

FERC GAS TARIFF

FIRST REVISED VOLUME NO. 1

of

HARDY STORAGE COMPANY, LLC

FILED WITH

THE FEDERAL ENERGY REGULATORY COMMISSION

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### PRELIMINARY STATEMENT

Hardy Storage Company, LLC (Seller) is a company engaged in the business of operating an underground natural gas storage field in interstate commerce under authorization granted by and subject to the jurisdiction of the Federal Energy Regulatory Commission (Commission). The facilities operated by Seller consist of a natural gas storage field located in Hardy and Hampshire counties, West Virginia.

The storage of natural gas is and will be undertaken by Seller only under written contracts acceptable to Seller upon consideration of existing commitments, gas supply, delivery capability, and any other factors deemed pertinent by Seller.

In accordance with the provisions of this Tariff, Seller is committed to providing reliable storage service of equal quality under each respective Rate Schedule in this Tariff

## MAP

The system map is available on Tranporter's EBB. It may be accessed using the following link:

<https://ebb.tceconnects.com/infopost/Documents.aspx?Folder=%5C%5Chrd%5C%5Cmaps>

## **CURRENTLY EFFECTIVE RATES**

Currently Effective Rates  
Applicable to Rate Schedule HSS  
Rate Per Dth

	Base Tariff Rate 1/	Total Effective Rate 1/	Daily Rate 1/
<b>Rate Schedule HSS</b>			
Reservation Charge	\$ 4.776	4.776	0.1570
Capacity	¢ 6.800	6.800	6.800
Injection	¢ 0.72	0.72	0.72
Withdrawal	¢ 0.72	0.72	0.72
Overrun	¢ 23.94	23.94	23.94

1/ Excludes the Annual Charge Adjustment (ACA) Surcharge. An ACA Commodity surcharge per Dth shall be assessed where applicable pursuant to Section 154.402 of the Commission's Regulations and in accordance with Section 29 of the GTC of Transporter's FERC Gas Tariff. The ACA unit charge authorized for each fiscal year (commencing October 1) by the Commission and posted on its website (<http://www.ferc.gov>) is incorporated herein by reference.

Currently Effective Rates  
Applicable to Rate Schedule IHSS  
Rate Per Dth

	Base Tariff Rate 1/	Total Effective Rate 1/	Daily Rate 1/
<b>Rate Schedule IHSS</b>			
Commodity			
Maximum	¢ 22.50	22.50	22.50
Minimum	¢ 0.00	0.00	0.00
Injection	¢ 0.72	0.72	0.72
Withdrawal	¢ 0.72	0.72	0.72

1/ Excludes the Annual Charge Adjustment (ACA) Surcharge. An ACA Commodity surcharge per Dth shall be assessed where applicable pursuant to Section 154.402 of the Commission's Regulations and in accordance with Section 29 of the GTC of Transporter's FERC Gas Tariff. The ACA unit charge authorized for each fiscal year (commencing October 1) by the Commission and posted on its website (<http://www.ferc.gov>) is incorporated herein by reference.



## RETAINAGE PERCENTAGE

### (Over)/Under Collection Surcharge Percentages:

Company Use Gas	0.427%
Lost and Unaccounted For Gas	<u>-0.232%</u>
Total (Over)/Under Collection Surcharge	0.195%

### Current Percentages:

Company Use Gas	2.206%
Lost and Unaccounted For Gas	<u>-0.269%</u>
Total Current Percentages	1.937%

### Total Retainage Percentage:

Company Use Gas	2.633%
Lost and Unaccounted For Gas	<u>-0.501%</u>
Total Retainage Percentage	<u><u>2.132%</u></u>

## **RATE SCHEDULES**

RATE SCHEDULE HSS  
HARDY STORAGE SERVICE

1. AVAILABILITY

Service under this Rate Schedule is available from Seller to any Customer, provided that (i) Seller has sufficient facilities and storage capacity available to inject, store, and withdraw gas for Customer, (ii) Seller has awarded capacity to Customer under the provisions of Section 4 (Auctions of Available Firm Service) of the General Terms and Conditions, through construction of facilities, or pursuant to Seller's initial Open Season for capacity, (iii) Customer has executed an HSS Service Agreement with Seller, and (iv) Customer complies with the provisions of this Rate Schedule and with all other applicable provisions of this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE

(a) Service provided under this Rate Schedule shall be performed under Subpart B or G of Part 284 of the Commission's Regulations. Subject to the limitations set forth below, Seller shall inject and store quantities and withdraw thermally equivalent quantities, less Retainage, for Customer. Such service shall be provided on a firm basis and shall apply to all gas delivered to Seller for Customer and stored under this Rate Schedule, up to the Hardy Storage Contract Quantity (HSCQ) set forth in Customer's HSS Service Agreement. Customer's Hardy Maximum Daily Storage Quantity (HMDSQ) under this HSS Rate Schedule shall be that specified in Customer's HSS Service Agreement.

(b) Service provided under this Rate Schedule (i) shall have the priority specified in Section 7 (Capacity Allocation) of the General Terms and Conditions, (ii) shall be subject to interruption to the extent provided in this Rate Schedule or in Section 15 (Interruptions of Service) of the General Terms and Conditions, and (iii) shall be subject to operational flow orders issued by Seller to protect the integrity, including the performance capability, of its storage facilities, or otherwise to the extent provided in this Rate Schedule or in Section 16 (Operational Flow Orders) of the General Terms and Conditions.

(c) Subject to the limitations and requirements set forth in this Rate Schedule or in Customer's HSS Service Agreement, Seller shall (i) inject quantities received by Seller from or on behalf of Customer and designated by Customer for delivery to "HSS Storage", up to the HSCQ set forth in Customer's HSS Service Agreement plus sufficient quantities for Retainage, and (ii) deliver to Customer thermally equivalent quantities of gas, less Retainage, up to the HSCQ set forth in Customer's HSS Service Agreement. Seller shall not be obligated under this Rate Schedule on any Day to deliver to Customer gas in excess of the quantities then held in storage for Customer.

(d) Service rights under an HSS Service Agreement may be released and assigned in accordance with Section 13 (Release and Assignment of Service Rights) of the General Terms and Conditions. Service to a Replacement Customer under any such release and assignment

shall be subject to the provisions set forth in this Rate Schedule and in the General Terms and Conditions. If a Customer releases only a portion of its service rights under an HSS Service Agreement, such release shall not change the existing ratio of the HSCQ and the HMDSQ for Customer's remaining unreleased service.

(e) Seller and Customer may mutually agree on a not unduly discriminatory basis to (i) different termination dates for specified volumes of Storage Contract Quantity and Maximum Daily Storage Quantity within the same Service Agreement and/or (ii) combine Service Agreements under this Rate Schedule into a single Service Agreement under this Rate Schedule with different termination dates for specified volumes of Storage Contract Quantity and Maximum Daily Storage Quantity. Seller and Customer may mutually agree to combine Service Agreements only to the extent that the individual Service Agreement's rates, terms, and conditions can be distinctly maintained and will not be altered by the combination. For each Service Agreement(s) executed in accordance with this Section 2(e), each of the varying termination dates and associated volumes of Storage Contract Quantity and Maximum Daily Storage Quantity will be set forth on a separate Appendix A to the Service Agreement applicable to service pursuant to this Rate Schedule. Each component with a different termination date for a specified volume of Storage Contract Quantity and Maximum Daily Storage Quantity within the same Service Agreement and reflected in a separate Appendix A will be regarded as a single Service Agreement for purposes of Customer's exercise of any right of first refusal under the provisions of Section 4 of the General Terms and Conditions of Seller's Tariff. In the event of a constraint or other occurrence that precludes combined nominations or allocations, Seller may advise Customers under such combined Service Agreements that capacity must be nominated separately, and is subject to separate allocation, pursuant to the terms of each separate Appendix A of the Service Agreement. Each Appendix A of the combined Service Agreements will be identified by its original contract number or such other identification convention determined to be applicable by Seller.

### 3. INJECTIONS INTO STORAGE

(a) Seller shall not be obligated on any Day to inject gas into storage for Customer in excess of Customer's Hardy Maximum Daily Injection Quantities (HMDIQ), as described in this Section. If non-firm capacity for injection is available, such non-firm capacity will be posted on the Seller's EBB via the daily capacity notice. Customers may nominate and obtain such capacity consistent with Section 6 of the General Terms and Conditions. Non-firm capacity will be allocated in accordance with Section 7 of the General Terms and Conditions.

(b) Injections under this Rate Schedule shall have the priority described in Section 7 (Capacity Allocation) of the General Terms and Conditions and shall be subject to interruption to the extent provided in this Rate Schedule or in Section 15 (Interruptions of Service) of the General Terms and Conditions. Except for reasons of force majeure, Customer shall notify Seller electronically through Seller's EBB consistent with Section 6 of the General Terms and Conditions. If a force majeure event causes a material change in the quantities of gas that will be

delivered to Seller for storage on Customer's behalf under this Rate Schedule, Customer shall notify or cause Seller to be notified as soon as possible after that force majeure event.

(c) Quantities to be stored hereunder may be delivered to Seller throughout the year. Customer's HMDIQ shall be half (1/2) of Customer's Maximum Daily Storage Quantity (HMDSQ). The Maximum Monthly Injection Quantity (HMMIQ) shall be calculated as the HMDIQ times the number of days in the month. A request by Customer for permission to make injections in excess of its HMMIQ shall be submitted to Seller electronically through Seller's EBB at least 24 hours in advance. Seller shall grant any such request to the extent that: (i) additional injection flexibility exists during the time period of the request in accordance with Section 7 (Capacity Allocation) of the General Terms and Conditions; and (ii) Seller, in its reasonable discretion, can operationally accommodate the request(s).

#### 4. WITHDRAWALS FROM STORAGE

(a) Customers shall nominate in accordance with Section 6 of the General Terms and Conditions. Seller shall not be obligated on any Day to withdraw and deliver gas to Customer in excess of Customer's Maximum Daily Withdrawal Quantity (HMDWQ), as described in this Section. The availability of non-firm capacity for withdrawal will be posted on Seller's EBB. Non-firm capacity will be allocated in accordance with Section 7 of the General Terms and Conditions.

(b) Seller shall deliver Customer's HSCQ throughout the year, subject to the limitations set forth herein. Customer's HMDWQ shall be based upon and limited by Customer's HSCQ inventory remaining in storage each Day as determined in accordance with Seller's best estimates as follows:

<u>% of HSCQ in Inventory</u>	<u>HMDWQ as a % of HMDSQ</u>
100% to 40%	100%
less than 40% to 30%	80%
less than 30% to 20%	65%
less than 20% to 10%	50%
less than 10% to 0%	35%

(c) Seller will waive the limitations set forth in Section 4(b) above, on a non-discriminatory case-by-case basis to the extent operationally feasible.

(d) Customer's maximum monthly net withdrawal quantities for the months of November through March shall be as follows:

<u>Month</u>	<u>Maximum % of HSCQ</u>
November	33
December	33
January	33
February	25
March	20

Seller, in its reasonable discretion, may waive this provision. If Customer exceeds the maximum monthly net withdrawal limit during any of the Months November through March, Customer's maximum monthly net withdrawal quantity for the succeeding Month shall be reduced by an amount equal to the excess quantities withdrawn during the excess withdrawal Month.

(e) Customer's maximum storage inventory on April 1 shall not exceed 50% of its HSCQ.

(f) Customer may withdraw from storage on an interruptible basis quantities in excess of Customer's HMDWQ. Such interruptible withdrawals shall have the priority set forth in Section 7 (Capacity Allocation) of the General Terms and Conditions and shall be subject to interruption as set forth in Section 15 (Interruptions of Service) of the General Terms and Conditions.

## 5. RECEIPT AND DELIVERY POINTS

The point of receipt for all gas tendered to Seller for storage under this Rate Schedule shall be designated in Service Agreement(s) with Seller as "Columbia Gas Transmission Corporation's (Columbia) Lost River Compressor Station", which is the interconnection point between Seller's facilities and Columbia's facilities. The point of delivery for all gas delivered by Seller to Customer hereunder shall be designated in Customer's Service Agreement(s) as "Columbia's Lost River Compressor Station".

## 6. RATE

(a) The charges to be paid by Customer, as set forth in paragraph (b) below, shall be no higher than any applicable maximum charges and no lower than any applicable minimum charges set forth in the currently effective Sheet No. 10 of this Tariff, unless otherwise mutually agreed to by Seller and Customer with respect to the charges identified in Section 6(b) below.

(b) For all service rendered under this Rate Schedule, Customer each month shall pay Seller the charges set forth below, unless otherwise mutually agreed to by Seller and Customer with respect to the charges identified in Section 6(b) below and specified in Customer's HSS Service Agreement.

- (1) Reservation Charge. The maximum Reservation Charge for each Month, assessed on each Dth of the HMDSQ specified in Customer's HSS Service Agreement.
  - (2) Capacity Charge. The maximum Capacity Charge for each Month, assessed on each Dth of the HSCQ specified in Customer's HSS Service Agreement.
  - (3) Injection Charge. The Injection Charge per Dth of daily net injections of gas into storage by Seller during the Month for the account of Customer under this Rate Schedule.
  - (4) Withdrawal Charge. The Withdrawal Charge per Dth of daily net withdrawals of gas from storage for delivery by Seller during the Month for the account of Customer.
  - (5) Overrun Charge. The applicable maximum Overrun Charge per Dth of gas delivered on any Day during the Month in excess of Customer's HMDSQ.
  - (6) Surcharges. The surcharges applicable to this Rate Schedule.
- (c) The charges and surcharges described in this Rate Schedule are subject to adjustment in accordance with the procedures set forth in the General Terms and Conditions.
- (d) From the quantities delivered into storage for Customer, Seller shall retain the Retainage specified in the currently effective Sheet No. 13, unless otherwise negotiated by Seller and Customer, and specified in Customer's HSS Service Agreement. That Retainage shall be subject to adjustment in accordance with Section 30 (Retainage Adjustment Mechanism) of the General Terms and Conditions.
- (e) Customer shall remain responsible for all property or other taxes associated with the quantities held for Customer in storage under this Rate Schedule. If necessary, Seller shall report to Customer the quantities in storage to enable Customer to calculate and pay all taxes associated with those storage quantities.
- (f) The Reservation Charge shall apply as of the date service is deemed to commence by the terms of Customer's HSS Service Agreement.
- (g) Seller shall be responsible for any loss, cost, or expense arising from any loss of Customer's gas in Seller's storage that results from Seller's negligence or failure to exercise due diligence. Notwithstanding the provisions in Section 21 (Possession of Gas) of the General Terms and Conditions, Customer shall be responsible for obtaining its own insurance for any gas in storage, and shall hold Seller harmless from any loss, cost, or expense arising from any loss of storage gas that results from a force majeure event or that is not the result of Seller's negligence or failure to exercise due diligence.

## 7. PENALTIES

(a) If Customer fails to comply with an operational flow order issued by Seller pursuant to Section 16 (Operational Flow Orders) of the General Terms and Conditions, a penalty of \$5.00 per Dth, per day shall be assessed to Customer for all quantities in violation of that operational flow order.

(b) On any Critical Day on which Customer's injections into storage exceed 110 percent of its applicable HMDIQ as described in Section 3(c) of this Rate Schedule, Customer shall pay Seller a penalty of \$5.00 per Dth for all quantities injected in excess of 110 percent of its HMDIQ.

(c) In any Month in which Seller has declared a Critical Day and Customer's total monthly injection quantities exceed 105 percent of the applicable HMMIQ as described in Section 3 of this Rate Schedule, Customer shall pay Seller a penalty of \$5.00 per Dth for all quantities injected in excess of 105 percent of the applicable HMMIQ for each day during the month on which a Critical Day was declared.

(d) On any Critical Day in which Customer's withdrawals from storage exceed 103 percent of its applicable HMDWQ, as described in Section 4(b) of this Rate Schedule, Customer shall pay Seller a penalty of \$10.00 per Dth of all quantities withdrawn in excess of 103 percent of its HMDWQ.

(e) In any Month in which Seller has declared a Critical Day and Customer's net withdrawals from storage exceed the applicable limits set forth in Section 4 of this Rate Schedule, Customer shall pay Seller a penalty of \$5.00 per Dth for all quantities withdrawn in excess of such limits for each day during the month on which a Critical Day was declared.

(f) If Customer's injections into storage on any Day exceed its HSCQ, Customer shall pay Seller a penalty of \$5.00 per Dth for all quantities injected in excess of its HSCQ. If Customer's withdrawals from storage on any Day result in its HSS account having a negative HSCQ balance, Customer shall pay Seller a penalty of \$5.00 per Dth.

(g) If Customer carries over quantities beyond April 1 in excess of the 50% of a Customer's HSCQ limitation set forth in Section 4(e) of this Rate Schedule, any such quantities automatically shall be forfeited by Customer to Seller, free and clear of all liens and encumbrances. Seller shall post such forfeited quantities on its EBB as gas available for sale to the highest bidder within a 24-hour notice period. Such posting will provide as a condition of sale that such gas be withdrawn from storage within a period of time to be specified in the notice. Automatic forfeiture will only take place where operational concerns require the physical withdrawal of excess supplies of gas. Upon receipt of payment, Seller shall treat the forfeited gas proceeds as Penalty Revenues as defined in Section 18.3 of the General Terms and Conditions.



(h) All penalties and charges assessed under this Section shall be assessed and paid in addition to all applicable storage rates and charges under this Rate Schedule, including any overrun charges.

(i) In the event Customer seeks to avoid any penalty provided for in this Section on the ground that such charge was incurred because of a force majeure event as defined in Section 14 (Force Majeure) of the General Terms and Conditions, Customer shall document such force majeure event to Seller. Seller shall waive penalties to the extent that it determines that the penalty was caused by a bona fide force majeure event as defined in said Section 14.

