

## **PART 7 – GENERAL TERMS AND CONDITIONS**

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1. DEFINITION OF TERMS

Except where another meaning is expressly stated, the following terms when used in this tariff and in any service agreement incorporating this tariff, are intended and used and shall be construed to have the following meanings:

- 1.1 The term “Seller” or “Transporter” shall mean National Fuel Gas Supply Corporation (“National”) acting in its capacity as a seller or transporter of natural gas. The term “Seller” shall include the term “Transporter”.
- 1.2 The term “Buyer” or “Shipper” shall mean any sales or transportation customer of National. The term “Buyer” shall include the term “Shipper.”
- 1.3 The term “day” shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time. As set forth in NAESB Standard 1.3.1, Standard time for the Gas Day should be 9:00 a.m. to 9:00 a.m. Central Clock Time (10:00 a.m. to 10:00 a.m. Eastern Clock Time).
- 1.4 The term “month” shall mean the period beginning at 9:00 a.m. central clock time on the first day of the calendar month and ending at 9:00 central clock time on the first day of the next succeeding calendar month.
- 1.5 The term “Business Day”, as specified in NAESB Standard 3.2.1, is defined as Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico.
- 1.6 The term “central clock time” shall mean the clock time, daylight savings or standard, as observed in Houston, Texas.
- 1.7 The term “year” shall mean a period of 365 consecutive days provided, however, that any year which contains the date “February 29” shall consist of 366 consecutive days.
- 1.8 The term “cubic foot” shall mean the volume of natural gas which occupies one cubic foot when such gas is at a temperature of 60 degrees Fahrenheit and at an absolute pressure of 14.73 pounds per square inch.
- 1.9 The term “Mcf” shall mean 1,000 cubic feet of gas.

- 1.10 The term “British thermal unit” or “Btu” shall mean the amount of heat required to raise the temperature of one pound of water 1 degree Fahrenheit at 60 degrees Fahrenheit.
- 1.11 The term “Dekatherm” or “Dth” shall mean the quantity of heat energy which is equal to 1,000,000 Btu’s.
- 1.12 The term “heating value”, when applied to a cubic foot of gas, means the number of British thermal units produced by the complete combustion with air, at a constant pressure, of one anhydrous (dry) cubic foot of gas at an absolute pressure of 14.73 pounds per square inch and at a temperature of 60 degrees Fahrenheit, when the products of combustion are cooled to the initial temperature of the gas and air, and when water formed by combustion is condensed to a liquid state.
- 1.13 The term “quantity of gas” shall mean a number of units of gas expressed in dekatherms, unless otherwise specified.
- 1.14 The term “volume” shall mean the number of units of gas expressed in cubic feet, unless otherwise specified.
- 1.15 The term “transportation” shall include transportation by forward haul, back haul, displacement or exchange, and shall also include storage, unless otherwise specified.
- 1.16 The term “electronic communication” shall mean the transmission of information via Transporter’s web site or other mutually agreed communication methodologies used to transmit and receive information, including by telephone, facsimile or email.
- 1.17 Reserved for Future Use.

- 1.18 The term “Commission” shall mean the Federal Energy Regulatory Commission or any superseding Federal agency.
- 1.19 Reserved for Future Use.
- 1.20 Reserved for Future Use.
- 1.21 Reserved for Future Use.
- 1.22 Reserved for Future Use.
- 1.23 The term “NAESB Standards” shall mean those standardized procedures and mechanisms for electronic communication that have been adopted by the Wholesale Gas Quadrant of the North American Energy Standards Board (formerly the Gas Industry Standards Board) and incorporated by reference in the Commission’s regulations.
- 1.24 The term “Operator” shall mean a party that operates facilities that interconnect with the facilities of Transporter.
- 1.25 The term “EDM” shall mean electronic data mechanism as defined by then-effective standards established by the Wholesale Gas Quadrant of the North American Energy Standards Board (formerly the Gas Industry Standards Board) and approved by the Federal Energy Regulatory Commission.
- 1.26 The term “web site, website or Web Site” shall mean the World Wide Web Site established and maintained by Transporter in accordance with the NAESB Standards (referred to as “Customer Activities Web site” in NAESB Standards) and applicable regulations of the Commission requiring Transporter to display information on an Electronic Bulletin Board.
- 1.27 The term “Web Site User” shall mean a Shipper or other party who accesses Transporter’s web site.
- 1.28 The term “Elapsed Prorata Capacity”, as specified in NAESB Standard 5.2.3, means 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.

- 1.29 The term “primary delivery point” shall mean the delivery point specified in a service agreement under the FT, FT-S, EFT or FST Rate Schedule, and, where such point is an interconnection between Transporter’s system and the facilities of another interstate pipeline, shall include the nomination point established by Transporter for nominations into the service agreement of another shipper of Transporter at such point.
- 1.30 The term “primary receipt point” shall mean the receipt point specified in a service agreement under the FT, FT-S, EFT or FST Rate Schedule, and, where such point is an interconnection between Transporter’s system and the facilities of another interstate pipeline, shall include the nomination point established by Transporter for nominations from the service agreement of another shipper of Transporter at such point.
- 1.31 The term “Existing Shipper”, as used in Section 10 of these General Terms and Conditions, shall mean a Shipper under the FT, FT-S, EFT, FST, FSS and ESS Rate Schedules that wants to release any or all of its capacity.
- 1.32 The term “Potential Shipper”, as used in Section 10 of these General Terms and Conditions, shall mean an entity listed on Transporter’s approved bidder list that may bid or has bid on firm capacity rights through Transporter’s capacity release mechanism.
- 1.33 The term “Prearranged Shipper”, as used in Section 10 of these General Terms and Conditions, shall mean an entity on Transporter’s approved bidder list who is proposed by an Existing Shipper to obtain the Existing Shipper’s firm capacity rights through Transporter’s capacity release mechanism.
- 1.34 The term “Replacement Shipper”, as used in Section 10 of these General Terms and Conditions, shall mean a Potential or Prearranged Shipper that has been awarded firm capacity rights for a specified period of time through Transporter’s capacity release mechanism.

## 2. QUALITY

### 2.1 Processing of Gas

The gas delivered by Transporter to Shipper shall be natural or mixed gas from Transporter's present or future sources of supply, including gas received by Transporter for Shipper's account; provided, however, that helium, natural gasoline, butane, propane and any other hydrocarbons except for methane, may be removed prior to delivery to Shipper. Transporter may subject, or permit the subjection of, the gas to compression, cooling, cleaning and other processes.

### 2.2 Total Heating Value

The gas delivered by Transporter to Shipper or received by Transporter from Operator for the Shipper's account shall have a total heating value at the point(s) of delivery and receipt of not less than 967 BTU per cubic foot. Transporter and Shipper shall have the option to refuse to accept said gas so long as the total heating value of the gas remains below 967 BTU per cubic foot; provided, however, that Transporter and Shipper may elect to accept receipt or delivery of said gas.

### 2.3 Absence of Objectionable Matter

- (a) Delivery by Transporter. The gas delivered by Transporter to Shipper shall be commercially free from objectionable odors, dust or other solid or liquid or gaseous matters which might interfere with the merchantability of the gas or cause injury to or interference with proper operation of Transporter's lines, regulators, meters or other appliances through which the gas flows.
- (b) Delivery for the Account of Shipper. The provisions set forth in this Subsection 2.3(b) shall apply to all gas delivered to Transporter by Operator for the account of Shipper, except for gas delivered to Transporter by another interstate pipeline, in which case the quality standards set forth in the interconnection or other agreement between Transporter and such pipeline shall apply, or in the absence thereof, the FERC Gas Tariff of such pipeline.
  1. All gas shall be commercially free from dust, hydrocarbon liquids, water, objectionable odors, or other gaseous, solid or liquid matters which might become separated from the gas

in Transporter's facilities, or which might interfere with the merchantability of the gas or cause injury, or interfere with the proper operation of the pipelines, regulators, meters, or other equipment through which it flows; and Operator shall furnish, install, operate, maintain and keep in efficient operating condition, such drips, separators, dehydrators, alcohol bottles, gas cleaners and other devices or equipment as may be or become necessary to effect compliance with this requirement (after having secured the prior approval of Transporter as to the design and construction of such facilities, which approval shall not be unreasonably withheld);

2. All gas shall contain no more than twenty (20) grains of total sulfur (S), nor more than three-tenths (0.3) grain of hydrogen sulfide (H<sub>2</sub>S) per one hundred (100) cubic feet;
3. All gas shall contain no more than two-tenths of one percent (0.2 of 1%) by volume of oxygen (O<sub>2</sub>), and Operator shall make every reasonable effort to keep the gas free of oxygen (O<sub>2</sub>);
4. All gas shall contain no more than four percent (4%) by volume of a combined total of carbon dioxide (CO<sub>2</sub>) and nitrogen (N<sub>2</sub>) components; provided, however, that the total carbon dioxide (CO<sub>2</sub>) content shall not exceed two percent (2%) by volume;
5. All gas shall have a temperature of not more than one hundred twenty degrees Fahrenheit; and
6. All gas shall have been dehydrated by Operator for removal of water in a vapor state, and in no event, contain more than seven (7) pounds of water vapor (H<sub>2</sub>O) per million cubic feet, as determined by Transporter. In no event shall Operator deliver to Transporter free or entrained water (H<sub>2</sub>O).

(c) Non-Conformance by Shipper.

1. In the event any of the above substances enter Transporter's facilities at any interconnection in quantities greater than the levels, if any, permitted above, or, where applicable, by the



quality standards set forth in the interconnection or other agreement with, or the FERC Gas Tariff of, the delivering interstate pipeline, with or without Transporter's knowledge, and cause, directly or indirectly, damage to any such facility, Transporter may, at Shipper's expense, (or where an interconnection agreement between Transporter and Operator is in effect with respect to the interconnection, at Operator's expense), clean up and/or repair such facility.

2. In the event any of the above substances enter Transporter's facilities at any interconnection in quantities greater than the levels, if any, permitted above, or where applicable by the quality standards set forth in the interconnection or other agreement with, or the FERC Gas Tariff of, the delivering interstate pipeline, and subsequently enter the facilities of downstream transporters, end-users or others, with or without Transporter's knowledge, and cause, directly or indirectly, property or environmental damage, or personal injury, Shipper, (or, where an interconnection agreement between Transporter and Operator is in effect with respect to the interconnection, Operator) shall indemnify Transporter against, hold it harmless from, and undertake the defense of Transporter with respect to any and all claims, losses, damages (including punitive damages, to the extent permitted by law), and injuries (property and environmental damage and personal injury, including death) arising therefrom and shall indemnify Transporter for any expenses, including attorney's fees, clean-up costs, fines and penalties, incurred in partial or full satisfaction of any such claims, losses, damages and injuries. This Subsection 2.3(c)(2) shall not, however, relieve Transporter from liability for damage caused by Transporter's negligence or willful misconduct.
3. As to gas delivered by Operator which does not meet the specifications incorporated or stated in this Section, Transporter shall have the rights, on a continuing basis, and in addition to any other remedies provided herein, to:
  - (i) Continue to receive such gas; or
  - (ii) Discontinue the flow of such gas, and, in the event Operator or Shipper shall not correct such deficiency

within a reasonable time period, to terminate the interconnection or transportation agreement as to such gas; or

- (iii) Receive such gas and, at Operator's expense, treat or otherwise process the same so as to cause it to conform to the above quality specifications.

#### 2.4 Commingling

It is recognized that gas received by Transporter from or for the account of Shipper will be commingled with gas of other shippers of Transporter. It is recognized that gas delivered to or for the account of Shipper may or may not consist of the same molecules as those received from Shipper or for Shipper's account.

### 3. MEASUREMENT

#### 3.1 Unit of Measure

The unit of measure for gas transported by Transporter shall be a dekatherm. Dekatherms delivered or received shall be determined by multiplying the Mcf by a fraction, the numerator of which is the Btu per cubic foot of gas and denominator of which is 1,000.

#### 3.2 Unit of Volume

The unit of volume shall be one cubic foot of gas at a temperature of 60 degrees Fahrenheit and an absolute pressure of 14.73 pounds per square inch.

#### 3.3 Atmospheric Pressure

The average absolute atmospheric pressure shall be assumed to be 14.4 pounds to the square inch, irrespective of actual elevation or location above sea level of the delivery or receipt points or variations in such actual atmospheric pressure from time to time.

#### 3.4 Temperature of Gas

The temperature of the gas flowing through the meters, when necessary for computing gas quantities, shall be determined by the use of a recording thermometer or other temperature measuring device. The arithmetic average of the temperature recorded each 24-hour day, or so much of the 24 hours as gas has been flowing, shall be used in computing gas quantities or instantaneous temperature measurements may be applied to metering instruments to provide the quantity computation. However, in case of any small volume transaction, the installation of a thermometer may be omitted at the election of Transporter and in such case the temperature of the gas for the purpose of measurement shall be assumed to be 50 degrees Fahrenheit.

#### 3.5 Specific Gravity

The specific gravity of the gas shall be determined once a month or as frequently as necessary for reasonably accurate determination by means of suitable apparatus. Such specific gravity so obtained shall be used for the purpose of measurement of gas.

### 3.6 Volumetric Measurement Computations

The deviation of the gas from Ideal Gas Laws shall be calculated following the recommendations of the ANSI/API 2530 “Orifice Metering of Natural Gas and Other Related Hydrocarbon Fluids” (A.G.A. Report No. 3) including the A.G.A. Manual for Determination of Supercompressibility Factors of Natural Gas or the A.G.A.

Transmission Measurement Committee Report No. 8 “Compressibility and Supercompressibility for Natural Gas and Other Hydrocarbon Gases.” If the composition of the gas is such as to render the above procedure inapplicable, other methods for determination of the deviation factors, mutually agreed upon by Shipper and Transporter, shall be used.

### 3.7 Total Heating Value

The total heating value of the gas per cubic foot shall be determined for any month by taking the average of the heating values as recorded each day by a calorimeter or chromatograph or as determined by chromatographic analysis of a sample of gas, or methods outlined in AGA Gas Measurement Report No. 5, or any other method mutually agreed upon by Transporter and Operator.

#### 4. MEASURING EQUIPMENT

- 4.1 Unless otherwise agreed upon, Transporter or Transporter's designee will install, as necessary, maintain and operate measuring stations at or near the receipt and delivery point(s) properly equipped with displacement, turbine or orifice meters, gas samplers, chromatographs and other necessary measuring equipment by which the quantity of gas delivered hereunder shall be measured. The cost of Transporter's or Transporter's designee's installing any incremental measuring facilities necessary with respect to the receipt and delivery of gas shall be borne by the Shipper(s) of such gas, unless otherwise expressly agreed. Transporter may require Shipper or Operator to provide records and/or charts from orifice meters measuring deliveries of gas by Shipper to Transporter within the period of time prescribed by Transporter.

Orifice meters shall be installed and operated in accordance with specifications recommended in Gas Measurement Committee Report No. 3 of the American Gas Association, as the same may be amended from time to time, applied in a practical manner. Displacement or turbine meters, if used, shall be installed and gas volumes computed, in accordance with generally accepted industry practices.

#### 4.2 Demand Meters

If the Rate Schedule according to which gas delivered to Shipper is billed includes a demand charge based on the Dth taken by Shipper on the day of greatest delivery during a billing month, Transporter shall use meters suitable for determining such greatest daily delivery.

#### 4.3 Check Meters

Shipper or Operator may install, maintain and operate, at its own expense, such check measuring equipment as it shall desire. Such equipment shall be so installed as not to interfere with the operation of Transporter's measuring equipment at or near the points of delivery. The Transporter shall have access to such check measuring equipment at all reasonable hours, but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by the Shipper or Operator.

#### 4.4 Installation

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

#### 4.5 Access to Meters and Records

Transporter and Shipper or Operator shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's equipment used in measuring or checking receipts and deliveries of gas. The records from such equipment shall remain the property of their owner, but upon request, each will submit to the other its records and/or charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.

#### 4.6 Measurement Equipment Failures

In the event measurement equipment is out of service, or registering inaccurately, the quantity and/or volume of gas received or delivered by Transporter shall be estimated:

- (a) By using the registration of any check meter, meters or other measurement equipment if installed and accurately registering, or in the absence of “(a)”;
- (b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation or, in the absence of both “(a)” and “(b)”, then;
- (c) By estimating the quantity of receipt or delivery by reference to receipts or deliveries during periods under similar conditions when the meter was registering accurately.

#### 4.7 Accuracy of Measuring Equipment

The accuracy of Transporter's or Operator's measuring equipment shall be verified at reasonable intervals, and if requested, in the presence of representatives of Operator or Transporter, but neither party shall be required to verify the accuracy of equipment more frequently than once in any thirty (30)-day period. In the event either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. The expense of any special test, if called for, shall be borne by the requesting party if the measuring equipment tested is found to be in error by no more than two percent.

#### 4.8 Correction of Measuring Equipment Errors

If, upon test, any measuring equipment is found to be in error not more than 2%, previous recordings of such equipment shall be considered accurate in computing deliveries hereunder; but such equipment shall be adjusted at once to record correctly.

If, upon test, any measuring equipment shall be found to be inaccurate by an amount exceeding 2%, any previous recordings of such equipment shall be corrected to zero (0) 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 last test, not exceeding a correction period of sixteen (16) days.

#### 4.9 Preservation of Records

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

## 5. BILLING AND PAYMENT

### 5.1 Invoices

Transporter's invoice shall be based on actual measurement information when such information is available; otherwise, estimates based on the best available information shall be used. With respect to receipt or delivery points covered by an Operational Balancing Agreement, pursuant to Section 14.2 of these General Terms and Conditions, Transporter's invoice shall be based on scheduled quantities. When information necessary for billing purposes is in the control of Buyer, Buyer shall furnish such information to Seller on or before the fifth (5th) day following the date of the final meter reading of each month.

### 5.2 Payments

Shipper shall pay Transporter by wire transfer of Federal Funds which are made immediately available to Transporter at such bank account as Transporter shall designate, on or before the twenty-fifth (25th) day of the month in which the invoice is received, for all services rendered by Transporter during the preceding billing period, as shown by the invoice, except when the twenty-fifth (25th) day of the month is a Saturday or Sunday or federal bank holiday, in which case payment is due on the following business day. Provided, however, a Shipper whose monthly invoice total amount due is less than \$50,000.00 may elect to make payment by check to be received by Transporter on or before the twenty-fifth (25th). Transporter, in its sole discretion, reserves the right to waive Shipper's underpayment on a final invoice of an inactive account if the underpayment amount is trivial. As set forth in NAESB Standard 3.3.18, "[i]dentify invoice number(s) on all payments."

### 5.3 Verification and Correction of Errors

Both Transporter and Shipper shall have the right to examine, at reasonable times, books, records, and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions of the underlying gas sales contract or transportation contract. As set forth in NAESB Standard 3.3.15, "Prior period adjustment time limits should be 6 months from the date of the initial transportation invoice and 7 months from date of initial sales invoice with a 3-month rebuttal period, excluding government-required rate changes. This standard shall not apply in the



case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard. 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.”

#### 5.4 Delayed Payment

Should Shipper fail to pay all of the amount of any invoice, as herein provided, when such amount is due, interest on the unpaid portion of the invoice shall accrue at the then effective prime interest rate (JPMorgan Chase Bank, NA). Transporter may suspend service to any Shipper which is delinquent in payments, provided that Transporter shall give Shipper written notice of the delinquency and of Transporter's intent to suspend if the delinquency is not remedied within fifteen (15) days of the date of the notice. Transporter may terminate service to any Shipper which is delinquent in payments, provided Transporter shall give Shipper written notice of the delinquency and of Transporter's intent to curtail or terminate if the delinquency is not rendered within thirty (30) days of the notice and then only upon written notice to the Commission and, if required by the Commission's regulations, authorization by the Commission.

