

Columbia Gas Transmission, LLC
FERC NGA Gas Tariff
Original Volume No. 1.1

Section 4.13
Non-Conf Neg Rate Svc Agmts
Version 0.0.0

Non-Conforming Service Agreement No.
155699

Virginia Natural Gas, Inc.

Agreement Effective Date: September 1, 2014

Issued: August 1, 2014

Effective: September 1, 2014

FT-C SERVICE AGREEMENT

THIS AGREEMENT is made and entered into this 29TH day of JULY, 2014, by and between COLUMBIA GAS TRANSMISSION, LLC ("Transporter") and VIRGINIA NATURAL GAS, INC. ("Shipper").

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

Section 1. Service to be Rendered. Transporter shall perform and Shipper shall receive service in accordance with the provisions of the effective FT-C Rate Schedule and applicable General Terms and Conditions of Transporter's FERC Gas Tariff, Fourth 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No. 1 ("Tariff"), on file with the Federal Energy Regulatory Commission ("Commission"), as the same may be amended or superseded in accordance with the rules and regulations of the Commission. The maximum obligation of Transporter to deliver gas hereunder to or for Shipper, the designation of the points of delivery at which Transporter shall deliver or cause gas to be delivered to or for Shipper, and the points of receipt at which Shipper shall deliver or cause gas to be delivered, are specified in Appendix A, as the same may be amended from time to time by agreement between Shipper and Transporter, or in accordance with the rules and regulations of the Commission.

Section 2. Term. Service under this Agreement shall commence as of September 1, 2014. This agreement shall have a primary term of twenty (20) years and shall continue for additional five (5) year terms thereafter until terminated by either Transporter or Shipper upon six months' prior notice. Pre-granted abandonment shall apply upon termination of this Agreement, subject to any right of first refusal Shipper may have under the Commission's regulations and Transporter's Tariff.

Section 3. Rates. Shipper shall pay Transporter the charges and furnish Retainage as described in the above-referenced Rate Schedule, unless a discounted or Negotiated Rate is otherwise agreed to by the parties in writing and specified in Appendix B to this Service Agreement. Transporter may agree to discount its rate to Shipper below Transporter's maximum rate, but not less than Transporter'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 specified points, locations, or other defined geographical areas; (e) that a specified discounted rate will apply in a specified relationship to the quantities actually transported (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually transported); and (f) production and/or reserves committed by the Shipper. 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 Transporter'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 Transporter under this Agreement shall be addressed to it at 5151 San Felipe, Suite 2500, Houston, Texas 77056, Attention: Customer Services and notices to Shipper shall be addressed to it at Virginia Natural Gas, Inc., P. O. Box 4569, Atlanta, GA 30302, Attention: Brian DeBaun, 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): N/A.

VIRGINIA NATURAL GAS, INC.

By

Title

Date

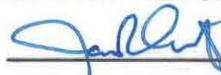

VP - Gas Supply Operations
7/29/2014

COLUMBIA GAS TRANSMISSION, LLC

By

Title

Date


VP, COMMERCIAL OPERATIONS
7-31-14

Appendix A to Service Agreement No. 155699
Under Rate Schedule FT-C
between Columbia Gas Transmission, LLC ("Transporter")
and Virginia Natural Gas, Inc. ("Shipper")

Transportation Demand

<u>Begin Date</u>	<u>End Date</u>	<u>Transportation Demand Dth/day</u>	<u>Recurrence Interval</u>
September 1, 2014	N/A	38,000	1/1 - 12/31

Primary Receipt Points

<u>Begin Date</u>	<u>End Date</u>	<u>Scheduling Point No.</u>	<u>Scheduling Point Name</u>	<u>Measuring Point No.</u>	<u>Measuring Point Name</u>	<u>Maximum Daily Quantity (Dth/day)</u>	<u>Minimum Receipt Pressure Obligation (psig) 1/</u>	<u>Recurrence Interval</u>
September 1, 2014	N/A	E13	EMPORIA, VA-34			38,000		1/1 - 12/31

Primary Delivery Points

<u>Begin Date</u>	<u>End Date</u>	<u>Scheduling Point No.</u>	<u>Scheduling Point Name</u>	<u>Measuring Point No.</u>	<u>Measuring Point Name</u>	<u>Maximum Daily Delivery Obligation (Dth/day) 1/</u>	<u>Design Daily Quantity (Dth/day) 1/</u>	<u>Minimum Delivery Pressure Obligation (psig) 1/</u>	<u>Recurrence Interval</u>
September 1, 2014	N/A	30VN	VIRGINIA NATURAL GAS			38,000			1/1 - 12/31

The Master List of Interconnects ("MLI") as defined in Section 1 of the General Terms and Conditions of Transporter's Tariff is incorporated herein by reference for purposes of listing valid secondary interruptible receipt points and delivery points.