(j) Seller may waive its right to collect all or any portion of penalties assessed against Customer or its right to retain all or any portion of Shipper's gas, provided that any such waiver is granted in a nondiscriminatory manner.

## 8. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions are applicable to this Rate Schedule and are hereby made a part hereof.

RATE SCHEDULE IHSS  
INTERRUPTIBLE HARDY STORAGE SERVICE

1. AVAILABILITY

Service under this Rate Schedule is available from Seller to any Customer, provided that (i) Seller has sufficient facilities and storage capacity available to inject, store, and withdraw gas for Customer, (ii) Seller has awarded capacity to Customer under the provisions of this Rate Schedule, (iii) Customer has executed an IHSS Service Agreement with Seller, and (iv) Customer complies with all other applicable provisions of this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE

(a) Service provided under this Rate Schedule shall be performed under Subpart B or G of Part 284 of the Commission's Regulations. Subject to the limitations set forth below, Seller shall inject and store quantities and withdraw thermally equivalent quantities, less Retainage, for Customer. Such service shall be provided on an interruptible basis and shall apply to all gas designated for storage under this Rate Schedule and delivered to Seller to or for Customer, up to the Interruptible Storage Quantity (HISQ) set forth in Customer's IHSS Service Agreement.

(b) Service under this Rate Schedule, including all injections into and withdrawals from storage (i) shall have the priority specified in Section 7 (Capacity Allocation) of the General Terms and Conditions, (ii) shall be subject to interruption to the extent provided in this Rate Schedule or in Section 15 (Interruptions of Service) of the General Terms and Conditions, and (iii) shall be subject to operational flow orders issued by Seller to protect the integrity, including the performance capability, of its storage facilities or otherwise to the extent provided in this Rate Schedule or in Section 16 (Operational Flow Orders) of the General Terms and Conditions.

(c) Subject to the limitations and requirements set forth in this Rate Schedule and in Customer's IHSS Service Agreement, Customer shall be permitted to request Seller to inject, on an interruptible basis, quantities received by Seller from or on behalf of Customer and designated for delivery to "IHSS Storage." All such nominations of injection quantities and all resulting actual injections under this Rate Schedule shall be completed within the first Month of Customer's IHSS Service Agreement governing those quantities (the Injection Month).

(d) Customer's aggregate injection quantities shall not exceed Customer's HISQ, and Customer's injection quantities on any Day in the Injection Month shall not exceed Customer's Maximum Daily Injection Quantity (HMDIQ). Customer's HMDIQ shall be determined by (i) multiplying Customer's HISQ and the applicable Retainage by 110 percent and (ii) dividing the resulting figure by the number of Days in the Injection Month.

(e) Seller shall make available to Customer for withdrawal, on an interruptible basis, quantities of gas thermally equivalent to the quantities actually injected for Customer less

Retainage. Customer may make withdrawals at any time during the term of Customer's IHSS Service Agreement unless otherwise extended pursuant to Section 5 of this Rate Schedule (the Final Withdrawal Date).

(f) Customer shall not be permitted to increase its existing flowing quantities under this Rate Schedule, regardless of the HISQ set forth in Customer's IHSS Service Agreement, if such increase would cause a reduction of existing quantities flowing on Seller's system under a Service Agreement between Customer and Seller of equal or higher priority.

(g) Customer shall remain responsible for all property or other taxes associated with the quantities held for Customer in storage under this Rate Schedule. If necessary, Seller shall report to Customer the quantities in storage to enable Customer to calculate and pay all taxes associated with those storage quantities.

(h) Service rights under an IHSS Service Agreement may not be released and assigned.

### 3. BIDDING PROCEDURE

(a) If Seller, in its reasonable discretion, determines that storage capacity is available under this Rate Schedule, Seller shall post a notice to that effect on its EBB on or before the tenth day of the Month preceding the Month during which such storage capacity will be available.

(b) Seller's notice shall include:

(1) the quantity of interruptible storage capacity available;

(2) the Minimum Bid Rate Seller is willing to accept and the Maximum Bid Rate that may be bid (which shall not be lower or higher than the Minimum and Maximum IHSS Commodity Charge Rates set forth at Sheet No. 10 of the Tariff) in cents per Dth (¢/Dth); and

(3) any applicable restrictions on injections or withdrawals of that capacity.

(c) Prospective Customers shall submit their bids to Seller electronically through the EBB. Multiple bids may be submitted throughout the bidding period. Final bids must be received by Seller at or before 4:00 p.m. Eastern Time on the fifth business day following posting of Seller's EBB notice. Seller shall post all bids and quantities on the EBB as they are received during the bidding period. Bids may be withdrawn at any time prior to the end of the bidding period. Seller shall reject any bids (i) submitted subsequent to the deadline, (ii) for an amount per Dth lower than the Minimum Bid Rate, (iii) for an amount per Dth higher than the Maximum Bid Rate or (iv) that are not in conformance with paragraph (d) below. All bids

submitted shall be binding. Seller reserves the right to reject any bid pursuant to this paragraph (c). Seller shall notify bidders of rejected bids electronically through Seller's EBB.

(d) Bids shall include, or with regard to item (4) below shall be accompanied by, the following information:

(1) The Commodity Charge, inclusive of surcharges, bid for the capacity expressed in terms of cents per Dth ( $\text{¢/Dth}$ ) to the nearest one hundredth of one cent (00.00 $\text{¢}$ );

(2) The HISQ bid;

(3) A name, street address (for overnight mail delivery), telephone number and facsimile number of the representative designated by bidder for receipt of notification by Seller of the results of the bidding pursuant to this Section; and

(4) A request for service, submitted together or contemporaneously with bidder's bid, that fully complies with the provisions of Section 3 (Requests for Service) of the General Terms and Conditions, or evidence that bidder has complied with the requirements of said Section 3.

(e) Seller shall review all timely submitted bids that have not been rejected and shall award service to the bidders submitting the highest valid Commodity Charge bid; provided that the winning bidders have satisfied the requirements of Section 3 (Requests for Service) of the General Terms and Conditions. All accepted bids between the Minimum Bid Rate and Maximum IHSS Rate shall be deemed to be selective discounts and shall be reported under any Commission regulations applicable to such selective discounts.

(f) On or before the 22nd day of the Month preceding the Month in which storage capacity under this Rate Schedule will be available, Seller shall notify electronically through Seller's EBB all bidders submitting timely bids of the status of their bid. The term of the IHSS Service Agreement shall commence with the first Day of the first Month reflected in the notice and end with the last Day of the following March. The latter date shall be Customer's Final Withdrawal Date. Seller also shall post on the EBB the name of the winning bidders and the rates and quantities of the winning bids.

(g) If bids of the same value are submitted by two or more bidders and the available storage capacity is insufficient to satisfy the HISQ quantities requested, the available capacity shall be awarded and allocated pro rata among those bidders, based upon HISQ quantities bid. Bidders awarded a pro rata allocation may reject such pro rata allocation, by notice to Seller within 24 hours after Seller notifies Bidder of such award. Otherwise, all capacity awarded to a Customer hereunder must be accepted by Customer.

(h) If any date in this Section falls on a weekend or Seller Holiday, such date shall be deemed for purposes of this Section to be the next succeeding Business Day.

4. INTERRUPTIBLE INJECTIONS INTO STORAGE

(a) Seller shall not be obligated (i) on any Day to inject gas into storage for Customer's account in excess of Customer's HMDIQ, or (ii) in the aggregate to store more than Customer's HISQ.

5. INTERRUPTIBLE WITHDRAWALS FROM STORAGE

(a) Seller shall not be obligated to withdraw and deliver gas to or for the account of Customer in excess of the total amount in inventory for Customer's account.

(b) All gas injected into storage for Customer's account under this Rate Schedule must be withdrawn by Customer's Final Withdrawal Date, provided that such Final Withdrawal Date shall be extended one Day for each Day, during the 30 Days preceding Customer's Final Withdrawal Date, that Customer's IHSS withdrawals are interrupted by Seller. Customer may withdraw gas from the first Day following Customer's Injection Month through Customer's Final Withdrawal Date.

6. RATE

(a) The charges to be paid by Customer, as set forth in paragraph (b) below, shall be no higher than the applicable total effective maximum charges and no lower than the applicable total effective minimum charges set forth in the currently effective Sheet No. 10 of this Tariff, unless otherwise mutually agreed to by Seller and Customer with respect to the charges identified in Section 5(b) below.

(b) For all storage service rendered under this Rate Schedule, Customer shall pay Seller each Month during which Customer was awarded capacity the charges set forth below.

(1) Commodity Charge. A commodity charge, inclusive of any applicable surcharges, per Dth of Customer's actual Average Monthly Balance at Customer's Commodity Charge bid rate.

(2) Injection Charge. The maximum Injection Charge per Dth of gas injected into storage during the Month.

(3) Withdrawal Charge. The maximum Withdrawal Charge per Dth of gas withdrawn from storage during the Month.

(c) From the quantities delivered into storage for Customer, Seller shall retain the Retainage specified in the currently effective Sheet No. 13 of this Tariff, unless otherwise

negotiated by Seller and Customer, and specified in Customer's IHSS Service Agreement. That Retainage shall be subject to adjustment in accordance with Section 30 (Retainage Adjustment Mechanism) of the General Terms and Conditions.

(d) The charges and surcharges described in this Rate Schedule are subject to adjustment in accordance with the procedures set forth in the General Terms and Conditions.

(e) Seller shall be responsible for any loss, cost, or expense arising from any loss of Customer's gas in Seller's storage that results from Seller's negligence or failure to exercise due diligence. Notwithstanding the provisions in Section 21 (Possession of Gas) of the General Terms and Conditions, Customer shall be responsible for obtaining its own insurance for any gas in storage, and shall hold Seller harmless from any loss, cost, or expense arising from any loss of storage gas that results from a force majeure event or that is not the result of Seller's negligence or failure to exercise due diligence.

(f) Within 60 days of the end of a contract year (April 1 to March 31), Seller shall allocate to Rate Schedule HSS Customers 100 percent of all monies collected pursuant to Section 6(b)(1) above. Such monies shall be allocated to Customers based on their respective HSCQ levels in effect for that contract year.

## 7. PENALTIES

(a) If Customer fails to comply with an operational flow order issued by Seller pursuant to Section 16 (Operational Flow Orders) of the General Terms and Conditions, a penalty of \$5.00 per Dth per day shall be assessed to Customer for all quantities in violation of that operational flow order.

(b) If Customer fails to withdraw all of Customer's HISQ by Customer's Final Withdrawal Date, any such quantities not withdrawn shall be forfeited automatically by Customer to Seller free and clear of all liens and encumbrances. Seller shall post such forfeited quantities on its EBB as gas available for sale to the highest bidder within a 24-hour notice period. Such posting may provide as a condition of sale that such gas be withdrawn from storage within a period of time to be specified in the notice. Upon receipt of payment, Seller shall treat the forfeited gas proceeds as Penalty Revenues as defined in Section 18.3 of the General Terms and Conditions.

(c) All penalties and charges assessed under this Section shall be assessed and paid in addition to all applicable rates and charges under this Rate Schedule, including any overrun charges.

(d) If Customer seeks to avoid any penalty provided for in this Section on the ground that such charge was incurred because of a force majeure event as defined in Section 14 (Force Majeure) of the General Terms and Conditions, Customer shall document such force majeure

event to Seller. Seller shall waive penalties to the extent the penalty was caused by a bona fide force majeure event as defined in said Section 14.

(e) Seller may waive its right to collect all or any portion of any penalties assessed against Customer or its right to retain all or any portion of gas, provided that any such waiver is granted in a nondiscriminatory manner.

8. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions are applicable to this Rate Schedule and are hereby made a part hereof, with the exception of Sections 4, 12, and 13.

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## GENERAL TERMS AND CONDITIONS

### 1. DEFINITIONS

1.1 "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.

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

1.3 "Business Day" shall mean Monday through Friday, excluding Federal Banking Holidays.

1.4 "Customer" shall mean any person or entity receiving service under any of Seller's Rate Schedule(s).

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 Seller agreeing with Interconnecting Operators on quantities that should flow at a location based on nominations received by Seller and the Interconnecting Operator. Related confirmation terms are:

(a) "Confirming Party" shall mean the entity that Seller 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 25.2 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, and gigajoules per Gas Day in Canada and Mexico. (For reference 1 dekatherm = 1,000,000 Btu's and 1 gigajoule = 1,000,000,000 joules.) For commercial purposes, the standard conversion factor between dekatherms and gigajoules is 1.055056 gigajoules 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 Seller's computerized system for the posting, sending and receiving of notices and other communications under this Tariff.

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

1.14 "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 Seller defined data sets where no NAESB standard exists.

1.15 "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.

1.16 "Elapsed Prorated Scheduled Quantity" or "EPSQ" 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.

1.17 "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.

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

1.19 "General Terms and Conditions" or "GTC" 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 psig 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 Party" shall mean an entity with physical facilities that interconnect with Seller's physical facilities.

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

1.23 "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.

1.24 "Master List of Interconnections" or "MLI" shall mean the list of interconnections, including receipt and delivery points with third parties, as maintained by Seller on its EBB on an ongoing basis.

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

1.26 "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.

1.27 "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 Seller and Customer; may be less than, equal to, or greater 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. 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 Seller (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 Seller from upstream and downstream connected parties;

(v) 5:00 p.m. for receipt of scheduled quantities by Customer and Interconnecting Operator.

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

(b) 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 Seller (including from TTTSPs);

(iii) 6:30 p.m. to send Quick Response;

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

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

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

(c) 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 Seller (including from TTTSPs);

- (iii) 10:30 a.m. to send Quick Response;
- (iv) 12:30 p.m. for receipt of completed confirmations by Seller from upstream and downstream connected parties;
- (v) 1:00 p.m. for Seller to provide scheduled quantities to affected Customers 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 Seller (including from TTTSPs);
- (iii) 3:00 p.m. to send Quick Response;
- (iv) 5:00 p.m. for receipt of completed confirmations by Seller from upstream and downstream connected parties;
- (v) 5:30 p.m. for Seller to provide scheduled quantities to affected Customers 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

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 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 Customer'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 that specifies the procedures for managing operating variances at an interconnect.

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

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

1.32 "Permanent Release" shall mean a release where the releasing Customer releases its capacity for the entire remaining term of its Service Agreement and Seller and Customer agree to terminate the releasing Customer's Service Agreement, so that the releasing Customer no longer has any liability to Seller to pay for the capacity.

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 "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.

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

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

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

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

1.39 "Seller" shall mean Hardy Storage Company, LLC.

1.40 "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.

1.41 "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. Seller shall operate and make available to Customers and other third parties, as set forth below, an interactive electronic communications system (Electronic Bulletin Board (EBB)) (also referred to by its trade name Columbia Navigator®). All Customers of service under any of Seller's Rate Schedules shall have the capability to make use of Seller's EBB as required by this Tariff. The EBB shall be available to any party with compatible electronic equipment. All Customers and parties making use of Seller's EBB shall be bound by and comply with the procedures governing its use, as set forth in this Tariff and, for those Customers or other parties utilizing electronic contracting through the EBB, in Section 5.7 of the General Terms and Conditions.

### 2.2 Operation.

(a) 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 storage log, and standards of conduct. Seller 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. Seller 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 storage schedules, confirmation of gas storage nominations, and any other data or notice required by this Tariff. After notice by Seller, 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, Seller 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 Customers, 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. Seller will make available certain blank forms on its EBB that Customer may print for use in case of a failure of Seller's EBB and Customer may transmit those completed forms to Seller by facsimile transmission. Customer 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 Customer shall transmit by facsimile transmission 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 Seller 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, Seller will, by Electronic Notice Delivery, telephone or facsimile transmission, provide notice to Customers 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 Seller's available capacity or released capacity; 24-hour turnaround times for contracting between Seller and other parties, such as Replacement Customers 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) Information concerning the availability of capacity from Seller for firm and interruptible storage services, capacity available through capacity release, and a map shall be posted on Seller's EBB.

(b) A listing of the points of receipt on Seller's system, including the following information: (i) designation of point of receipt; (ii) location of point of receipt; and (iii) total firm capacity subscribed at the point; and

(c) Seller's currently effective Tariff.

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

2.5 Limitation. The EBB shall be employed by Customers 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 the 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 Proprietary and Confidential Nature of Navigator. Columbia Navigator software and the information contained in Columbia Navigator is proprietary and confidential. Customer shall not reproduce, disclose, or otherwise make available Columbia Navigator software, or any

confidential information contained therein, to any other entity or individual. The Columbia Navigator software is a proprietary product of Seller and is protected by Copyright Law. As provided at Section 2.10, the data conveyed through the EBB is not proprietary or confidential by reason of its transmission through the EBB, and enjoys no greater confidentiality than if communicated through another medium.

2.8 Access Requirements; Operations. Seller's EBB will operate 24 hours per day, seven days a week, every week of the year. 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 Tariff and, for electronic contracting purposes, with this Section and Section 5.7 of the General Terms and Conditions.

(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. Seller will operate a toll free telephone helpline answered 24 hours a day, to provide technical support.

(b) Access Procedure. Any party desiring to use Seller's EBB may arrange to do so by contacting Seller's Navigator 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.

2.9 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.

2.10 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.

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

2.12 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 Seller's application (for electronic data interchange (EDI) transmissions) or by the EBB computer (for on-line transmissions).

2.13 Responsibility for Employees. Each party shall be responsible for the actions of its employees with respect to use of or access to Seller'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.

2.14 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 Seller. 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.

2.15 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. 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.

2.16 Security Breaches. Any Customer or other party using the EBB agrees to notify Seller 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 effect EBB communications; and (iii) loss of authority to effect EBB communications by any previously authorized employee. Seller shall, to the extent possible, accommodate requests by Customers to limit the access of designated employees or representatives of Customer to designated portions of the EBB.

