary by Transporter, and Transporter reserves the right to refuse to accept or continue to accept gas that fails to meet such additional specifications and restrictions. Such additional specifications and restrictions may be imposed to limit the concentrations of elements or compounds that Transporter determines, in its reasonable judgment, may be corrosive or toxic in nature, may represent an environmental hazard, may interfere with the merchantability of the gas, or may cause injury to or interference with proper operation of the lines, regulators, meters and other equipment of Transporter.

(h) Transporter may impose restrictions on the temperature of the flowing gas and/or on the Utilization Factor of the gas that it receives if Transporter determines, in its reasonable judgment, that these restrictions are necessary to insure the merchantability of the gas, or to prevent injury to or interference with proper operation of the lines, regulators, meters and other equipment of Transporter.

26. MEASUREMENT

The volumes of natural gas and the quantities of energy received or delivered through a meter or meters shall be determined in accordance with the provisions set forth in this Section; provided, that Transporter and Interconnecting Party may agree to determine such volumes and quantities of gas received or delivered pursuant to a method or methods agreed upon by Transporter and Interconnecting Party in place of the construction and installation of a meter and measuring station. Notwithstanding any other provision in this Tariff, Transporter shall not be required to pay for or to construct or install facilities of any kind, including, but not limited to meters and measuring stations.

26.1 Measurement Unit. The Measurement Unit shall be one Dekatherm (one Dth) of natural gas and shall be calculated by multiplying the volume delivered in Mcf by a fraction, the numerator of which is the Heating Value and the denominator of which is 1,000.

26.2 Volumetric Measurement Base. The volumetric measurement base shall be one cubic foot of natural gas at a pressure base of fourteen and seventy-three one-hundredths (14.73) pounds per square inch absolute, a temperature base of sixty degrees (60°) Fahrenheit (519.67° R Absolute), and without adjustment for water vapor content.

26.3 Atmospheric Pressure. The average absolute atmospheric (barometric) pressure shall be assumed to be fourteen and four-tenths (14.4) pounds per square inch, irrespective of actual elevation or location of the delivery point above sea level or variations in actual barometric pressure from time to time.

26.4 Temperature. The temperature of the natural gas shall be determined at Transporter's option:

(a) where Electronic Measurement equipment is provided, by continuous application of instantaneous temperature measurements from one or more of the meters at a measuring station, or by contemporaneous application of the arithmetic or other average of the temperature Record from one or more of the meters for the time during which gas is flowing;

(b) where Electronic Measurement equipment is not provided,

(1) where an instrument which measures and records the temperature of the flowing gas is installed, by contemporaneous application of the arithmetic or other average of the hourly or daily temperature Record from one or more of the meters at a measuring station, or

(2) where an instrument which measures and records the temperature of the flowing gas is not installed, by contemporaneous application of the temperature as read from established tables of monthly averages for the point of measurement; or

(c) by any other method or methods mutually agreed upon by Transporter and Shipper.

26.5 Static Pressure. The static pressure of the natural gas shall be determined at Transporter's option:

(a) where Electronic Measurement equipment is provided, by continuous application of instantaneous static pressure measurements from one or more of the meters at a measuring station, or by contemporaneous application of the arithmetic or other average of the static pressure Record from one or more of the meters for the time during which gas is flowing;

(b) where Electronic Measurement equipment is not provided, by contemporaneous application of the static pressure Record from one or more of the meters at a measuring station, or by contemporaneous application of the arithmetic or other average of the hourly or daily static pressure Record from one or more of the meters at a measuring station; or

(c) by any other method or methods mutually agreed upon by Transporter and Shipper.

26.6 Specific Gravity. The specific gravity (relative density) of the natural gas shall be determined by gravitometric, chromatographic, or other generally accepted analytical method at Transporter's option:

(a) where Electronic Measurement equipment is provided,

(1) by contemporaneous application of continuous instantaneous specific gravity measurements, or by contemporaneous application of arithmetic or other average of the specific gravity for the time during which gas was flowing,

(2) by prospective application of the arithmetic or other average of the specific gravity Record, or

(3) by prospective application of the results of analyses of samples of the gas;

(b) where Electronic Measurement equipment is not provided,

(1) by contemporaneous application of the arithmetic or other average of the hourly or daily continuous specific gravity Record,

(2) by prospective application of the results of analyses of samples of the gas;
or

(c) by any other method or methods mutually agreed upon by Transporter and Shipper.