However, if Shipper in good faith shall dispute the amount of any such invoice or part thereof and shall pay to Transporter such amounts as it concedes to be correct, accompanied by documentation identifying the basis for the dispute, and at any time within thirty (30) days after a demand made by Transporter, shall furnish good and sufficient surety bond, guaranteeing payment to Transporter of the amount ultimately found due upon such bills after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Transporter shall not be entitled to suspend or terminate service on account of such disputed claim while so secured, until default be made in the conditions of such bond.

Transporter, in its sole discretion, reserves the right to waive trivial interest upon receipt of payment for all outstanding balances, excluding such interest.

### 5.5 Delay in Billing

If presentation of an invoice to Shipper is delayed after the ninth (9th) business day of the month, the time of payment shall be extended accordingly by Transporter, unless Shipper is responsible for such delay.

6. POSSESSION OF GAS AND RESPONSIBILITY

Unless otherwise provided in the transportation contract or Transporter's applicable Rate Schedule, as between Transporter, Operator and Shipper, Shipper (or, where an interconnection agreement between Transporter and Operator is in effect with respect to an interconnection, Operator) shall be deemed to be in exclusive control and possession of the gas to be transported prior to receipt by Transporter at the receipt point(s) and Shipper shall be deemed to be in exclusive control and possession of such gas after delivery by Transporter at the delivery point(s); otherwise Transporter shall be deemed to be in exclusive control and possession of the gas. Subject to Subsection 2.3 of these General Terms and Conditions, the party which shall have exclusive control and possession of the gas shall have sole responsibility on account of anything which may be done, happen or arise with respect to said gas while in such party's exclusive control and possession.

## 7. WARRANTY OF TITLE TO GAS

This Section 7 shall apply to all transportation service unless otherwise provided in the applicable Rate Schedule or Service Agreement. Shipper (or, where an interconnection agreement between Transporter and Operator is in effect with respect to an interconnection, Operator) warrants for itself, its agents, its principals, successors and assigns, that it will have good title or the good right to deliver the gas at the time of delivery to Transporter for transportation hereunder or, in the case of a transfer of storage balance under Section 32 of these General Terms and Conditions, at the time of transfer to Shipper's Storage Balance. Shipper (or Operator, where applicable as set forth above) warrants for itself, its agents, its principals, successor and assigns, that the gas it warrants hereunder shall be free and clear of all liens, encumbrances and claims whatsoever, and except insofar as Shipper or Operator is in breach of its obligations or has an obligation to indemnify and save Transporter harmless pursuant to this Section 7, Transporter agrees to indemnify and save Shipper harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising out of adverse claims of any and all persons to the natural gas during its transportation by Transporter for Shipper's account.

Shipper (or Operator, where applicable as set forth above) agrees to indemnify Transporter and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse claims of any and all persons to said gas and/or to royalties, taxes, license fees, or charges thereon which are applicable for such delivery of gas to Transporter or any required upstream or downstream transportation and to indemnify Transporter and save it harmless from all taxes or assessments which may be levied and assessed upon such delivery or transportation and which are by law payable by and the obligation of the party making such delivery or performing such transportation.

If Shipper's title or right to deliver gas to be transported, or the title or right to deliver gas of the Operator of a receipt point utilized by Shipper, is questioned or involved in any action, Shipper shall not qualify for or shall be ineligible to continue to receive service hereunder until such time as Shipper's title or right to deliver is free from question; provided, however, Transporter shall allow Shipper to qualify for or continue receiving service hereunder if Shipper furnishes a bond satisfactory to Transporter. Title to the gas received by Transporter at the receipt point(s) shall not pass to Transporter, except that title to gas delivered for Transportation Fuel and Company Use Retention, Transportation LAUF Retention or Storage Operating and LAUF Retention shall pass to Transporter upon receipt by Transporter.

## 8. FORCE MAJEURE AND REMEDIES

### 8.1 Relief from Liability

No party shall be liable in damages to another for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, power outages, telecommunications failure, breakage or accident to machinery or lines of pipe, line freeze-ups, temporary failure of gas supply, the binding order of any court or governmental authority and any other cause, whether of the kind herein enumerated, or otherwise and whether caused or occasioned by or happening on account of the act or omission of one of the parties to the agreement or some person or concern not a party thereto, not within the reasonable control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

### 8.2 Liabilities Not Relieved

Such causes or contingencies affecting the performance of any agreement by either party, 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 remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting the performance of said agreement relieve either party from its obligations to make payments of amounts due thereunder, nor shall such causes or contingencies relieve either party of liability unless such party shall give notice and full particulars of the same in writing or by telegraph to the other party as soon as possible after the occurrence relied on.

### 8.3 Termination of Agreement

If either party shall fail to perform any of the covenants or obligations imposed upon it by an agreement executed pursuant to this tariff, then in such event the other party may at its option terminate said agreement by proceeding as follows: the party not in default shall cause a written notice to be served on the party in default stating specifically the cause for

terminating the agreement and declaring it to be the intention of the party giving the notice to terminate the same; thereupon, the party in default shall have thirty (30) days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the notice for terminating the agreement, and if within said period of thirty (30) days the party in default does so remove and remedy said cause or causes and fully indemnify the party not in default for any and all consequences of such breach, then such notice shall be withdrawn and the agreement shall continue in full force and effect.

In case the party in default does not so remedy and remove the cause or causes or does not indemnify the party giving the notice for any and all consequences of such breach within said period of thirty (30) days, the agreement shall terminate; provided, however, that Transporter may not terminate a Service Agreement until it has obtained the authorization required by valid laws, order, rules and regulations of duly constituted authorities having jurisdiction. Any termination of a Service Agreement pursuant to the provisions of this Section 8.3 shall be without prejudice to the right of Transporter to collect any amounts then due to Transporter for services rendered prior to the time of termination, and shall be without prejudice to the right of Shipper to receive any service which it has not received, but for which it has paid prior to the time of termination, and without waiver of any remedy to which the party not in default may be entitled for violations of the Service Agreement.

The provisions of this Subsection 8.3 of Section 8 shall be in addition to such other remedies as would be available under Subsection 5.4 of Section 5 hereof.

#### 8.4 Waiver of Claims

Except as expressly provided hereunder, in the absence of negligence or willful misconduct on the part of Transporter, Shipper waives any and all claims and demands against Transporter, its officers, employees or agents, arising out of or in any way connected with:

- (a) the quality, use or condition of the gas after delivery from Transporter for the account of such Shipper;
- (b) any losses to shrinkage of gas during or resulting from transportation hereunder, and
- (c) all other claims and demands arising out of Transporter's performance of its duties hereunder.

## 9. WEB SITE

### 9.1 General Features

- (a) A Shipper or other party with the hardware and software necessary to access an Internet site may be a Web Site User. A Web Site User that has completed a “System License Agreement”, available on Transporter’s web site, can transact business on Transporter’s web site. Transporter reserves the right to provide enhancements to the web site at its sole discretion; provided, however, all such enhancements, when fully operational, shall be available to all Web Site Users.
- (b) The web site provides a search function that permits a Web Site User to locate information within documents on the web site. The web site permits Web Site Users to electronically download information from the web site. Transporter shall maintain and retain daily back-up records of the information displayed on the web site for three (3) years and permit interested parties to review those records. Completed transactions will remain on the web site for at least ninety (90) days after completion and will then be archived. Archived information is available from Transporter within two (2) weeks of its receipt of a request for such information. Information on the most recent entries will appear ahead of older information.

### 9.2 Information Available on the Web Site

Transporter shall make the following information available on the web site:

- (a) notices (such as operational flow orders and other operational notices), which shall be segregated into critical and non-critical notices;
- (b) operationally available and unsubscribed capacity, as further set forth in Section 9.3 hereof;
- (c) information required by applicable Commission regulations regarding marketing affiliates;
- (d) an index of customers;



- (e) Transporter's effective FERC Gas Tariff (Volume No. 1);
- (f) postings of information concerning capacity reallocation transactions pursuant to Section 10 of these General Terms and Conditions;
- (g) postings of notices of termination and bids pursuant to Section 11 of these General Terms and Conditions;
- (h) postings of available capacity pursuant to Section 26 of these General Terms and Conditions; and
- (i) all other information required by the Commission's regulations or this tariff to be posted on the web site.

### 9.3 Available Capacity

- (a) Transporter shall post information on the web site, on a timely basis, and make such data available via EDI, about the availability of firm and interruptible capacity:
  - (1) at Point(s) of Receipt for which Transporter receives real-time measurement information;
  - (2) on Transporter's mainline(s);
  - (3) at Point(s) of Delivery for which Transporter receives real-time measurement information; and
  - (4) in Transporter's storage system.

The web site shall also disclose whether the capacity is available from Transporter directly, or through Transporter's capacity reallocation mechanism as set forth in Section 10 of these General Terms and Conditions. Transporter shall provide on request operationally available capacity separate from unsubscribed capacity.

- (b) Additionally, Transporter shall maintain both in written form and on the web site a Master Receipt and Delivery Point List containing the following information for each Point:
  - (1) name of the Point of Receipt;

- (2) meter number of the Point of Receipt;
- (3) location (legal description) of Point of Receipt;
- (4) Operator name and phone number to the extent available;
- (5) availability of measurement information from a supervisory control and data acquisition (“SCADA”) system;
- (6) design capacity; and
- (7) any firm capacity already assigned at such point;

Such information shall be updated promptly whenever a Point of Receipt of Delivery is added to the system.

- (c) The web site will not include as “available capacity” any capacity which would be created by a backhaul, displacement or exchange. A party who wishes to inquire whether there is available capacity on a specific transportation path not shown on the web site may make that inquiry to Transporter’s Transportation and Exchange Department.

#### 9.4 Startup

Any person wishing to access the web site should contact:

National Fuel Gas Supply Corporation  
T&E Department  
MSW #5  
365 Mineral Spring Road  
Buffalo, New York 14210  
Attention: Web Site Administrator

#### 9.5 Warranties

Transporter warrants that, without the express consent of a Web Site User or as required by applicable law or regulation, no employee or agent of Transporter will disclose to any third party any information regarding research performed through the use of the web site by such Web Site User.

10. CAPACITY RELEASE

This Section 10 sets forth a firm capacity release mechanism pursuant to which Existing Shippers can voluntarily release and assign all or part of their firm capacity rights to a Potential Shipper or a Prearranged Shipper that wants to obtain that firm capacity. Existing Shippers may release and assign their firm capacity on Transporter only under this Section 10 of these General Terms and Conditions.

Except as otherwise specifically provided, written notices described in this Section 10 must be addressed to:

National Fuel Gas Supply Corporation  
Transportation and Exchange Department  
6363 Main Street  
Williamsville, New York 14221

Notices via facsimile transmission described in this Section 10 must be transmitted to (716) 857-7310.

Notices via email described in this Section 10 must be transmitted to [NFGSCscheduling@natfuel.com](mailto:NFGSCscheduling@natfuel.com).

10.1 Capacity Eligible For Release:

Shippers under the FT, EFT, FST, FT-S, FSS and ESS Rate Schedules are permitted to release their firm capacity in whole or in part, on a permanent or temporary basis, and on a recallable or non-recallable basis. Such Existing Shipper may propose an entity (herein called Prearranged Shipper) to obtain its released capacity from Transporter.

10.2 Notice Required by Existing Shipper:

(a) Notice by Existing Shipper

An Existing Shipper that wants to release any or all of its capacity must notify Transporter that it wants to release such capacity and the terms and conditions of such release (hereinafter called “Shipper’s Notice”). Such Shipper’s Notice may be communicated via written notice, facsimile transmission, email or via Transporter’s web site. Notices of Prearranged Deals may be transmitted via EDM. Such Shipper’s Notice shall provide the terms and conditions of the release as follows:

- (i) on a permanent or temporary basis;
- (ii) on a recallable or non-recallable basis, and if recallable, whether the capacity is recallable at the Timely, Evening, Intraday 1, Intraday 2, Intraday 3, and Early Evening notification periods;
- (iii) As set forth in NAESB Standard 5.3.28, “[r]elease quantity should be expressed as a numeric quantity only,” provided that
  - (A) an Existing Shipper proposing a Decoupled Release, as defined in Section 10.13 hereof, shall so indicate and shall include the Maximum Daily Injection Quantity and Maximum Daily Withdrawal Quantity to be applicable to the Replacement Shipper, and such release shall be subject to the limitations set forth in Section 10.13 hereof, and
  - (B) a notice requesting a release of capacity subject to an ESS Service Agreement must be accompanied by a notice requesting a corresponding release of capacity subject to an EFT Service Agreement of a quantity equal to the Maximum Daily Withdrawal Quantity associated with the storage capacity to be released, and for a coincident term. As set forth in NAESB Standard 5.3.29, “[b]asis for released quantity should be per day for transportation, storage injection, storage withdrawal, and a per-

release quantity for storage capacity and total release period quantity;”

- (iv) location of capacity to be released, and receipt and delivery points associated therewith, each of which points must be either (a) a primary receipt or delivery point under the source agreement, or (b) a secondary receipt or delivery point as set forth in Section 2.4 of the EFT, FT or FT-S Rate Schedule, or Section 2.5 of the FST Rate Schedule provided that, in the case of a segmented release as described at Section 2.8 of the FT and FT-S Rate Schedules, each receipt and delivery point must be a primary receipt point or a primary or secondary delivery point located along the Existing Shipper’s transportation path;
- (v) the source agreements;
- (vi) the period of time or term (which must commence at the start of a day and expire at the end of a day), including any right of recall;
- (vii) the length of time the Existing Shipper’s notice is to be posted, but not later than the time set by Section 10.3(a);
- (viii) any Prearranged Shipper (which must appear on Transporter’s approved bidder list) proposed by the Existing Shipper to obtain released capacity under the rates, terms and conditions contained in the Shipper’s Notice, (a) where the term of the proposed release is 31 days or less, whether the Existing Shipper wants Transporter to solicit bids for the capacity to be released, or (b) whether the release is exempt from the competitive bidding procedure because the release is for a term of more than one year at the maximum tariff rate or because the Prearranged Shipper is either an asset manager under an asset management agreement as defined in Section 284.8(h)(3) of the Commission’s regulations, or a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission’s regulations;

- (ix) As set forth in NAESB Standard 5.3.26, “[t]he Releasing Shipper should specify which one of the following methods is acceptable for bidding on a given capacity release Offer:
- Non-Index-based release - dollars and cents,
  - Non-index-based release - percentage of maximum rate, or
  - Index-based formula as detailed in the capacity release offer.

The Bids for the given capacity release Offer should adhere to the method specified by the Releasing Shipper;”

- (x) the standard(s) to be utilized by Transporter for determining the best bid for the capacity to be released and for selecting among more than one “best bid” (if different from the standards set forth at Section 10.5(a) hereof, which standards must be objectively stated, applicable to all Potential Shippers, and non-discriminatory);
- (xi) As set forth in NAESB Standard 5.3.8, “Reput method and rights should be specified at the time of the deal. Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper;”
- (xii) whether volumetric bids or bids based upon other variants of the rates applicable to the capacity to be released are to be solicited;
- (xiii) whether the Existing Shipper requests the assistance of Transporter’s Commercial Services Department in locating Potential Shippers for the capacity to be released;
- (xiv) whether the Replacement Shipper will be required to enter into an agreement with the Existing Shipper, and if so, a description of the terms and conditions of such agreement; and where the release is to an asset manager under an asset management agreement as defined in Section 284.8(h)(3) of the Commission’s regulations, the volumetric level of the asset manager’s delivery or purchase obligation and the time period during which that obligation is in effect;

- (xv) whether Potential Shippers may submit bids subject to contingencies that extend beyond the posting period applicable to the notice;
  - (xvi) whether the Existing Shipper requests a release of further obligations to Transporter, as described in Section 10.7 hereof; and
  - (xvii) whether Potential Shippers will be required to pay for the capacity to be released at a rate (not to exceed Transporter's maximum applicable rate) based on published index prices for specific receipt and/or delivery points or other agreed upon published pricing reference points, consistent with Section 39(f) of these General Terms and Conditions.
- (b) As set forth in NAESB Standard 5.3.14, "Offers should be binding until notice of withdrawal is received by the Transportation Service Provider on its Customer Activities Web site." As set forth in NAESB Standard 5.3.16, "[t]he releasing party has the right to withdraw its Offer during the bid period, where unanticipated circumstances justify and no minimum Bid has been made." The withdrawal must be via written notice, facsimile transmission or through email, or via EDM, including an affidavit establishing unanticipated circumstances justifying the withdrawal. An Existing Shipper's Notice of a Prearranged Deal transmitted via EDM must be withdrawn via EDM.
- (c) Transporter will support the function of repurposing by releasing Shippers.



### 10.3 Posting of Shipper's Notices

- (a) Except as set forth in Section 10.3(b), Existing Shipper may deliver its completed notice to Transporter on any business day, but in order to be posted on the same day it must be received by Transporter no later than the deadline for offers set forth in Section 10.3(c).

If Shipper provides Transporter with a notice by means other than Transporter's web site, Transporter shall post Existing Shipper's completed notice on Transporter's web site upon receipt or as requested by Existing Shipper. If the Existing Shipper requests a posting time, Transporter will support such request insofar as it comports with the standard timeline set forth in this Section 10.

As set forth in NAESB Standard 5.3.12:

Bids and Offers should be complete before being posted. Only posted Offers and Bids should be available electronically.

- (b) Where an Existing Shipper's Notice requests a release of capacity to a Prearranged Shipper on Transporter's approved bidder list (i) for a term of 31 days or less and the Existing Shipper has not requested that its notice be posted for purposes of soliciting competitive bids, (ii) for a term of more than one year at the maximum tariff rate, or (iii) where the Existing Shipper's Notice designates the release as exempt from the competitive bidding procedure because the Prearranged Shipper is either an asset manager under an asset management arrangement as defined in Section 284.8(h)(3) of the Commission's regulations, or a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's regulations, the notice will be posted for informational purposes only, and not to solicit bids. This Section 10.3(b) shall not be applicable to the posting of Existing Shipper Notices requesting a continuation of a release transaction previously posted for informational purposes only pursuant to clause (i) of this Section 10.3(b), or a renewal of such a previously posted transaction unless at least twenty-eight days have elapsed since the expiration of such transaction.

(c) Capacity release timeline:

As set forth in NAESB Standard 5.3.1:

[t]he capacity release timeline applies to all parties involved in the capacity release process provided that: 1) all information provided by the parties to the transaction is valid and the acquiring shipper has been determined to be creditworthy before the capacity release bid is tendered, 2) for index-based capacity release transactions, the Releasing Shipper has provided the Transportation Service Provider (TSP) 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. Further, the TSP may complete the capacity release process on a different timeline if the Offer includes unfamiliar or unclear terms and conditions (e.g. designation of an index not supported by the TSP).

The capacity release timeline will also not apply if the Existing Shipper requests a release from further obligations under its service agreement pursuant to Section 10.7 hereof.

As set forth in NAESB Standard 5.3.2:

For biddable releases (1 year or less):

- Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
- Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made, and ties are broken.
- If no match is required, the evaluation period ends and the Award is posted by 11:00 a.m.
- 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.
- The contract is issued within one hour of Award posting (with a new contract number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

For biddable releases (more than 1 year):

- Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
- Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best Bid is made and ties are broken.
- If no match is required, the evaluation period ends and the Award is posted by 11:00 a.m.
- 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.
- The contract is issued within one hour of Award posting (with a new contract number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

For non-biddable releases:

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, pursuant to NAESB WGQ Standard No. 1.3.2. The posting deadlines are:

- Timely Cycle            12:00 Noon
  - Evening Cycle        5:00 p.m.
  - Intraday 1 Cycle    9:00 a.m.
  - Intraday 2 Cycle    1:30 p.m.
  - Intraday 3 Cycle    6:00 p.m.
- The contract is issued within one hour of the Award posting (with a new contract number, when applicable).
  - Nomination is possible beginning at the next available nomination cycle for the effective date of the contract.