2.17 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 Seller'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 Seller's ownership and control shall be the same standards as are applicable to Seller'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 Seller's Rate Schedules shall be made by submitting to Seller 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 Seller. The completed request for amended Service Agreements shall be forwarded to Seller through Seller's EBB, or other method of delivery approved by Seller. A Customer or prospective Customer seeking new or increased service from Seller, including a prospective bidder for released capacity under the provisions of Section 13 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 audited financial statements and financial reports for the previous two (2) fiscal year ends certified by the Chief Financial Officer or Chief Accounting Officer of the Requestor prepared in accordance with generally accepted accounting principles or, for non U.S. based Requestors, prepared in accordance with the equivalent standards. The certificate must state that the financial statements and financial reports fairly present the financial condition and results of operations of the Requester for the period it covers;

(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:

(i) its financial statement for the most recent period available, which may be unaudited but if unaudited, must be signed and attested to by Requestor's President and Chief Financial Officer as fairly representing the financial condition of the company;

(ii) any current filings with other regulatory agencies that discuss Requestor's financial condition; and

(iii) 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 Seller may make reasonable inquiry into Requestor's creditworthiness, and copies of any available reports from credit reporting and bond rating agencies. The results of reference checks and any credit reports submitted must show that Requestor's obligations are being paid on a reasonably prompt basis;

(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;

(7) written confirmation that Requestor is not operating under any chapter of the Bankruptcy Code and is not subject to liquidation or debt reduction procedures under State Laws, such as an assignment for the benefit of creditors, or any informal creditors' committee agreement. Seller may make an exception for a Requestor who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act if Seller is adequately assured that the service billing will be paid promptly as a cost of administration under the Federal Court's jurisdiction;

(8) a list of owners and/or shareholders of Requestor, if Requestor is privately held; and

(9) any other data Requestor desires to submit that would assist Seller in determining creditworthiness.

(b) Seller may waive the requirements of all or any part of Section 3.2 on a nondiscriminatory basis. A Requestor that is an existing Customer on Seller'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 Seller may require an existing Customer to furnish any information necessary to make a creditworthiness determination with respect to that Customer/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 Seller 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 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 before bidding for or requesting new or increased service for an advance determination of creditworthiness by Seller.

3.4 Deficient Requests. Seller 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 Seller.

3.5 Material Changes. If any information provided by Requestor pursuant to this Section materially changes, Requestor shall provide Seller with prompt written notification of such changes. Requestor is required to provide written notice to Seller within two (2) days of filing a report (other than an annual or quarterly report) with the Securities and Exchange Commission ("SEC") or other equivalent foreign regulatory body that Requestor is required to file as a result of a material event or corporate change affecting its financial condition. That notice shall include a general description of the nature and reason for the filing and to the extent that the report is not available electronically, Requestor shall provide Seller with a copy of the report. Requestors that are not subject to SEC reporting requirements, but have a parent that is, shall comply with respect to any such filings by their parent.

3.6 Denial of Requests. Seller may reject any request for service from a Requestor that fails to meet Seller'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 Seller denies a request for service due to a failure to satisfy Seller's creditworthiness requirements, Requestor may obtain service if it provides Seller with assurance of payment in the manner set forth at Section 9 (Operating Conditions) of the General Terms and Conditions and otherwise complies with the ongoing creditworthiness requirements set forth in Section 9. If Requestor fails to tender such assurance of payment within the time period set forth in Section 9.5(c) of General Terms and Conditions, or such longer time period reasonably established by Seller, Seller may deny Requestor's request for service or reject any bid submitted by Requestor.

3.8 Execution of Service Agreement. Following the approval of a request for service and the award of service by Seller, Seller 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 Seller tenders it to Requestor, or within such other time period agreed to by Seller or required by a specific provision of this Tariff, Requestor's request for service and Seller'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 Seller in compliance with the provisions of the Tariff. Seller may waive the provisions of this subsection on a nondiscriminatory basis.

3.9 Record Retention. Seller 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. Seller 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.

#### 4. AUCTIONS OF AVAILABLE FIRM SERVICE

This Section governs the manner in which requests for firm storage service shall be accommodated by Seller when capacity is or becomes available, unless otherwise indicated in the applicable Rate Schedule. This Section applies to existing firm storage capacity that may become available and not to new storage 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 HSS Service Agreements. Upon the termination of any HSS Service Agreement having a term of less than one year, the capacity associated with such terminated HSS 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 HSS Service Agreements. Seller shall notify Customer in writing of the upcoming expiration or termination of any HSS Service Agreement with a term of 12 or more consecutive months of service at the applicable Recourse Rate for that service (a long-term HSS Service Agreement), and will provide such notice at least 30 days before Customer is obligated to notify Seller of its intent to exercise its right of first refusal or other service continuation rights under the HSS Service Agreement as described in paragraph (c)(2) below. Upon completion of the term of any long-term HSS Service Agreement, Customer shall have the right to continue receiving service under that long-term HSS Service Agreement if that HSS Service Agreement is at the Recourse Rate and (i) extends beyond that term according to its terms, or (ii) does not provide for pregranted abandonment and Customer executes a new long-term HSS 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 HSS Service Agreement, service under that long-term HSS Service Agreement shall be subject to the termination and right of first refusal provisions set forth at paragraph (c) below.

##### (c) Termination of HSS Service Agreements; Exercise of Right of First Refusal.

(1)(a) If Customer's long-term HSS 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 Customer declines to extend the contract under the provisions described at Section 4.1(b) above, Customer may continue service upon termination of that Service Agreement by (i) agreeing to match the highest value bid offered to Seller for Customer's firm service, or any volumetric 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 firm Service Agreements with a term of 12 or more consecutive months of service at the applicable Recourse Rate for that service.

(b) This right of first refusal shall be deemed to be assigned where a Customer holding such a right permanently releases and assigns all or a portion of the capacity under that Service Agreement, regardless of the duration of that permanent release. Moreover, a Customer releasing and assigning all or a 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 Customer that would terminate that release and assignment.

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

(3) In the event that Customer provides Seller with a twelve-month notice of intent to exercise its right of first refusal, Seller shall promptly post on its EBB the information described in Section 4.2 below, Seller shall begin accepting bids from any prospective Customer, for all or a portion of the service rights under the existing Customer's long-term Service Agreement, at least five 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 Seller receives an offer for all or a portion of the service rights under Customer's long-term HSS Service Agreement, Seller, within two business days after the last day for receiving offers, shall notify Customer through the EBB of the offer having the greatest economic value to Seller. For purposes of comparing the respective values of offers under this Section, Seller shall evaluate all bids in accordance with the criteria set forth at Section 4.2(c) below. If Customer elects to match the offer, Customer shall notify Seller of such election through the EBB within 15 days after receiving Seller's notice and shall execute a new Service Agreement matching the offer prior to the termination of the existing long-term Service Agreement. The highest rate and longest term that Customer must match to continue such service are the Recourse Rate, and fifteen years, respectively. If Customer does not elect to match the offer within 15 days after receiving Seller's notice, Customer's right of first refusal will immediately terminate.

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

(6) If no acceptable offers satisfying Seller's stated minimum terms are received, and no new long-term HSS Service Agreement has been reached between Seller and the Customer holding the capacity under the expiring Service Agreement, Seller shall post such capacity for an indefinite period as Generally Available Capacity. Seller will post minimum price and other terms for such Generally Available Capacity, as described at Section 4.2 below. Seller 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) Seller will accept Recourse Rate bids for posted Generally Available Capacity on a first-come, first-served basis. If Seller receives an acceptable bid for such Generally Available Capacity that meets its stated minimum conditions but is at less than the Recourse Rate, Seller 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 HSS Service Agreements. If a long-term HSS Service Agreement is not continued by its own terms or by reason of the Customer's exercise of its right of first refusal, such long-term HSS Service Agreement shall be subject to pregranted abandonment unless otherwise specified in the Service Agreement and shall terminate as specified therein and Seller shall have no further obligation to Customer.

4.2 Auctions of Capacity that Becomes Available. As capacity becomes available on Seller's system for firm storage service 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 Seller 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 9:00 a.m. CT for firm capacity that will be available for a term of less than five months.

Seller's posting shall include the following information regarding the available capacity: (i) the daily and other applicable quantity of service available; (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 Seller. The due date set by Seller for bids shall be in accordance with the posting periods set forth above in this Section 4.2(a).

(b) Bidding Procedure. A potential Customer 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 Seller. Such bids shall be submitted electronically through Seller's EBB and shall be displayed by Seller 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 Seller 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 Seller. Seller shall have the right to reject any bids that: (i) are for a rate that is less than the minimum rate stated in Seller'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 Seller determines, in its reasonable discretion, to be unacceptable.

(c) Assessing Bids.

(1) Seller shall assess the bids to assure that capacity is available. If capacity is not available, Seller shall reject the bids and advise Customer.

(2) Seller shall evaluate bids based upon their net present value as set forth below, taking into account the price and term offered. Seller 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 Seller calculated in accordance with this Section. Seller 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, Seller 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 Customer notifies Seller of that decision through Seller's EBB within one hour of Seller's notice to that Customer 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 Seller, (or such later date established by Seller through notice to Customer), Seller will then award the capacity to the next acceptable bidder on the basis of the highest net present value, as described in this Section. Customers 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 Seller. Nothing herein shall restrict Seller from pursuing any other remedies it may have against a Customer failing to execute and return a Service Agreement tendered by Seller. If Seller 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 Seller'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 Seller.

(h) Reserved Capacity. Seller 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 Customer does not exercise its right of first refusal (Available Reservation Capacity). If Seller elects to reserve Available Reservation Capacity, it will notify Customers of its intent as part of Seller'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 Seller 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. Seller 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 Seller posts such Available Reservation Capacity as being reserved. Any Available Reservation Capacity reserved under this Section 4.2(h) shall be made available for service pursuant to Seller's General Terms and Conditions on a limited-term basis up to the in-service date of the expansion project(s). Seller 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 projects.

Prior to reserving Available Reservation Capacity for future expansion projects, Seller shall first make such capacity generally available to any Customer or potential Customer 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, Seller 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, Seller 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, Seller 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 Seller does not file any required application with the Commission within one-year from such reservation date, or because Seller 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.

Seller postings for reserved Available Reservation Capacity shall include the following information: (a) a description of the expansion project for which the capacity will be reserved; (b) the total quantity of capacity to be reserved; (c) whether, and if so, when Seller anticipates that an open season for the capacity will be held or it will otherwise be posted for bids under the expansion; (d) the projected in-service date of the expansion project(s); and (e) on a rolling basis, how much of the reserved capacity has been sold on a limited-term basis. Seller 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 Seller's existing Customers to serve the expansion project(s), provided that Seller 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. Customer shall enter into a Service Agreement with Seller under Seller's applicable standard Form of Service Agreement or Assignment Agreement prior to receiving service from Seller under any Rate Schedule; provided, however, that a Service Agreement between Seller and Customer 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. Customers 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, Seller 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 13 (Release and Assignment of Service Rights) of the General Terms and Conditions.

5.3 Quantity Obligations and Requirements. The quantities of gas covered by the Service Agreement shall be set forth in the Appendix A to that Service Agreement in the blank spaces provided.

5.4 Successors and Assigns. Any company that succeeds by purchase, merger, or consolidation to the gas properties of Seller or of Customer substantially as an entirety, and any Affiliated Successor in Interest that acquires from Seller the properties of Seller used in interstate commerce in rendering service to Customer, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under the Service Agreement. Customer, Seller, and their successors may assign or pledge the Service Agreement under the provisions or 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 Customer may release and assign service rights contracted for under such Service Agreement pursuant to the conditions, and subject to the limitations, of Section 13 (Release and Assignment of Service Rights) of the General Terms and Conditions. Any direct or indirect assignment of service rights by Customer under this paragraph shall be made in good faith and not for the purpose of avoiding the requirements of Section 13.

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 Customer and Seller, including any provisions of this Tariff related to such Service Agreements, and any disputes arising from such Service Agreements, shall be governed by the law of the State of West Virginia.

5.7 Electronic Contracting Agreement.

(a) In General. Seller and Customer may, and when required by the Tariff shall, enter into new or amended Service Agreements or Assignment Agreements by electronic communications through Seller's EBB. Seller and Customer may also by mutual agreement enter into any other Contract through electronic communications. Service Agreements, Assignment Agreements pursuant to Section 13 (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. Customer shall be required to enter into a Contract electronically if Customer desires to commence service within five business days after a Contract is awarded.

(c) Prerequisites. Requestor shall not be eligible to enter into a Contract electronically until Requestor has executed and submitted to Seller 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 Seller 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 Seller receiving only a copy of a signature.

(d) Documents; Standards. Seller and Customer 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 Seller, currently or in the future, on the Transaction List posted on Navigator, (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 Seller.

(e) Signatures. Seller shall adopt as its signature an electronic identification, and Seller 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 Seller 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 irrebuttable 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 Navigator software and for keeping confidential its User Identification(s) and Password(s). Seller 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 2.15 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 Seller 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 Seller'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 Seller tenders to Customer. The effective date and term of the Contract shall be determined in accordance with the provisions of Section 5.3 of the General Terms and Conditions, but Seller shall not be obligated to provide service to Subscriber prior to the date of acceptance.

(i) Replacement With Paper Copies of Service Agreements. (1) Seller 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 Customer executes in original handwriting a paper copy of that Service Agreement and returns it to Seller prior to the expiration of such 30-day period. Seller shall send the Service Agreement to Customer through the EBB in sufficient time to enable Customer 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(f), 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 Seller shall be only for due cause or upon the request of Customer.

(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 Seller and Customers.

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

(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 any 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) Customer or any other party with access to Seller's EBB shall defend and indemnify Seller 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 Seller by any person or entity as a result of the unauthorized or otherwise improper use of any User Identification or Password issued by Seller to that Customer or other party.

## 6. NOMINATING, SCHEDULING, AND MONITORING

### 6.1 General.

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

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

(c) Seller will post to Seller's EBB a telephone number to be used after normal business hours to assist Customers 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 Customer 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 Customer seeking to nominate quantities under any applicable Service Agreement, or under any individual Appendix A of a combined Service Agreement that must be nominated and allocated separately, shall furnish to Seller, for each such Service Agreement or individual Appendix A (i) a Nominated Daily Withdrawal Quantity to be delivered by Seller to or for Customer at the applicable delivery point on Seller's system, and (ii) a Nominated Daily Injection Quantity to be tendered to Seller at each applicable receipt point on Seller's system. Customer's Nominated Daily Injection Quantity shall include additional quantities of gas as required for Retainage. Customer's Nominated Daily Withdrawal Quantity and Nominated Daily Injection Quantity collectively are referred to as Customer'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) Seller 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 Seller (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 Seller from upstream and downstream connected parties;
- (v) 5:00 p.m. for receipt of scheduled quantities by Customer 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 Seller (including from TTTSPs);
- (iii) 6:30 p.m. to send Quick Response;
- (iv) 8:30 p.m. for receipt of completed confirmations by Seller from upstream and downstream connected parties;
- (v) 9:00 p.m. for Seller to provide scheduled quantities to affected Customers and Interconnecting Operators, and to provide scheduled quantities to bumped parties (notice to bumped parties).



Scheduled quantities resulting from an Evening Nominations should 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 Seller (including from TTTSPs);
- (iii) 10:30 a.m. to send Quick Response;
- (iv) 12:30 p.m. for receipt of completed confirmations by Seller from upstream and downstream connected parties;
- (v) 1:00 p.m. for Seller to provide scheduled quantities to affected Customers 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 Seller (including from TTTSPs);
- (iii) 3:00 p.m. to send Quick Response;
- (iv) 5:00 p.m. for receipt of completed confirmations by Seller from upstream and downstream connected parties;
- (v) 5:30 p.m. for Seller to provide scheduled quantities to affected Customers 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 Customer's or Interconnecting Operator's designated site, and for purposes of other forms of transmittal, it shall mean send or post.

(f) Customer shall have the option to either submit overrun quantities (nominations under firm contracts in excess of its HMDWQ as a separate nomination or within the aggregate sum of all nominations. When nominations for overrun quantities are submitted as a separate transaction, they must be identified as such by using the appropriate nomination transaction type.

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

(h) Customer 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 Customer 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. 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 Shipper's Service Agreement or this 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 intra-day nomination modifies an existing nomination. Customer may make any such 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) Customer'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
- (3) 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 intra-day nominations.

### 6.3 Confirmation and Scheduling by Seller.

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

(b) Seller shall initiate confirmation (Request for Confirmation) with the Confirming Party or respond to request for confirmation (Confirmation Response) from the Confirming Party. Seller 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) Seller shall provide to Customers 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, Seller will provide the final scheduled quantities for the just completed Gas Day. With respect to the implementation of this process via the EDI/EDM, the Seller should send an end of Gas Day Scheduled Quantity and Scheduled Quantity for Operator file. Receivers of either of these documents can waive the Seller's requirements to send such documents.

(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, Seller shall provide Customer with the following information to explain why the nomination failed, as applicable:

- (i) the Customer's Seller did not conduct the confirmation;
- (ii) the Customer is told by its Seller that the upstream confirming party did not conduct the confirmation;
- (iii) the Customer is told by its Seller that the upstream Customer did not have the gas or submit the nomination;
- (iv) the Customer is told by its Seller that the downstream confirming party did not conduct the confirmation;
- (v) the Customer is told by its Seller that the downstream Customer did not have the market or submit the nomination.

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

(e) If only partial confirmations are received by Seller from the upstream and downstream entities delivering or receiving gas on behalf of Customer, Customer's nominations shall be reduced.