26.7 Heating Value. The heating value of the natural gas shall be determined by calorimetric, chromatographic, or other generally accepted analytical method at Transporter's option:

(a) where Electronic Measurement equipment is provided,

(1) by contemporaneous application of continuous instantaneous heating value measurements, or by contemporaneous application of the arithmetic or other average of the heating value for the time during which gas was flowing,

(2) by prospective application of the arithmetic or other average of the heating value Record, or

(3) by prospective application of the results of analyses of samples of the gas;

(b) where Electronic Measurement equipment is not provided,

(1) by the contemporaneous application of the arithmetic or other average of the hourly or daily continuous heating value Record,

(2) by prospective application of the results of analyses of samples of the gas;
or

(c) by any other method or methods mutually agreed upon by Transporter and Shipper.

26.8 Supercompressibility.

(a) The deviation of the natural gas from the Ideal Gas Laws shall be determined:

(1) in accordance with the American Gas Association, Par Research Project NX-19 report, titled "Manual for the Determination of Supercompressibility Factors for Natural Gas", Reprinted 1976, if the composition of the natural gas is such to render this procedure applicable, or

(2) by any other method mutually agreed upon by Transporter and Interconnecting Party.

(b) If the measurement method used by Transporter requires the concentrations of nitrogen and carbon dioxide, the concentrations of nitrogen and carbon dioxide shall be

determined by chromatographic or other generally accepted analytical method at Transporter's option:

(1) where Electronic Measurement equipment is provided,

(a) by contemporaneous application of continuous instantaneous measurements of the concentrations of nitrogen and carbon dioxide, or by contemporaneous application of the arithmetic or other average of the concentrations of nitrogen and carbon dioxide for the time during which gas was flowing,

(b) by prospective application of the arithmetic or other average of the concentrations of nitrogen and carbon dioxide Record, or

(c) by prospective application of the results of analyses of samples of the gas; or

(2) where Electronic Measurement equipment is not provided,

(a) by the contemporaneous application of the arithmetic or other average of the hourly or daily concentrations of nitrogen and carbon dioxide, or

(b) by prospective application of the results of analyses of samples of the gas; or

(3) by any other method or methods mutually agreed upon by Interconnecting Party and Transporter.

26.9 Measuring Equipment.

(a) Interconnecting Party shall not operate, maintain, construct, or install facilities, meters, measuring stations, and equipment by which the volumes of natural gas or quantities of energy received or delivered by Transporter are determined, unless otherwise agreed to in writing with Transporter. Transporter reserves the right to operate, maintain, construct or install facilities, meters, measuring stations, and equipment by which the volumes of natural gas or quantities of energy received or delivered by Transporter are determined, and when agreeing to permit an Interconnecting Party or other party to do so, to ensure that such operation, maintenance, construction or installation is performed pursuant to Transporter's standards, specifications, practices, and requirements.

(b) In place of the construction and installation of meters and measuring stations pursuant to this Section, Transporter and Interconnecting Party and/or other affected parties may agree to a measurement methodology pursuant to Section 26.13(c).

(c) Where measuring stations and associated equipment are installed by Interconnecting Party, they shall be designed and installed in accordance with all engineering and other standards and practices as specified by Transporter, and Transporter shall have the right to be present and inspect the installation of all such measuring stations and equipment to insure compliance with such standards and practices. Interconnecting Party and Transporter shall agree in writing to reasonable standards and practices by which such measuring stations and associated equipment shall be operated by Interconnecting Party as required to insure the continuous accuracy thereof.

(d) Interconnecting Party and Transporter shall have the right to be present at the time of any installation, reading, cleaning, change of charts, repair, inspection, test, calibration, or adjustment made in connection with Transporter's or Interconnecting Party's measuring stations or equipment used to measure gas received by Transporter for Interconnecting Party or delivered by Transporter to Interconnecting Party.

(e) The Records from measuring equipment shall remain the property of the operator of such equipment, but upon request the operator will submit to the other party its Records, together with calculations therefrom, for inspection, subject to return within 30 days after receipt thereof.

(f) Orifice meters shall be installed and operated, and gas quantities computed, in accordance with AGA Report No. 3, American National Standards Institute ANSI/API 2530, "Orifice Metering of Natural Gas", revised Second Edition, 1985, applied in a practical and appropriate manner, except that the supercompressibility factor shall be calculated in accordance with Section 26.8 above.