#### 10.4 Bidding Procedure

- (a) During the posting period applicable to an Existing Shipper's Notice that is subject to competitive bidding, Transporter will accept bids from Potential Shippers on Transporter's approved bidder list for the capacity proposed to be released. A request to be added to Transporter's approved bidder list must be tendered to Transporter in writing to:

National Fuel Gas Supply Corporation  
Commercial Services  
6363 Main Street  
Williamsville, New York 14221

Such requests must include the information required by Section 31 of these General Terms and Conditions and by Transporter's Transportation Service Request Form as posted on the web site from time to time. To be placed on and to remain on Transporter's approved bidder list, a Potential Shipper must satisfy, initially and on a continuing basis, Transporter's credit requirements as outlined in Section 31 of these General Terms and Conditions and execute and maintain in force a Master Service Agreement for Capacity Release Transactions in the form set forth herein as Form 9.010.

- (b) Bids may be submitted by Potential Shippers to Transporter via a written notice, facsimile transmission, or email during the posting period applicable to the Existing Shipper's Notice. Transporter will post the terms of each complete bid, but will not post the identity of the bidder, on the web site. Posted bids shall be accessible via EDM.

Transporter shall reject bids which do not match or exceed any minimum rate or term specified by the Existing Shipper's Notice, or are in other respects incomplete or non-responsive to such notice. No rate limitation applies for releases of capacity for a term of one year or less if the release is to take effect on or before one year from the date on which Transporter is notified of the release; otherwise

- (i) any bid received by Transporter offering to pay rates in excess of Transporter's applicable maximum rates, inclusive of surcharges, shall be treated by Transporter as an offer to pay rates equal to Transporter's applicable

maximum rates, inclusive of surcharges, and no payments may be made or accepted at rates in excess of Transporter's applicable maximum rates, inclusive of surcharges, and

- (ii) where the Existing Shipper has specified that volumetric bids or bids based upon other variants of the rates applicable to the capacity to be released will be accepted, any bid which has a one hundred percent (100%) load factor derivative more than the one hundred percent (100%) load factor derivative of the maximum rates applicable to the capacity to be released shall be deemed to be a bid offering to pay rates in excess of Transporter's applicable maximum rates. Potential Shippers may revise their bids during the posting period. Potential Shippers may not submit multiple bids for the same package of capacity.
  
- (c) As set forth in NAESB Standard 5.3.13, "[b]ids should be binding until notice of withdrawal is received by the Transportation Service Provider on its Customer Activities Web Site." As set forth in NAESB Standard 5.3.15, "[b]ids cannot be withdrawn after the bid period ends." Following the withdrawal of a bid, a Potential Shipper may not submit a bid lower than the bid withdrawn during the remainder of the posting period. For this purpose, bids will be determined to be "higher" or "lower" than the withdrawn bid by application of the standard applicable to the determination of best bid, as set forth in Section 10.5.

## 10.5 Determination of Best Bid

- (a) Upon the conclusion of the posting period, Transporter shall determine the “best bid” for the capacity described in an Existing Shipper’s Notice by applying the standard described by the Existing Shipper pursuant to Section 10.2(a)(x) hereof, or, if no standard was so described, Transporter shall make such determinations according to which bid would generate the revenue stream with the greatest net present value, without assuming any throughput, applying as the discount rate the rate under Section 154.501 of the Commission’s regulations.

As set forth in NAESB Standard 5.3.3:

[f]or the capacity release business process timing model, only the following methodologies are required to be supported by Transportation Service Providers (TSPs) and provided to Releasing Shippers 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. For index-based capacity release transactions, the Releasing Shipper should provide the necessary information and instructions to support the chosen methodology.

Other choices of bid evaluation methodology (including other Releasing Shipper defined evaluation methodologies) can be accorded similar timeline evaluation treatment at the discretion of the TSP. However, the TSP is not required to offer other choices or similar timeline treatment for other choices, nor, is the TSP held to the timeline should the Releasing Shipper elect another method of evaluation.

- (b) Unless its bid is matched by a Prearranged Shipper, the released capacity shall be awarded to the Potential Shipper submitting the “best bid”. If more than one Potential Shipper submits bids that each qualifies as a “best bid”, the released capacity will be awarded to the Potential Shipper who submitted the “best bid” first in time, unless a different tie-breaking method is specified by the Existing Shipper.

- (c) Any contingencies in bids must be satisfied during the evaluation period specified in Section 10.3(c). As set forth in NAESB Standard 5.3.4, “[w]hen the Transportation Service Provider (TSP) makes awards of capacity for which there have been multiple Bids meeting minimum conditions, the TSP should award the Bids, best Bid first, until all the offered capacity is awarded.”

## 10.6 Awards

As set forth in NAESB Standard 5.3.11, “[t]he Replacement Shipper initiates confirmation of prearranged deals electronically.” Transporter shall communicate the award via email, facsimile or Transporter’s web site to the Potential Shipper or Prearranged Shipper. The communication of an award under a Master Service Agreement for Capacity Release Transactions generates a corresponding posting and is the means by which Transporter shall satisfy its obligation under NAESB Standard 5.3.2 to issue a contract within one hour of award posting.

Once a bid that meets the required terms and conditions of Existing Shipper’s Notice is submitted, it is binding unless withdrawn before the close of the bid period. The capacity shall be awarded to the Potential Shipper that submitted the best bid, in relation to the applicable standard. If a Prearranged Shipper is identified in Existing Shipper’s Notice, then the release shall be awarded to the Prearranged Shipper (i) if its bid is equal to or higher than the bids submitted by all Potential Shippers, determined in accordance with Section 10.5, or (ii) the Prearranged Shipper agrees to match any bid having a higher value within the time period provided in Section 10.3(c). In the event that a Prearranged Shipper is identified in an Existing Shipper’s Notice that is exempt from the competitive bidding procedure, the Prearranged Shipper shall enter its bid, and the capacity shall be awarded to the Prearranged Shipper by Transporter. .

As noted above, Transporter shall post the award on its web site, including the name of the successful bidder and the terms of the successful bid. Upon posting, the capacity release award shall become effective and the successful bidder shall become the Replacement Shipper, with its bid for capacity constituting a contractual signature with respect to the service agreement, creating a binding contract between the parties. Once capacity is awarded and posted, Transporter will accept nominations at the start of the next available nomination cycle for the effective date of the contract.

Before an awarded No-Notice Storage contract is available to accept nominations, the Replacement Shipper must either link the contract to a No-Notice Transportation contract, roll inventory from an expiring No-Notice Storage contract to the new contract, or opt to do neither, via the web site.



## 10.7 Obligations of Existing Customer

The service agreements of the Existing Shipper releasing capacity will remain in full force and effect, with a portion of the proceeds attributable to any release credited to the Existing Shipper's bill as provided in Section 10.9 hereof. The Existing Shipper shall remain liable to Transporter under the terms of its service agreement with Transporter during and irrespective of any assignments of the rights and obligations under the service agreement for all reservation, demand and capacity charges, and any surcharges applicable to such charges, but excluding commodity or usage charges and imbalance penalties.

Where an Existing Shipper proposes to release or has released all its capacity to a Replacement Shipper for the entire remaining term of the applicable service agreement between Transporter and the Existing Shipper, the Existing Shipper may request Transporter to release the Existing Shipper from any further obligations to Transporter upon the effectiveness of a new source service agreement between Transporter and the Replacement Shipper. Transporter shall be under no obligation to grant such requests unless the Replacement Shipper (i) agrees to pay for the released capacity at Transporter's maximum rates and (ii) demonstrates to Transporter that it possesses sufficient financial stability, or if it provides such security as is necessary, to make Transporter reasonably secure that the Replacement Shipper will pay for service on a timely basis throughout the remaining term of the service agreement between Transporter and the Existing Shipper. Transporter shall exercise its discretion under this provision in a non-discriminatory manner.

As set forth in the first paragraph of this Section 10, the capacity release timeline will not be applicable if the Existing Shipper requests Transporter to release it from further obligations; provided however, that said timeline shall apply if the Existing Shipper's notice expressly indicates that the release is not contingent upon Transporter's determination under this provision. In no event shall the communication of an award pursuant to Section 10.6 be deemed as the grant of a request to release the Existing Shipper from further obligations to Transporter.

## 10.8 Rights and Obligations of Replacement Shippers

- (a) Subject to the provisions of Subsections (b)-(g) of this Section 10.8, once the Replacement Shipper obtains an award of capacity subject to a service agreement with Transporter, the Replacement Shipper becomes an Existing Shipper like any other Shipper and is subject to the provisions set forth in this FERC Gas Tariff including all requirements concerning nominations and scheduling. In addition, the Replacement Shipper as an Existing Shipper (hereinafter called a “Secondary Existing Shipper”) may also release its capacity pursuant to this section.
- (b) Upon termination of a source service agreement or a capacity award under a Master Service Agreement for Capacity Release Transactions by reason of shipper default, Transporter shall have the right to terminate any Replacement Shipper’s capacity award derived from that agreement or award in default, whether the Replacement Shipper obtained its capacity award in a release by the defaulting shipper or by a non-defaulting Secondary Existing Shipper.
- (c) In order to exercise its right under subsection 10.8(b), Transporter must cause a written notice to be served on the Replacement Shipper, at least thirty (30) days prior to the effective date of termination of the capacity award. Such notice shall inform the Replacement Shipper of the following:
  - (i) that notice of termination has been served upon the defaulting shipper;
  - (ii) that such termination notice informed the defaulting shipper of Transporter’s intent to terminate its agreement or award if the cause for termination is not remedied within thirty (30) days after the service of such notice;
  - (iii) that the Replacement Shipper’s capacity award will be terminated if such cause for termination of the defaulting shipper’s agreement or award has not been remedied within such time period;
  - (iv) except in the situation described in subsection 10.8(c)(v), that at any time within thirty (30) days following the service

of such written notice, the Replacement Shipper may submit a service request for a new source agreement for its awarded capacity (i.e., the Replacement Shipper's capacity entitlement for the remainder of the term of the award) at the lower of (A) the rates applicable to the defaulting shipper's agreement or award or (B) Transporter's maximum rates;

- (v) with respect to a Replacement Shipper with an award of a geographically segmented portion of the capacity subject to the defaulting shipper's agreement or award, that at any time within thirty (30) days following the service of such written notice, the Replacement Shipper may submit a request for a new source service agreement for the Replacement Shipper's Contract Maximum Daily Transportation Quantity along the defaulting shipper's full capacity path for the remainder of the term of the Replacement Shipper's capacity award at the lower of (A) the rates applicable to the defaulting shipper's agreement or award or (B) Transporter's maximum rates; and
  - (vi) an explanation of shipper's rights as described in Subsections 10.8(d)-(g).
- (d) Subject to Subsections 10.8(e)-(f), if (i) the Replacement Shipper submits a service request within the period of time specified in Subsection 10.8(c)(iv) or (v); (ii) the Replacement Shipper satisfies the service qualification requirements set forth in Section 31 of this tariff; and (iii) the termination of the defaulting shipper's agreement or award becomes effective, Transporter shall tender the requested source agreement for execution by the Replacement Shipper.
- (e) If Transporter receives more than one timely service request under this Section 10.8 from qualified Replacement Shippers for the same awarded capacity in the situation where the capacity released by the defaulting shipper has been re-released by its Replacement Shipper, such service requests will be prioritized in the order in which the capacity releases occurred (i.e., a Replacement Shipper closer to the defaulting shipper in the sequence of successive releases will have priority over a Replacement Shipper further from the defaulting shipper in such sequence). In this case, all capacity awards derived from the award qualifying for the highest priority will remain in effect pending and following execution of the new source

agreement between Transporter and the Replacement Shipper with the highest priority, and such Replacement Shipper's rights to such capacity will be subject to the rights included in such other capacity awards.

- (f) If Transporter receives more than one timely service request under this Section 10.8 from qualified Replacement Shippers in the situation described in Subsection 10.8(c)(v), with the same priority as determined by Subsection 10.8(e), Transporter shall allocate capacity among such Replacement Shippers in proportion to the maximum transportation quantities specified in such shippers' awards.
  
- (g) If the Replacement Shipper fails to execute and return the agreement tendered by Transporter within the period of time specified by Transporter, which period shall be at least five (5) business days from the time the agreement is forwarded by Transporter, the Replacement Shipper shall have no further rights under this Section 10.8. In such case, the formerly awarded capacity shall be offered to the qualified Replacement Shipper that submitted a timely service request with the next highest priority, if any, under the same conditions. In the absence of other such requests, the capacity shall be posted and service requests therefor will be solicited in accordance with Section 26 of these General Terms and Conditions.

## 10.9 Billing Adjustments

Transporter shall credit the bill of the Existing Shipper with any reservation, demand or capacity charges (including surcharges thereon) billed to a Replacement Shipper utilizing capacity released by the Existing Shipper; provided, however, that should a Replacement Shipper (including a Replacement Shipper of any Secondary Existing Shipper) default on its obligation to make timely payment for the charges billed by Transporter, such credit shall be reversed, as of the date the credit was made, and the Existing Shipper shall be liable for such charges, together with interest as set forth in Section 5.4 of these General Terms and Conditions. The bill of the Existing Shipper shall be credited with any reservation, demand or capacity charges (including surcharges thereon) received by Transporter subsequent to the reversal of such credit.

The rate paid by a Replacement Shipper in any capacity release transaction which is not subject to Transporter's maximum rate pursuant to Section 284.8(b)(2) of the Commission's regulations will be deemed to be a final rate and is not subject to refund.

#### 10.10 Marketing Assistance

If the Existing Shipper requests the assistance of Transporter's Commercial Services Department in locating a replacement shipper, a representative from such department shall contact the Existing Shipper and discuss the services that are available at such time and the fees for such services. If the Existing Shipper and Transporter enter into a mutually agreeable marketing assistance arrangement, Transporter shall bill the Existing Shipper according to the terms of such agreement.

## 10.11 Intraday Recalls of Capacity

- (a) Releasing shippers may, to the extent permitted as a condition of the capacity release, recall released capacity (scheduled or unscheduled). As set forth in NAESB Standard 5.3.44:

All Transportation Service Providers (TSPs) should support the following recall notification periods for all released capacity subject to recall rights:

- (i) Timely Recall Notification:
- (a) A Releasing Shipper recalling capacity should provide notice of such recall to the TSP and the first Replacement Shipper no later than 8:00 a.m. on the day that Timely Nominations are due;
- (b) The TSP should provide notification of such recall to all affected Replacement Shippers no later than 9:00 a.m. on the day that Timely Nominations are due;
- (ii) Early Evening Recall Notification:
- (a) A Releasing Shipper recalling capacity should provide notice of such recall to the TSP and the first Replacement Shipper no later than 3:00 p.m. on the day that Evening Nominations are due;
- (b) The TSP should provide notification of such recall to all affected Replacement Shippers no later than 4:00 p.m. on the day that Evening Nominations are due;
- (iii) Evening Recall Notification:
- (a) A Releasing Shipper recalling capacity should provide notice of such recall to the TSP and the first Replacement Shipper no later than 5:00 p.m. on the day that Evening Nominations are due;

- (b) The TSP should provide notification of such recall to all affected Replacement Shippers no later than 6:00 p.m. on the day that Evening Nominations are due;
  
- (iv) Intraday 1 Recall Notification:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to the TSP and the first Replacement Shipper no later than 7:00 a.m. on the day that Intraday 1 Nominations are due;
  
  - (b) The TSP should provide notification of such recall to all affected Replacement Shippers no later than 8:00 a.m. on the day that Intraday 1 Nominations are due;
  
- (v) Intraday 2 Recall Notification:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to the TSP and the first Replacement Shipper no later than 12:00 p.m. on the day that Intraday 2 Nominations are due;
  
  - (b) The TSP should provide notification of such recall to all affected Replacement Shippers no later than 1:00 p.m. on the day that Intraday 2 Nominations are due;
  
- (vi) Intraday 3 Recall Notification:
  - (a) A Releasing Shipper recalling capacity should provide notice of such recall to the TSP and the first Replacement Shipper no later than 4:00 p.m. on the day that Intraday 3 Nominations are due;
  
  - (b) The TSP should 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.



- (b) As set forth in NAESB Standard 5.3.45:

For recall notification provided to the Transportation Service Provider (TSP) prior to the recall notification deadline specified in NAESB WGQ Standard No. 5.3.44 and received between 7:00 a.m. and 5:00 p.m., the TSP should provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification.

For recall notification provided to the TSP after 5:00 p.m. and prior to 7:00 a.m., the TSP should provide notification to all affected Replacement Shippers no later than 8:00 a.m. after receipt of such recall notification.

- (c) As set forth in NAESB Standard 5.3.54:

The deadline for notifying the Transportation Service Provider of a recall is 8:00 a.m. to allow for timely nominations to flow on the next Gas Day.

- (d) In the event capacity is recalled for any Intraday Nomination Cycle, the fixed charges for that day applicable to the Recalling Shipper shall be the fraction of the day remaining after such recall, times the daily equivalent of the monthly fixed charges under the source agreement, and the fixed charges for that day applicable to the Replacement Shipper whose capacity is recalled shall be the fraction of the day, up to such recall, times the daily equivalent of the monthly fixed charges under the Replacement Shipper's service agreement. For all Intraday recalls, commodity and other volumetric charges (including charges for releases at volumetric rates) for the Replacement and Recalling Shipper shall be based upon the quantities scheduled by Transporter for each shipper with respect to the portion of the day it holds the capacity.

- (e) As set forth in NAESB Standard 5.3.55:

For the recall notification provided to the Transportation Service Provider (TSP), the TSP's tariff should specify whether the quantity should be expressed in terms of a) total released capacity entitlements or b) adjusted total released capacity entitlements based upon the Elapsed Prorata Capacity. The capacity entitlements resulting from the use of either a) or b) should be the same.

In accordance with NAESB Standard 5.3.55, Transporter specifies the Elapsed Prorata Capacity method.

- (f) As set forth in NAESB Standard 5.3.57:

The Transportation Service Provider should not be obligated to deliver in excess of the total daily contract quantity of the release as a result of NAESB WGQ Standard No. 5.3.55.

#### 10.12 Offers to Purchase Capacity

A party that wishes to purchase firm capacity on Transporter's system may request Transporter to post a notice of its offer on Transporter's web site. The offering party shall provide Transporter with the following information, to the extent applicable:

- (a) the offering party's legal name;
- (b) the amount of capacity sought in Dth per day;
- (c) the proposed effective date and term;
- (d) the primary receipt and delivery point desired;
- (e) the maximum rate the party is willing to pay;
- (f) the length of time the offering party requests to have its offer posted on Transporter's web site, not to exceed thirty (30) days; and
- (g) any other relevant terms.

Transporter shall post offers submitted by a party pursuant to this Section 10.12 for at least the time period requested by the offering party under clause (f).

### 10.13 Decoupled Releases

When an ESS or FSS shipper releases firm storage capacity, the released Maximum Daily Injection Quantity (MDIQ) and/or the Maximum Daily Withdrawal Quantity (MDWQ) may represent a percentage of the released Maximum Storage Quantity (MSQ) that is different than the corresponding percentage under the source agreement (“Decoupled Release”), subject to the following:

- (a) The shipper under the source agreement may in the aggregate release up to thirty percent (30%) of its MSQ in Decoupled Releases. This thirty percent (30%) limitation does not apply to Secondary Existing Shippers.
- (b) The term of a Decoupled Release may not exceed twenty-four (24) months.
- (c) If Transporter’s obligation to accept gas for injection or to withdraw gas from storage under the source agreement varies with Shipper’s Storage Balance, its obligations with respect to the Replacement Shipper under a Decoupled Release shall be limited to the percentage of MDIQ associated with the highest percentage of occupied Storage Balance and to the percentage of MDWQ associated with the lowest percentage of occupied Storage Balance.
- (d) A Decoupled Release of ESS storage capacity must be accompanied by a release of a quantity of the Existing Shipper’s associated EFT service agreement equal to the released injection or withdrawal rights, whichever is greater, and the Replacement Shipper may only nominate for firm transportation of quantities withdrawn from its ESS Storage Balance under such associated EFT service agreement.