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

(g) The Explicit Confirmation process requires that the Confirming Party and Seller 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 Seller. With

respect to the implementation of this process, Seller 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 Seller within the established NAESB deadlines when a previously confirmed and scheduled quantity is altered. Affected parties to be notified by Seller are:

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

6.4 Customer's Notice of Changes. Except for reasons of force majeure, as described at Section 14 (Force Majeure) of the General Terms and Conditions, Customer shall notify Seller or cause Seller to be notified (via Seller's EBB) at least 24 hours in advance of any anticipated material change in the daily quantity of gas Customer desires to deliver or to cause to be delivered to Seller under Seller's Rate Schedules. If an unanticipated or a force majeure event causes a material change in the quantity of gas Customer will deliver or cause to be delivered to Seller, Customer shall notify or cause Seller to be notified as soon as possible after occurrence of that event. In the event of such material changes, Customer shall tender or cause to be tendered to Seller such estimated daily quantities at flow rates as close as possible to uniform hourly rates. Departures by Customer from the daily quantities that it has notified Seller it intends to tender to Seller under a Rate Schedule shall be kept to a minimum and in no event shall exceed the amount permitted by operating conditions.

6.5 Scheduling Under Individual Rate Schedules. To the extent that individual Rate Schedules set forth nomination scheduling requirements inconsistent with the requirements set forth in this Section, the applicable Rate Schedules are controlling and Customer shall satisfy the requirements set forth in those Rate Schedules. To the extent that applicable Rate Schedules set forth scheduling requirements in addition to, but not inconsistent with, the provisions of this Section, Customer shall satisfy the requirements of both the individual Rate Schedules and this Section.

6.6 Monitoring.

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

(b) Monitoring may be performed by Seller using either the estimates or actual data received by Seller pursuant to this Section or actual meter readings by Seller. Seller may make reasonable prospective adjustments to Customer's Scheduled Daily Delivery Quantity and Scheduled Daily Receipt Quantity based upon either the Monitored Quantities or the actual data received by Seller pursuant to the provisions of this Section. Any such adjustments by Seller shall not result in Customer's incurrence of any penalty if Seller, in making such adjustment, relied upon inaccurate estimates, inaccurate meter readings, or inaccurate data received by Seller pursuant to this Section. Seller may make such adjustments upon Electronic Notice Delivery or telephonic notice to Customer 24 hours in advance of the effective time of the adjustment (or, in the case of intra-day changes in nominations, upon reasonable notice to the Customer being bumped); provided, however, that Seller need not provide any advance notice in the event of adjustments resulting from: (i) interruptions of Customer's service pursuant to Section 15 (Interruptions of Service) of the General Terms and Conditions; or (ii) operational flow orders issued by Seller pursuant to Section 16 (Operational Flow Orders) of the General Terms and Conditions. Seller need not provide any advance notice of interruptions or OFOs except as provided for in Sections 15 and 16, respectively. Seller also shall have the right to notify any entity described at paragraph (c) of this section of the revised Scheduled Daily Quantities it will accept on behalf of Customer.

(c) Seller shall have the right to contact and obtain actual or estimated data regarding tenders to Seller on behalf of Customer from any entity that is delivering or causing the tender of gas to Seller for Customer's account. Customer shall cause each such entity to provide such actual or estimated data to Seller upon request in the normal course of business as soon as such data is available.

## 7. CAPACITY ALLOCATION

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

7.1 Storage Withdrawal For nominations for which Seller's storage is the point of receipt, Seller 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 HSS. Seller shall allocate capacity among Customers requesting receipt point capacity from storage under the HSS Rate Schedule on a pro rata basis, based upon each such Customer's respective Maximum Daily Withdrawal Quantity (HMDWQ).

(b) Overruns of HMDWQ Levels - HSS Rate Schedule. When Customers seek to withdraw quantities from storage in excess of their storage ratchet levels (or HMDWQ), but below their respective Maximum Daily Storage Quantity (HMDSQ), Seller shall allocate capacity pro rata on the basis of those Customers' respective HMDWQ levels.

(c) Rate Schedule IHSS and Overrun under Rate Schedule HSS. When Customers seek to withdraw quantities from storage either under the IHSS Rate Schedule or as overrun quantities in excess of their respective HMDSQ under the HSS Rate Schedule, Seller shall allocate capacity first on the basis of the highest rate being paid for that capacity, and then among Customers paying the same rate, pro rata on the basis of those Customers' nominated receipt quantities.

7.2 Storage Injection. For nominations for which Seller's storage is the point of delivery, Seller 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 HSS. Among Customers requesting deliveries into storage under the HSS Rate Schedule, Seller shall allocate capacity on a pro rata basis based upon each such Customer's respective level of HMDIQ.

(b) Rate Schedule IHSS and Overrun Quantities Under Rate Schedule HSS. When Customers seek to inject quantities into storage either under the IHSS Rate Schedule or in excess of their Maximum Daily Injection Quantity under the HSS Rate Schedule, Seller shall allocate capacity first on the basis of the highest rate being paid for that capacity, and then among Customers paying the same rate, pro rata based on those Customers' nominated delivery quantities.

7.3 Allocations Based on Value. For purposes of allocating capacity pursuant to Sections 7.1(c) and 7.2(b), Customers paying more than the Recourse Rate will be considered to be paying the Recourse Rate.



7.4 Posting Procedures for Capacity Allocation. Except for force majeure events and/or events or conditions which threaten the integrity of Seller's system or Seller's ability to meet its firm service obligations, Seller will notify Customers 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. Seller, based on forecasted system conditions and utilization, has determined there is adequate system capacity to make all nominated withdrawals and/or injections.

(2) Capacity Restrictions. Seller, based on forecasted system conditions and utilization, has determined there is a limited amount of Non-Firm Capacity available for withdrawals and/or injections. Seller 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. Seller, based on forecasted system conditions and utilization, has determined there is zero Non-Firm Capacity available for withdrawals and/or injections and will post this on its EBB. Provisions of Section 18.4 (Critical Day) of the General Terms and Conditions apply.

8. METER ALLOCATIONS.

This Section specifies the procedures for allocating any differences between the aggregate of all Customers' Scheduled Daily Quantities and actual measured quantities (Difference(s)). Unless otherwise agreed to between Seller and Confirming Party, physically measured quantities shall be allocated on scheduled daily quantities and shall be made using dekatherm units.

8.1 Predetermined Allocation Method (PDA).

(a) If an OBA is not in effect at a receipt or delivery point, and all Customers cannot agree upon an allocation methodology, "pro rata based upon confirmed nominations" shall be used as the default PDA method.

(b) Seller may negotiate and enter into OBAs with interstate pipelines, intrastate pipelines and other entities. No Difference balanced in-kind shall be allocated to any Customer at the receipt or delivery points covered by the OBA. If an interstate pipeline charges Seller for Differences in the OBA, however characterized, Seller shall charge such interstate pipeline an equivalent and offsetting charge. If Seller is unable to charge or collect such equivalent and offsetting charges for such Differences, Seller, on an as-billed basis, shall allocate and bill such charges to Customers responsible for the imbalance at the point of interconnection at which the Difference giving rise to the charges occurred.

(c) Where an OBA exists between Interconnecting Parties, a PDA is not necessary.

(d) Changes to a PDA may be made prospectively during the month and must be submitted prior to the start of the Gas Day. Only one PDA may be submitted per allocation period. Seller 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 Seller and the agreement of those Customers with Service Agreements affected by such retroactive reallocations, provided that the agreement by such affected Customers shall not be unreasonably withheld.

(e) PDAs shall remain in effect until a replacement PDA is received from the Interconnecting Operator or upstream title holder; provided, however, that PDAs shall be updated at the beginning of each month. A new allocation detail may be needed when a nomination changes.

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

(g) Month-end allocations shall be based on a measurement closing date of the fifth business day after the business month. If actual quantities are not available, quantities will be estimated by the measuring party.

## 8.2 Adjustments.

(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 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 production month, 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 Seller 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.

## 8.3 Allocated Quantities.

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. Seller shall provide allocation statements to the appropriate party for the meters it operates each month.

9. OPERATING CONDITIONS

9.1 In General. The general operating conditions set forth in this Section supplement the terms and conditions set forth in the individual Rate Schedules and elsewhere in the General Terms and Conditions.

9.2 Uniform Rates and Quantities. Customer shall tender gas or arrange to have gas tendered on its behalf in quantities that conform to its Scheduled Daily Receipt Quantity and that flow at uniform hourly rates throughout the Day unless deviations from those receipt quantities are necessary for balancing purposes and are undertaken by Customer at Seller's request or following notice to, and approval by, Seller in accordance with the applicable provisions of the General Terms and Conditions.

9.3 Third Party Arrangements. Customer shall be responsible for making all necessary arrangements with third parties (i) at or upstream of the point(s) of receipt at which Customer tenders gas to Seller for storage services, and (ii) at or downstream of points of delivery at which Seller delivers gas for the account of Customer. Customer 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 Seller store the gas or utilize Seller's storage facilities, and (ii) requiring such third parties to confirm all of Customer's nominations with Seller in a form and manner approved by Seller. Such third-party arrangements shall be coordinated with Seller.

9.4 Service Obligation. Seller 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 15 (Interruptions of Service) of the General Terms and Conditions. Notwithstanding any other provision in this Tariff, Seller 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; provided, however, that Customer may request construction of facilities under the provisions of Section 12 (Construction of Facilities) of the General Terms and Conditions.

9.5 Creditworthiness of Customer.

(a) Subject to the provisions of paragraphs (b) and (c) immediately below, Seller shall not be required to perform or to continue to perform service on behalf of any Customer 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 Seller's reasonable judgment, to demonstrate minimal creditworthiness for all or any part of the service requested, based upon Seller's consideration of available credit data concerning Customer and Customer's past payment history, financial statements, and credit reports.

(b) Criteria for Creditworthiness Determination

(1) Acceptance of a Customer's request for service and the continuance of service are contingent upon Customer satisfying, on an on-going basis, a credit appraisal by Seller.

(2) Seller shall apply consistent evaluation practices to all similarly situated Customers to determine Customer's financial ability to satisfy the payment obligations due to Seller over the term of the requested Service Agreement.

(3) A Customer will be deemed creditworthy if:

(i) its long-term unsecured debt securities are rated at least BBB by Standard & Poor's Corporation ("S&P") or Baa2 by Moody's Investor Service ("Moody's"); and

(ii) Customer's short-term and long-term outlook opinion is Stable or Positive from S&P or Moody's; and

(iii) the net present value of the sum of reservation fees, utilization fees, and any other associated fee for the contract term is less than 3% of Customer's tangible net worth. As used herein, "tangible net worth" shall be the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs and other intangible assets. If Customer is rated by multiple agencies, the lower rating applies. A Customer that is not rated by S&P or Moody's may use its parent's rating if a guarantee acceptable to Seller is provided. If Customer has multiple Service Agreements with Seller, then the total of all those Service Agreements shall be considered in determining creditworthiness.

Seller reserves the right to determine in its reasonable discretion that a Customer who requests new service is not creditworthy to receive that service on the basis that Customer has outstanding payments due on invoices rendered by Seller on current or past Service Agreements and Customer has defaulted on those payments per the terms of the General Terms and Conditions; provided, however, this provision shall not affect amounts disputed by Customer in good faith. This Section shall apply solely to Customer that is the contract holder.

(4) If Customer does not meet the criteria described above, then Customer may have Seller evaluate its creditworthiness based upon the level of service requested. That credit appraisal shall be based upon Seller's evaluation of the following information and credit criteria:

(i) S&P and Moody's opinions, watch alerts and rating actions will be considered in determining creditworthiness.

(ii) Consistent financial statement analysis will be applied by Seller to determine the acceptability of Customer's current and future financial strength. Customer's balance sheets, income statements, cash flow statements, and auditor's notes will be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability.

(iii) Results of bank and trade reference checks and credit reports must demonstrate that a Customer is paying its obligations in a timely manner.

(iv) Customer is not operating under any chapter of the Bankruptcy Code and is not subject to liquidation or debt reduction procedures under State Laws. Seller will make an exception for a Customer who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act, if Seller is adequately assured that the service billing will be paid promptly as a cost of administration under the Federal Court's jurisdiction.

(v) Whether Customer is subject to any lawsuits or judgments outstanding which would seriously reflect upon Customer's ability to remain solvent.

(vi) Whether Customer has any delinquent balances outstanding for services provided previously by Seller and whether Customer has paid its account balances according to the terms established in its Service Agreements and whether any deductions or payments were withheld for claims not authorized by the Service Agreements.

(vii) Any other information obtained that is relevant to Customer's current and future financial strength.

(c) Seller may require adequate assurance of payment for any service under this Tariff requested by an insolvent or uncreditworthy Customer. Such a Customer may receive or continue to receive service if it provides adequate assurance of payment for service. Adequate credit assurance will be calculated as follows:

(i) for firm service, the credit assurance elected must include an advance payment equal to the value of one (1) month of demand charges under Customer's Service Agreement(s) with Seller, to be provided within five (5) business days from the day Seller notifies Customer that Customer did not qualify for or has lost its creditworthiness status, and an additional full two (2) months of demand charges to be

provided as collateral held for security within thirty (30) days from the day Seller notified Customer that Customer has not qualified for or has lost its creditworthiness status;

(ii) for all other services provided pursuant to the Tariff, the credit assurance elected must include an advance payment equal to the value of one (1) month of the highest usage under Customer's Service Agreement(s) with Seller, to be provided within five (5) business days from the day Seller notifies Customer that Customer did not qualify for or has lost its creditworthiness status, and an additional two (2) highest months of estimated usage during the term of the Service Agreement(s) to be provided as collateral held for security within thirty (30) days from the day Seller notified Customer that Customer has not qualified for or has lost its creditworthiness status. For a new Customer, adequate credit assurance will be based on the three (3) highest months of estimated usage during the term of the Service Agreement and for an existing Customer, adequate credit assurance will be based upon the highest three (3) months of activity for all of Customer's active Service Agreements during the previous twelve months.

Adequate assurance of payment may include:

- (1) a cash deposit with Seller of collateral held for security, provided that such deposit may be applied by Seller to satisfy a delinquent account;
- (2) an irrevocable letter of credit that is both from a creditworthy financial institution and in a form deemed acceptable in Seller's sole and reasonable discretion;
- (3) a guarantee that is both from a creditworthy entity and in a form deemed acceptable in Seller's sole and reasonable discretion; or
- (4) a grant to Seller of a security interest in collateral, the value of which is mutually agreed upon by Seller and Customer.

Unless otherwise agreed, the credit assurance must at all times maintain a value specified above equal to the highest estimated charges during the term of the Service Agreements. Any deposit held by Seller pursuant to Section 9.5 shall accrue simple interest at the Federal Funds Rate. Upon Customer's request, Seller will remit the balance of the interest of Customer within thirty (30) days; provided, however, that Seller shall not be required to remit interest to Customer more often than every thirty days.

Seller has the right to seek additional security to cover the value of any imbalance owed Seller by a non-creditworthy Customer. The imbalances shall be valued at the "Spot Market Price" which shall be defined, for each Dth on each applicable Day on which the gas is owed as the midpoint of the range of prices reported for "Columbia Gas, Appalachia" as published in Platts Gas Daily price survey or any successor publication, less applicable transportation charges. Furthermore, Seller has the right to seek security to cover the estimated value of a future monthly imbalance for non-creditworthy Customers as follows: For a non-creditworthy new Customer, a

security amount equal to 10% of such Customer's estimated monthly usage multiplied by the Estimated Imbalance Rate as described below. For a non-creditworthy existing Customer, a security amount equal to such Customer's largest monthly imbalance owed to Seller over the most recent 12-month period multiplied by the Estimated Imbalance Rate. The term "Estimated Imbalance Rate" shall equal the average of the NYMEX future prices for the available 12-month period as such prices close on the day the Estimated Imbalance Rate is determined.

(d) Notwithstanding the foregoing requirements, if Seller constructs new facilities to accommodate a Customer, Seller may require credit assurance in an amount up to Customer's proportionate share of the cost of the new facilities. This credit assurance may be requested at any time before or after the in-service date of the facilities, to the extent mutually agreed to as a condition of the construction. As Seller recovers the cost of these facilities through its rates, the credit assurance required will be reduced accordingly. Specifically, any credit assurance provided by a Customer related to new facilities shall be returned to that Customer in equal monthly amounts over the term of its Service Agreement for service related to the new facilities or as otherwise mutually agreed upon by Seller and Customer. This requirement is in addition to and shall not supersede or replace any other rights that Seller may have regarding the construction of and reimbursement for facilities.

If Customer defaults and Seller terminates service to Customer, then Seller shall draw upon and retain such collateral as necessary to reimburse Seller for the unamortized cost of the facilities constructed for Customer. The capacity underlying any terminated Service Agreement shall be made available pursuant to Section 4 of these General Terms and Conditions. Within 60 days of the capacity being made available, to the extent such capacity has been awarded, the credit assurance retained by Seller from the original Customer shall be reduced to an amount equal to the net present value of that portion of the future reservation charge revenues of the original Customer that would have been attributed to the cost of those facilities less the net present value of that portion of the future reservation charge revenues of the newly awarded Customer that may be attributed to the cost of the facilities.

## 9.6 Loss of Creditworthiness

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



Seller may at any time withdraw or revise its demand for adequate assurance of payment or extend its due date.

(b) If Seller requests additional information to be used for credit evaluation after the initiation of service, Seller, contemporaneous with the request, will provide its reason(s) for requesting the additional information to Customer and designate to whom the response should be sent. Seller and Customer may mutually agree to waive the requirements of this provision.

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

(d) Customer's authorized representative(s) should respond to Seller's request for credit information on or before the due date specified in the request. Customer should provide all the credit information requested by Seller or provide the reason(s) why any of the requested information was not provided.

(e) Upon receipt from Customer of all credit information provided pursuant to the applicable NAESB WGQ standards or this Tariff, Seller will notify Customer's authorized representative(s) that it has received such information. Seller and Customer may mutually agree to waive the requirements of this provision.