____ Yes ☒ No (Check applicable blank) Transporter and Shipper have mutually agreed to a Regulatory Restructuring Reduction Option pursuant to Section 42 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

☒ Yes ____ No (Check applicable blank) Shipper has a contractual right of first refusal equivalent to the right of first refusal set forth from time to time in Section 4 of the General Terms and Conditions of Transporter's FERC Gas Tariff.


☒ Yes ____ No (Check applicable blank) All gas shall be delivered at existing points of interconnection within the MDDOs, ADQs and/or DDQs, as applicable, set forth in Transporter's currently effective Rate Schedule SST Service Agreement No. 84233 Appendix A with Shipper, which are incorporated herein by reference.

____ Yes ☒ No (Check applicable blank) This Service Agreement covers interim capacity sold pursuant to the provisions of General Terms and Conditions Section 4. Right of first refusal rights, if any, applicable to this interim capacity are limited as provided for in General Terms and Conditions Section 4.

____ Yes ☒ No (Check applicable blank) This Service Agreement covers offsystem capacity sold pursuant to Section 47 of the General Terms and Conditions. Right of first refusal rights, if any, applicable to this offsystem capacity are limited as provided for in General Terms and Conditions Section 47.


VIRGINIA NATURAL GAS, INC.

By
Title
Date


VP - Gas Supply Operations
7/29/2014

COLUMBIA GAS TRANSMISSION, LLC

By
Title
Date


VP, COMMERCIAL OPERATIONS
7-31-14

Appendix B to Service Agreement No. 155699
Under Rate Schedule FT-C
between Columbia Gas Transmission, LLC ("Transporter")
and Virginia Natural Gas, Inc. ("Shipper")

Negotiated Rate

Shipper, having been apprised of the availability of a maximum recourse rate, has elected to pay a negotiated rate. The negotiated rate shall consist of a Reservation Charge of \$1.80 per Dth per month, a Commodity Charge of \$0.0104 per Dth per day, and an Overrun Charge of \$0.0696 per Dth per day during the first ten years of the Agreement. During the second ten years of the Agreement, the negotiated rate shall consist of a Reservation Charge of \$1.90 per Dth per month, a Commodity Charge of \$0.0104 per Dth per day, and an Overrun Charge of \$0.0729 per Dth per day. In addition to the negotiated Reservation Charge, Commodity Charge, and Overrun Charge detailed above, shipper shall pay all applicable Reservation and Commodity surcharges applicable under Rate Schedule FT-C.

The rate set forth for the second ten years of the twenty (20) year primary term of this Agreement shall apply to any extension of this Agreement, unless otherwise provided as follows:

(a) If within five (5) years prior to the end of the primary term of this Agreement or any subsequent term, the Commission has issued an order following a rate proceeding pursuant to Section 4 or 5 of the Natural Gas Act ("NGA") or rate settlement in which additional costs have been allocated to Rate Schedule FT-C such that the maximum recourse rates determined for service under Rate Schedule FT-C, including any surcharges attributable to that service, are greater than the rates set forth hereto ("FT-C Rate Order"), then Shipper shall have the option of choosing the maximum recourse rates, including any surcharges attributable to Rate Schedule FT-C, including any surcharges attributable to Rate Schedule FT-C, set forth in the FT-C Rate Order as the rates for the extension term.

(b) If the Commission has not issued an FT-C Rate Order or Shipper declines to accept the rates set forth in the FT-C Rate Order for the extension term, then the extension shall be at the rate as follows: If Columbia and Shipper agree that Columbia is not recovering its revenue requirement applicable to service under this Agreement, then any extension of this Agreement shall be at a rate mutually agreed to by the parties that allows Columbia to recover its applicable revenue requirement. If Columbia and Shipper are unable to agree as to whether Columbia is recovering its applicable revenue requirement pursuant to the procedures set forth in that certain Stipulation and Agreement of Settlement filed in Docket No. RP14-393 ("Stipulation"), Columbia shall have the right to file with the Commission a limited NGA section 4 rate proceeding for the sole purpose of determining the rate for the extension term that permits Columbia to recover its revenue requirement applicable to service under Rate Schedule FT-C. Shipper shall have the right to challenge any rates proposed by Columbia in such limited NGA section 4 proceeding. In the event that Columbia does not initiate such a limited NGA section 4 proceeding, the rates for the extension term shall consist of a Reservation Charge of \$1.90 per Dth per month, a Commodity Charge of \$0.0104 per Dth per day, and an Overrun Charge of \$0.0729 per Dth per day in addition to all applicable Reservation and Commodity surcharges applicable under Rate Schedule FT-C.