## 11. PREGRANTED ABANDONMENT AND RIGHT OF FIRST REFUSAL

### 11.1 Eligible Service Agreements

Unless Transporter and Shipper expressly agree otherwise in Shipper's service agreement, this Section 11 shall apply only to (a) long-term service agreements under the FT, EFT, FST, FT-S, ESS, and FSS Rate Schedules at the applicable Maximum Rates (but not those agreements excluded by Section 26.5 or Section 36 of these General Terms and Conditions) or (b) long-term service agreements under said rate schedules at discounted or negotiated rates entered into prior to March 27, 2000. (Agreements within the scope of clauses (a) or (b) will be referred to as a "Qualifying Agreements").

To the extent a Shipper holding a Qualifying Agreement satisfies the bid matching requirements of this Section 11 or Transporter and Shipper reach agreement as contemplated by Section 11.7, such Shipper may retain its capacity and continue to receive firm service for which Transporter or Shipper has served notice of termination. If Transporter receives one or more acceptable bids for such capacity and Shipper does not satisfy the bid matching requirements of this Section 11 or if Transporter does not receive any acceptable bids for such capacity and Transporter and Shipper do not reach agreement as contemplated by Section 11.7, Shipper shall no longer have, as of the effective date of Transporter's or Shipper's notice of termination, rights under the Qualifying Agreement and Transporter shall have all necessary abandonment authorizations under the Natural Gas Act. Service agreements that are not Qualifying Agreements ("Non-Qualifying Agreements") are not subject to the abandonment protection of this Section 11. Upon termination of a Non-Qualifying Agreement, Transporter shall have all necessary abandonment authorization under the Natural Gas Act effective as of such termination date. For purposes of this Section 11, the term "long-term service agreement" shall include any service agreement with a primary or extended term of one (1) year or longer. Where Transporter and a shipper under a Non-Qualifying Agreement agree that this Section 11 applies to such agreement, the parties may agree to limit the applicability of Shipper's Right of First Refusal ("ROFR") under this section in certain respects; for example, to circumstances where Transporter initiates the termination of the agreement, or to a single ROFR exercise as of the end of the primary term of the service agreement.

## 11.2 Shipper's ROFR Notice

When Transporter provides a notice of termination of a Qualifying Agreement, Shipper shall notify Transporter within fifteen (15) Business Days thereof as to whether it wishes to avail itself of the Right of First Refusal procedures set forth in this Section 11 (“Shipper’s ROFR Notice”). When Shipper provides a notice of termination of a Qualifying Agreement, Transporter shall notify Shipper within ten (10) Business Days thereof that it must provide Shipper’s ROFR Notice within fifteen (15) Business Days of the date of Transporter’s notice to Shipper. A Shipper that does not provide a Shipper’s ROFR Notice indicating that it wishes to avail itself of the Right of First Refusal procedures set forth in this Section 11 as set forth herein within fifteen (15) Business Days of Transporter’s notice shall be deemed to have irrevocably waived its Right of First Refusal. In each notice of termination of a Qualifying Agreement provided by Transporter, Transporter shall advise Shipper that it must provide Shipper’s ROFR Notice within fifteen (15) Business Days thereof. Transporter shall send each such termination notice by overnight courier, provided the courier service used by Transporter makes overnight deliveries to the address designated by Shipper for formal written notices under such Qualifying Agreement; otherwise Transporter shall provide such notice in accordance with the provisions of such agreement. Shipper may elect in Shipper’s ROFR Notice to avail itself of Right of First Refusal procedures with respect to all or just a quantitative portion of the capacity under the Qualifying Agreement. An election by Shipper to avail itself of Right of First Refusal procedures with respect to just a quantitative portion of such capacity shall constitute an irrevocable waiver of Shipper’s Right of First Refusal with respect to the remaining portion thereof.

## 11.3 Posting of Notices of Termination

Within thirty (30) days of Shipper’s ROFR Notice, but no earlier than twelve (12) months prior to the date termination of the agreement would become effective pursuant to the notice of termination, Transporter shall post on its web site the following information:

- (a) the primary receipt and delivery points under the terminated agreement, as well as other receipt and delivery points then available as primary points for the capacity associated with the terminated agreement,
- (b) the specific quantity available under the terminated contract,

- (c) the date of expiration,
- (d) the current maximum rate applicable to the terminated service.

#### 11.4 Bidding Procedure

For the time period stated in Transporter's posting, which shall be no shorter than ten (10) Business Days, Transporter will receive service requests from Shippers. A Shipper submitting a service request in response to a posting pursuant to this Section 11 shall include, in addition to the information required by the applicable rate schedule, a request for any discount sought by the Shipper. The rate for the service requested by Shipper, as discounted in accordance with the Shipper's request, and the term of service requested by the Shipper, shall constitute the Shipper's bid for the capacity posted by Transporter.

Potential Shippers may revise their bids during the posting period. Transporter may reject any bid which would require Transporter to discount below a rate or beyond a discount period agreeable to Transporter.

Transporter will accept bids from Potential Shippers with respect to a quantitative portion of Shipper's contract quantity.

When Transporter posts notices of termination of an FSS or ESS service agreement and an associated FST or EFT service agreement, a bidder will be permitted to specify that its bid for each individual service is contingent upon its ability to contract for its requested capacity under both services.

#### 11.5 Determination of Best Bid

Transporter shall review all bids from Potential Shippers received pursuant to Section 11.4, which have not been rejected by Transporter, to determine which bid is the Best Bid(s). For purposes of this Section 11.5, the "Best Bid(s)" shall be the bid(s) yielding to Transporter the highest net present value. Net present value shall be calculated on the basis of the present value of the Reservation Charge revenues or Storage Capacity Charge and Demand Charge revenues per unit to Transporter. In making the determination of net present value Transporter shall apply the same discount factor to all bids. If Transporter receives two (2) or more mutually exclusive Best Bids during the posting period that are not

matched by Shipper, Transporter will consider the bid submitted earliest in time to be the Best Bid.

#### 11.6 Notification of and Right to Match Best Bid

Transporter shall notify Shipper of the Best Bid by overnight courier, provided the courier service used by Transporter makes overnight deliveries to the address designated by Shipper for formal written notices under Shipper's contract; otherwise Transporter shall provide such notice in accordance with the provisions of such contract. Upon receipt from Transporter of notice of the Best Bid(s), Shipper shall have the right for a period of fifteen (15) Business Days to notify Transporter whether the Shipper is willing to match the Best Bid(s) with respect to all or a quantitative portion of the capacity bid upon. This right to match the Best Bid(s) shall be referred to herein as the "Right of First Refusal" or "ROFR". Failure to notify Transporter within said period constitutes an irrevocable waiver of Shipper's ROFR. In order to exercise its ROFR, Shipper must agree to a combination of rate and term that is equivalent to the Best Bid(s) on a net present value basis, consistent with the criteria specified in Transporter's posting.

If the Best Bid(s) apply to a quantitative portion of Shipper's contract quantity, Shipper need only match the Best Bid(s) with respect to such quantitative portion, in which case, the remaining quantitative portion of Shipper's contract quantity will be subject to Section 11.7 hereof.

If a Shipper elects to exercise its ROFR as to only a quantitative portion of its capacity or as to only a quantitative portion of the capacity bid upon, its rights under its service agreement shall be reduced as follows: (i) Shipper's maximum entitlement shall be reduced in the same proportion on each Day that Shipper is entitled to receive service during the year; (ii) if the election is made under a storage service agreement, then the Maximum Storage Quantity, Maximum Daily Withdrawal Quantity and Maximum Daily Injection Quantity shall be reduced proportionately; and (iii) Shipper may specify the allocation of the reduction among primary receipt and delivery points, provided however, that Transporter may require a different allocation among receipt and/or delivery points if Shipper's proposal is operationally infeasible or would result in a reduction in Shipper's per unit reservation rate for capacity and Transporter provides a written explanation to Shipper of that result. If Shipper does not specify a particular allocation of the reduction among primary receipt and delivery points, Shipper shall retain the same primary receipt and delivery points with a proportionate reduction at each point.



If Shipper notifies Transporter that it is exercising its ROFR with respect to Shipper's entire contract quantity, Transporter shall provide a written confirmation thereof to Shipper within ten (10) Business Days, and the Shipper's service agreement shall be deemed to be amended in accordance with the terms of the Best Bid(s) so matched by Shipper as of the date of Transporter's written confirmation. If Shipper notifies Transporter that it is exercising its ROFR with respect to a quantitative portion of Shipper's contract quantity, or that it is matching a quantitative portion of the capacity bid upon, Transporter shall send Shipper an executable service agreement in the Form of Service Agreement set forth in this tariff, reflecting the reduction of Shipper's contract quantity and the allocation of that reduction among receipt and delivery points. Shipper must execute and return this service agreement to Transporter within ten (10) Business Days after it is tendered by Transporter. Shipper's failure to abide in a timely manner with this requirement shall constitute an irrevocable waiver of its ROFR.

#### 11.7 Absence of Acceptable Bids

In the event Transporter does not receive any bids pursuant to Section 11.4 or Transporter rejects all bids received due to the fact that such bids were premised on rate discount levels or rate discount periods unacceptable to Transporter, Transporter shall notify Shipper to such effect, and Shipper shall be entitled to retain all or a quantitative portion of its capacity and continue to receive service at the applicable maximum rate for a term specified by Shipper, or Transporter and Shipper may mutually agree upon the terms and conditions under which Shipper shall be entitled to retain all or a quantitative portion of its capacity and continue to receive service, at a rate between the minimum and maximum negotiated by Transporter and Shipper. If Shipper retains only a quantitative portion of its capacity, its rights shall be reduced in accordance with Section 11.6 above. In either of the events that Shipper has not elected to retain all or a quantitative portion of its capacity as provided above or that Transporter and Shipper have not reached agreement on the terms and conditions under which service will be extended for Shipper before the date which is twenty (20) days following the date of Transporter's notice to Shipper that no acceptable bids have been received, then Transporter shall have all necessary abandonment authorization under the Natural Gas Act as of the date of termination of the long-term service agreement.

11.8 Capacity Release Transactions

In the event that, pursuant to Section 10.7 of these General Terms and Conditions, an Existing Shipper's capacity is released on a permanent basis to a Replacement Shipper and Transporter has granted the request of Existing Shipper to be released of any further obligations under its service agreement, the Replacement Shipper shall succeed to any ROFR rights held by the Existing Shipper with respect to such agreement. In all other cases, a Releasing Shipper's ROFR shall not be affected by a capacity release and the Replacement Shipper shall have no ROFR.

11.9 Extension of Service Agreements

Notwithstanding anything to the contrary in this tariff, Transporter may agree with any Shipper, on a not unduly discriminatory basis, to the extension of the term of a service agreement, applicable to Shipper's entire contract quantity or quantitative portion thereof, to be negotiated on a case-by-case basis.

12. UPSTREAM CAPACITY

Where Transporter, pursuant to a certificated exchange agreement, may cause another pipeline to receive gas associated with a source of Appalachian production at one or more points of receipt (“Exchange Points”) and deliver such gas to Transporter, such Exchange Points may be used by a Shipper receiving service under the FT, EFT, FST, FT-S, IT, or IAS Rate Schedule as a receipt point, subject to the terms and conditions set forth in such Rate Schedule. Transporter shall pass-through any costs and retainages imposed by such other pipeline to the Shippers using Exchange Points as receipt points, on an as-billed basis.

## 13. NOMINATING AND SCHEDULING TRANSPORTATION SERVICE

### 13.1 Nominations

Upon Transporter's acceptance of Shipper's Service Request and Transporter's and Shipper's execution of a service agreement, or, upon the acceptance of a capacity release award by a Replacement Shipper pursuant to Section 10.6 of these General Terms and Conditions, Shipper shall be entitled to make nominations for transportation service, as provided herein.

No transportation service will commence unless and until Transporter has received a completed "Customer Nomination" and Shipper has been advised by Transporter that the service may commence. All timely and intraday nominations for transportation service shall be made either via email, facsimile transmission or via EDM, after executing a System License Agreement. Transporter shall not be required to accept any purported nomination received via mail, written notice, courier service, personal delivery, telephone, or email.

The completed Customer Nomination shall include a notation indicating whether it is submitted as a timely or intraday nomination. The standard quantity for nominations, confirmations and scheduling shall be dekatherms per day. A nomination requesting modifications to an existing nomination need reflect only the proposed changes and the proposed effective date and time.

As set forth in NAESB Standard 1.3.4:

[a]ll parties should support a seven-days-a-week, twenty-four-hours-a-day nomination process. It is recognized that the success of seven days a week, twenty four-hours a day nominations process is dependent on the availability of affected parties' scheduling personnel on a similar basis. Party contacts need not be at their ordinary work sites, but should be available by telephone or other electronic means.

Nominations for the receipt of gas by Transporter shall be accepted by Transporter only if the point of receipt is either (i) an interconnection with another interstate pipeline whose FERC Gas Tariff incorporates the NAESB Standards, or (ii) an interconnection with an Operator that is a party to a currently effective Interconnection Agreement with Transporter applicable to such interconnection.

The timeline and other applicable procedures for the submission, validation and confirmation of timely and intraday nominations shall be as specified in the NAESB Nominations Related Standards.

(a) Timely Nominations. A “timely nomination” is a nomination for transportation service beginning at the start of a day transmitted and received within the Timely Nomination Cycle specified at NAESB Standard 1.3.2(i).

(i) NAESB Standard 1.3.2(i) provides as follows:

The Timely Nominations Cycle

On the day prior to gas flow:

- 1:00 p.m. Nominations leave control of the Service Requester (SR);
- 1:15 p.m. Nominations are received by the TSP (including from Title Tracking Transfer Service Providers (TTTSPs));
- 1:30 p.m. TSP sends the Quick Response to the SR;
- 4:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 5:00 p.m. SR and Point Operator receive scheduled quantities from the TSP.

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

(ii) A timely nomination may be modified either by a superseding timely nomination or by an intraday nomination. A timely nomination which is superseded by an intraday nomination shall, at the conclusion of the day on which the intraday nomination was in effect, revert to the quantities, locations and end date submitted in the superseded timely nomination. A timely nomination which is superseded by a timely nomination shall, at the conclusion of the end date in the superseding timely nomination, revert to the quantities, locations and end date submitted in the superseded timely nomination.

(b) Intraday Nominations. An “Intraday nomination” is a nomination for transportation service transmitted and received within the Evening Nomination Cycle specified at NAESB Standard 1.3.2(ii),

the Intraday 1 Nomination Cycle specified at NAESB Standard 1.3.2(iii), the Intraday 2 Nomination Cycle specified at NAESB Standard 1.3.2(iv) or Intraday 3 Nomination Cycle specified at NAESB Standard 1.3.2(v).

(i) NAESB Standard 1.3.2(ii) provides as follows:

The Evening Nomination Cycle

On the day prior to gas flow:

- 6:00 p.m. Nominations leave control of the SR;
- 6:15 p.m. Nominations are received by the TSP (including from TTTSPs);
- 6:30 p.m. TSP sends the Quick Response to the SR;
- 8:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 9:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator including bumped parties (notice to bumped parties).

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

(ii) NAESB Standard 1.3.2(iii) provides as follows:

The Intraday 1 Nomination Cycle

On the current Gas Day:

- 10:00 a.m. Nominations leave control of the SR;
- 10:15 a.m. Nominations are received by TSP (including from TTTSPs);
- 10:30 a.m. TSP sends the Quick Response to the SR;
- 12:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 1:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including 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.

(iii) NAESB Standard 1.3.2(iv) provides as follows:

The Intraday 2 Nomination Cycle

On the current Gas Day:

- 2:30 p.m. Nominations leave control of the SR;
- 2:45 p.m. Nominations are received by the TSP (including from TTTSPs);
- 2:55 p.m. TSP to send the Quick Response to the SR;
- 5:00 p.m. TSP receives completed confirmations from Confirming Parties;
- 5:30 p.m. TSP provides scheduled quantities to the affected SR and Point Operator, including 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.

(iv) NAESB Standard 1.3.2(v) provides as follows:

The Intraday 3 Nomination Cycle

On the current Gas Day:

- 7:00 p.m. Nominations leave control of the SR;
- 7:15 p.m. Nominations are received by the TSP (including from TTTSPs);
- 7:30 p.m. TSP sends the Quick Response to the SR;
- 9:30 p.m. TSP receives completed confirmations from Confirming Parties;
- 10:00 p.m. TSP provides scheduled quantities to the affected SR and Point Operator.

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.

(v) An intraday nomination shall span only a single day, terminating at the conclusion of the day on which the intraday nomination is effective. Intraday nominations will be processed after timely nominations have been scheduled.

- (vi) Transporter shall not be required to accept an intraday nomination whose effect would be to reschedule quantities of gas flowing for other Shippers under timely nominations or intraday nominations from an earlier cycle for that day, subject to the following sentence. An intraday nomination for firm service utilizing primary firm capacity submitted during the Evening Nomination Cycle or Intraday 1 Nomination Cycle or Intraday 2 Nomination Cycle will be accepted to the extent that it would not require a rescheduling of quantities of gas flowing for other firm shippers (utilizing primary or secondary firm capacity) under timely nominations or intraday nominations from an earlier cycle for that day. No intraday nomination shall be for a quantity that is less than the quantity of gas that has been scheduled to flow on such day prior to the effective time of such intraday nomination.
- (vii) Transporter will provide direct notice of bumping (as defined in the NAESB Standards) by one of the following means, to be designated by Shipper: telephone, facsimile, email or direct notification to a Shipper's Internet URL address.
- (viii) NAESB Standard 1.3.2(vi) provides as follows:

For purposes of NAESB Standards 1.3.2(ii), (iii), (iv), and (v), the word “provides” shall mean, for transmittals pursuant to NAESB WGQ Standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.
- (c) Other Nominations. At its option, Transporter may accept nominations which are submitted and received outside the timelines applicable to timely or intraday nominations, or are not transmitted via facsimile transmission, email or EDI, but Transporter shall not be required to comply with the NAESB Nominations Related Standards with respect to such nominations. As set forth in NAESB Standard 1.3.6, “[n]ominations received after nomination deadlines should be scheduled after the nominations received before the nomination deadline.”



- (d) Pooling at Appalachian Production Receipt Points. Any Shipper or Operator may request the creation of a pool of certain Appalachian production receipt points on Transporter's system by submitting to Transporter, in writing on or before 9:00 central clock time the 20th day of the month preceding the desired effective date, a Pool Operator Confirmation signed by the Operators at each receipt point within the proposed pool and, if different, by the proposed pool operator. A list of the Appalachian production receipt points currently eligible for pooling (which is subject to change from time to time in Transporter's sole discretion), and the corresponding pooling zone, can be obtained via the web site. To be eligible, a production receipt point must either: (i) have a design capacity under 5 MMcf per day, or (ii) be equipped with measurement equipment and control equipment and be located on the same side of any pipeline scheduling constraint as all other meters in the pool. If a pipeline scheduling constraint is defined after the creation of a pool that includes production receipt points with a design capacity of 5 MMcf per day or greater, and such constraint definition places pool production receipt points on opposite sides of the new constraint, then the pool will be modified upon Transporter's notice to Operator, to either include only production receipt points on one side or the other of the constraint, or the pool will be removed.