(f) Customer should designate up to two representatives who are authorized to receive notices regarding Customer's creditworthiness, including requests for additional information, pursuant to the applicable NAESB WGQ standards and should provide to Seller the Internet E-mail addresses of such representatives 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 Seller to provide creditworthiness notifications is waived until the above requirement has been met. Customer should manage internal distribution of any creditworthiness notices that are received.

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

(g) At any time after Customer is determined to be non-creditworthy by Seller, Customer may initiate a creditworthiness re-evaluation by Seller. As part of Customer's re-evaluation request, Customer should either update or confirm in writing the prior information provided to Seller related to Customer's creditworthiness. Such an update should include any event(s) that Customer believes could lead to a material change in Customer's creditworthiness.

(h) After a Seller's receipt of a Customer's request for re-evaluation, including all required information pursuant to NAESB WGQ Standard 0.3.8 ("Customer's Request"), within five (5) Business Days, Seller will provide a written response to Customer's Request. Such written response will include either a determination of creditworthiness status, clearly stating the reason(s) for Seller'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 Customer's Request unless specified in this Tariff or if the parties mutually agree to some later date.

(i) In complying with the creditworthiness related notifications pursuant to the applicable NAESB WGQ standards, Customer and Seller may mutually agree to other forms of communication in lieu of Internet E-mail notification.

(j) If a Customer becomes insolvent or loses its creditworthiness status after service commences on Seller's system, Seller will notify Customer via Internet E-mail and facsimile stating that Customer has lost its creditworthiness status. If Customer is a Replacement Customer, simultaneous notice will also be sent to the Releasor via Internet E-mail and facsimile. Within ten (10) days of that notice, Seller will provide the non-creditworthy Customer a detailed written explanation of the reasons for the loss of creditworthiness and provide a recourse for Customer to challenge that determination.

(k) Regardless of whether Customer is insolvent, has lost its creditworthiness status or does not desire to continue service with Seller, Customer shall continue to be liable for all charges due under its Service Agreement and associated rate schedule. If Customer desires to continue service with Seller, Seller will require Customer to pay any outstanding balances due Seller for services rendered and provide adequate credit assurances in accordance with Section 9.5(c) above.

(l) If Customer fails to provide the credit assurance within the specified time period, Seller may (i) immediately suspend service to Customer, and/or (ii) terminate Customer's Service Agreement upon at least thirty (30) days written notice to Customer, Releasor, if any, and the Commission that it will terminate service to Customer if Customer fails to pay the outstanding balance and/or provide the required credit assurance. Any termination shall be without waiver of any rights Seller may otherwise have under any and all Service Agreements with Customer, including, but not limited to, the right to sue Customer for unmitigated damages resulting from Customer's breach of contract. If Seller terminates the service of a Replacement Customer, Seller shall provide simultaneous notice to the Replacement Customer and Releasor via Internet E-mail and facsimile.

9.7 Requests for service which do not include all of the above-referenced information and the information required by Section 3 shall be deemed null and void.

9.8 If a Customer has multiple Service Agreements with Seller and defaults on one Service Agreement, Seller may deem a default by Customer on that one Service Agreement as a loss of

creditworthiness on any other Service Agreement Customer has with Seller; provided, however, this provision shall not affect amounts disputed by Customer in good faith. This Section 9.8 shall apply solely to Customer that is the Service Agreement holder.

9.9 Seller intends that Section 9.5(b)(4)(iv) above shall be read in harmony, and not in conflict, with the Bankruptcy Code.

9.10 If Seller has terminated service to Customer as a result of Customer's loss of creditworthiness or default, Seller shall have the right to assert any liens or other interests, consistent with applicable law, against any gas that Customer may have remaining on Seller's system.

9.11 General Limitation of Seller's Obligation. Seller shall not be required to perform or continue service on behalf of any Customer that, within 10 days after receipt of notice from Seller, fails to comply with any of the terms of the applicable Rate Schedule and Customer's Service Agreement with Seller; provided however that Customer'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, Seller shall have the right to take unilateral action to protect the integrity of its system in the event Seller, in its reasonable discretion, determines that immediate or irreparable harm to Seller's facilities or operations will be caused by Customer's failure to comply with any of the terms of the applicable Rate Schedule, the terms of Customer's Service Agreement with Seller, or the General Terms and Conditions of this Tariff.

9.12 Balancing at Termination of Service Agreement.

(a) Following the termination of a Service Agreement, Customer under that Service Agreement shall be required to correct any outstanding HSCQ balance within 60 days after Seller determines, and notifies Customer, that such a HSCQ balance exists, or within such longer period of time agreed to by Customer and Seller. To the extent that gas remains after such period, any such quantities automatically shall be forfeited by Customer to Seller free and clear of all liens and encumbrances. Seller shall post such forfeited quantities on its EBB as gas available for sale to the highest bidder within a 24-hour notice period. Such posting may provide as a condition of sale that such gas be withdrawn from storage within a period of time to be specified in the notice. Upon receipt of payment, Seller shall treat the forfeited gas proceeds as Penalty Revenues as defined in Section 18.3 of the General Terms and Conditions.

(b) If Seller determines that it withdrew quantities to or for Customer in excess of the quantities tendered to Seller by or for Customer, Seller shall assess and collect from Customer a penalty. Customer shall pay Seller a penalty for each Dth of such outstanding HSCQ balance, grossed up for the Retainage applicable to Seller's IHSS Rate Schedule. The penalty shall be the sum of: (i) 120 percent of the Spot Market Price for the month during which such quantities are made up by Seller; plus (ii) the cost of transporting such quantities at the total effective maximum rate under Columbia's ITS Rate Schedule. "Spot Market Price", for purposes of this

Section, shall mean, for the applicable month, the contract index price last published during the applicable month for gas delivered to Columbia, as reported in Natural Gas Intelligence or successor publication. For purposes of calculating Penalty Revenues pursuant to Section 18.3 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 Seller. 20 percent of the Spot Market Price times the applicable number of replenishment dekatherms shall be treated as Penalty Revenues as defined in Section 18.3 of the General Terms and Conditions. Upon payment of such charge, the HSCQ balance shall be removed from Customer's account.

- (c) Seller may waive the provisions of this Section 9.12 on a nondiscriminatory basis.

## 10. BILLING AND PAYMENT

### 10.1 Billing.

(a) Seller shall render or cause to be rendered to Customer by the tenth (10th) day of each month following the date of the final monthly meter reading (Billing Month) a statement of storage balances and monthly storage activity under each Rate Schedule, the net billing rate and the amount due, together with information sufficient to explain and support any adjustments made by Seller with respect to the quantity of gas injected or withdrawn. Billing Statements shall be deemed to be rendered by Seller when Seller electronically posts the statements to Customer on Seller's EBB. If Seller is unable to render Billing Statements through Seller's EBB, the Billing Statements shall be deemed to be rendered when Seller deposits the Billing Statements with the U.S. Mail for first-class delivery, as evidenced by the postmark date, or Seller deposits the Billing Statements with an overnight courier service for delivery to Customer. 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 Customer, Customer shall furnish such information to Seller on or before the fifth day after the final meter reading of each Billing Month.

(c) Both Seller and Customer 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. The examining party shall have one year after the close of a year in which to make an audit of the other party's records for such year.

### 10.2 Payment.

(a) 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 Seller's EBB. Customer shall pay Seller by wire or other electronic fund transfer (EFT) of Federal Funds which are made immediately available to Seller at such bank account as Seller shall designate, on or before the tenth (10th) day after the Billing Date, 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 Customer whose monthly invoice shows a total amount due of less than \$50,000 (fifty 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 Seller has use of said funds. Customer shall identify invoice number(s) on all payments. Customer should submit supporting documentation.

Seller should apply payment per supporting documentation provided by Customer. If payment differs from the invoiced amount, remittance detail should be provided by the Customer 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. Customer shall pay the portion not in dispute and shall provide documentation identifying the basis for the dispute.

(b) If rendering of a bill by Seller 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 Customer is responsible for such delay.

(c) Should Customer 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 Customer in good faith disputes the amount of any such bill or part thereof, Seller shall not be entitled to suspend further delivery of gas if (i) Customer pays to Seller 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 Seller, Customer furnishes good and sufficient surety bond in an amount and with surety satisfactory to Seller; (iii) such surety bond guarantees payment to Seller 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) Customer does not default on the conditions of such bond. If Customer (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 Seller in accordance with such final determination, then Seller shall reimburse Customer for the reasonable premium cost incurred by Customer in obtaining such surety bond upon Seller's receipt from Customer of the documentation of such premium cost.

**10.3 Adjustment of Billing Errors.** If it is determined that at any time or times Customer has been overcharged or undercharged in any form whatsoever under this Section 10 and Customer has actually paid the bills containing such overcharge or undercharge, Seller shall refund the amount of any such overcharge or Customer shall pay the amount of any such undercharge within 30 days after final determination of such amounts. If an error is discovered in the amount billed in any statement rendered by Seller, such error shall be adjusted within 30 days of Seller's determination thereof, provided that claim therefor 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 Customer's nor Seller's other statutory or contractual rights shall be diminished by this provision.

**10.4 Suspension or Termination for Nonpayment.** If Customer under any Rate Schedule becomes delinquent by 10 days in the payment of any invoice, then such Customer shall provide adequate assurance of payment to Seller within 10 days of the date of Seller's written notice of such delinquency. If Customer does not, within such 10 day period, pay the invoice together

with accrued interest, or does not provide adequate assurance of payment in accordance with the provisions of Section 3 (Requests for Service) of the General Terms and Conditions, Seller, in addition to any other remedies it may have, may commence suspension of service procedures by: (a) sending a first written notice to Customer informing Customer that its service will be suspended and its Service Agreement with Seller will be terminated in 30 days ("suspension date") if payment is not received; and (b) sending a second written notice to Customer and the Commission 10 days before the suspension date informing Customer that its service will be suspended and its Service Agreement with Seller will be terminated on the suspension date if payment is not received before that date. Customer's service will be suspended and its Service Agreement terminated if full payment is not received by Seller before the suspension date. Termination of the Service Agreement shall not excuse payments of the amounts then due or any other existing obligation of Customer. Seller shall not be entitled to suspend service or terminate Customer's Service Agreement pending resolution of an invoice disputed in good faith by Customer if Customer complies with the provisions of paragraph 10.2(d) above.

10.5 Billing Disputes. If Customer in good faith disputes an invoice from Seller 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 28 (Complaint Resolution Procedure) of the General Terms and Conditions.

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

10.7 Right to Set Off Unpaid Amounts. If the Customer does not pay the full amount due Seller in accordance with Section 10.2 hereof, then Seller, 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 Seller to Customer, against any and all amounts or monies due or owing by Customer to Seller for services performed by Seller for Customer. In addition, if Customer has an overtender(s) of gas on any Service Agreement(s), Seller will have the right to net that overtender of gas against any existing undertender(s) of gas on any of Customer's Service Agreement(s).

11. PRIMARY RECEIPT AND DELIVERY POINTS

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



12. CONSTRUCTION OF FACILITIES - FACILITY CHARGE

12.1 Arrangement for Construction of Facilities. Customer may request Seller to construct, maintain and operate, either all or a part of storage facilities necessary and provide storage service to deliver gas to Customer in excess of customer's existing storage service rights. If Seller shall determine that the granting of such request by Customer is necessary or desirable, that no undue burden will thereby be placed upon Seller, and that no impairment of Seller's ability to render adequate service to its Customers will result therefrom, Seller will construct or provide such facilities if it can obtain proper, necessary authorization.

12.2 Method of Payment.

(a) In the event Seller shall provide a lateral line or other facilities at the request of Customer, Customer will pay Seller for the costs of such facilities as set forth in a precedent agreement to be negotiated between Seller and Customer.

### 13. RELEASE AND ASSIGNMENT OF SERVICE RIGHTS

#### 13.1 Capacity Release and Assignment Procedures

(a) The procedures set forth in this Section governing the release and assignment of service rights by Customers shall apply to service under Rate Schedule HSS. An HSS Customer may release and assign all or any portion of the service under its Service Agreement. Any Customer accepting such assignment (“Replacement Customer”) must meet the Seller’s creditworthiness requirements, must have executed an Electronic Contracting Agreement with Seller, 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 Customer 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 Customer 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, Customer 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 Customer).

(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 contract 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, evaluation period 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.

### 13.2 Initiating the Release and Assignment.

(a) Electronic Bulletin Board. The release and assignment of service rights by Customer shall be facilitated through Seller's Electronic Bulletin Board (EBB), described at Section 2 (Electronic Bulletin Board) of the General Terms and Conditions. As explained below, Customers seeking to release and assign firm service rights (Releasers) shall post offers to release and notices of prearranged assignments through Seller's EBB. Potential Replacement Customers also may post offers to purchase service rights and bids for capacity through Seller's EBB. Such postings shall be made through the interactive features of Seller's EBB and shall remain posted for at least 30 days. Seller 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 13.2(b) below; provided, however, that Seller shall have no responsibility for any errors, omissions, or other aspects of these postings from third parties on its EBB.

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

- (1) releaser's identity, the Rate Schedule under which Releaser seeks to release capacity, and the Service Agreement number assigned by Seller to the Service Agreement under which Customer 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 storage injection and storage withdrawal, a per-release quantity for storage capacity, and the term (duration);
- (4) the receipt and delivery points;
- (5) any applicable recall provisions relating to the proposed release, and whether the Replacement Customer 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 Customer is willing to accept (and that Releaser wishes to have posted on Seller's EBB), or a statement that it has separately revealed to Seller 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 Seller'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 Customer; and, if so, the identity, address, and telephone number of the designated Replacement Customer and the price the prospective Replacement Customer has agreed to pay under any such prepackaged arrangement;

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

(14) for non-indexed base 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 Customer's tariff, if any;

(16) whether the release is subject to an indemnification provision pursuant to which the initial Replacement Customer indemnifies Releasor against any claims by successive Replacement Customers relating to refunds (where Releasor has provided correctly calculated refunds to the initial Replacement Customer), and all terms of any such indemnification provision;

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

(18) 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 Requirements. For the capacity release business process timing model, only the following methodologies are required to be supported by Seller 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 Seller. However, Seller is not required to offer other choices or similar timeline treatment for other choices, nor, is Seller 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 Seller's EBB. When Seller makes awards of capacity for which there have been multiple bids meeting minimum conditions, Seller 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 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 Seller's EBB. Offers will be binding until a written or electronic notice of withdrawal is received by Seller.

(e) Seller may refuse to allow a permanent release if it has a reasonable basis to concluded that it will not be financially indifferent to the release. If Seller denies Customer's

request to permanently release capacity, Seller will notify Customer via E-mail and include in the notice the reasons for the denial.

### 13.3 Posting.

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

(a) Posting for purposes of inviting bids shall not be required for (i) prepackaged arrangements Releasor has arranged with a designated Replacement Customer for a period of 31 days or less; (ii) prepackaged arrangements for more than one (1) year that Releasor has arranged with a designated Replacement Customer under which the designated Replacement Customer 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"). There shall be no maximum price cap for pre-packaged arrangements of one (1) year or less in length. Pre-packaged arrangements for more than 31 days but one (1) year or less in length are not exempt transactions under this Section 13.3(a). For cross-month releases, the maximum duration for eligibility as an exempt transaction under part (i) above shall be 31 days. The rate received by Releasor under prearranged transactions of more than one (1) year that are exempt from the ordinary posting and competitive bidding procedures set forth in this Section 13 must not exceed the maximum rate.

(b) Notice to Seller; Informational Posting. For any exempt transaction, as described in paragraph (a) immediately above, Releasor shall provide Seller, for Service Agreement execution purposes, and shall post on Seller's EBB in accordance with the capacity release timeline under Section 13.1(c) above: (i) the information required for a Release Notice; (ii) the price and term of the assignment; (iii) the identity of the Replacement Customer; 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. Seller 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 Customer has not executed the Assignment Agreement prior to making its nomination, Customer shall be deemed to have executed the Assignment Agreement with Seller 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 Customer for a period of 31 days or less, as described in Section 13.3(a)(i) above: (i) shall not roll over, extend, or otherwise continue that release beyond its original term without complying with the ordinary 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 13.3(a) above; and (ii) shall not, pursuant to the short-term exemption of Section 13.3(a)(i), re-release to the same Replacement Customer 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 for more than one (1) year at the maximum rate, meets all of the terms and conditions of the Release Notice, and qualifies as an exempt transaction under Section 13.3(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 by potential Releasors to release and assign capacity shall be posted on Seller's EBB in accordance with the capacity release timeline under Section 13.1(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. Seller shall post offers and bids, including prearranged deals, upon receipt. Releasor may request a later posting time for posting of such offer, and Seller shall support such request insofar as it comports with the standard capacity release timeline specified in NAESB WQG Standard No. 5.3.2.

#### 13.4 Bidding.

(a) Potential Replacement Customers 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 Customers to Seller's EBB in the format established by Seller 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 Seller's specifications, shall specifically reference the capacity for which the bid is being submitted.

(b) A potential Replacement Customer 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 less 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 Customers 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 13.3(e).

(d) All bidders must: (i) have prequalified under Seller's creditworthiness standards and (ii) where execution of an Assignment Agreement will be required within five days of its transmission by Seller, have executed an Electronic Contracting Agreement with Seller, as required by Section 3 (Requests for Service), Section 9 (Operating Conditions), and Section 5 (Service Agreement and Electronic Contracting) of the General Terms and Conditions.

(e) Releasors that have multiple Service Agreements with Seller may post Release Notices for capacity under such Service Agreements with a "Stand-Alone" or "Not Stand Alone" indicator. Potential Replacement Customers 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.

(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 Releasor proposes to release under a prepackaged arrangement that is subject to competitive bidding (including prepackaged arrangements for 31 days or less for which Releasor requests competitive bidding), the Replacement Customer designated by Releasor (designated Replacement Customer) shall be notified by Seller and shall exercise its right to match the highest competing bid in accordance with the capacity release timeline under Section 13.1(c) above. A Releasor shall not be able to specify an extension of the original pre-arranged match period without posting a new release.