Columbia is entitled to recover "Extraordinary Expenditures" from Shipper associated with the Commonwealth Capacity Facilities (as Commonwealth Capacity Facilities are defined in the Stipulation). Extraordinary Expenditures are defined as capital costs prudently incurred by Columbia that are necessary to maintain, repair, or replace the Commonwealth Capacity Facilities, including capital costs related to maintenance and replacements that are reasonably incurred to maintain the integrity of the system, in compliance with pipeline safety and other applicable regulations ("Rehabilitation Projects"), and which have an initial threshold amount allocable to the "Commonwealth Customers," as that term is defined in the Stipulation, of at least \$25 million over any consecutive two-year period during the first ten years of the Agreement's primary term. Ten years from the effective date of the Agreement, the \$25 million Extraordinary Expenditures threshold shall be adjusted once for

inflation using the Gross Domestic Product ("GDP") implicit price deflator ("IDP") for the period between the effective date of the Agreement and the date of the adjustment published by the U.S. Department of Commerce, Bureau of Economic Analysis. Extraordinary Expenditures allocable to the Commonwealth Customers shall be allocated pro rata among the Commonwealth Customers based on their respective capacity entitlements as a percentage of the Commonwealth Capacity.

In the event that Columbia seeks to recover Extraordinary Expenditures, Columbia shall provide Shipper with a notice of its intent to recover such expenditures and include the amount of such expenditures allocated to each of the Commonwealth Customers and a written explanation of, and appropriate documentary support for, the expenditures, and the following shall apply:

- (a) Within ninety (90) days of receipt of Columbia's notice of intent to recover Extraordinary Expenditures, Shipper shall have the option (1) to provide Columbia with an up-front lump sum payment; or (2) to begin providing Columbia, on a mutually agreeable timetable and basis, periodic payments amortized over the remaining term of this Agreement. If Shipper declines to provide payment pursuant to methods (1) or (2) described above, Columbia shall have the right to file with the Commission a limited NGA section 4 rate proceeding for the sole purpose of implementing a rate adder ("Extraordinary Expenditures Adder") based on the following factors: (i) total rate base multiplier of 14%, which is comprised of a pre-tax rate of return of 12% and a taxes other than income taxes rate of 2.0%, that shall be multiplied by the net rate base associated with the Extraordinary Expenditures; and (ii) Columbia's transmission depreciation rate shall be 1.5% and the depreciation expense shall be determined by multiplying such rate by the gross plant associated with the Extraordinary Expenditures. Shipper shall have the right, in any such limited NGA section 4 proceeding, to oppose the proposed Extraordinary Expenditures Adder, in whole or in part, on grounds that Columbia's recovery of the costs of Extraordinary Expenditures or the calculation of such costs is not consistent with the terms of the Stipulation (including that the costs were the result of Columbia's imprudence or were imprudently incurred). Columbia shall adjust the Extraordinary Expenditures Adder annually to reflect changes in accumulated depreciation and accumulated deferred income tax.
- (b) If a Rehabilitation Project involves a facility that supports both Commonwealth Capacity and other Columbia capacity, then the capital costs associated with such Rehabilitation Project shall be allocated pro-rata based on the relative volumetric capacity of such facility. For example, if the Rehabilitation Project involves a facility with 100,000 Dth/day of capacity and the Commonwealth Capacity Facilities portion of that facility is 10,000 Dth/day, then ten (10) percent of the capital costs of that Rehabilitation Project shall be included in the calculation of the Extraordinary Expenditures Adder.
- (c) If an expansion project is constructed concurrently with a Rehabilitation Project associated with the Commonwealth Capacity Facilities, then the capital costs associated with each project shall be allocated as follows:
 - (i) All capital costs that can be specifically identified to each project shall be fully allocated to that project.
 - (ii) All capital costs that cannot be specifically identified to each project shall be allocated pro-rata based on the relative volumetric capacity of each project. For example, if Columbia concurrently undertakes an expansion project that provides for 90,000 Dth/day of expansion capacity and a Rehabilitation Project that rehabilitates facilities including Commonwealth Capacity Facilities with a capacity of 10,000 Dth/day, and the capital costs cannot be specifically identified for each project, then the combined capital costs for both projects shall be allocated ninety (90) percent to the expansion project and ten (10) percent to the Rehabilitation Project, and the portion of such Rehabilitation Project allocable to the Commonwealth Capacity Facilities shall then be determined in accordance with (b) above.

Shipper shall be subject to a negotiated Transportation Retainage Percentage of 1% throughout the term of this Agreement.