(g) Turbine meters shall be installed and operated, and gas quantities computed, in accordance with AGA Transmission Measurement Committee Report No. 7, "Measurement of Gas by Turbine Meters", 1996 Edition, applied in a practical and appropriate manner, except that the supercompressibility factor shall be calculated in accordance with Section 26.8 above.

(h) Ultrasonic meters shall be installed and operated and gas quantities computed in accordance with AGA Transmission Measurement Committee Report No. 9, "Measurement of Gas by Multi Path Ultrasonic Meters", 1998 Edition, applied in a practical an appropriate manner, except that the supercompressibility factor shall be calculated in accordance with Section 26.8 above.

(i) Diaphragm meters shall be installed and operated, and gas quantities computed, in accordance with ANSI B109.1 or B109.2, "Diaphragm Type Gas Displacement Meters", 1986, applied in a practical and appropriate manner, except that the supercompressibility factor shall be calculated in accordance with Section 26.8 above.

(j) Rotary meters shall be installed and operated, and gas quantities computed, in accordance with ANSI B109.3, "Rotary Type Gas Displacement Meters", 1986, applied in a practical and appropriate manner, except that the supercompressibility factor shall be calculated in accordance with Section 26.8 above.

(k) Other types of meters may be used if mutually agreed to by Transporter and Shipper.

(l) Instrumentation and equipment to provide Records or samples of gas necessary to determine the specific gravity, heating value, and/or concentrations of nitrogen or carbon dioxide as required under Sections 26.6, 26.7 and 26.8 hereof may be installed at representative points along the pipeline in lieu of installing such instrumentation and equipment at each measuring station.

(m) Upon notice to Interconnecting Party, Transporter may prospectively implement and use any future editions or versions of the American Gas Association or ANSI reports referenced in this Section 26.

26.10 Check Measuring Equipment.

(a) Interconnecting Party may install check measurement equipment, provided such equipment does not interfere with the exercise of Transporter's rights to operate its station under this Tariff.

(b) Transporter, in the presence of Interconnecting Party, shall have access to Interconnecting Party's check measuring equipment at all reasonable times, but the reading, calibration and adjustment thereof and the change of charts shall be performed only by the Interconnecting Party, unless otherwise agreed upon.

(c) Interconnecting Party shall exercise reasonable care in the installation, maintenance and operation of its equipment so as to avoid any inaccuracy in the determination of the quantity of gas delivered.

(d) The Records from such check measuring equipment shall remain the property of the Interconnecting Party, but upon request the Interconnecting Party will submit to Transporter its Records and charts, together with calculations therefrom, for inspection, subject to return within 30 days after receipt thereof.

26.11 Calibration and Testing of Meters. The accuracy of all measuring equipment shall be verified by its operator at reasonable intervals and, if requested, in the presence of representatives of the other party, but neither Transporter nor Interconnecting Party shall be required to perform a special test to verify the accuracy of such equipment more frequently than once in any 30-day period. If either party at any time desires a special test of any measuring equipment, or if either

party at any time observes an error in any such measuring equipment, it will promptly notify the other party, and the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test shall be borne by the requesting party if the measurement equipment so tested is found not to be in error such that previous Recordings from the equipment must be corrected under the provisions of Section 26.12 herein.

26.12 Correction of Metering Errors. If, upon any test, any measuring equipment is found to be in error, such that the resultant aggregate error in the computed volumes of gas and quantities of energy received or delivered does not exceed two percent (2%), such errors may be taken into account in a practical manner in computing the volumes of gas and quantities of energy received or delivered. All equipment shall, in any case, be adjusted at the time of test to record correctly. If, however, the resultant aggregate error in the computed volumes of gas and quantities of energy received or delivered exceeds two percent (2%), previous Recordings of such equipment, and the corresponding volumes of gas and quantities of energy received or delivered, 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 over one half of the time elapsed since the date of the last test, not exceeding a correction period of 16 Days.

26.13 Failure or Absence of Measuring Equipment.

(a) Failure of Measuring Equipment. In the event any measuring equipment is out of service, or is found registering inaccurately and the error is not determinable by test, previous Recordings from such equipment, or the volumes of gas or quantities of energy received or delivered through such equipment, shall be estimated:

(1) by using the registration of any check meter or meters if installed and accurately registering;

(2) in the absence of check meters, by correcting the error if the percentage of error is ascertainable by calibration, special test or mathematical calculation;

(3) in the absence of check meters or the possibility of calibrations, by using Recordings or quantities received or delivered through such equipment during periods under similar conditions when the equipment was registering accurately; or

(4) as otherwise agreed by Transporter and Interconnecting Party.