### 13.5 Evaluation of Bids and Assigning Service Rights.

(a) Seller 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 Releasor-developed alternative criteria to the contrary, as specified in Releasor's Release Notice, bids shall be evaluated and rights to released capacity assigned by Seller in accordance with the bid evaluation criteria referenced at Section 13.2(c).

(c) Where Releasor has posted a prepackaged arrangement that is subject to competitive bidding(including prepackaged arrangements for 31 days or less for which the Releasor requests competitive bidding), the designated Replacement Customer under that arrangement will be awarded the capacity if, within the time limits specified in Section 13.4(h), that designated Replacement Customer matches the competing bid(s) offering the highest economic value, as calculated in accordance with the bid evaluation criteria set forth in Section 13.2(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 Customer 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) Seller 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 13.1(c) above.

#### 13.6 Assignment Agreements.

(a) For all transactions pursuant to this Section 13, Seller shall electronically transmit an Assignment Agreement upon receipt of Replacement Customer's electronic confirmation reflecting the terms of the Release Notice to Replacement Customer in accordance with the capacity release timeline under Section 13.1(c) above.

(b) Seller and Replacement Customer 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 Seller. 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 Customers 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 Customers must meet the Seller's creditworthiness requirements. Service will not be provided unless the Assignment Agreement properly has been executed. If the Replacement Customer does not execute and return such

Assignment Agreement within two business days of Seller's tender (or such later date established by Releasor through notice to Seller and Replacement Customer), the bid and Seller's offer of an Assignment Agreement shall be void and Seller 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 13.3(a) above, Replacement Customers 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 Customer failing to execute and return an Assignment Agreement tendered by Seller.

13.7 Implementation. Following acceptance of a bid for assignment and execution of an Assignment Agreement, Replacement Customers may submit nominations to Seller in the next available nomination cycle, as specified in Section 6.2(e) of the General Terms and Conditions. In the event Customer has not executed the Assignment Agreement prior to making its nomination, Customer will be deemed to have executed the Assignment Agreement with Seller pursuant to which the nomination is being made. Quantities 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 Seller, and that priority shall be unaffected by whether or not the assignment is subject to recall, as described at Section 13.8 below.

13.8 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 Seller and to Replacement Customer. 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 Customer, and (iv) such other terms as Releasor may specify. Replacement Customer 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 Customer Release. A Replacement Customer that desires to release some or all of its assigned capacity (Replacement Customer/Secondary Releasor) may release and reassign all or a portion of the assigned capacity to other parties (Secondary Replacement Customers) 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 Customer 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 Customer/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) Releasor recalling capacity shall provide notice of such recall to the Seller and the first Replacement Customer no later than 8:00 a.m. on the day that Timely Nominations are due;

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

Early Evening Recall Notification:

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

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

Evening Recall Notification:

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

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

Intraday 1 Recall Notification:

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

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

Intraday 2 Recall Notification:

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

(10) Seller shall provide notification of such recall to all affected Replacement Customers 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 Seller prior to the recall notification deadline specified above and received between 7:00 a.m. and 5:00 p.m., Seller shall provide notification to all affected Replacement Customers no later than one hour after receipt of such recall notification. For recall notification provided to Seller after 5:00 p.m. and prior to 7:00 a.m., Seller shall provide notification to all affected Replacement Customers 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 Seller, the quantity shall conform to Seller's capacity recall notification specification. Seller requires that the quantity must be expressed in terms of adjusted total released capacity entitlements based upon the Elapsed Prorated Capacity. Seller 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 Customer of a one-part volumetric rate may not be released and assigned.

(f) If a Releasor's Service Agreement is suspended or terminated, then Seller may terminate the release of capacity to the Replacement Customer if Seller has first provided the Replacement Customer an opportunity to continue receiving service by paying the lesser of (i) the Releasor's Service Agreement rate; (ii) the applicable Recourse Rate; or (iii) some other rate that is acceptable to Seller.

(g) If a Replacement Customer's Service Agreement is suspended or terminated, then the released capacity will revert to the Releasor.

### 13.9 Billing.

(a) Seller, 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 Seller, less either the reservation charge bid by Releasor's Replacement Customer or the reservation charge portion of amounts billed to Replacement Shippers paying one-part volumetric rates; and (ii) bill the Replacement Customer for (A) the reservation charge bid by that Replacement Customer (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 HSCQ balance 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 Customer, Seller shall allocate such payment first to the reservation charge (or to the reservation charge components 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 Customer may, upon notice to Seller and approval of the Releasor, appoint Releasor as its agent to receive such billings from Seller. 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 Seller for full payment of the reservation charge, any applicable reservation-related surcharges, and any other fixed charges for which Releasor is otherwise obligated to Seller. If Releasor proposes a Permanent Release of its capacity, Seller will agree to discharge the Releasor of its obligations on a prospective basis in whole or in part provided (i) the Replacement Customer meets the requirements in Section 9.5 of these General Terms and Conditions, (ii) Seller would be financially indifferent, as determined by Seller in its reasonable discretion, to the discharge if such discharge is granted, and (iii) Seller's lenders agree to such discharge. Until payment by Replacement Customer to Seller of any unpaid reservation charges, any claims Releasor may have relating to those charges shall be subordinated to those of Seller. Any reservation charge payments made by Replacement Customer to Seller will not be withheld from Releasor by Seller due to Replacement Customer's failure to pay Seller other amounts owed that are unrelated to the released capacity. In the event of termination of Releasor's Service Agreement with Seller, Replacement Customer's Service Agreement with Seller is deemed terminated unless (1) Replacement Customer agrees to pay Seller the currently effective maximum rates for service under the Tariff, or (2) Seller and Replacement Customer mutually agree upon a discounted rate or negotiated rate for service under this Tariff; provided, however, that any Replacement Customer shall be entitled to continued service at the contract rate between the Releasor and Seller.

(c) In the event that a Replacement Customer (including a Secondary Replacement Customer) fails to pay Seller's invoice relating to the released capacity, Seller shall within five business days 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 Customer's nonpayment, Releasor, without prejudice to any other rights it may have, may immediately recall the assigned capacity upon 24-hour notice to Replacement Customer unless within such period Replacement Customer 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.

13.10 Refunds.

(a) For all refunds other than those described at paragraph (b) immediately below, the original Releasor of any capacity shall receive from Seller 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 Customer holding the assigned right to service at the time of the overpayment shall receive from Seller 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 Seller will be made by Seller directly to Replacement Customer or indirectly through the Releasor if Replacement Customer has appointed Releasor as its agent for billings pursuant to Section 13.9(a) above.

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

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

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

13.13 Termination. If the Releasor 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 Releasor shall revert back to Seller. Any Service Agreement(s) of a Replacement Customer(s) for such capacity shall terminate as well.

14. FORCE MAJEURE

14.1 Defined. Neither Seller nor Customer 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 operate storage facilities, 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.

14.2 In Operation. Such causes or contingencies affecting the performance hereunder by either Seller or Customer, 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.



## 15. INTERRUPTIONS OF SERVICE

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

### 15.1 Interruptions of Firm Services.

(a) If due to force majeure, other unforeseen conditions on Seller's system, or operating conditions (such as, but not limited to, performing routine maintenance, making modifications, tests or repairs to Seller's storage system or protection of the integrity and performance capability of its storage facilities), the gas available for withdrawal from Seller's system or portion thereof is temporarily insufficient to meet all of Seller's authorized firm services on any day, then Seller, upon providing as much notice as possible, shall interrupt all such services in accordance with the priorities set forth at Section 15.4 below. Seller shall notify Customer of interruptions by Electronic Notice Delivery to Customer's representative, and shall do so 72 hours in advance in the case of interruptions due to routine maintenance. Customer must make available a representative to maintain 24-hour contact with Seller to receive such notices. Such a representative shall have a requisite authority and capability to make any adjustments required as a result of Seller's notice of interruption. Seller will specify in interruption orders issued pursuant to this Section the: (i) date and time by which Customer must comply; and (ii) the revised quantity (if any) authorized to flow (Lowered Quantity).

### 15.2 Interruptions of Interruptible Service.

(a) Seller may interrupt its interruptible service (i) for the reasons set forth in Section 15.1 above, or (ii) for the purpose of making capacity available for firm services. Whenever Seller determines that such interruption is appropriate, Seller shall do so in accordance with the priorities set forth at Section 15.4 below.

(b) A Customer that fails to interrupt its interruptible service as directed by Seller shall be subject to penalties as set forth at Section 18 (Penalties) of the General Terms and Conditions.

15.3 Notice of Interruptions. Seller 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, Seller shall announce interruptions at 3:00 p.m. on the Day preceding the planned interruption. Seller shall notify electronically each Customer whose service is interrupted and shall post interruptions on its EBB. Direct interconnect parties shall also receive notice of interruptions from Seller'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 Seller to receive such notices. Such a representative shall have the requisite authority and capability to make any adjustments required as a result of Seller's notice of interruption. In the event of any conflicting communications,

notices from Seller's Gas Controllers shall control. In the event of interruption, Customers shall only be entitled to receive such services as Seller can provide under Seller's applicable Rate Schedules. Electronic Notice Delivery shall be according to the following provisions:

(a) Seller 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 Seller have agreed to exclusive notification via EDI/EDM, the affected party should provide Seller 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 Seller to provide notification is waived until the above requirement has been met.

(c) Seller 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.

#### 15.4 Service Priorities.

(a) Storage Services. This paragraph shall apply to Seller's HSS, and IHSS Rate Schedules and Service Agreements with Customers thereunder. In the event capacity is not available to continue storage injections and withdrawals of all Customers' gas that has been scheduled on Seller's system, Seller shall (i) interrupt service sequentially among the priority groupings set forth below, and (ii) interrupt within those priority groupings, in the order and manner set forth below until the necessary level of interruption is achieved:

(1) Storage injection and withdrawal quantities in excess of Customer's Maximum Daily Injection Quantity or Maximum Daily Withdrawal Quantity under Seller's HSS Rate Schedule, and storage injection and withdrawal quantities under Seller's IHSS Rate Schedule, beginning with injections and withdrawals attributable to Customers paying the lowest rate, and pro rata among Customers paying the same rate.

(2) Storage injection and withdrawal quantities under Seller's HSS Rate Schedule, pro rata based on Maximum Daily Injection Quantity and Maximum Daily Withdrawal Quantity for Customers.

## 16. OPERATIONAL FLOW ORDERS

### 16.1 In General.

(a) Seller, in its reasonable discretion, shall have the right to issue Operational Flow Orders (OFO) as specified in this Section upon determination by Seller that action is required in order to alleviate conditions which threaten the integrity of Seller's system, to maintain system operations at the pressures required to provide reliable firm services, to maintain and protect the integrity and performance capability of Seller's storage field(s)(including requiring customers to inject gas into or withdraw gas from storage at a specified time), to maintain firm service to all Customers and for all firm services, and to maintain the system in balance for the foregoing purposes. To the extent feasible, Seller shall attempt to direct such OFOs to those Customers 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 Customer(s) or class of Customers affected;
- (5) The action that Customer(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 Seller's system, Seller 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 Seller's ability to meet its firm service obligations. Seller 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 Seller issues an OFO without providing such 24 hours notice, Seller shall post on its EBB and send to the Commission a detailed explanation containing information specific to that individual situation to justify the issuance of the OFO.

(d) In addition to the 24-hour notice requirement of Section 16.1(c) above, Seller shall post, giving as much advance warning as is reasonably possible, information regarding the operational variables that give, or will in the future give, rise to issuance of an OFO and Seller 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, Seller shall post on its EBB a report detailing the factors requiring the issuance and the termination of an OFO.

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

(1) Seller 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 Seller have agreed to exclusive notification via EDI/EDM, the affected party should provide Seller 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 Seller to provide notification is waived until the above requirement has been met.

(3) Seller 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 Remedy. Seller may restrict non-firm capacity by posting a reduced level (down to zero). In addition, as provided in Section 16.1(c) above, Seller shall provide as much advance warning as possible of the conditions that may create an OFO and of the anticipated duration of such an OFO. However, nothing in this Section 16.1(f) shall preclude Seller from issuing, at any time, an OFO if Seller reasonably determines that such an OFO is necessary to protect the integrity of Seller's system or to meet other operational exigencies as provided for in this Section 16.

## 16.2 System Specific Operational Standards for Issuance of OFOs.

(a) Proper utilization of Seller's storage facilities is crucial to Seller's ability to provide firm services to Customers. Therefore, in the event Seller determines that action is necessary to prevent damage to the integrity of its storage field(s) or to ensure the operating performance of Seller's system, including its storage field(s), Seller may issue an OFO Order as follows to preserve its ability to provide firm service to Customers:

(1) Seller may issue an OFO limiting or prohibiting transfers of injection rights, withdrawal rights, or storage inventory by Customer.

(2) Seller may issue an OFO directing a Customer to adjust HSCQ balances or operate within the limitations on storage injections or withdrawals as set forth in the Customer's Service Agreement or the applicable Rate Schedule.

(b) Seller 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, Seller may issue an OFO directing a Customer to take certain actions to enable Seller to adequately respond to the following type of exigent circumstances occurring on Seller's system:

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

(3) Mechanical or physical failure that affects Seller's ability to operate storage facilities, 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 Seller to reduce operating pressures in, or remove from service, a portion of Seller's storage facilities.

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

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

(c) Seller has the right to issue OFOs on a nondiscriminatory basis without liability except in cases of Seller's negligence or undue discrimination. Compliance with the OFOs and the other terms and conditions of Seller's Tariff is essential to Seller's ability to provide service under all Rate Schedules. A failure by one or more Customer to comply with the OFOs may affect Seller's ability to provide such 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, Seller will, except in cases of Seller's 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 services by the Customer(s) failing to comply with Seller's Tariff and in particular, the provisions of this Section.

16.3 Limitations.

(a) Customer shall not be required to flow gas pursuant to this Section in excess of Customer's maximum entitlement level specified in Customer's Service Agreement(s) with Seller.

(b) A Customer must comply with an OFO within the time period set forth therein unless the Customer is able to demonstrate that such compliance: (1) is not within Customer's physical or contractual control; (2) is prevented by operating conditions on a third party pipeline system beyond Customer'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 14 (Force Majeure) of the General Terms and Conditions; provided that Customer 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. Customer shall notify Seller 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 Seller with documentation sufficient to support its basis for non-compliance.

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

17. INVENTORY TRANSFERS

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

17.2 No Cost Transfers. A Customer may transfer inventory from an account under a Service Agreement with Seller set forth under column "From" to an account under a Service Agreement with Seller set forth under Column "To", as set forth below, without incurring storage, injection or withdrawal charges, or surcharges, and without assessment of Retainage on the transferred quantity:

<u>From</u>	<u>To</u>
HSS, IHSS	HSS, IHSS

17.3 Effectiveness of Transfers. Any transfer made pursuant to Section 17.2 shall be effective on the date a Customer's completed nomination form is received by Seller electronically through its EBB, unless Seller rejects the transfer within two business days of Seller's receipt of such completed nomination form pursuant to Section 17.4. 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.

17.4 Rejection by Seller. Seller may, in its reasonable discretion, reject any proposed transfer if it determines that such transfer cannot be accommodated: (i) without diminishing Seller's ability to provide firm service to any Customer; (ii) without increasing Seller's firm service obligations; (iii) because the gas sought to be transferred is not on Seller's system; (iv) because of the actual account status of the transferor's and transferee's accounts, as reflected in Seller's records; (v) because the transfer is requested to have a retroactive effective date; or (vi) without threatening the integrity of Seller's system. If the transfer is rejected pursuant to this Section 17.4, Seller shall provide the Customer seeking to transfer inventory that Customer's actual account status under the applicable Service Agreement.

## 18. PENALTIES

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

18.1 Failure to Comply with OFOs. If Customer fails to comply with an OFO issued by Seller pursuant to Section 16 (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.

### 18.2 Miscellaneous.

(a) All penalties and charges assessed under this Section shall be paid in addition to the applicable overrun charges.

(b) In the event Customer 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 14 (Force Majeure) of the General Terms and Conditions, Customer shall document such force majeure event to Seller. Seller 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 14.

(c) In the event Customer, or any other individual or entity receiving or delivering gas on behalf of, as a Replacement Customer of, or otherwise for the benefit of Customer, does not (i) provide the schedules, allocations, or other data required by this Section, Section 6 (Nominating, Scheduling and Monitoring) 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 Seller, or (ii) provide other data required by Seller within two business days after Seller requests such data, Seller shall have the right to impose penalties based upon the data otherwise available to Seller, without regard to actual HSS inventory level. Customer shall have no right to contest the imposition of such penalties on the basis that the HSS inventory levels reflected in the data available to Seller are at variance with actual HSS inventory levels.

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

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

### 18.3 Penalty Crediting Mechanism.

(a) The purpose of this provision is to provide the mechanism by which Seller shall credit any "Penalty Revenues," as defined herein, to "Non-Penalized Customers."



(b) For purposes of this Section 18.3 the following definitions shall apply:

(i) The term "Penalty Revenues" shall mean penalty amounts assessed and actually collected, net of Seller's costs, during each month of a contract year (April 1 to March 31) pursuant to the penalty provisions of this Tariff.

(ii) The term "Non-Penalized Customers" shall mean Customers, other than Customers that were assessed penalties during any month of a contract year (April 1 to March 31) pursuant to the penalty provision of this Tariff.

(c) At the end of the contract year, Seller shall calculate the amount of Penalty Revenues. Seller 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, Seller shall allocate Penalty Revenues for that month to the Non-Penalized Customers based on their respective HSCQ as reflected on Customer's Billing Statement for that month under the Non-Penalized Customers' HSS and IHSS Service Agreements. Seller shall credit the bills of Non-Penalized Customers that are the original capacity holders (and not Replacement Customers under Section 13 (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 Customers 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 Customers in that month.