Pools will be established for a month and shall continue from month-to-month thereafter until terminated by the pool operator or by Transporter by notice at least ten days before the effective date of termination. The Operator of a receipt point may withdraw his point by notice to Transporter at least ten days before the effective date of withdrawal. All the receipt points in a single pool must be within one of the following "pooling zones":

Pooling Zone Name	Location	State
Appalachian Zone 1	Line N System (west of Henderson)	PA
Appalachian Zone 2	East of Henderson, west of Overbeck, including Line K in PA	PA
Appalachian Zone 3	Other NY Points not in Zone 4	NY
Appalachian Zone 4	Points interconnecting with Line X, Line YM50, or Line YM224 (between Concord and Ellisburg) or with Line YM55 or Line YM57 (between Ellisburg and Independence)	PA and NY
Appalachian Zone 5	Points interconnecting with Line Z20 or Line PY10 (between Ellisburg and Tuscarora)	PA and NY
Appalachian Zone 6	Points interconnecting with Line YM53 (between Ellisburg and Leidy)	PA
Appalachian Zone 7	Points interconnecting with Line YM52 and Line YM7 (between Ellisburg and Wharton)	PA
Appalachian Zone 8	East of Overbeck, west of eastern end of FM100	PA
Appalachian Zone 9	Production flowing into Lines D & L downstream of Roystone Station to Erie	PA

\*NOTE: The default zone for EFT service is Appalachian Zone 2.

Any eligible receipt point within a pooling zone may be pooled with any other eligible receipt point in that pooling zone. A receipt point shall be associated with one pool only. While a receipt point is included within a pool, Shippers must nominate from the pool instead of the receipt point. The pool operator shall confirm nominations from the pool with Transporter. Pool operators must submit a Pre-Determined Allocation Methodology applicable to the pool as a whole and not to individual receipt points within the pool. In the absence of a timely Predetermined Allocation, Transporter shall allocate receipts from the pool among service agreements on a pro-rata basis. Transporter shall schedule receipts from an Appalachian pool as secondary receipt points, unless all receipt points within the pool are primary receipt points.

- (e) Pooling at Pipeline Interconnections. A Shipper who is delivering gas into Transporter’s system from more than one contract on an interconnecting interstate or intrastate pipeline at a single receipt point may request the creation of a pool of gas at that point by submitting to Transporter in writing on or before 9:00 a.m. central clock time on the 20th day of the month preceding the desired effective date, a Pool Operator Confirmation signed by Shipper and, if different, by the proposed pool operator. Pools will be established for a month and shall continue from month-to-month thereafter until terminated by the pool operator or by Transporter by notice at least ten days before the effective date of termination. Shippers shall nominate from the pool instead of from the individual upstream contracts within the pool. The pool operator shall confirm nominations to and from the pool with Transporter.
  
- (f) Title Transfer Nominations.
  - (i) Subject to the provisions of this Section 13.1, including but not limited to the provisions of this Subsection 13.1(f), and the NAESB Nominations Related Standards, Transporter shall accept and process nominations from Title Tracking Parties for title transfer tracking (“TTT Noms”) related to transportation nominations with Transporter at physical points of receipt into Transporter’s system and pooling points established under Subsections 13.1(d) or 13.1(e). To become a Title Transfer Party, a party must request and execute a Title Transfer Tracking Nominations Processing Agreement in the form set forth as Form 9.020. Any Title Transfer Tracking Service Provider, as defined in the

NAESB Standards (“TTTSP”), or any party with an effective transportation or storage service agreement, Operational Balancing Agreement, or Interconnection Agreement with Transporter may request a Title Transfer Tracking Nominations Processing Agreement for execution. If a Title Transfer Party wishes to designate an agent (for example, a TTTSP) for the purpose of processing TTT Noms on its behalf, it must execute the agent designation form available on Transporter’s web site. Transporter will, on a non-discriminatory basis, negotiate and enter into agreements with TTTSP’s which define the terms and conditions applicable to the processing of TTT Noms submitted by the TTTSP.

- (ii) Each TTT Nom must be made using Transporter’s standard nomination form incorporating NAESB approved data sets, and shall include the following information:
  - (1) Identity of the party transferring title (“Title Transferor”);
  - (2) Identity of the party receiving title (“Title Transferee”);
  - (3) The date and time of the transfer;
  - (4) The receipt point or pool on Transporter’s system to be utilized as the location of the transfer;
  - (5) The quantity to be transferred; and
  - (6) Upstream and downstream contract information required for confirmation.
- (iii) By submitting a TTT Nom to Transporter, Title Transfer Party represents that Transporter may assume, for purposes of processing the nomination(s) for the transportation of the quantity of gas covered by the TTT Nom, that title to such quantity of gas, or such lesser quantity as is consistent with the related nominations and the confirmations received by Transporter, will be transferred from the Title Transferor to the Title Transferee at the time of the flow of the related transportation nomination(s).

- (iv) A TTT Nom will be acknowledged by Transporter only if each related transportation nomination is confirmed by all Confirming Parties and scheduled by Transporter for the quantity of gas so nominated or such lesser quantity as is confirmed by all Confirming Parties and by all corresponding TTT Noms.
- (v) By communicating its acknowledgment of a TTT Nom, Transporter represents only that it has processed the related transportation nomination(s) upon the assumption that title to the quantity of gas specified in the TTT Nom, or such lesser quantity as is confirmed by all parties identified in Subsection 13.1(f)(iv) and indicated to Title Transferor in such acknowledgment, will be transferred by the Title Transferor to the Title Transferee set forth in the TTT Nom at the time of the flow of such related transportation nomination(s). Transporter shall have no duty of inquiry, and makes no warranties or representations and assumes no obligations, regarding the ownership of the gas covered by a TTT Nom, the creditworthiness of any Title Transferor or Title Transferee, the existence or terms of any agreement between any Title Transferor or Title Transferee, compliance by any Title Transferor or Title Transferee with applicable laws and regulations, or otherwise.
- (vi) Regardless of the acknowledgment by Transporter of any TTT Nom related to a transportation nomination confirmed by Transporter, the Shipper making such transportation nomination shall remain responsible for all its obligations under its service agreement(s) and this tariff, including, without limitation:
  - (1) the resolution of all imbalances arising under its service agreement(s), including, without limitation, imbalances resulting from differences between the scheduled and actual flows of gas at the receipt point(s) for which related TTT Noms were acknowledged;
  - (2) the payment of any transportation balancing fees or imbalance penalties under Section 14 or penalties under Section 15 of these General Terms and

Conditions or overrun charges under the applicable rate schedule(s);

- (3) warranty of title and indemnification obligations set forth in Section 7 of these General Terms and Conditions; and
  - (4) gas quality provisions set forth at Section 2 of these General Terms and Conditions.
- (vii) Receipts of gas at a receipt point for which TTT Noms have been acknowledged by Transporter will be allocated among shippers pro rata based upon confirmed nominations in the absence of a single Pre-Determined Allocation Methodology applicable to all shippers delivering gas to Transporter at such receipt point.
- (viii) The processing of TTT Noms as set forth herein shall be performed at no charge by Transporter.
- (ix) With respect to title transfer transactions, the provisions of Section 8 of these General Terms and Conditions, applicable to “Shipper” or to a “party” shall be applicable to Title Transfer Parties, and the provisions therein applicable to “Transporter” or to a “party” shall be applicable to Transporter.
- (g) Pooling at Market Pooling Points. A party may request the creation of a Market Pool pursuant to, and subject to the terms and conditions of, the MPPAS Rate Schedule.
- (h) Central Delivery and Receipt Points
- (i) Available for nomination are point(s) which Transporter has designated as a “Central Delivery Point” (CDP) and a “Central Receipt Point” (CRP). A CDP or CRP may be established by mutual agreement between Transporter and point operator, and is composed of the delivery or receipt points between Transporter and an individual local distribution company (LDC) or an individual pipeline on Transporter’s system covered by an Operational Balancing Agreement (OBA). Such delivery or receipt points must be within close geographical proximity as determined by

Transporter with regard to the operational constraints of its system or other operational considerations. CDPs and CRPs may also be developed for other entities or groups on a case-by-case basis. Once a CDP or CRP has been established, Shippers must nominate deliveries under both firm and interruptible agreements to the CDP or CRP in lieu of the individual delivery or receipt points that make up the CDP or CRP. The location of the CDP or CRP will be used to determine capacity allocations, and the location of the CDP or CRP may be modified or terminated based on operating conditions as determined by Transporter. Except as described in subsection (ii) hereof, all physical deliveries to the individual delivery or receipt points which make up the CDP or CRP and all scheduled deliveries to the CDP or CRP will be aggregated for purposes of determining the daily and monthly imbalance pursuant to the OBA. Nothing herein shall exempt a party from compliance with all other provisions of the OBA.

- (ii) A CDP or CRP may not be designated as a Primary Delivery Point or Primary Receipt Point, respectively, on a Transportation Service Agreement, and the establishment of a CDP or CRP shall not alter the individual delivery or receipt point(s) and corresponding individual MDQ(s) at such point(s) as specified in any Transportation Service Agreement. Unless such deliveries are nominated by Shipper and confirmed and scheduled by Transporter, Transporter has no obligation to deliver on any day under any such agreement any quantities in excess of the individual MDQ specified in that firm agreement at a given point. Whenever Transporter determines that operating conditions only permit deliveries at any individual point(s) equal to Transporter's obligations, Transporter shall notify the affected Shippers under such firm agreements.

## 13.2 Scheduling

When deemed necessary by Transporter, Transporter may require confirmation from any Operator that scheduled receipts and deliveries will occur prior to scheduling receipts and deliveries on its system. Transporter may decline to schedule receipts and deliveries through segments of its system if such action is required in Transporter's judgment by weather or the necessity to conduct maintenance, repair or replacement activities with regard to its facilities, to schedule Department of Transportation compliance activities, to install taps, to test storage fields, operational equipment, compressors or compressor station equipment, or similar activities affecting capacity and operations of portions of its system, or as a result of conditions of force majeure, as described at Section 8.1 of these General Terms and Conditions.

If, for any timely or intraday nomination cycle, Transporter determines that the capacity of its pipeline system, or any portion of its system, including receipt and delivery points, is insufficient to serve all requests for transportation for that nomination cycle, then, subject to Section 13.1 of these General Terms and Conditions, Transporter will schedule transportation in accordance with the sequencing procedures set forth below until all available capacity at the constrained location is allocated. As set forth in NAESB Standard 1.3.23, "Ranking should be included in the list of data elements. Transportation service providers should use service requester provided rankings when making reductions during the scheduling process when this does not conflict with tariff-based rules." Therefore, unless otherwise provided, allocation of capacity among multiple nominations under the same contract and within the same scheduling priority category shall be pro rata or in accordance with the rankings provided by Shipper in its nomination.

### (a) Allocation of capacity through constrained transportation paths

When it is necessary for Transporter to allocate available capacity through a constrained transportation path, nominations for service that would require the flow of gas through the constraint and in the constrained direction of flow will be scheduled in the following sequence:

- (i) first, to quantities within contract quantities nominated by shippers under the SS-1, FT, FST, EFT or FT-S Rate Schedule or other firm transportation service rate schedules,



- for service from a primary receipt point to a primary delivery point;
- (ii) second, to mandatory return quantities as described in Section 2.6 of the IAS Rate Schedule;
  - (iii) third, to quantities within contract quantities not addressed above (A) nominated by FT or FT-S shippers to the extent of their firm capacity through the constraint, as determined by the transportation path of each shipper, where the direction of the gas flow through the constraint is the same as the direction gas would flow from Shipper's primary receipt point(s) to its primary delivery point(s), or (B) nominated by EFT or FST shippers to or from a secondary receipt or delivery point that is a Market Pooling Point, identified in Section 4.1 of the MPPAS Rate Schedule, that is considered to lie between Shipper's primary receipt and delivery points, but only with respect to quantities nominated to or from a primary delivery or receipt point;
  - (iv) fourth, to other quantities within contract quantities nominated by firm shippers, to or from a secondary receipt or delivery point;
  - (v) fifth, to overrun quantities nominated by firm shippers and quantities nominated by IT shippers, except as provided in subsection (a)(vi); and
  - (vi) sixth, to overrun quantities nominated by firm shippers and quantities nominated by IT shippers, where the shipper's service agreement is subject to a discounted commodity or overrun rate, beginning with the agreement(s) subject to the smallest discount(s) and proceeding in order according to the amount of the discount(s), capacity to be allocated pro-rata among equally discounted services.

Unless otherwise provided above, available capacity will be allocated to quantities within each category in proportion to the quantities nominated by each shipper.

(b) Allocation of capacity at constrained receipt or delivery points

When it is necessary for Transporter to allocate available capacity at a constrained receipt or delivery point, nominations for service that would require the flow of gas at the constrained point and in the constrained direction of flow will be scheduled in the following sequence:

- (i) first, to quantities within contract quantities nominated by shippers under the SS-1, FT, FST, EFT or FT-S Rate Schedule for receipt at a primary receipt point or for delivery at a primary delivery point;
- (ii) second, to mandatory return quantities as described in Section 2.6 of the IAS Rate Schedule;
- (iii) third, to quantities within contract quantities not addressed above (A) nominated by FT or FT-S shippers at a secondary receipt or delivery point located within Shipper's transportation path, where the direction Shipper's nominated gas flow is the same as the direction gas would flow from its primary receipt point(s) to its primary delivery point(s) or (B) nominated by EFT or FST Shippers at a secondary receipt or delivery point that is a Market Pooling Point, identified in Section 4.1 of the MPPAS Rate Schedule, that is considered to lie between Shipper's primary receipt and delivery points, but only with respect to quantities nominated to or from a primary delivery or receipt point;
- (iv) fourth, to other quantities within contract quantities nominated by firm shippers, at a secondary receipt or delivery point; and
- (v) any remaining capacity will be allocated in the sequence set forth in subsections (a)(v) through (a)(xii).

Unless otherwise provided above, available capacity will be allocated to quantities within each category in proportion to the quantities nominated by each shipper.

(c) Allocation of constrained injection or withdrawal capacity

When it is necessary for Transporter to allocate available injection or withdrawal capacity, nominations for storage injections or withdrawals will be scheduled in the following sequence:

- (i) first, to quantities within contract quantities nominated by storage customers under the FSS, SS-1, ESS or other firm storage service rate schedules;
- (ii) second, to overrun quantities nominated by firm storage customers, quantities nominated by ISS shippers, and quantities nominated pursuant to the IAS Rate Schedule, except as provided in subsection (c)(iii); and
- (iii) third, to overrun quantities nominated by firm storage customers and quantities nominated by ISS shippers, where the shipper's service agreement is subject to a discounted injection or withdrawal rate, beginning with the agreement(s) subject to the smallest discount(s) and proceeding in order according to the amount of the discount(s), capacity to be allocated pro-rata among equally discounted services.

Unless otherwise provided above, available capacity will be allocated to quantities within each category in proportion to the quantities nominated by each shipper.

(d) Allocation of Storage Capacity

When it is necessary for Transporter to allocate available storage capacity, nominations for storage injections or withdrawals will be scheduled to quantities within contract quantities nominated by customers under the FSS, SS-1, ESS or other firm storage service rate schedules.

Unless otherwise provided above, available capacity will be allocated to quantities within each category in proportion to the quantities nominated by each shipper.

### 13.3 Agency Arrangements

A Web Site User may delegate to a third party (“Web Site User’s Agent”) authority to exercise certain or all rights and perform certain or all obligations set forth in one or more of the agreements entered into between Web Site User and Transporter or to perform tasks as such Web Site User has otherwise determined and agreed with such third party (“Web Site User Agreements”), subject to the following conditions. A Web Site User may delegate to as many third parties as it deems necessary, the specific rights and obligations set forth above, pursuant to the terms and conditions of the respective Agency Agreement and the terms and conditions of the underlying Web Site User Agreements. A Web Site User may not delegate to more than one third party the same rights and/or obligations for a Web Site User Agreement(s), pursuant to the terms and conditions of the applicable Agency Agreement.

- (a) Web Site User and Web Site User’s Agent to whom Web Site User is delegating its responsibilities must enter into an Agency Agreement a form of which is available on Transporter’s website or such agreement provided by the Web Site User to Transporter, and which shall include language that requires the Agent abide by the terms and conditions of this tariff. Web Site User’s Agent shall have all rights and obligations under the Delegated Agreements as set forth in the Agency Agreement. Web Site User’s delegation to its Agent(s) pursuant to this Section 13.3 shall not confer to either Web Site User or Web Site User’s Agent(s) rights outside of or in contravention of the Terms and Conditions of the Delegated Agreements.
- (b) Transporter may rely on communications and actions of Web Site User’s Agent that are within the scope of the applicable Agency Agreement. Such communications with, and actions by, the Web Site User’s Agent shall be deemed communications with or actions by Web Site User. Web Site User shall indemnify and hold Transporter harmless from suits, actions, costs, losses and expenses (including, without limitation, attorney’s fees) arising from claims associated with Transporter’s reliance on such communications and actions of Web Site User’s Agent. If Web Site User’s Agent fails to meet such obligations under the Delegated Agreements, then, without Transporter being obligated to proceed against Web Site User’s Agent, Web Site User shall be liable for all obligations under the Delegated Agreements.

- (c) A third party may administer and aggregate rights under multiple Delegated Agreements as the designated agent for one or more Web Site Users; provided however, that such agent (1) shall separately administer and account for each such Delegated Agreement, including without limitation submitting nominations and calculating any imbalances, and (2) shall utilize such Delegated Agreements for the transportation, storage, supply aggregation, or balancing of gas for only those Web Site Users that have delegated the rights and obligations under their Delegated Agreements.

## 14. ALLOCATION AND IMBALANCES

### 14.1 Introduction

Imbalances result whenever the amount of gas a Shipper receives from Transporter's system differs from the amount that Shipper delivered into Transporter's system (net of various adjustments). Imbalances can result from a difference between the amount of gas nominated at a particular receipt or delivery point and the amount of gas measured actually passing through that point. This Section 14 describes Transporter's methodology for allocating shortfalls and overruns at receipt and delivery points, and includes the various control measures intended to discourage, minimize and correct imbalances. Scheduled receipts and deliveries will be the basis for allocation of actual deliveries or receipts. The allocation methodology applied to actual deliveries or receipts shall be determined in accordance with an Operational Balancing Agreement as set forth in Section 14.2 hereof, information supplied by Shipper or other entities as set forth in Sections 14.3(b) and 14.4(b) hereof, or the default methodologies set forth in Sections 14.3(c) and 14.4(c) hereof.

## 14.2 Operational Balancing Agreements

- (a) Any imbalances arising under any transportation agreement between Shipper and Transporter that are attributable to variances (1) between actual receipts of natural gas and scheduled receipts of natural gas at receipt points into Transporter's system, or (2) between actual deliveries of natural gas and scheduled deliveries of natural gas at delivery points from Transporter's system, which receipt and/or delivery points are subject to Operational Balancing Agreements, as more fully described in subsection (b) hereof, on the day or days such variances arise, will be resolved by Transporter pursuant to the terms of the applicable Operational Balancing Agreement and Shipper shall not be subject to any imbalance charges or penalties pursuant to its service agreements with Transporter for such imbalances.
- (b) For the purpose of minimizing operational conflicts between various pipeline facilities with respect to the delivery of gas to and from Transporter's facilities, Transporter is willing to negotiate and execute Operational Balancing Agreements with Operators that are not among parties described in Section 14.2(c)(i)-(iv) hereof (herein called the OBA Party). Transporter is also willing to negotiate with any other party which does not qualify to be an OBA Party as defined above, toward an Operational Balancing Agreement which would provide Transporter with assurances equivalent to those contained in the above definition of an OBA Party. Such Operational Balancing Agreements shall specify the gas custody transfer procedures to be followed by Transporter and the OBA Party for the scheduling of quantities to be received by Transporter at receipt points and delivered by Transporter at delivery points. Such Operational Balancing Agreements will provide that any variance between actual quantities and scheduled quantities for any day shall be resolved in-kind promptly pursuant to the terms of the Operational Balancing Agreement.