(b) The Recordings from such equipment, or the volumes of gas and quantities of energy received or delivered through such equipment, so estimated shall be used in determining the volumes of gas and quantities of energy received or delivered for any known or agreed upon applicable period. In case the period is not known or agreed upon, such estimated receipts or deliveries shall be used in determining the quantity of gas received or delivered hereunder during

the latter half of the period beginning on the date of the immediately preceding test and ending on the date the measuring equipment has been adjusted to record accurately. The Recordings of the measuring equipment during the first half of said period shall be considered accurate in computing receipts or deliveries.

(c) Absence of Measuring Equipment. Transporter and Interconnecting Party and/or other affected parties may agree with Transporter to determine the volumes of natural gas and the quantities of energy received or delivered pursuant to a method or methods, instead of agreeing to construct and install facilities, meters, and measuring stations. Such method or methods that may be agreed to include, but are not limited to, the minute pick up test with correction factor (or gauged pressure test), clip valve device, or test meter methods.

26.14 Preservation of Records. Both Transporter and Interconnecting Party shall preserve all test data, charts, and other similar Records for a period of at least two years, or such other longer period as may be required by public authority.

27. CONSTRUCTION OF FACILITIES

27.1 Arrangement for Construction of Transmission Facilities. Shipper may request Transporter to construct, maintain and operate, either all or a part of transmission facilities necessary to provide service to Shipper in excess of Shipper's existing service rights. If Transporter, and co-owner Columbia, shall determine that the granting of such request by Shipper is necessary or desirable, that no undue burden will thereby be placed upon Transporter, or Columbia, and that no impairment of Transporter's and Columbia's ability to render adequate service to its Shippers will result therefrom, Transporter, and Columbia, will construct or provide such facilities if they can obtain proper, necessary authorization.

27.2 Method of Payment.

(a) In the event Transporter and Columbia shall provide a lateral line or other transmission facilities at the request of Shipper, Shipper will pay Transporter, and co-owner Columbia for the costs of such facilities by paying in addition to the amount paid for transportation services, a facility charge utilizing one of the following methods:

(1) The Shipper shall directly reimburse Transporter via an advance payment(s) for all reasonable costs incurred by Transporter to design, construct, own, operate, and maintain the facilities, including depreciation computed at the annual accrued rates being used by Transporter and Columbia for booking depreciation, and a return computed at the latest rate allowed Transporter by the Commission in a formal rate determination applied to the original cost of the facilities less accrued depreciation and plus necessary working capital applicable to such facilities, and including as appropriate tax related charges and, if applicable, associated operating and maintenance costs directly related to the facilities; provided, however, that Transporter and Shipper may mutually agree that the Shipper will pay Transporter for such costs through an incremental facilities charge applicable to its firm transportation service agreement(s) with Transporter which will reflect, as appropriate, all of Transporter's capital costs associated with such facilities, including without limitation depreciation, return on equity, related income taxes and all other taxes, and, if applicable, associated operating and maintenance costs.

(2) Notwithstanding the foregoing, Transporter and the Shipper may negotiate an alternative cost recovery mechanism.

(3) If Transporter is unable to fully collect all costs associated with the facilities from the Shipper, Transporter will not seek to recover such costs from other Shippers in future rate proceedings.

27.3 Agreement. In each case where Transporter, and Columbia, agreed to construct facilities at the request of the Shipper, unless otherwise agreed, the Service Agreement will contain as an

Exhibit thereto an agreement concerning such facilities, executed in the form as set forth in this Tariff.