(d) In the event the calculated Penalty Revenues exceeds \$2,500, Seller 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. Penalty Revenues less than \$2,500 will be credited pursuant to the provisions set forth in Section 18.3(c) above.

#### 18.4 Critical Day Requirement for Penalties.

A "Critical Day" for storage will be declared by Seller whenever Seller, in Seller's reasonable discretion, determines (based on criteria such as weather forecasts, line pack, storage conditions, horsepower availability, system supply and demand, and other operational circumstances) that operating conditions are such that Seller faces a threat to its system integrity and/or to Seller's ability to meet its firm service obligations. With the exception of (1) the penalty provided in Section 7(f) of the HSS Rate Schedule and (2) OFO penalties imposed pursuant to the provisions of Sections 16 and 18 of the General Terms And Conditions and/or the OFO provisions of individual Rate Schedules, Seller will not impose penalties under this Section 18 and under any Rate Schedule unless a Critical Day, as defined above, has been declared and is in effect on Seller'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 for each day during the month on which a Critical Day was declared.

Except for force majeure events and/or events or conditions which threaten the integrity of Seller's system or Seller's ability to meet its firm service obligations, Seller will notify Customers 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, Seller will notify Customers by posting on its Internet EBB notice that the monthly penalty is applicable. Within two weeks of a Critical Day event, Seller will post information on its EBB describing the events leading up to the declaration of the Critical Day.

18.5 No Imposition of Multiple Penalties.

Seller will not impose on a Customer both OFO and Critical Day penalties for the same infraction.

18.6 Critical Day Miscellaneous.

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

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

19. DISCOUNTING

19.1 In General. Seller may at any time discount the rate(s) applicable to any individual Customer under the Rate Schedules set forth in this Tariff consistent with Commission Policy; 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 Seller discounts any rate to any Customer, Seller shall file with the Commission any required reports respecting such discounted rate(s). Seller and Customer shall enter into a written agreement describing the terms of any such discounting of Customer's rate(s).

19.2 Allocation or Interruption. To the extent that Seller allocates or interrupts service rights based upon price, as set forth in Section 7 (Capacity Allocation) and Section 15 (Interruptions of Service) of the General Terms and Conditions, the price utilized by Seller for such purposes, where rates for service have been discounted by Seller, shall be Customer's discounted rate for the service.

19.3 Refunds. If the rates charged Customer 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 Customer exceeds the rate approved by the Commission.

20. REGULATORY FEES

Customer shall reimburse Seller within five (5) days after costs have been incurred by Seller for all fees required by the Commission or any regulatory body including, but not limited to, filing, reporting, and application fees to the extent such fees are specifically related to service provided under any of Seller's applicable Rate Schedules for that Customer and are not generally applicable fees (such as general rate case filing fees).

21. POSSESSION OF GAS

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

22. WARRANTY OF TITLE TO GAS

Each Customer under this Tariff warrants for itself, its successors and assigns, that Customer or the party on whose behalf Customer is acting will at the time of delivery to Seller for storage 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. Customer will indemnify Seller 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 Seller for storage under Seller's applicable Rate Schedule). Replacement Customers under Section 13 (Release and Assignment of Service Rights) of the General Terms and Conditions shall be considered to be "Customers" for purposes of this Section, and therefore Releasors under Section 13 shall not be liable under this Section for breach of the foregoing warranty by its Replacement Customers.

23. WARRANTY OF ELIGIBILITY FOR TRANSPORTATION

(a) Each Customer under this Tariff warrants for itself, its successors and assigns, that all gas delivered to Seller for storage shall be eligible for transportation in interstate commerce under applicable rules, regulations or orders of the Commission. Customer will indemnify Seller 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 Customers under Section 13 (Release and Assignment of Service Rights) of the General Terms and Conditions shall be considered to be "Customers" for purposes of this Section, and therefore Releasors under Section 13 shall not be liable under this Section for breach of the foregoing warranty by its Replacement Customers.

(b) Where storage 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.), Customer warrants that such storage 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 storage service is being provided will not have physical custody of and transport the gas or will not hold title to the gas. Where storage will be provided under Seller's blanket certificate, Customer warrants that an interstate pipeline will receive some benefit from the transaction.

## 24. GAS QUALITY

24.1 General Requirement. Natural gas delivered to Seller shall at all times conform to the quality provisions set forth in this Section. Seller shall not be required to receive gas that does not conform to the requirements of this Section. Interconnecting Party shall indemnify Seller 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.

24.2 Gas. The gas delivered to Seller and delivered to Customer 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 24.3(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.

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

24.4 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 Seller;

(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) Seller and Customer 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 24, 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 Seller, unless otherwise mutually agreed by Customer and Seller,



shall be for the purpose of detection of the gas only during the time it is in possession of the Seller, prior to delivery to the Customer.

(e) Seller may refuse to accept gas or may impose additional gas quality specifications and restrictions if Seller, in its reasonable judgment, determines that harm to Seller's facilities or operations could reasonably be expected to occur if it receives gas that fails to meet such additional specifications and restrictions. Seller reserves the right to refuse to execute any agreement which does not contain the gas quality specifications and restrictions deemed reasonable and necessary by Seller, and Seller 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 Seller 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 Seller.

(f) Seller may impose restrictions on the temperature of the flowing gas and/or on the Utilization Factor of the gas that it receives if Seller 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 Seller.

## 25. 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 Seller 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 Seller and Interconnecting Party in place of the construction and installation of a meter and measuring station. Notwithstanding any other provision in this Tariff, Seller 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.

25.1 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.

25.2 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.

25.3 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.

25.4 Temperature. The temperature of the natural gas shall be determined at Seller'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 Seller and Customer.

25.5 Static Pressure. The static pressure of the natural gas shall be determined at Seller'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 Seller and Customer.

25.6 Specific Gravity. The specific gravity (relative density) of the natural gas shall be determined by gravimetric, chromatographic, or other generally accepted analytical method at Seller'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 Seller and Customer.

25.7 Heating Value. The heating value of the natural gas shall be determined by calorimetric, chromatographic, or other generally accepted analytical method at Seller'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 Seller and Customer.

25.8 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 Seller and Interconnecting Party.
- (b) If the measurement method used by Seller 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 Seller'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 Seller.

#### 25.9 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 Seller are determined, unless otherwise agreed to in writing with Seller. Seller 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 Seller 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 Seller's standards, specifications, practices, and requirements.

(b) In place of the construction and installation of meters and measuring stations pursuant to this Section, Seller and Interconnecting Party and/or other affected parties may agree to a measurement methodology pursuant to Section 25.13(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 Seller, and Seller shall have the right to present and inspect the installation of all such measuring stations and equipment to insure compliance with such standards and practices. Interconnecting Party and Seller 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 Seller 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 Seller's or Interconnecting Party's measuring stations or equipment used to measure gas received by Seller for Interconnecting Party or delivered by Seller 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 25.8 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 25.8 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 and appropriate manner, except that the supercompressibility factor shall be calculated in accordance with Section 25.8 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 25.8 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 25.8 above.

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

(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 25.6, 25.7 and 25.8 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, Seller may prospectively implement and use any future editions or versions of the American Gas Association or ANSI reports referenced in this Section 25.

25.10 Check Measuring Equipment.

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

(b) Seller, 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 Seller its Records and charts, together with calculations therefrom, for inspection, subject to return within 30 days after receipt thereof.

25.11 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 Seller 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 25.12 herein.

25.12 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.

25.13 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 Seller 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. Seller and Interconnecting Party and/or other affected parties may agree with Seller 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.



25.14 Preservation of Records. Both Seller 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.

26. 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.

27. NOTICES

27.1. General Notice Procedures. Unless otherwise specifically provided in this Tariff, particularly with regard to notices and communications required through Seller'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 Seller or Customer 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 Seller or Customer, or at such other address as either shall designate for such Notice. Any Notice, or other posting, made on Seller'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 Seller and Customer shall be considered duly delivered without confirmation by mail. If Seller is required by this Tariff to provide any Notice to a Customer by telephonic communication, Seller may, at its option, make such communication via Electronic Notice Delivery without any telephonic communication.

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

28. COMPLAINT RESOLUTION PROCEDURE

Any Customer or potential Customer may make a written complaint to Seller, Attention: Vice President, Marketing, regarding any dispute between Customer and Seller arising under this Tariff. Customer must specify each reason for the dispute. Within two Business Days of receiving a complaint, Seller shall provide an initial response to complainant, acknowledging receipt of the complaint and requesting further information as appropriate. Within 30 days after receipt of Customer's complaint, Seller shall appoint a committee composed of the Vice President, Marketing, and any other necessary personnel (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 Days after receipt thereof shall render its final written decision to complainant, addressing each element thereof and, where appropriate, recommending a course of action.

29. ANNUAL CHARGE ADJUSTMENT (ACA)

29.1 Purpose.

(a) Pursuant to Section 3401(a)(1) of the Omnibus Budget Reconciliation Act of 1986 (Budget Act), the Commission is required to "assess and collect fees and annual charges in any fiscal year in amounts equal to all of the costs incurred by the Commission in that fiscal year." Order Nos. 472 and 472-A, issued by the Commission on May 29, 1987, and June 17, 1987, respectively, in Docket No. RM87-3-000, amend the Commission's regulations to establish annual charges as required by the Budget Act. Pursuant to those regulations, Seller is assessed, and pays to the Commission, an allocated annual assessment (Annual Charge).

(b) For the purpose of reimbursing Seller for the Annual Charge it pays to the Commission, this Section establishes, pursuant to Section 154.402 of the Commission's Regulations, an ACA rate applicable to Customers under Seller's HSS and IHSS Rate Schedules. The ACA rate shall be applicable to quantities injected into storage under Seller's above referenced Rate Schedules.

29.2 Basis of the ACA Rate. Seller's ACA rate shall be the increment specified by the Commission for such charge for that fiscal year (October 1 through September 30). Such ACA unit charge, 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. Seller does not intend to recover any Annual Charges in an NGA Section 4 rate filing. 1/

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1/ In Order No. 472, the Commission gave natural gas pipelines the choice of implementing an ACA clause, or including their annual charges in Account 928 (Regulatory Commission Expenses) for consideration in general rate filings made pursuant to Subpart D of the Commission's Regulations. While exercising the ACA clause option at this time, Seller reserves the right to switch to the general rate filing method at a future date. If Order No. 472 annual charges are included in the cost of service in any future rate case, Seller would file therein to eliminate its ACA rate and Tariff provision.

30. RETAINAGE ADJUSTMENT MECHANISM (RAM)

30.1 In General. Retainage, as defined in Section 1 of the General Terms and Conditions, shall apply to all Rate Schedules of this Tariff. The amount of such Retainage shall be determined based upon the Retainage percentages, as set forth at Sheet No. 13 of this Tariff. This Retainage shall be adjusted pursuant to the Retainage Adjustment Mechanism (RAM) set forth in this Section. Seller shall not recover any extraordinary gas losses pursuant to this provision.

30.2 Seller's RAM Filing. Annually, and at such other times as Seller in its reasonable discretion determines necessary based upon operating or other conditions, Seller shall adjust the Retainage percentage to take into account both prospective changes in Retainage requirements and over or under recovered Retainage quantities from the preceding period as described in Section 30.4 below for its storage facilities. That Retainage adjustment shall be effected by means of a RAM filing, which shall be filed with the Commission (i) annually on or before April 1 to become effective May 1 (Annual RAM Filing), and (ii) at such other times as required by operating or other conditions, to become effective 30 days after filing (Periodic RAM Filing). Any adjustments to Retainage percentages shall become effective on the first day of a calendar month.

30.3 Accounting for Activity. Seller will account for all under or over recovered company-use, lost, and unaccounted-for quantities in Account No. 186.

30.4 Retainage Percentage. The Retainage percentage, as adjusted by Seller through its RAM filings, shall consist of the sum of (i) the Current Retainage Percentage, and (ii) the Under/Over Recovered Retainage Percentage, calculated in the following manner:

(a) Current Retainage Percentage Component. In each Annual and Periodic RAM Filing, Seller shall calculate the Current Retainage Percentage by (i) estimating the total company-use, lost, and unaccounted-for quantities required during the 12-month period commencing with the effective date of Seller's RAM filing (Current Retainage Quantities) and (ii) dividing that volumetric figure by the total quantities estimated by Seller to be injected under the applicable Rate Schedules during the same 12-month period commencing with the effective date of the RAM filing (Current Rate Schedule Quantities).

(b) Unrecovered Retainage Percentage Component. In each Annual RAM Filing, Seller shall calculate the Unrecovered Retainage Percentage by: (i) determining the company-use, lost, and unaccounted-for quantities for the preceding calendar year (Preceding Annual Period); (ii) subtracting the Retainage quantities retained by Seller during that Preceding Annual Period; and (iii) dividing the result (the Unrecovered Retainage Quantities), whether positive or negative, by the Current Rate Schedule Quantities for the 12-month period commencing on the effective date of that Annual RAM filing.

(c) In each Annual or Periodic RAM Filing, Seller shall add (i) the Current Retainage Percentage established in that filing, as calculated in accordance with paragraph (a) above, and

(ii) the Unrecovered Retainage Percentage established in the currently effective Annual RAM Filing (whether a positive figure reflecting an underrecovery or a negative figure reflecting an overrecovery), as calculated in accordance with paragraph (b) above. The resulting total Retainage percentage shall be effective until the effective date of Seller's next succeeding RAM Filing.

30.5 Termination.

(a) If the provisions of this Section are terminated or otherwise rendered inapplicable (termination), Customers from the effective date of Seller's most recent RAM filing through the date of termination (the Termination Period) shall remain liable for any Unrecovered Retainage Quantities. Seller shall remain liable to such Customers for any excess quantities retained.

(b) Any positive or negative balance in Seller's Unrecovered Retainage Quantities account at the date of termination (i) shall be allocated to any successor services offered by Seller, or (ii) if no successor services are offered by Seller, shall be charged to Customers based on the actual quantities injected during the Termination Period.

31. 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 3.2, 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 9.6(b)
0.3.4	GTC Section 9.6(b)
0.3.5	GTC Section 9.6(d)
0.3.6	GTC Section 9.6(e)
0.3.7	GTC Section 9.6(f)
0.3.8	GTC Section 9.6(g)
0.3.9	GTC Section 9.6(h)
0.3.10	GTC Section 9.6(i)
1.2.3	GTC Section 1.33
1.2.4	GTC Section 1.23
1.2.5	GTC Section 1.31
1.2.6	GTC Section 1.30
1.2.9	GTC Section 1.7(a)
1.2.11	GTC Section 1.7(b)
1.2.12	GTC Section 1.16
1.2.15	GTC Section 1.40
1.2.16	GTC Section 1.40
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)(3)
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
1.3.19	GTC Section 6.2(f)
1.3.22	GTC Section 6.3(d)
1.3.32	GTC Section 6.2(h)



1.3.40	GTC Section 6.3(g)
1.3.44	GTC Section 6.3(h)
2.2.1	GTC Section 1.29
2.3.3	GTC Section 8.1(c)
2.3.4	GTC Section 8.1(d)
2.3.6	GTC Section 8.1(f)
2.3.11	GTC Section 8.4(a)
2.3.13	GTC Section 8.4(a)
2.3.20	GTC Section 8.1(e)
2.3.26	GTC Section 8.2(a)
3.2.1	GTC Section 1.3
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 1.13
5.2.3	GTC Section 1.15
5.3.1	GTC Section 13.1(b)
5.3.2	GTC Section 13.1(c)
5.3.3	GTC Section 13.2(c)(1)
5.3.4	GTC Section 13.2(c)(1)
5.3.13	GTC Section 13.4(g)
5.3.14	GTC Section 13.2(d)
5.3.15	GTC Section 13.4(g)
5.3.16	GTC Section 13.2(d)
5.3.24	GTC Section 13.3(e)
5.3.25	GTC Section 13.3(d)
5.3.34	GTC Section 7.2(b)(3)
	GTC Section 15.3(a)
	GTC Section 16.1(e)(1)
5.3.35	GTC Section 7.2(b)(3)
	GTC Section 15.3(b)
	GTC Section 16.1(e)(2)
5.3.36	GTC Section 7.2(b)(3)
	GTC Section 15.3(c)
	GTC Section 16.1(e)(3)
5.3.44	GTC Section 13.8(c)
5.3.45	GTC Section 13.8(c)
5.3.49	GTC Section 13.8(c)
5.3.55	GTC Section 13.8(d)
5.3.57	GTC Section 13.8(d)
5.3.63	GTC Section 13.2(c)(2)

**Standards Incorporated by Reference:**

**Additional Standards:**

**General:**

Definition:

0.2.5

Standards:

0.3.1, 0.3.2, 0.3.16, 0.3.17

**Gas/Electric Operational Communications:**

Definitions:

0.2.1, 0.2.2, 0.2.3, 0.2.4

Standards:

0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

**Operating Capacity and Unsubscribed:**

Standards:

0.3.18, 0.3.20, 0.3.21, 0.3.22

Datasets:

0.4.2, 0.4.3

**Location Data Download:**

Standards:

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

Dataset:

0.4.4

**Storage Information**

Data Sets:

0.4.1

**Nominations Related Standards:**

Definitions:

1.2.1, 1.2.2, 1.2.8, 1.2.10, 1.2.13, 1.2.14, 1.2.17, 1.2.18, 1.2.19

Standards:

1.3.4, 1.3.5, 1.3.8, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.20, 1.3.21, 1.3.23, 1.3.24, 1.3.25, 1.3.26, 1.3.27, 1.3.28, 1.3.29, 1.3.30, 1.3.31, 1.3.33, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.39, 1.3.41, 1.3.42, 1.3.43, 1.3.45, 1.3.46, 1.3.48, 1.3.51, 1.3.53, 1.3.55, 1.3.56, 1.3.58, 1.3.62, 1.3.64, 1.3.65, 1.3.66, 1.3.67, 1.3.68, 1.3.69, 1.3.70, 1.3.71, 1.3.72, 1.3.73, 1.3.74, 1.3.75, 1.3.76, 1.3.77, 1.3.79, 1.3.80, 1.3.81, 1.3.82

Data Sets:

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

**Flowing Gas Related Standards:**

Definitions:

2.2.2, 2.2.3, 2.2.4, 2.2.5

Standards:

2.3.1, 2.3.2, 2.3.5, 2.3.7, 2.3.8, 2.3.9, 2.3.10, 2.3.12, 2.3.14, 2.3.15, 2.3.16, 2.3.17, 2.3.18, 2.3.19, 2.3.21, 2.3.22, 2.3.23, 2.3.25, 2.3.27, 2.3.28, 2.3.29, 2.3.30, 2.3.31, 2.3.32, 2.3.40, 2.3.41, 2.3.42, 2.3.43, 2.3.44, 2.3.45, 2.3.46, 2.3.47, 2.3.48, 2.3.50, 2.3.51, 2.3.52, 2.3.53, 2.3.54, 2.3.55, 2.3.56, 2.3.57, 2.3.58, 2.3.59, 2.3.60, 2.3.61, 2.3.62, 2.3.63, 2.3.64, 2.3.65, 2.3.66

Data Sets:

2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5, 2.4.6, 2.4.7, 2.4.8, 2.4.9, 2.4.10, 2.4.11, 2.4.17, 2.4.18

**Invoicing Related Standards:**

Standards:

3.3.3, 3.3.4, 3.3.5, 3.3.6, 3.3.7, 3.3.8, 3.3.10, 3.3.11, 3.3.12, 3.3.13, 3.3.14, 3.3.15, 3.3.16, 3.3.21, 3.3.22, 3.3.23, 3.3.24, 3.3.26

Data Sets:

3.4.1, 3.4.2, 3.4.3, 3.4.4

**Quadrant Electronic Delivery Mechanism Related Standards:**

Definitions:

4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12, 4.2.13, 4.2.14, 4.2.15, 4.2.16, 4.2.17, 4.2.18, 4.2.19, 4.2.20

Standards:

4.3.1, 4.3.2, 4.3.3, 4.3.16, 4.3.17, 4.3.18, 4.3.20, 4.3.22, 4.3.23, 4.3.24, 4.3.25, 4.3.26, 4.3.27, 4.3.28, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35, 4.3.36, 4.3.38, 4.3.40, 4.3.41, 4.3.42, 4.3.43, 4.3.44, 4.3.45, 4.3.46, 4.3.47, 4.3.48, 4.3.49, 4.3.50, 4.3.52, 4.3.53, 4.3.54, 4.3.55, 4.3.57, 4.3.58, 4.3.60, 4.3.61, 4.3.62, 4.3.66, 4.3.67, 4.3.68, 4.3.69, 4.3.72, 4.3.75, 4.3.78, 4.3.79, 4.3.80, 4.3.81, 4.3.82, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 4.3.89, 4.3.90, 4.3.91, 4.3.92, 4.3.93, 4.3.94, 4.3.95, 4.3.96, 4.3.97, 4.3.98, 4.3.99, 4.3.100, 4.3.101, 4.3.102, 4.3.103, 4.3.104, 4.3.105, 4.3.106, 4.3.107, 4.3.108, 4.3.109, 4.3.110

### **Capacity Release Standards:**

#### **Definitions:**

5.2.4, 5.2.5

#### **Standards:**

5.3.5, 5.3.7, 5.3.8, 5.3.9, 5.3.10, 5.3.11, 5.3.12, 5.3.18, 5.3.19, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.26, 5.3.28, 5.3.29, 5.3.31, 5.3.32, 5.3.33, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.46, 5.3.47, 5.3.48, 5.3.50, 5.3.51, 5.3.52, 5.3.53, 5.3.54, 5.3.56, 5.3.58, 5.3.59, 5.3.60, 5.3.62, 5.3.62a, 5.3.64, 5.3.65, 5.3.66, 5.3.67, 5.3.68, 5.3.69, 5.3.70, 5.3.71, 5.3.72, 5.3.73

#### **Data Sets:**

5.4.14, 5.4.15, 5.4.16, 5.4.17, 5.4.20, 5.4.21, 5.4.22, 5.4.23, 5.4.24, 5.4.25, 5.4.26, 5.4.27

### **Internet Electronic Transport Related Standards:**

#### **Definitions:**

10.2.1, 10.2.2, 10.2.3, 10.2.4, 10.2.5, 10.2.6, 10.2.7, 10.2.8, 10.2.9, 10.2.10, 10.2.11, 10.2.12, 10.2.13, 10.2.14, 10.2.15, 10.2.16, 10.2.17, 10.2.18, 10.2.19, 10.2.20, 10.2.21, 10.2.22, 10.2.23, 10.2.24, 10.2.25, 10.2.26, 10.2.27, 10.2.28, 10.2.29, 10.2.30, 10.2.31, 10.2.32, 10.2.33, 10.2.34, 10.2.35, 10.2.36, 10.2.37, 10.2.38, 10.2.39

#### **Standards:**

10.3.1, 10.3.3, 10.3.4, 10.3.5, 10.3.6, 10.3.7, 10.3.8, 10.3.9, 10.3.10, 10.3.11, 10.3.12, 10.3.14, 10.3.15, 10.3.16, 10.3.17, 10.3.18, 10.3.19, 10.3.20, 10.3.21, 10.3.22, 10.3.23, 10.3.24, 10.3.25, 10.3.26, 10.3.27, 10.3.28, 10.3.29

### **Standards for which Waiver or Extension of Time to Comply have been granted:**

NAESB Standard

Waiver or Extension of Time

## 32. NEGOTIATED RATES

32.1 Availability. Seller and Customer may mutually agree to a Negotiated Rate for service under any Rate Schedule, provided Customer has not acquired its capacity as a temporary capacity release under Section 13 (Release and Assignment of Service Rights) of the General Terms and Conditions.

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

32.3 Limitations. This Section 32 does not authorize the negotiation of terms and conditions of service.

32.4 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 General Terms and Conditions Sections 7.1(c) and 7.2(b), and pursuant to General Terms and Conditions Section 15.4(a)(1), Customers paying more than the Recourse Rate will be considered to be paying the Recourse Rate.

32.5 Capacity Release. The maximum price cap for the release of capacity under a Negotiated Rate agreement shall be the Recourse Rate. Seller and a Releasor under Section 13 (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 13.8.

32.6 Right of First Refusal. Unless otherwise mutually agreed to by Seller and Customer pursuant to General Terms and Conditions Section 4.1(c)(1)(b), the right of first refusal provided with respect to certain Customer'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.

32.7 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.

32.8 Rate Treatment. Seller 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, Seller 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.

32.9 Negotiated Rate Surcharge and Retainage Components. If Seller 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 Customers in order to ensure that its recourse Customers are not better or worse off due to Negotiated Rate arrangements with individual Customers. To accomplish this, Seller will credit full recourse rate surcharge and retainage amounts to the appropriate surcharge and retainage accounts.

32.10 Filing Requirement. With respect to Negotiated Rate arrangements, unless Seller executes and files a non-conforming Service Agreement, Seller will file with the Commission a tariff sheet stating the exact legal name of the Customer, 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.

32.11 Accounting Treatment. To ensure compliance with the foregoing Sections 32.8, 32.9, and 32.10, and to ensure that recourse Customers are not better or worse off due to Negotiated Rate arrangements, Seller 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.

33. OFFSYSTEM PIPELINE CAPACITY

From time to time, Seller may enter into transportation and or storage agreements with other interstate or intrastate pipeline companies ("off-system capacity"). In the event that Seller acquires off-system capacity, Seller will provide service to Customers with the off-system capacity pursuant to Seller's open access tariff and subject to Seller's Commission-approved rates, as such tariff and rates may change from time to time. For purposes of transactions entered into subject to this Section 33, the "shipper must have title" requirement is waived. This Section 33 does not preclude Seller from seeking case specific authorization for the utilization of off-system capacity by Seller for other purposes.

In the event that offsystem capacity used to render service to Seller's Shippers is subject to renewal limitations, consistent with the offsystem capacity provider's tariff or operating statement, Seller 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 Seller 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 Seller's contract or service agreement with the offsystem capacity provider.

34. OPERATIONAL TRANSACTIONS

34.1 Seller may buy, sell and/or borrow or tender gas for return at a later date (an "Operational Transaction") as necessary to:

- (i) maintain system pressure and line pack;
- (ii) manage system imbalances;
- (iii) perform other operational functions of Seller in connection with its storage services; or
- (iv) otherwise protect the operational integrity of Seller's system.

Operational Transactions will be made at locations where the gas may be most operationally needed from time to time. Operational Transactions will have a lower priority than firm service.

34.2 Seller will post its quantities for sale, borrow or tender for bidding on its electronic bulletin board in accordance with the applicable bidding provisions which will be posted at the time of the Operational Transaction offer. Seller reserves its right, in its sole discretion,

- (i) to withdraw its postings;
- (ii) reject all bids due to operational changes; and
- (iii) reject any bids which do not meet or which contain modifications to the terms of the posting or which contain terms that are operationally unacceptable.

34.3 Seller will file a report on or before March 1 of each year reflecting the Operational Transactions for the 12-month period ending the preceding December 31. The report will indicate:

- (i) whether the Operational Transaction was a purchase, sale, borrow or tender;
- (ii) the source of the gas in the Operational Transaction;
- (iii) the date of the Operational Transaction (for borrows and tenders, Seller will include the beginning and termination date of the transaction);
- (iv) volumes;
- (v) the Operational Transaction price, expressed as a rate per dekatherm;



- (vi) the costs and revenues from the Operational Transaction;
- (vii) the disposition of the associated costs and revenues, including their absorption by Seller;
- (viii) an explanation of the purpose of any Operational Transaction; and
- (ix) whether Seller exercised its rights under Sections 34.2(i) and (ii) to withdraw postings or reject bids for Operational Transactions.

## **SERVICE AGREEMENT FORMS**

REFERENCE TO CUSTOMERS HAVING NON-CONFORMING SERVICE AGREEMENTS  
PURSUANT TO SECTION 154.112(B) OF THE COMMISSION'S REGULATIONS:

<u>Customer</u>	<u>Rate Schedule</u>	<u>Contract Number</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Docket No.</u>
Baltimore Gas & Electric Company	HSS	92704	4/1/2007	3/31/2023	RP07-374
Piedmont Natural Gas Company, Inc.	HSS	92707	4/1/2007	3/31/2023	RP07-374

Service Agreement No. \_\_\_\_\_  
Revision No. \_\_\_\_\_

### HSS SERVICE AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_,  
by and between HARDY STORAGE COMPANY, LLC ("Seller") and  
\_\_\_\_\_ ("Customer").

WITNESSETH: That in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

Section 1. Service to be Rendered. Seller shall perform and Customer shall receive service in accordance with the provisions of the effective HSS Rate Schedule and applicable General Terms and Conditions of Seller's FERC Gas Tariff, First Revised Volume No. 1 ("Tariff"), on file with the Federal Energy Regulatory Commission ("Commission"), as the same may be amended or superseded in accordance with the rules and regulations of the Commission. Seller shall store quantities of gas for Customer up to but not exceeding Customer's Storage Contract Quantity as specified in Appendix A, as the same may be amended from time to time by agreement between Customer and Seller, or in accordance with the rules and regulations of the Commission.

Section 2. Term. Service under this Agreement shall commence as of \_\_\_\_\_, and shall continue in full force and effect until \_\_\_\_\_. Pre-granted abandonment shall apply upon termination of this Agreement, subject to any right of first refusal Customer may have under the Commission's regulations and Seller's Tariff.

Section 3. Rates. Customer shall pay Seller the charges and furnish Retainage as described in the above-referenced Rate Schedule, unless otherwise agreed to by the parties in writing and specified as an amendment to this Agreement. Seller may agree to discount its rate to Customer below Seller's maximum rate, but not less than Seller's minimum rate. Such discounted rate may apply to: (a) specified quantities (contract demand or commodity quantities); (b) specified quantities above or below a certain level or all quantities if quantities exceed a certain level; (c) quantities during specified time periods; (d) quantities at a specified point; and (e) that a specified discounted rate will apply in a specified relationship to the quantities actually stored (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually stored). In addition, the discount agreement may include a provision that if one rate component which was at or below the applicable maximum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate due to a change in Seller's maximum rate so that such rate component must be adjusted downward to equal the new applicable maximum rate, then other rate components may be adjusted upward to achieve the agreed overall rate, so long as none of the resulting rate

components exceed the maximum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sections. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates, which had been charged under a discount agreement, exceeded rates which ultimately are found to be just and reasonable.

Section 4. Notices. Notices to Seller under this Agreement shall be addressed to it at 5151 San Felipe, Suite 2500, Houston, Texas 77056, Attention: Customer Services and notices to Customer shall be addressed to it at \_\_\_\_\_, Attention: \_\_\_\_\_, until changed by either party by written notice.

Section 5. Superseded Agreements. This Service Agreement supersedes and cancels, as of the effective \_\_\_\_\_ date hereof, the following Service Agreement(s): \_\_\_\_\_.

[CUSTOMER]

HARDY STORAGE COMPANY, LLC

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

[For HSS Rate Schedule]

Revision No. \_\_\_\_\_

Appendix A to Service Agreement No. \_\_\_\_\_  
Under Rate Schedule HSS  
between Hardy Storage Company, LLC (“Seller”)  
and \_\_\_\_\_ (“Customer”)

<u>Begin</u> <u>Date</u>	<u>End</u> <u>Date</u>	<u>Storage Contract</u> <u>Quantity/Dth</u>	<u>Maximum Daily</u> <u>Storage Quantity</u> <u>Dth/day</u>
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[CUSTOMER]

HARDY STORAGE COMPANY, LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Service Agreement No. \_\_\_\_\_  
Revision No. \_\_\_\_\_

### IHSS SERVICE AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by  
and between HARDY STORAGE COMPANY, LLC (“Seller”) and  
\_\_\_\_\_ (“Customer”).

WITNESSETH: That in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

Section 1. Service to be Rendered. Seller shall perform and Customer shall receive the service in accordance with the provisions of the effective IHSS Rate Schedule and applicable General Terms and Conditions of Seller's FERC Gas Tariff, First Revised Volume No. 1 (“Tariff”), on file with the Federal Energy Regulatory Commission (“Commission”), as the same may be amended or superseded in accordance with the rules and regulations of the Commission. Seller shall store quantities of gas for Customer up to but not exceeding Customer's Interruptible Storage Quantity as specified in Appendix A, as the same may be amended from time to time by agreement between Customer and Seller, or in accordance with the rules and regulations of the Commission.

Section 2. Term. Service under this Agreement shall commence as of the first Day of the first Month specified in Appendix A and shall continue in full force and effect until the last Day of the last Month specified in Appendix A. Pre-granted abandonment shall apply upon termination of this Agreement.

Section 3. Rates. Customer shall pay the charges calculated in accordance with the IHSS Rate Schedule and shall furnish the Retainage specified in Seller's currently effective Tariff, unless otherwise agreed to by the parties in writing and specified as an amendment to this Agreement. Seller may agree to discount its rate to Customer below Seller's maximum rate, but not less than Seller's minimum rate. Such discounted rate may apply to: (a) specified quantities (contract demand or commodity quantities); (b) specified quantities above or below a certain level or all quantities if quantities exceed a certain level; (c) quantities during specified time periods; (d) quantities at a specified point; and (e) that a specified discounted rate will apply in a specified relationship to the quantities actually stored (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually stored). The Months for which such charges shall be paid, together with the bid Average Monthly Balance and the bid Commodity Charge which shall be used to calculate such charges are specified in Appendix A. In addition, the discount agreement may include a provision that if one rate component which was at or below the applicable maximum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate due to a change in Seller's maximum rate so that such rate component must be adjusted downward to equal the new applicable maximum rate, then other rate components may be adjusted upward to achieve the agreed overall rate, so long as

none of the resulting rate components exceed the maximum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts revised tariff sections. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates, which had been charged under a discount agreement, exceeded rates which ultimately are found to be just and reasonable.

Section 4. Notices. Notices to Seller under this Agreement shall be addressed to it at 5151 San Felipe, Suite 2500, Houston, Texas 77056, Attention: Customer Services and notices to Customer shall be addressed to it at \_\_\_\_\_, Attention: \_\_\_\_\_, until changed by either party by written notice.

Section 5. Superseded Agreements. This Service Agreement supersedes and cancels, as of the effective date hereof, the following Service Agreement(s): \_\_\_\_\_.

[CUSTOMER]

HARDY STORAGE COMPANY, LLC

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_



[For IHSS Rate Schedule]

Revision No. \_\_\_\_\_

Appendix A to Service Agreement No. \_\_\_\_\_  
Under Rate Schedule IHSS  
between Hardy Storage Company, LLC (“Seller”)  
and \_\_\_\_\_ (“Customer”)

Interruptible Storage Quantity \_\_\_\_\_ Dth

Bid Commodity Rate \_\_\_\_\_ ¢ per Dth

Service Commencement Month \_\_\_\_\_, 20\_\_\_\_  
through  
Service Termination Month \_\_\_\_\_, 20\_\_\_\_

[CUSTOMER]

HARDY STORAGE COMPANY, LLC

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

**RESERVED FOR FUTURE USE**

## **RESERVED FOR FUTURE USE**

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## **RESERVED FOR FUTURE USE**



## **RESERVED FOR FUTURE USE**

## **RESERVED FOR FUTURE USE**

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