To facilitate such determination of variances on a timely basis, Transporter and the OBA Party will agree in the Operational Balancing Agreement on necessary and timely measurement, reporting and accounting procedures. Transporter shall post on the web site those receipt and delivery points which are subject to an Operational Balancing Agreement.

- (c) It is Transporter's intent to negotiate and execute Operational Balancing Agreements on a non-discriminatory basis with any OBA Party. However, Transporter shall have no obligation to negotiate and execute Operational Balancing Agreements with any party that:
  - (i) is not sufficiently creditworthy to qualify for transportation service under Transporter's FT Rate Schedule of a Maximum Daily Transportation Quantity equal to the sum of the delivery capacities of the receipt and delivery points that would be subject to the Operational Balancing Agreements, and for purposes of Section 3.2 of the FT Rate Schedule, the cost of performing the service requested by Shipper for a three-month period would be arrived at by multiplying the Negative Imbalance Cash-Out Price specified in Section 14.9(a) hereof by forty-five (45) times the daily delivery capacity of such receipt and delivery points;
  - (ii) does not maintain a dispatching operation which is staffed on a continuous, around-the-clock basis 365 days per year;
  - (iii) would result in the imposition of substantial additional regulatory requirements upon Transporter; or
  - (iv) does not commit to timely determination of variances based on reasonably available measurement technology.
- (d) Nothing in this Section 14.2 nor any executed Operational Balancing Agreement shall limit Transporter's rights to take action as may be required to adjust receipts and deliveries under any transportation agreement to reflect actual experience or to alleviate conditions which threaten the integrity of Transporter's system, including maintenance of service to higher priority Shippers and/or service.



### 14.3 Allocation of Receipts

- (a) Transporter will use the best information it has available in order to allocate receipts of gas to Service Agreements.
- (b) Where (i) more than one Shipper, or (ii) a Shipper with more than one Service Agreement, proposes to deliver gas to Transporter at a receipt point, Transporter may require Operator to instruct Transporter with regard to the allocation of such Shippers' respective allocated shares of receipts among Service Agreements. Such Operator shall provide or cause its designee(s) to provide Transporter with the instructions set forth in this section prior to the initiation of service. Such information shall be provided to Transporter by submitting a Pre-Determined Allocation Methodology before the start of the gas day.
- (c) As set forth in NAESB Standard 2.3.18:

[t]he types of allocation methodologies is a list from which two parties may agree. If the two parties cannot agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation.

#### 14.4 Allocation of Deliveries

- (a) Transporter will use the best information it has available in order to allocate deliveries to Service Agreements. Transporter strongly encourages Shippers to complete and submit a Pre-Determined Allocation Methodology via its web site.
- (b) Where (i) more than one Shipper, or (ii) a Shipper with more than one Service Agreement, requests deliveries of gas from Transporter at a delivery point, Transporter may require Operator to instruct Transporter with regard to the allocation of such Shippers' respective allocated shares of deliveries among Service Agreements. Such Operator shall provide or cause their designee(s) to provide Transporter with the instructions set forth in this section prior to the initiation of service. Such information shall be provided to Transporter by submitting a Pre-Determined Allocation Methodology before the start of the gas day.

If the Pre-Determined Allocation Methodology for a Delivery Point identifies a Service Agreement, other than the Service Agreement with the party operating facilities that interconnect with Transporter's system at that Delivery Point, to be allocated the last quantities of gas through the meter, the Shipper whose service agreement has been identified must agree to the allocation methodology before it may become effective.

- (c) As set forth in NAESB Standard 2.3.18:

[t]he types of allocation methodologies is a list from which two parties may agree. If the two parties cannot agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation.

#### 14.5 Adjustment of Receipts and Deliveries

It shall be the responsibility of Shipper to control and, if necessary, adjust deliveries of gas to Transporter for transportation hereunder and to control and, if necessary, to adjust receipts of gas from Transporter, in order to maintain a daily balance of receipts and deliveries (except to the extent otherwise provided in an applicable Rate Schedule). Transporter shall not be obligated to receive or deliver gas on any day in excess of the quantities scheduled by Transporter for Shipper, nor shall Transporter be obligated to deliver to Shipper at the delivery point(s) quantities in excess of quantities received for Shipper at the receipt point(s), less quantities received to satisfy the Transportation Fuel and Company Use Retention, Transportation LAUF Retention or Storage Operating and LAUF Retention (except to the extent otherwise provided in an applicable Rate Schedule). Transporter shall make available to Shipper information regarding receipts and deliveries based on the best operating information available to Transporter and make such information available to all parties to the transaction. Transporter shall make such operating information available on its web site, weekly for meters equipped with measurement information from a supervisory control and data acquisition (“SCADA”) system operated by Transporter, or such meters operated by others as they become available. Upon notification, Shipper shall be obligated to adjust receipts and deliveries of gas to correct or avoid any imbalance. Any adjustment to receipts and deliveries by Shipper, whether or not pursuant to notification from Transporter or otherwise, shall be coordinated with Transporter’s gas dispatchers.

#### 14.6 Calculation of Monthly and Daily Imbalances

A Shipper's imbalance under a particular service agreement is always equal to the amount of gas received by Transporter for that Shipper's account under that agreement, less the amount Transporter delivers to that Shipper under that agreement, and less applicable retainages, adjusted for imbalance payback and relief. Imbalances can be either positive (adjusted receipts for Shipper's account exceed deliveries to Shipper) or negative (deliveries to Shipper exceed adjusted receipts for Shipper's account).

Each month, Transporter will calculate the imbalance for each agreement (from among all the receipt and delivery points used under that agreement) and aggregate those calculations into that agreement's Monthly Imbalance. The Monthly Imbalances for all the agreements in effect for a single Shipper are set off against each other to calculate the Monthly Shipper Imbalance. Each Monthly Shipper Imbalance is aggregated with any cumulative unresolved imbalances from previous months into that Shipper's Cumulative Monthly Imbalance. The Cumulative Monthly Imbalance is compared to a Monthly Imbalance Tolerance Level ("MITL"), which is equal to 5% of the accumulated daily scheduled receipts for the month under all that Shipper's agreements, but at least 1000 Dth.

If a Shipper indicates its consent in writing delivered to Transporter, or by E-Mail message, Transporter will transmit a Shipper's Monthly Imbalance Statement by E-Mail message.

For each day that an Injection Restriction Advisory or Cold Weather Advisory (as described in Section 14.7) is in effect, Transporter will calculate the imbalance for each agreement (from among all the receipt and delivery points used under that agreement) and aggregate these calculations into that agreement's Daily Imbalance. The Daily Imbalances for all the agreements in effect for a single Shipper are set off against each other to calculate the Daily Shipper Imbalance. The Daily Shipper Imbalance is compared to a Daily Imbalance Tolerance Level ("DITL"), which is equal to 5% of the scheduled receipts for the day under all that Shipper's agreements, but at least 1,000 Dth.

#### 14.7 Transportation Balancing Fee and Imbalance Penalties

- (a) For any month that a Shipper's Cumulative Monthly Imbalance exceeds one MITL, a Transportation Balancing Fee will be charged on the amount in excess of this tolerance. This fee per Dth shall be equal to (i) one-twelfth (1/12) the maximum ISS Injection Charge for positive imbalances or (ii) 365/12 times the maximum IAS usage charge for negative imbalances, and in either case shall apply regardless of the imbalance resolution method elected by Shipper under Section 14.8 below.

If the Daily Shipper Imbalance is positive and exceeds one DITL during any day that an Injection Restriction Advisory (as defined below) is in effect, the Shipper will be charged an Imbalance Penalty equal to the maximum ISS Injection Charge. If the Daily Shipper Imbalance is negative and exceeds one DITL during any day that a Cold Weather Advisory (as defined below) is in effect, the Shipper will be charged an Imbalance Penalty equal to 365 times the maximum IAS usage charge.

For purposes of this Section 14.7, Transporter may issue a Cold Weather Advisory on any day that the mean temperature forecast by Transporter's contracted weather service, for either Erie, Pennsylvania or Buffalo, New York is at or below 10 Degrees Fahrenheit. Transporter may issue an Injection Restriction Advisory on any day that the "Operationally Available Quantity" for Transporter's Excess Injection into Storage, as posted on the "Operationally Available Capacity" page of Transporter's web site is zero (0).

The Transportation Balancing Fee and Imbalance Penalty will be included in Shipper's regular bill for transportation services, and will be subject to all payment and collection requirements applicable to that bill.

- (b) Crediting of Penalties and Certain Fees in Excess of Costs

Subsequent to each Annual Billing Period, Transporter shall compare the Creditable Penalties, as defined below, attributable to such period, with the Incremental Costs, as defined below, attributable to such period. If such Creditable Penalties exceed such Incremental Costs, Transporter shall credit the difference

(hereinafter “Net Creditable Penalties”) to its EFT, FT, FST and FT-S shippers in accordance with the following methodology. First, the Net Creditable Penalties will be allocated to each month during the Annual Billing Period in proportion to the Creditable Penalties received by Transporter during such month. Second, for each month during the Annual Billing Period, Net Creditable Penalties allocated to each month shall be credited to EFT, FT, FST and FT-S shippers on a pro rata basis in accordance with the transportation volumes Transporter has delivered to or for the account of each such Shipper during the month, provided, however, in such allocation deliveries to or for the account of any shipper that incurred an Imbalance Penalty under Section 14.7 of these General Terms and Conditions or a Charge for Unauthorized Tenders or Receipts under Section 15.3 hereof for such month shall be deemed to be zero (0) Dth. Transporter shall make credit payments or shall otherwise provide the credit hereunder within 60 days of the end of the Annual Billing Period. Such credit may be accomplished by a credit against any amounts owed by Shipper to Transporter. If Incremental Costs exceed Creditable Penalties with respect to any Annual Billing Period, Transporter shall carry forward the net underrecoveries to the subsequent Annual Billing Period and may offset such net underrecoveries against any future Net Creditable Penalties that may occur in a subsequent Annual Billing Period. For purposes of this section, the term “Creditable Penalties” shall include the sum of (A) Imbalance Penalties collected by Transporter under Section 14.7 of these General Terms and Conditions; (B) Charges for unauthorized tenders and receipts collected by Transporter under Section 15.3 hereof, and (C) interest on the amounts described in (A) and (B) above accrued on a monthly basis at the then effective prime interest rate (JPMorgan Chase Bank, NA). For purposes of this section, the term “Incremental Costs” shall include reasonable costs incurred with respect to transactions with other parties to replace gas or otherwise to respond to operational consequences of the imbalances or events giving rise to Creditable Penalties that are not offset against cash-out revenues under Section 14.9(c) of these General Terms and Conditions, together with interest thereon accrued on a monthly basis at the then effective prime interest rate (JPMorgan Chase Bank, NA).

Types of costs that may constitute Incremental Costs hereunder include, but are not limited to, the cost of replacement gas and the cost of services or penalties incurred with respect to other transporters of gas in response to the operational consequences set

forth above. Incremental Costs shall not include any allocation of a portion of regular, ongoing expenses of Transporter that would have been incurred irrespective of the imbalances or events giving rise to Creditable Penalties. For purposes of this section, “Annual Billing Period” shall be the period commencing January 1, 2002 and ending March 31, 2002, and thereafter the twelve month period commencing each April 1 and ending the following March 31.

#### 14.8 Imbalance Resolution

A Shipper may elect to resolve imbalances either “in kind” or by “cash-out”. This election must be made by submitting a completed and signed “Imbalance Resolution Methodology Form” (see Section 14.11 below). Any Shipper not submitting that form will be deemed to have elected to resolve imbalances via cash-out. All imbalances on all of Shipper’s contracts must be resolved using the same methodology. The election of methodologies must be made at or before the earliest time a monthly nomination is required to be submitted under any of Shipper’s contracts.

Imbalances of Shippers electing to resolve imbalances in kind, and imbalances of other Shippers which have not been cashed-out, may be resolved in one of the following ways:

- (a) Shipper Imbalance Exchange. Shippers who agree to all the terms of Transporter’s Imbalance Exchange, and so indicate on their Imbalance Resolution Methodology Form, will be allowed to exchange imbalances with other such Shippers on the Shipper Imbalance Exchange. Transporter will post a participating Shipper’s imbalance information on the Shipper Imbalance Exchange portion of Transporter’s web site or, upon receipt of a written request, will make the information available to a participant in written form. Transporter will have applicable information posted by the tenth business day of the month following the activity month. Shippers desiring to trade imbalances must present Transporter with a request for transfer (via E-mail or in writing). A request must be received by Transporter from all Shippers involved in an imbalance exchange, either via Transporter’s E-mail or otherwise in writing. No Shipper may accumulate balances for the purpose of resolving other Shippers’ imbalances. For purposes of determining the applicable Transportation Balancing Fee under Section 14.7 of these General Terms and Conditions for the activity month, Imbalance Penalty under Section 14.7 with respect to certain days within the activity month, or the quantities subject to cash-out under Section 14.9 thereof, imbalance trades that are evidenced by requests received by Transporter on or before the end of the calendar month following the activity month shall be recognized in the calculation of the Cumulative Monthly Imbalance for the activity month, and the Daily Shipper Imbalance for any days within the activity month. In order to avoid the imposition of an Imbalance Penalty that would otherwise apply pursuant to Section 14.7 with respect to a Daily



Shipper Imbalance, Shipper must trade its Daily Shipper Imbalance with another Shipper or other Shippers which in combination have an offsetting Daily Shipper Imbalance (i.e., positive if the Shipper's Daily Shipper Imbalance is negative, or negative if the Shipper's Daily Shipper Imbalance is positive) with respect to the same day.

(b) Schedule Imbalance Payback/Relief. A Shipper may elect to schedule full or partial imbalance payback/relief.

(c) Cash-Outs of In-Kind Imbalances in Special Circumstances  
To preserve the operational integrity of its system, Transporter may at its option (exercised on a non-discriminatory basis) cash out the Cumulative Monthly Imbalance of a Shipper which has elected to resolve imbalances in kind, subject to the following requirements, if either:

(i) the Shipper has not submitted a nomination for the transportation, injection or withdrawal of gas within the three (3) month period immediately preceding the exercise of Transporter's option hereunder; or

(ii) the aggregated Cumulative Monthly Imbalances of all Shippers in a given activity month exceed five percent (5%) of Transporter's total deliveries in that month, excluding deliveries that month to EFT Shippers who have positive storage balances under Rate Schedule ESS.

(iii) Only Shippers with a Cumulative Monthly Imbalance in the same direction (positive or negative) as the aggregated imbalance described in subparagraph (ii) above, for that same given activity month, in excess of five (5) times that Shipper's MITL for that month shall be cashed out pursuant to subparagraph (ii);

(iv) whenever Transporter exercises its option, the entire Cumulative Monthly Imbalances of all Shippers described in subparagraph (i) or (ii) above shall be cashed out simultaneously;

(v) Transporter may exercise its option with respect to imbalances for a given activity month no less than twenty five (25) days following the end of that activity month, and

no more than thirty-one (31) days following the end of that activity month;

- (vi) the cash-out shall be accomplished in the manner specified by Section 14.9 hereof, except that the cash-out price shall be the Index as defined in Section 14.9(a) hereof, applicable to the time period for which the Shipper last submitted a nomination for the transportation, injection or withdrawal of gas, without adjustment by 110% or 90%; and
- (vii) Transporter is not required to exercise its option if Transporter believes, in its sole discretion, that exercise of its option would not be prudent at that time.

#### 14.9 Cash-Out of Imbalances

If a Shipper which has elected (or been deemed to elect) to resolve imbalances via cash-out has a Cumulative Monthly Imbalance in excess of one MITL, that Shipper's entire Cumulative Monthly Imbalance shall be cashed-out as described in this Section 14.9.

- (a) Clearing of negative imbalances. Should such imbalance be negative, the imbalance shall be subject to Negative Imbalance Cash-Out.

The Negative Imbalance Cash-Out Price is a price per Dth which is applied to the amount of the Shipper's negative imbalance. Shipper's regular invoice for transportation services will include the money owed by Shipper under this Negative Imbalance Cash-Out, which will be subject to all payment and collection requirements applicable to that bill. Upon receipt of payment, Transporter will make gas accounting entries reducing the amount of Shipper's negative imbalance accordingly.

Transporter shall post the Negative Imbalance Cash-Out Price for each month on its web site. The Negative Imbalance Cash-Out Price shall be equal to one hundred ten percent (110%) of the following index (the "Index"), computed for the month in which the imbalance arose:

The simple average of:

- (1) the Eastern Gas, South Point Index, which shall be computed by taking the average of spot gas prices delivered to the Eastern Gas, South Point price point, from every issue of Natural Gas Intelligence's Weekly Gas Price Index ("NGIW") that contains a table of spot prices for the applicable month;
- (2) the Tennessee Zone 4 Index, which shall be computed by taking the average of spot gas prices delivered to the TGP Zone 4 - 200 Leg price point, from every issue of NGIW that contains a table of spot prices for the applicable month; and
- (3) the Transco Leidy Index, which shall be computed by taking the average of spot gas prices delivered to the Transco -

Leidy Line price point, from every issue of NGIW that contains a table of spot prices for the applicable month.

Changes in the name, format or other method of reporting by NGIW that do not materially affect the content shall not affect their use hereunder. If any of the reported prices used in the calculation of the Index become unavailable, Transporter will file to change this section and may, at its discretion, select a substitute representative price in the interim, subject to refund.

- (b) Clearing of Positive Imbalances. Should such imbalance be positive, the imbalance shall be subject to Positive Imbalance Cash-Out.

The Positive Imbalance Cash-Out Price is a price per Dth which is applied to the amount of the Shipper's positive imbalance. Transporter will refund, credit or otherwise pay to Shipper the Positive Imbalance Cash-Out Price in return for Transporter's retaining the positive imbalance quantities at no further cost to Transporter, free and clear of any claims by any adverse party including Shipper. Shipper's regular invoice for transportation services will include a credit or refund for the money owed to Shipper under this Positive Imbalance Cash-Out. Upon sending that invoice, Transporter will make gas accounting entries reducing the amount of Shipper's positive imbalance accordingly. Transporter shall post the Positive Imbalance Cash-Out Price for each month on its web site.

The Positive Imbalance Cash-Out Price shall be equal to ninety percent (90%) of the Index as defined in Section 14.9(a) hereof.

- (c) Crediting of Cash-Out and Other Revenues in Excess of Costs. For purposes of this Subsection (c), an "Annual Billing Period" shall be the twelve month period commencing each April and ending the following March 31. Subsequent to the end of each Annual Billing Period, Transporter shall compare (i) the sum of (A) the revenues received by Transporter under the cash-out procedures and (B) one-half (1/2) of Transportation Balancing Fees collected by Transporter from shippers who have elected (or have been deemed to elect) to resolve imbalances via cash-out in accordance with Section 14.9 hereof with (ii) the costs incurred by Transporter under such cash-out procedures, including the costs of purchasing gas to replace any quantities of gas conveyed in cashing out negative imbalances which

are not offset by gas obtained in cashing out positive imbalances or Unauthorized Gas, as defined below. If the revenues received exceed the costs incurred, then Transporter shall credit, within 60 days of the end of the Annual Billing Period, the net overrecoveries to EFT, FT, FST and FT-S Shippers on a pro rata basis in accordance with the transportation volumes Transporter has delivered to each such Shipper during the Annual Billing Period. Such refund may be accomplished by a credit payment or a credit against any amounts owed by Shipper to Transporter. If the revenues received are less than the costs incurred, then Transporter shall carry forward the net underrecoveries to the subsequent Annual Billing Period and may offset such net underrecoveries against any future net overrecoveries that may occur in a subsequent Annual Billing Period. For purposes of this section, the term “Unauthorized Gas” shall mean, with regard to a given Annual Billing Period, the quantity of gas retained as unauthorized tenders in accordance with Section 15.2 of these General Terms and Conditions.