28. SCHEDULES AND CONTRACTS SUBJECT TO REGULATION AND REVISION

This Tariff, including the Rate Schedules, the General Terms and Conditions, and the respective obligations of the parties under the Service Agreements and Assignment Agreements, is subject to all valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

29. NOTICES

29.1 General Notice Procedures. Except as otherwise specifically provided in this Tariff, particularly with regard to notices and communications required through Transporter's EBB or via Electronic Notice Delivery, any notice, request, demand, or communication (Notice) provided for in these General Terms and Conditions or in the Rate Schedules, or any other Notice that Transporter or Shipper may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered mail to the Post Office address of Transporter or Shipper, or at such other address as either shall designate for such Notice. Any Notice or other posting made on Transporter's EBB or on EDI as required by this Tariff shall be considered as duly delivered when transmitted by the sending party. Monthly payments, except those required to be made by wire or other electronic transfer, shall be considered as duly delivered when mailed either by registered or ordinary mail. Routine communications by telephone between members of the operating staffs of Transporter and Shipper shall be considered duly delivered without confirmation by mail. If Transporter is required by this Tariff to provide any Notice to a Shipper by telephonic communication, Transporter may, at its option, make such communication via Electronic Notice Delivery without any telephonic communication.

29.2 To the extent Transporter is authorized under this Tariff to provide any notice via Electronic Notice Delivery, and Transporter becomes aware that the Electronic Notice Delivery notification sent by Transporter has failed, Transporter shall recommunicate such notice via telephone or facsimile.

30. COMPLAINT RESOLUTION PROCEDURE

Any Shipper or potential Shipper may make a written complaint to Transporter, Attention: Vice President, Marketing, regarding any dispute between Shipper and Transporter arising under this Tariff. Shipper must specify each reason for the dispute. Within five Business Days of receiving a complaint, Transporter shall provide an initial response to complainant, acknowledging receipt of the complaint and requesting further information as appropriate. Within 30 days after receipt of Shipper's complaint, Transporter shall appoint a Committee to review the complaint and provide a written decision to the complainant addressing each element thereof and, where appropriate, recommending a course of action. In the event the complainant disagrees with this determination and makes a written request for reconsideration or clarification, specifying each reason the complainant disagrees with the initial determination, the Committee shall consider such request and within 30 Business Days after receipt thereof shall render its final written decision to complainant, addressing each element thereof and, where appropriate, recommending a course of action.

31. ANNUAL CHARGE ADJUSTMENT (ACA)

31.1 Purpose. The purpose of Section 31 is to establish an ACA Clause as permitted by Section 154.402 of the Commission's Regulations under the Natural Gas Act (NGA), which allows a natural gas pipeline company to adjust its rates annually to recover from its Shippers annual charges assessed it by the Commission under Part 382 of the Commission's Regulations.

This Section establishes an ACA unit charge to be applicable to the following Rate Schedules:

Rate Schedule FTS - Firm Transportation Service

Rate Schedule ITS - Interruptible Transportation Service

31.2 Basis of the ACA Unit Charge. The Rate Schedules specified in Section 31.1 herein shall include an ACA unit charge. Such ACA unit charge shall be that annual charge unit rate, adjusted to Transporter's pressure base and heating value, as appropriate, as revised annually and posted in an annual notice issued each fiscal year by the Commission entitled "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge" at (<http://www.ferc.gov>) is incorporated by reference into Transporter's FERC Gas Tariff.

32. RETAINAGE

Shipper must furnish a sufficient quantity of gas associated with the rendering of applicable transportation service. That quantity of gas required shall be calculated as an amount equal to the quantity of gas tendered for Shipper on a daily basis multiplied by the applicable Retainage Percentage as stated in the Currently Effective Rates Section 3 (Retainage Percentage) of this Tariff. The Retainage Percentage shall be equal to the lost and unaccounted-for component in the "Transportation Retainage" Percentage of Columbia's FERC Gas Tariff. Transporter will submit a limited Natural Gas Act Section 4 filing pursuant to Section 154.403 of the Commission's Regulations to adjust the Retainage Percentage to equal any adjustment in Columbia's "Transportation Retainage" lost and unaccounted-for component then currently in effect.

Retainage, as defined at Section 1 of the General Terms and Conditions, shall apply to all Rate Schedules of this Tariff and shall become effective only at the beginning of a month.