- (d) If Transporter desires to auction any gas purchased under Sections 14.8(c) or 14.9(b) of the General Terms and Conditions, any gas retained because it was not withdrawn pursuant to Section 2.5 of Rate Schedule ISS, or any gas retained under Section 15.2 of the General Terms and Conditions, Transporter shall post such quantities, with a minimum acceptable price, on Transporter’s web site on the fifteenth day of the month or the next business day thereafter. Transporter shall accept bids for any portion of the posted quantity, at a price no lower than the posted minimum acceptable prices only during the time period from 8:00 a.m. until 12:00 p.m. ET on the second business day following the posting. Prior to 5:00 p.m. ET of the same day, Transporter shall notify the bidders who, in the aggregate, submitted bids which yield the greatest total price for the total quantity bid upon; provided, however, Transporter reserves the right to reject all bids. When the gas is purchased at auction, the buyer must provide identification of the existing transportation service agreement with Transporter under which the Buyer shall nominate, transport and deliver all gas by the end of the month following the month in which the gas is purchased. The buyer further agrees that the gas is subject to Section 14, prospectively from the date of the buyer’s purchase pursuant to this Section 14.9(d). All auction proceeds shall be handled in accordance with Section 14.9(c) hereof.

#### 14.10 Prior Period Adjustments

If a Prior Period Adjustment (PPA) is to be made (either at the request of Shipper or at Transporter's initiative), Transporter will notify Shipper of the amount and nature of the PPA, either as part of the Monthly Imbalance Statement or in a separate communication. Shipper has until the end of the month following the month in which such notification was made to resolve the PPA in kind by adjusting Shipper's receipts and deliveries of gas.

If the PPA is not resolved in kind within the required time, a positive PPA (Shipper has too much gas on Transporter's system) will be resolved by Transporter's retaining an amount of Shipper's gas equal to the amount of the PPA, at no cost and free and clear of all claims by any party. A negative PPA (Shipper has insufficient gas on Transporter's system) will be resolved by Shipper's paying to Transporter an amount of money equal to the amount of the PPA (expressed in dekatherms) multiplied by the Cash-Out Price applicable to the month which was adjusted by that PPA. Shipper's regular bill for transportation services will include the amount of gas retained by Transporter pursuant to this paragraph and/or the amount which is owed by Shipper pursuant to this paragraph, which will be subject to all payment and collection requirements applicable to that bill.

#### 14.11 Imbalance Resolution Methodology Form

Each Shipper must complete and deliver to Transporter the following form covering all of that Shipper's agreements, to notify Transporter of that Shipper's choice of methods to resolve imbalances on that agreement. This Imbalance Resolution Methodology Form will be due by the earliest day for which nominations are required under any of Shipper's agreements. A maximum of one Form per Shipper per month may be filed. A submitted Form continues in effect unless a superseding Form is filed. If a Shipper seeks to change its imbalance resolution methodology from "in kind" to "cash-out", or from "cash-out" to "in kind", at a time when that Shipper's Cumulative Monthly Imbalance is other than zero, Transporter will reject that Imbalance Resolution Methodology Form, and Shipper will have to submit another form if it wishes to change its imbalance resolution methodology at a later date. The following is Transporter's Imbalance Resolution Methodology Form:

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IMBALANCE RESOLUTION METHODOLOGY FORM

Please circle “yes” or “no” to each question.

- |  |     |    |
|--|-----|----|
| 1. RESOLVE IMBALANCES “IN KIND”?                   | YES | NO |
| 2. PARTICIPATE IN SHIPPER IMBALANCE EXCHANGE?      | YES | NO |
| 3. POST TO SHIPPER IMBALANCE EXCHANGE ON WEB SITE? | YES | NO |

NOTES: Option 1 answered negatively, with Option 2 answered affirmatively and Option 3 answered negatively, is the default imbalance resolution methodology. If Option 1 is answered affirmatively, then Option 2 answered affirmatively with Option 3 answered negatively is the default imbalance resolution methodology. Execution and delivery of this form to Transporter constitutes a waiver of any claim the undersigned Shipper may have against Transporter, its employees, officers, directors, affiliates and/or agents based upon Shipper’s engaging in a transaction on the Shipper Imbalance Exchange in reliance upon any misstatement of that Shipper’s imbalance amount. All transactions on the Shipper Imbalance Exchange are final.

DATE: \_\_\_\_\_

Name of Shipper: \_\_\_\_\_

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

Name: \_\_\_\_\_

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

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[End of Form]

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#### 14.12 Balancing at Contract Termination.

- (a) Transportation Service: Following the termination of one or more transportation service agreements under the FT, FT-S, EFT, FST, or IT Rate Schedules, and unless one or more other service agreements under these rate schedules remain in effect following such termination, Shipper shall be required to resolve any Cumulative Monthly Imbalance within thirty (30) days after the effective date of termination, or within such longer period of time mutually agreed upon by Shipper and Transporter.

If after such balancing period, Transporter determines that a negative imbalance remains, such imbalance shall be cleared in accordance with Section 14.9(a) of these General Terms and Conditions.

If after such balancing period, Transporter determines that a positive imbalance remains, such imbalance shall be cleared in accordance with Section 14.9(b) of these General Terms and Conditions.

A Transportation Balancing Fee will be assessed in accordance with Section 14.7(a) on any Cumulative Monthly Imbalance in excess of one MITL during such balancing period. For purposes of calculating this fee, scheduled receipts for the most recent activity month shall be used to derive the MITL.

- (b) Storage Service: If, upon the effective date of termination of storage service, under the FSS, ESS or ISS Rate Schedules, Shipper's Storage Balance is positive, then the Shipper will withdraw such quantities or transfer such quantities to another shipper pursuant to Section 32 of the General Terms and Conditions within thirty (30) days of such effective date, or within such longer period of time mutually agreed upon by Shipper and Transporter. During such time period, Shipper's use of Transporter's storage capacity shall be subject to limitation under Sections 13.2 and 16 of the General Terms and Conditions as if it were scheduled pursuant to the ISS Rate Schedule. Consequently, Shipper may be required to withdraw or transfer its Storage Balance prior to the end of such time period if necessary to free storage capacity for use by firm storage customers. Any quantities remaining in Shipper's Storage Balance at the

conclusion of such time period shall be cleared as a positive imbalance as set forth at Section 14.9(b) of the General Terms and Conditions. If, upon the effective date of termination of storage service, Shipper's Storage Balance is negative, then the Shipper will within thirty (30) days of such effective date, or within such longer period of time mutually agreed upon by Shipper and Transporter, deliver sufficient quantities of gas to make up the negative balance. If the Shipper does not deliver sufficient quantities of gas within that time period, the Shipper shall pay Transporter the Negative Imbalance Cash-Out Price, as set forth in Section 14.9(a) of the General Terms and Conditions, for any remaining negative imbalance.

## 15. UNAUTHORIZED TENDERS AND RECEIPTS

### 15.1 Definition

Unauthorized tenders and receipts are amounts of gas delivered to Transporter or taken by Shipper from Transporter:

- (a) in the absence of a transportation service agreement and submission of a nomination pursuant to Section 13 (in the case of a Shipper), or an interconnection agreement (in the case of an Operator), applicable to the receipt or delivery point in question,
- (b) following an interruption of service by Transporter pursuant to Section 2.2 of the IT, ISS or IAS Rate Schedules,
- (c) in violation of an operational flow order issued by Transporter to Shipper pursuant to Section 33 of these General Terms and Conditions,
- (d) following a curtailment or termination of service pursuant to Section 5.4 of these General Terms and Conditions,
- (e) following a discontinuance or curtailment of service pursuant to Section 13.2 or 16 of these General Terms and Conditions,
- (f) following a notification to Shipper or Operator requiring an adjustment of receipts and deliveries pursuant to Section 14.5 hereof, or
- (g) following a discontinuance, curtailment or termination of service authorized by any other provision of this tariff or agreement executed thereunder.

In addition, a Shipper's failure to return quantities of gas advanced to it by Transporter pursuant to Section 2.11 of the EFT Rate Schedule, or Section 2.3 of the IAS Rate Schedule when required by Transporter shall constitute an unauthorized receipt of such quantities, and receipts of gas that constitute unscheduled overruns of the contract quantities under the service agreement(s) between Shipper and Transporter during the effectiveness of an operational flow order prohibiting such overruns shall constitute an unauthorized receipt of such quantities.

Transporter will provide its Shippers with reasonable notice of any interruption, discontinuance, curtailment or termination of service or of any operational flow orders and Shipper shall be permitted twenty-four (24) hours, or such lesser time as is required to protect the integrity of Transporter's system, to reduce its tenders or receipts in compliance with such notice.

15.2 Disposition of Unauthorized Tenders and Receipts

Transporter shall retain any unauthorized tenders at no cost and free and clear of any adverse claims of any party. Unauthorized receipts by a Shipper shall be treated as an imbalance for purposes of Section 14 hereof until such imbalance is cleared or until a charge is assessed pursuant to Section 15.3 hereof. If there are no service agreements between Transporter and the operator of the delivery point(s) at which the unauthorized receipts occurred, Transporter shall sell the unauthorized receipts to the operator at a price equal to the Index (as defined in Section 14.9(a) hereof), for the month in which the unauthorized receipts were taken.

15.3 Charges Associated with Unauthorized Tenders and Receipts

- (a) If the unauthorized tender or receipt occurs during the effectiveness of a Level 2 OFO, as defined at Section 33.5 of these General Terms and Conditions, and aggravates the condition resulting in the issuance of such OFO, it shall be subject to a charge equal to \$20 per Dth plus the Cost of Gas, as defined below.
- (b) If the unauthorized tender or receipt occurs during the effectiveness of a Level 3 OFO, as defined at Section 33.5 of these General Terms and Conditions, and aggravates the condition resulting in the issuance of such OFO, it shall be subject to a charge equal to \$25 per Dth plus the Cost of Gas, as defined below.
- (c) Otherwise, the unauthorized tender or receipt shall be subject to a charge equal to \$10 per Dth plus the Cost of Gas, as defined below.
- (d) Charges for unauthorized tenders and receipts shall not be assessed if Shipper (or Operator, as the case may be) adjusts its tenders or receipts within the time period applicable to Transporter notice; or if the unauthorized tenders or receipts occurred at an interconnection identified on Transporter's web site as a point where Transporter has complete and unrestricted control of gas deliveries.

- (e) Amounts collected by Transporter under this provision shall be subject to the provisions of Section 14.7(b) of these General Terms and Conditions.
- (f) The payment of a charge for unauthorized tenders or receipts shall not under any circumstances be considered as giving such party the right to make unauthorized tenders or receipts; nor shall such payment foreclose Transporter or any other party from pursuing any available remedy against the offending party for making such unauthorized tenders or receipts. The second clause of Subsection (d) hereof shall not be applicable to any unauthorized receipts resulting from a Shipper's failure to return gas advanced by Transporter pursuant to Section 2.11 of the EFT Rate Schedule or Section 2.3 of the IAS Rate Schedule.
- (g) For purposes of this Subsection 15.3, the "Cost of Gas" shall mean the sum of (i) the simple average of the average gas prices at the Dawn, Ontario and Eastern Gas, South Point price points, as such prices are reported in Natural Gas Intelligence's Weekly Gas Price Index for the week that includes the day in question and (ii) any penalties billed to Transporter by another pipeline in consequence of the unauthorized tender or receipt by Shipper; provided, however, that if Transporter makes a purchase of gas in direct response to one or more particular unauthorized receipt(s), the price at which such gas is purchased, if higher than the index price set forth in clause (i) above, shall apply in lieu of such index price.

#### 15.4 Indemnification and Waiver

Shipper (or Operator, as the case may be) shall indemnify Transporter against, hold it harmless from, and undertake and defense of Transporter with respect to any and all claims, losses, damages, expenses and injuries arising from its unauthorized tender or receipt. Shipper waives any and all claims and demands against Transporter arising from an unauthorized tender or receipt by another Shipper, other than claims based on a Shipper's loss of gas supply due to Transporter's negligence or willful misconduct.

## 16. CURTAILMENT

Following the scheduling of services, Transporter shall have the right to curtail services on a system-wide basis or segment-by-segment basis (i) as a result of conditions of force majeure, as described at Section 8.1 of these General Terms and Conditions, (ii) when necessary, in Transporter's reasonable judgment, to avert a material threat to the integrity of its system or to remedy an unexpected loss of capacity, or (iii) when continuation of service would impair Transporter's ability to render a service of a higher priority, as set forth in this Section 16. The allocation procedures and priorities set forth in this Section 16 shall apply to both system-wide and segment-by-segment limitations or curtailments, insofar as is possible.

Transporter will allocate capacity in the manner set forth in this Section 16 only to the extent it is reasonably practical to do so.

It is recognized that the allocation of Transporter's capacity may be affected by the capabilities of Transporter's measurement, control and communication equipment, as it exists from time to time, the operational requirements of Transporter or by factors beyond the control of Transporter, including but not limited to variations in the requirements or markets served by Transporter.

In the event of a curtailment of service under this provision, Transporter shall provide such notice as is reasonable under the circumstances.

For purposes of this Section 16, a "discounted rate" shall include a negotiated rate that is less than the maximum rate at the time in question, and for such negotiated rates, a "discount" shall mean the difference between the maximum rate and the negotiated rate at such time.

If, on any day, Transporter determines that the capacity of its system, or any portion thereof, including the points at which gas is tendered for transportation or delivered by Transporter, is insufficient to serve all requirements which are otherwise scheduled for such day, capacity which requires allocation shall be allocated in a manner which results in curtailment of capacity, to zero (0) if necessary, sequentially in reverse order of section 13.2(a), 13.2(b), 13.2(c) or 13.2(d), as applicable, except that capacity scheduled under any of subsections 13.2(a)(i)-(iv) or subsections 13.2(b)(i)-(iv) shall be combined into a single category. Within each category, capacity shall be curtailed on a pro rata basis based upon the quantities of gas scheduled by Transporter, or if a shipper makes multiple nominations under the same contract, in accordance with the rankings provided by Shipper in its nomination.

## 17. ADJUSTMENTS, SURCHARGES AND NEGOTIATED RATES

### 17.1 Adjustments and Surcharges

Transporter and Shipper recognize that Transporter shall, from time to time, experience changes in costs related to providing service under this FERC Gas Tariff, including, but not limited to, changes in the cost of labor, benefits, materials and supplies, taxes, and required rate of return, costs associated with the resolution of past disputes or outstanding uncertainties concerning amounts owed by Transporter or attributable to Transporter, and costs generated by decisions by the Commission, the courts, or by an arbitration panel or other body having jurisdiction over Transporter. It may be appropriate, equitable, and consistent with cost responsibility to allocate such costs among Shippers based on taking into account past period factors, such as contract demand levels, purchases, or other factors related to a prior period of time. Shipper agrees that Transporter shall have the right, from time to time, to make rate change filings based in whole or in part on factors related to past periods. Shipper shall have the right to intervene and protest any such filings.

### 17.2 Negotiated Rates

- (a) Notwithstanding anything to the contrary contained in this tariff, Transporter may charge a negotiated rate for service under any rate schedule contained in this tariff to any shipper that has access to service at the rates set forth in the applicable rate schedule and agrees to pay such negotiated rate.
- (b) A Negotiated Rate shall mean a rate for service, where one or more of the individual rate components exceed the maximum charge, or are less than the minimum charge, for such components. This definition shall include a formula rate where one or more of the individual rate components may exceed the maximum charge, or may be less than the minimum charge, for such components in some months but not in others.
- (c) With respect to a Negotiated Rate which exceeds Transporter's maximum rate for that service, for the purposes of allocation of capacity pursuant to Sections 13, 16 and 26 of these General Terms and Conditions, a Shipper paying said Negotiated Rate would be considered to have paid the maximum rate for such service.

- (d) For purposes of Section 11.6 of these General Terms and Conditions the highest rate that a Shipper must match in order to continue to receive service is the maximum rate applicable to such service.
- (e) For purposes of a release of capacity subject to a negotiated rate, section 10.4(B) of these general terms and conditions, which provides that no payments may be made or accepted at rates in excess of transporter's applicable maximum rates, shall be applicable.
- (f) Transporter shall make any filings with the Commission necessary to effectuate a Negotiated Rate.
- (g) Transporter shall have the right to seek in general rate proceedings discount adjustments in the design of its rates related to services subject to Negotiated Rates. A discount adjustment to recourse rates for Negotiated Rate agreements shall only be allowed to the extent that Transporter can meet the standards required of an affiliate discount type adjustment including requiring that the Transporter shall have the burden of proving that any discount granted is required to meet competition. Accordingly, Transporter shall be required to demonstrate that any such discount type adjustment does not have an adverse impact on recourse rate shippers by: (i) demonstrating that, in the absence of Transporter's entering into such Negotiated Rate agreement, Transporter would not have been able to contract for such capacity at any higher rate(s) and that recourse rates would otherwise be as high or higher than recourse rates which result after applying the discount adjustment; or (ii) making another comparable showing that the Negotiated Rate contributes more to fixed cost recovery to the system than could have been achieved without the negotiated rate.
- (h) Transporter and a Shipper may, in connection with their agreement to a Negotiated Rate, agree upon payment obligations and crediting mechanisms in the event of capacity releases that vary from or are in addition to those set forth in Section 10 of these General Terms and Conditions. Nothing in the foregoing provision, however, shall authorize Transporter or a Shipper to violate the Commission's policy with respect to the negotiation of terms and conditions of service.



## 18. GAS RESEARCH INSTITUTE PROVISION

### 18.1 Purpose

Transporter has joined with other gas enterprises in the formation of a participation in the activities and financing of Gas Research Institute (“GRI”), an Illinois not-for-profit corporation. GRI has been organized for the purpose of sponsoring Research, Development and Demonstration (“RD&D”) programs in the field of natural and manufactured gas for the purpose of assisting all segments of the gas industry in providing adequate, reliable, safe, economic and environmentally acceptable gas service for the benefit of gas consumers and the general public.

Transporter shall serve as a voluntary collection agent for Shippers who voluntarily choose to contribute to GRI programs through the voluntary contribution mechanism.

### 18.2 Voluntary Contribution Mechanism

Shippers may voluntarily choose to contribute to GRI programs through a “check-the-box” mechanism, about which a notification will appear on their invoices. The “check-the-box” mechanism will permit Shippers to specify the level of voluntary contribution and the project(s) or project area(s) to be funded at the time of their payment. Once a completed contribution form is returned to Transporter, Shipper will be billed the specified amount for specified project(s) or project area(s) until Shipper modifies or cancels such voluntary contributions. Transporter shall serve as a voluntary collection agent for such voluntary contributions, and amounts collected pursuant to the “check-the-box” mechanism shall not be considered part of Transporter’s pipeline rates. In addition, any amount remitted to Transporter pursuant to the voluntary contribution mechanism will be forwarded to GRI and is not refundable by Transporter.

19. ANNUAL CHARGES ADJUSTMENT CLAUSE

19.1 Purpose

For the purpose of funding the Annual Charges assessed against Transporter by the Commission or any successor agency, this Section establishes an Annual Charge Adjustment Clause (“ACA”) pursuant to 18 CFR Section 154.402 to be applicable to Transporter’s Rate Schedules EFT, FT, FST, FT-S, SS-1, IT, FSS, ESS, ISS, IAS, and PTR.

19.2 Basis of the ACA

Service under the rate schedules specified in Section 19.1 hereof shall be subject to the ACA unit charge as revised annually and posted on the Annual Charges page of the Natural Gas section of the Commission’s website, located at <https://www.ferc.gov> and incorporated herein by reference. The applicability of the ACA unit charge shall be reflected in Part 4 (Applicable Rates) of this tariff and in Volume No. 2, where applicable.

19.3 Intent

Transporter intends to fund the Annual Charges assessed against it by the Commission or any successor agency pursuant to 18 CFR Section 154.402 through this Section 19. If this Section 19 is approved by the Commission, Transporter does not intend to recover such Annual Charges recorded in FERC Account No. 928 through a general rate case filing under Section 4 of the Natural Gas Act.