33. COMPLIANCE WITH 18 CFR, SECTION 284.12

Compliance with 18 CFR, Section 284.12

Transporter has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 3.1, which are required by the Commission in 18 CFR Section 284.12(a), as indicated below. Standards without accompanying identification or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

Standards not Incorporated by Reference and their Location in Tariff:

<u>NAESB Standard</u>	<u>Tariff Record</u>
0.3.3	GTC Section 3.9(d)
0.3.4	GTC Section 3.9(e)
0.3.5	GTC Section 3.9(f)
0.3.6	GTC Section 3.9(g)
0.3.7	GTC Section 3.9(h)
0.3.8	GTC Section 3.9(i)
0.3.9	GTC Section 3.9(j)
0.3.10	GTC Section 3.9(k)
1.2.3	GTC Section 1.33
1.2.4	GTC Section 1.22
1.2.5	GTC Section 1.32
1.2.6	GTC Section 1.31
1.2.9	GTC Section 1.7(a)
1.2.11	GTC Section 1.7(b)
1.2.12	GTC Section 1.15
1.2.15	GTC Section 1.42
1.2.16	GTC Section 1.42
1.3.1	GTC Section 1.18
1.3.2(i-vi)	GTC Section 1.28
	GTC Section 6.2(e)
1.3.3	GTC Section 6.3(c)(5)
1.3.6	GTC Section 6.2(h)(4)
1.3.7	GTC Section 6.2(d)
1.3.9	GTC Section 6.2(h)
1.3.11	GTC Section 6.2(h)
1.3.13	GTC Section 6.2(h)
1.3.14	GTC Section 1.11
1.3.16	GTC Section 6.2(b)

1.3.19	GTC Section 6.2(g)
1.3.22	GTC Section 6.3(d)
1.3.32	GTC Section 6.2(h)
1.3.33	GTC Section 6.2(h)
1.3.40	GTC Section 6.3(g)
1.3.44	GTC Section 6.3(h)
1.3.51	GTC Section 7.2(b)(3)
1.3.80	GTC Section 6.2(1)
2.2.1	GTC Section 1.29
2.2.2	GTC Section 18.6(1)
2.2.3	GTC Section 18.6(2)
2.3.3	GTC Section 8.3(d)
2.3.4	GTC Section 8.3(e)
2.3.6	GTC Section 8.3(g)
2.3.11	GTC Section 8.4(a)
2.3.13	GTC Section 8.4(a)
2.3.16	GTC Section 8.3(a)
2.3.18	GTC Section 8.3(a)
2.3.20	GTC Section 8.3(f)
2.3.26	GTC Section 8.4(b)
2.3.30	GTC Section 18.7(a)
2.3.31	GTC Section 19.4
2.3.40	GTC Section 18.7(e)
2.3.41	GTC Section 18.7(b)
2.3.42	GTC Section 18.7(c)
2.3.43	GTC Section 18.7(d)
2.3.44	GTC Section 18.7(f)
2.3.45	GTC Section 18.7(i)
2.3.47	GTC Section 18.7(j)
2.3.48	GTC Section 18.7(l)
2.3.50	GTC Section 18.7(g)
3.2.1	GTC Section 1.4
3.3.9	GTC Section 10.1(a)
3.3.17	GTC Section 10.2(a)
3.3.18	GTC Section 10.2(a)
3.3.19	GTC Section 10.2(a)
3.3.25	GTC Section 10.2(a)
5.2.1	GTC Section 1.8
5.2.2	GTC Section 1.17
5.2.3	GTC Section 1.14
5.3.1	GTC Section 14.1(b)
5.3.2	GTC Section 14.1(c)
5.3.3	GTC Section 14.2(c)

5.3.4	GTC Section 14.2(c)
5.3.13	GTC Section 14.4(g)
5.3.14	GTC Section 14.2(d)
5.3.15	GTC Section 14.4(g)
5.3.16	GTC Section 14.2(d)
5.3.24	GTC Section 14.3(e)
5.3.25	GTC Section 14.3(d)
5.3.34	GTC Section 7.2(b)(3)
	GTC Section 16.3(a)
	GTC Section 17.1(e)(1)
5.3.35	GTC Section 7.2(b)(3)
	GTC Section 16.3(b)
	GTC Section 17.1(e)(2)
5.3.36	GTC Section 7.2(b)(3)
	GTC Section 16.3(c)
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5.3.44	GTC Section 14.8(c)
5.3.45	GTC Section 14.8(c)
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5.3.55	GTC Section 14.8(d)
5.3.57	GTC Section 14.8(d)
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Standards for which Waiver or Extension of Time to Comply have been granted:

NAESB Standard	Waiver or Extension of Time
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34. NEGOTIATED RATES

34.1 Availability. Transporter and Shipper may mutually agree to a Negotiated Rate for service under any Rate Schedule, provided Shipper has not acquired its capacity as a temporary capacity release under Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions.

34.2 Recourse Rate Availability. The Recourse Rate shall be available to any Shipper that does not wish to mutually agree to a Negotiated Rate.

34.3 Limitations. This Section 34 does not authorize the negotiation of terms and conditions of service.

34.4 Allocations/Interruptions Based on Price. Under any circumstances where the allocation or interruption of capacity is determined by the rate being paid (including pursuant to Sections 7 (Capacity Allocation) and 16 (Interruptions of Service) of the General Terms and Conditions), Shippers paying more than the Recourse Rate will be considered to be paying the Recourse Rate.

34.5 Capacity Release. The maximum price cap for the release of capacity under a Negotiated Rate agreement shall be the Recourse Rate for releases with a term of more than one (1) year. The maximum price cap shall not apply to releases under this Section with a term of one (1) year or less. Transporter and a Releaser under Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions may, in connection with their agreement to a Negotiated Rate, agree upon payment obligations and crediting mechanisms in the event of a capacity release that vary from or are in addition to those set forth in General Terms and Conditions Section 14.8.

34.6 Right of First Refusal. The right of first refusal provided with respect to certain Shipper's firm Service Agreements, as described in Section 4 (Auctions of Available Firm Service) of the General Terms and Conditions, shall not apply to firm Service Agreements with Negotiated Rates.

34.7 Assessing Negotiated Rate Bids for Available Firm Capacity. For purposes of assessing bids for available firm capacity pursuant to General Terms and Conditions Section 4, the net Present Value of Negotiated Rate bids containing a reservation rate or other form of revenue guarantee which exceeds the applicable Recourse Rate during all or any portion of the term contained in the bid, shall not exceed the net Present Value that is calculated assuming that the applicable Recourse Rate is in effect during the full term contained in the bid, in place of the reservation rate or other revenue guarantee contained in the bid.

34.8 Rate Treatment. Transporter shall have the right to seek in future general rate proceedings discount-type adjustments in the design of its rates related to Negotiated Rate agreements that were converted from pre-existing discount agreements to Negotiated Rate agreements, provided that the type of pre-existing service is not altered as a result of the conversion to a Negotiated Rate. In those situations, Transporter may seek a discount-type

adjustment based upon the greater of: (a) the Negotiated Rate revenues received or (b) the discounted rate revenues which otherwise would have been received.

34.9 Negotiated Rate Surcharge and Retainage Components. If Transporter negotiates surcharge or Retainage percentage rate components at lower than the maximum rate level for those components as part of a Negotiated Rate arrangement, it will assume any under-recovery of costs or Retainage from negotiated shippers in order to ensure that its recourse Shippers are not better or worse off due to Negotiated Rate arrangements with individual Shippers. To accomplish this, Transporter will credit full recourse rate surcharge and Retainage amounts to the appropriate surcharge and Retainage accounts.

34.10 Filing Requirement. With respect to Negotiated Rate arrangements, unless Transporter executes and files a non-conforming Service Agreement, Transporter will file with the Commission a tariff sheet stating the exact legal name of the Shipper, the Negotiated Rate, the Rate Schedule, the receipt and delivery points, the contract quantities, and where applicable, any Negotiated Rate formula. The Negotiated Rate arrangement shall not become effective earlier than the filing date of the tariff sheet, unless the Negotiated Rate arrangement is dependent on information available on the first day of the month, and the filing date of the tariff sheet falls after the first day of the month. Any such filed tariff sheet will contain a statement that the Negotiated Rate agreement does not deviate in any material aspect from the Form of Agreement in the tariff for the applicable Rate Schedule.

34.11 Accounting Treatment. To ensure compliance with the foregoing Sections 34.8, 34.9, and 34.10, and to ensure that Recourse Rate Shippers are not better or worse off due to Negotiated Rate arrangements, Transporter shall maintain and provide separately identified and totaled volume, billing determinant, rate or surcharge component, and revenue accounting information for its Negotiated Rate arrangements in any general or limited rate change filing that it makes. Transactions related to Negotiated Rate agreements that originated as a pre-existing discounted service and were subsequently converted will be recorded separately from those originating as Negotiated Rate agreements.

35. OFFSYSTEM PIPELINE CAPACITY

From time to time, Transporter may acquire capacity on a third-party system. When Transporter acquires such off-system capacity, it will utilize the off-system capacity to provide service to Transporter's Shippers under its Tariff, and the "shipper must have title" policy is waived to permit such use. This Section 35 does not preclude Transporter from seeking case specific authorization for the utilization of off-system capacity by Transporter for other purposes.

In the event that offsystem capacity used to render service to Transporter's Shippers is subject to renewal limitations, consistent with the offsystem capacity provider's tariff or operating statement, Transporter will indicate, in any posting of capacity available for service, any limitation to extension rights that will apply as a result of the limitation on the offsystem capacity. Any such extension limitation shall be reflected in the Service Agreement between Transporter and Shipper. This provision shall not impact any right of first refusal Shipper may have pursuant to this tariff, except that extension of the affected Service Agreement shall be limited to the term of Transporter's contract or service agreement with the offsystem capacity provider.

36. APPLICABLE LAWS, REGULATIONS AND WAIVERS

36.1 Duly Constituted Authorities, Laws, and Regulations. These General Terms and Conditions and the Rate Schedules and Service Agreements to which these apply shall be subject to all valid laws of the United States and of the State of West Virginia provided, that in the event of any dispute arising from any Service Agreement hereunder, Section 5.6 of the General Terms and Conditions shall control, and the orders, rules and regulations of duly constituted authorities having jurisdiction. Service Agreements subject to the provisions of these General Terms and Conditions are voidable by Transporter, in whole or in part, in the event that the orders, rules, or regulations in effect on the date of execution of the Service Agreement are stayed, overturned, or revised in a way that is unsatisfactory to Transporter.

36.2 Suits and Proceedings. As to all matters within its actual or imputed control, Shipper represents and warrants that service hereunder and all arrangements incident thereto conform to applicable laws, orders, rules, regulations and tariffs. Shipper agrees to indemnify and hold Transporter harmless against any and all actions, suits or proceedings, concerning such service or arrangements, which are brought or instituted by any party or authority having jurisdiction, except that Shipper shall not indemnify or hold Transporter harmless for Transporter's own gross negligence or willful misconduct.

36.3 Waiver of Default. No waiver by Shipper or Transporter of any one or more defaults by the other in performance of the provisions of these General Terms and Conditions and the Rate Schedules and Service Agreements to which these apply shall be construed as a waiver of any future default or defaults, whether of a like or a different character.

37. LIABILITY OF PARTIES

Transporter and Shipper each assume full responsibility and liability for the maintenance and operation of its respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all damage, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property and equipment of the indemnifying party; provided however, that neither party agrees to indemnify the other party for the negligence of the other party, its agents, servants or employees.

38. REVISIONS

Transporter reserves the unilateral right from time to time to make any changes to, or to supersede, the rates, charges and any terms stated in any of Transporter's Rate Schedules and the applicability thereof, the General Terms and Conditions, and any other provisions of Transporter's Tariff subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder. Shipper reserves the right to protest any such changes.

39. MISCELLANEOUS PROVISIONS

39.1 Waiver of Default. No waiver by either party of any default by the other in the performance of any provisions of an executed Service Agreement shall operate as a waiver of any continuing or future default, whether of a like or different character.

39.2 Assignability. A Service Agreement shall bind and inure to the respective successors and assigns of the parties thereto, but no assignment shall release either party from such party's obligations without the written consent of the other party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent either party from pledging, mortgaging or assigning its rights as security for its indebtedness and either party may assign to the pledges or mortgages (or to a trustee for the holder of such indebtedness) any money due or to become due under any Service Agreement.

39.3 Effect of Headings. The headings used through these General Terms and Conditions and in executed Service Agreements are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such terms or provisions.

40. INTERRUPTIBLE TRANSPORTATION REVENUE CREDITING MECHANISM

(a) The purpose of this provision is to provide the mechanism by which Transporter shall credit the revenues collected for providing interruptible transportation service under Rate Schedule ITS.

(b) At the end of each contract year (November 1 to October 31), Transporter shall credit one hundred percent (100%) of all Base Tariff Rate revenue collected pursuant to Section 4 of Rate Schedule ITS to Shippers receiving service under Rate Schedule FTS and Rate Schedule ITS based on the Shippers' actual throughput for that contract year. Transporter shall credit the bills of original capacity holders (and not Replacement Shippers under Section 14 (Release and Assignment of Service Rights) of the General Terms and Conditions within 60 days of the end of the contract year.

(c) Transporter will file a report within 60 days of the close of the contract year showing the Rate Schedule ITS revenues and the resulting interruptible transportation revenue credits for each month of the contract year (November 1 to October 31).