## 20. PASS-THROUGH OF FIXED TAKE-OR-PAY SURCHARGE

### 20.1 Purpose

This Section establishes the procedures under which Seller will recover from Buyers who formerly received service under Seller's former RQ and CD rate schedules, the total take-or-pay charges approved by the Federal Energy Regulatory Commission ("Commission") and billed to Seller on a fixed basis by its pipeline suppliers and pipeline transporters ("upstream pipelines"). Such charges by Seller shall be paid by each such Buyer (hereinafter "Shipper") until Seller has recovered from such Shipper the total allocated amounts, principal and carrying charges, to be recovered from Shipper pursuant to this Section 20.

### 20.2 Procedures

This Subsection 20.2 establishes the procedures under which Seller will recover from Shippers, through a fixed Surcharge under Seller's firm transportation rate schedules, the total take-or-pay charges approved by the Commission to be billed to Seller by its upstream pipelines. Each Shipper's share of the fixed take-or-pay charges billed to Seller by its upstream pipelines shall be separately calculated for each increment of upstream pipeline take-or-pay permitted by the Commission to be collected from Seller.

- (a) Basis of the Surcharge. Each Shipper's share of the fixed take-or-pay charges collected from Seller by its upstream pipelines subject to Order No. 528, shall be determined according to allocation factors set forth in Section 20.2(b)(1), (4), (5) and (6) below. Each Shipper's share of the fixed take-or-pay charges collected from Seller by its upstream pipelines exempt from Order No. 528 shall be calculated upon the purchase deficiency methodology.
- (b) Allocation Factor. Each Shipper's share of the fixed take-or-pay charges permitted by the Commission to be billed to Seller by its upstream pipelines subject to Order No. 528 shall be calculated according to the allocation factors set forth in Section 20.2(b)(1) below. Charges related to those upstream pipelines exempt from Order No. 528 and derived from the purchase deficiency methodology can be found in Sections 20.2(b)(2) and 20.2(b)(3) below, while charges related to the Commission's order issued May 4, 1994, can be found in Sections 20.2(b)(4),(5) and (6) below.

(1) Subject to Order No. 528:

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist. - New York	63.9448%
National Fuel Gas Dist. - Pennsylvania	25.6105%
National Fuel Gas Dist. - Mercer Gas Company	0.2369%
CRG, Inc.	0.0150%
North East Heat & Light Co.	0.3978%
Peoples Natural Gas Company	0.9045%
Eastern Natural Gas Co.	0.7647%
Town of Rushford	0.0113%
Algonquin Gas Trans. Co.	3.6613%
Brooklyn Union Gas Co.	0.5237%
Consolidated Edison Co.	0.5906%
Elizabethtown Gas Co. CD-4	0.1752%
New Jersey Natural Gas Co.	0.4417%
Public Service Elec. & Gas	1.3861%
Elizabethtown Gas Co. CD-7	1.3359%

(2) Exempt from Order No. 528  
 Transcontinental Gas PipeLine & CNG/Transco:

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist. - New York	61.6416%
National Fuel Gas Dist. - Pennsylvania	35.7039%
National Fuel Gas Dist. - Mercer Gas Company	0.2338%
CRG, Inc.	0.0073%
North East Heat & Light Co.	0.4498%
Peoples Natural Gas Company	0.6782%
Eastern Natural Gas Co.	1.2854%

- (3) Exempt from Order No. 528  
 CNG Direct:

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist. - New York	55.1561%
National Fuel Gas Dist. - Pennsylvania	42.3044%
National Fuel Gas Dist. - Mercer Gas Company	0.2332%
CRG, Inc.	0.0130%
North East Heat & Light Co.	0.4170%
Peoples Natural Gas Company	0.3680%
Eastern Natural Gas Co.	1.5083%

- (4) Pursuant to Order issued May 4, 1994, at Docket  
 No. RP91-47-000, et al.  
 Tennessee (1988 WRQ):

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist. - New York	60.2327%
National Fuel Gas Dist. - Pennsylvania	31.7070%
National Fuel Gas Dist. - Mercer Gas Company	0.2267%
CRG, Inc.	0.0081%
North East Heat & Light Co.	0.3941%
Peoples Natural Gas Company	0.7344%
Eastern Natural Gas Co.	0.8145%
Town of Rushford	0.0309%
Algonquin Gas Trans. Co.	2.2443%
Brooklyn Union Gas Co.	0.3888%
Consolidated Edison Co.	0.4162%
Elizabethtown Gas Co. CD-4	0.1470%
New Jersey Natural Gas Co.	0.4382%
Public Service Elec. & Gas	1.1911%
Elizabethtown Gas Co. CD-7	1.0260%

- (4) Pursuant to Order issued May 4, 1994, at Docket No. RP91-47-000, et al.  
 Texas Eastern (1988 WRQ):

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist. - New York	60.2327%
National Fuel Gas Dist. - Pennsylvania	31.7070%
National Fuel Gas Dist. - Mercer Gas Company	0.2267%
CRG, Inc.	0.0081%
North East Heat & Light Co.	0.3941%
Peoples Natural Gas Company	0.7344%
Eastern Natural Gas Co.	0.8145%
Town of Rushford	0.0309%
Algonquin Gas Trans. Co.	2.2443%
Brooklyn Union Gas Co.	0.3888%
Consolidated Edison Co.	0.4162%
Elizabethtown Gas Co. CD-4	0.1470%
New Jersey Natural Gas Co.	0.4382%
Public Service Elec. & Gas	1.1911%
Elizabethtown Gas Co. CD-7	1.0260%

- (4) Pursuant to Order issued May 4, 1994, at Docket No. RP91-47-000, et al.  
 Dominion Transmission, Inc. - flowthrough of Texas Eastern and Texas Gas (1988 WRQ):

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist. - New York	60.2327%
National Fuel Gas Dist. - Pennsylvania	31.7070%
National Fuel Gas Dist. - Mercer Gas Company	0.2267%
CRG, Inc.	0.0081%
North East Heat & Light Co.	0.3941%
Peoples Natural Gas Company	0.7344%

Eastern Natural Gas Co.	0.8145%
Town of Rushford	0.0309%
Algonquin Gas Trans. Co.	2.2443%
Brooklyn Union Gas Co.	0.3888%
Consolidated Edison Co.	0.4162%
Elizabethtown Gas Co. CD-4	0.1470%
New Jersey Natural Gas Co.	0.4382%
Public Service Elec. & Gas	1.1911%
Elizabethtown Gas Co. CD-7	1.0260%

- (5) Pursuant to Order issued May 4, 1994, at Docket No. RP91-47-000, et al. Tennessee (1992 WRQ):

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist.	
- New York	.656841%
National Fuel Gas Dist.	
- Pennsylvania	.267994%
National Fuel Gas Dist.	
- Mercer Gas Company	.002444%
CRG, Inc.	.000117%
North East Heat & Light Co.	.004103%
Peoples Natural Gas Company	.008885%
Eastern Natural Gas Co.	.008222%
Town of Rushford	.000047%
Algonquin Gas Trans. Co.	.020861%
Brooklyn Union Gas Co.	.004463%
Consolidated Edison Co.	.004070%
Elizabethtown Gas Co. CD-4	.001299%
New Jersey Natural Gas Co.	.003826%
Public Service Elec. & Gas	.008193%
Elizabethtown Gas Co. CD-7	.008635%

- (6) Pursuant to Order issued May 4, 1994, at Docket No. RP91-47-000, et al.  
 Columbia Gas Transmission Corporation (1988 WRQ):

<u>Customer</u>	<u>Allocation Factor</u>
National Fuel Gas Dist. - New York	60.2327%
National Fuel Gas Dist. - Pennsylvania	31.7070%
National Fuel Gas Dist. - Mercer Gas Company	0.2267%
CRG, Inc.	0.0081%
North East Heat & Light Co.	0.3941%
Peoples Natural Gas Company	0.7344%
Eastern Natural Gas Co.	0.8145%
Town of Rushford	0.0309%
Algonquin Gas Trans. Co.	2.2443%
Brooklyn Union Gas Co.	0.3888%
Consolidated Edison Co.	0.4162%
Elizabethtown Gas Co. CD-4	0.1470%
New Jersey Natural Gas Co.	0.4382%
Public Service Elec. & Gas	1.1911%
Elizabethtown Gas Co. CD-7	1.0260%

- (c) Refunds. Any refunds attributable to upstream pipeline take-or-pay charges which Seller receives from its upstream pipelines will be refunded to Shipper by Seller individually on the same allocation basis as the surcharges are calculated. Any such refunds will be made by Seller within sixty (60) days after a final, non-appealable order is issued by the Commission approving Seller's compliance filing to flowthrough the individual upstream pipeline's take-or-pay charges, together with interest at the Commission approved interest rate from the date Seller receives a refund until the Seller flows through the refund. Seller's compliance filings will be made within 30 days of each final, non-appealable order in the upstream pipeline's take-or-pay allocation proceeding.
- (d) Surcharge Amount. The principal amount of each increment of take-or-pay costs charged to Seller by its upstream pipelines (including original carrying costs computed), together with the number of months comprising the amortization period associated with each such increment of take-or-pay costs, are reflected in



Section 20 of the General Terms and Conditions to Seller's FERC Gas Tariff. Any carrying charges due Seller shall be calculated on a monthly basis pursuant to Commission approved interest rates.

- (e) Surcharge Adjustment. A one-time adjustment, to be recovered in equal monthly installments over a twenty-four month period, shall be made in the computation of each customer's Monthly Surcharge Amount to reflect the impact of Seller's allocation mechanism on Shipper's share of Seller's take-or-pay costs, allocated under this Section 20 of the General Terms and Conditions to Seller's FERC Gas Tariff, First Revised Volume No. 1 as Section 20 existed in Seller's filing on June 21, 1991 in Docket No. RP91-47-000, et al. This one-time adjustment caused a credit or debit in the computation of Shippers' Monthly Surcharge Amount to reflect over- or under-recoveries, respectively.
- (f) Additional Adjustment. An additional adjustment shall be made in the computation of each customer's Monthly Surcharge Amount to reflect the impact of the Commission order issued May 4, 1994, at Docket Nos. RP91-47-000, et al. on Seller's allocation mechanism for determining Shippers' share of Seller's take-or-pay cost. This adjustment will cause a credit or debit in the computation of Shippers' Monthly surcharge Amount to reflect over- or under-recoveries, respectively.

The Additional Adjustment shall be made by Seller as to each of the individual pipeline take-or-pay proceedings after the Commission issues a final, non-appealable order approving each of the upstream pipeline's take-or-pay allocation methodology. Additional Adjustments will be computed in each of Seller's Compliance filings to flowthrough its upstream pipeline's take-or-pay charges, which compliance filings shall be tendered within 30 days of final, non-appealable orders by the Commission approving each individual upstream pipeline's take-or-pay allocation method.

Billing adjustments to reflect any Additional Adjustment will be made to customer's invoices by Seller, including payment of refunds of overpayments, within sixty (60) days after the Commission issues a final, non-appealable order approving Seller's compliance filing to flowthrough the corresponding take-or-pay charges. Such billing adjustments shall include interest payments or charges at the Commission-approved interest rate calculated from the date the payment was received, or if Buyer did not pay, the date

payment should have been received, through the date of such billing adjustment.

- (g) True Up. Within sixty (60) days of the last take-or-pay payments made by customers related to Seller's individual filings to flowthrough its upstream pipeline's take-or-pay charge after the Commission's approval of each individual upstream pipeline's take-or-pay allocation methodology by a final, non-appealable order, Seller will submit to the Commission for approval and to the parties a final report and any further adjustments, if necessary, to insure that the amount billed or flowed through to each of its customers is the amount the customer owed or was due. Any such further adjustments shall include interest at the Commission-approved rate through the date of such adjustment.

In accordance with the Commission's order in Docket No. RP91-47-006, et al., 68 FERC 61,132, each Shipper's share of take-or-pay charges attributable to the take-or-pay provisions of this Section 20 billed after July 29, 1994, may be recovered over an extended amortization period not to exceed 36 months, at the Shipper's option, commencing on the effective date of the filing.

Any payment required from Shipper and not received by Seller on or before the due date shall bear interest in accordance with Section 5.4 of Seller's General Terms and Conditions to its FERC Gas Tariff.

Shippers, whose service agreement(s) with Seller expire on or after December 1, 1990, and whom receive Commission authority to abandon service from Seller at any time on or after December 1, 1990, shall be directly billed for Shipper's full unpaid share of take-or-pay charges attributable to take-or-pay charges approved by the Commission and billed to Seller by its upstream pipelines, together with carrying charges thereon through the date of the final Commission order authorizing such abandonment, regardless of the effective date of the Commission's order authorizing the abandonment of service. Seller shall submit invoices to such Shipper(s) for the full amount due and owing within the later of thirty (30) days following issuance of a final Commission order authorizing Seller's inclusion of this Surcharge in Seller's FERC Gas Tariff or thirty (30) days following the issuance of a final Commission order authorizing such abandonment. Shipper shall pay Seller the full amount due within thirty (30) days after receipt of such invoice.

#### 20.4 Lump Sum Payment by Shipper

Shipper shall have the option to pay in one lump sum the total amount of Shipper's share of the take-or-pay charges billed to Seller by Seller's upstream pipelines, as determined in this Section 20. Shipper is permitted to exercise its lump sum payment option at any time, subject to the procedures under this Subsection 20.4. Any Shipper electing the lump sum payment option must provide Seller with 30 days advance notice thereof. Seller's next monthly invoice to Shipper occurring at least 30 days after the date notice is received by Seller will reflect a lump sum payment amount for all take-or-pay principal amounts billed to Seller, up to the date notice is received. The invoiced amount shall be due and payable in accordance with Section 5.2 of Seller's General Terms and Conditions to its FERC Gas Tariff. A lump sum payment by a Shipper will not extinguish that Shipper's obligation to pay Shipper's allocated share of any future fixed take-or-pay costs billed to Seller by its upstream pipelines after the date Shipper's notice was received by Seller.

#### 20.5 Texas Eastern

This Subsection 20.5 describes Seller's allocated share of the fixed take-or-pay charges attributable to amounts approved by the Commission to be billed to Seller by Texas Eastern Transmission, LP ("Texas Eastern").

- (a) Calculation of Shippers Monthly Surcharge Amount. The monthly fixed take-or-pay surcharge amount, which Seller will bill each Shipper under Seller's applicable firm sales and firm transportation rate schedules in order to recover Seller's allocated share of Texas Eastern's fixed take-or-pay charges, shall be the product of the monthly principal take-or-pay amount billed by Texas Eastern to Seller and each Shipper's allocation factor (shown at Subsection 20.2 hereof) to which amount is added each Shipper's Surcharge Adjustment, if any.

- (b) Charges to Seller. Seller’s allocated share of Texas Eastern’s total direct and indirect fixed take-or-pay costs is:

<u>Supplier</u>	<u>Texas Eastern’s Docket No.</u>	<u>Principal Amount (\$)</u>	<u>No. of Months</u>
Texas Gas			
RP91-100, RP91-101, RP91-102}	RP91-75-002	192,696.66	24
RP91-61	RP91-72	178,342.56	24
United			
RP88-27, RP88-264, RP89-138, RP90-91, RP89-141, RP90-129}	RP91-73-002	2,524,271.68	24
Southern			
RP88-229, RP89-174, RP89-175, TM89-2}	RP91-74	648,836.77	24

20.6 Columbia

This Subsection 20.6 describes Seller’s allocated share of the fixed take-or-pay charges attributable to amounts approved by the Commission to be billed to Seller by Columbia Gas Transmission Corporation (“Columbia”).

- (a) Calculation of Shippers Monthly Surcharge Amount. The monthly fixed take-or-pay surcharge amount, which Seller will bill each Shipper under Seller’s applicable firm sales and firm transportation rate schedules in order to recover Seller’s allocated share of Columbia’s fixed take-or-pay charges, shall be the product of the monthly principal take-or-pay amount billed by Columbia to Seller and each Shipper’s allocation factor (shown at Subsection 20.2 hereof) to which amount is added each Shipper’s Surcharge Adjustment, if any.

(b) Charges to Seller. Seller’s allocated share of Columbia’s total direct and indirect fixed take-or-pay costs is:

<u>Supplier</u>	<u>Columbia’s Docket No.</u>	<u>Principal Amount (\$)</u>	<u>No. of Months</u>
Texas Eastern			
RP88-80	RP91-41-003		<u>1/</u>
RP91-73	RP91-41-003		<u>1/</u>
RP91-74	RP91-41-003		<u>1/</u>
RP88-251	TM89-3-21	510.00	6
TM89-4-17	TM89-3-21	108.00	6
RP89-150,RP91-72	RP91-41-003	720.00	24
TM89-12-17	TM90-5-21	336.00	6
RP89-153,RP91-73	RP91-41-003		<u>1/</u>
RP91-74(So./Un.)	RP91-41-003		<u>1/</u>
RP91-74(So./S.R.)	RP91-41-003		<u>1/</u>
TM91-7-17	TM91-12-21	16.00	24
	TM91-12-21	59.00	24
	TM91-12-21	11.00	1
	TM91-12-21	4.00	1
Texas Gas			
RP88-177	RP88-187	203,292.00	36
TM89-2-18	TM89-3-21	3,018.00	6
RP89-119, RP91-61	TM92-9-21	5,256.00	0
RP89-208, RP91-61	TM92-9-21	96.00	0
RP90-58, RP91-61	TM92-9-21	2,304.00	0
RP91-61	RP91-41-022	2,775.00	1
TM89-4-18	TM90-5-21	8,484.00	6
TM90-6-18	TM91-2-021	29,540.00	20
TM90-3-18	TM90-8-21	24.00	6
TM90-5-18	TM90-13-21	444.00	6
RP91-134	TM91-12-21	274.00	0
	TM91-12-21	3,737.00	0
	TM91-12-21	898.00	0
	TM91-12-21	215.00	0
	RP91-41-022	2,148.00	1

Transco				
RP88-68				
RP90-98				
RP91-130}	TM93-5-21	17,160.00		30
RP90-99	RP91-41-003	0.00		12
RP90-179	TM92-3-21	816.00		12
RP91-147	TM93-5-21	1,032.00		12
Tennessee				
RP88-191 Phase 1	TM90-12-21	324,330.00*		6
RP88-191 Phase 2	TM90-12-21	72,894.00*		6
RP88-191 Phase 3	TM90-12-21	186,936.00*		6
RP88-191 Phase 4	TM90-12-21	834.00*		6
RP88-191 Phase 5	TM90-12-21	8,574.00*		6
RP85-178	RP88-187	120,840.00*		12
Pan. Eastern				
RP88-240				
TM90-6-28}	TM90-5-21	370,620.00		60
RP88-241				
RP91-53}	RP91-90-000	10,260.00		36
RP89-9				
RP91-53}	RP91-90-000	19,548.00		36
RP89-10				
TM90-8-028}	TM89-7-21	277,500.00		60

1/ Refund due NFGS by Columbia under these Dockets. See Section 20.6(c) for refund amount.

\* Reflects six months of a longer amortization period. At the present time, NFGS is not being billed under these Dockets.

(c) Refunds to Seller. Seller’s allocated share of Columbia’s total direct and indirect take-or-pay refunds is:

<u>Supplier</u>	<u>Columbia’s Docket No.</u>	<u>Principal Amount (\$)</u>	<u>No. of Months</u>
Texas Eastern			
RP91-73	TM92-10-21	625,365.00	15
RP91-74	TM92-10-21	65,295.00	15
RP91-72	TM92-10-21	2,520.00	15
RP91-75 (Tex Gas)	TM92-10-21	7,635.00	15
Transco			
RP90-179	TM92-10-21	35,244.00	11
Panhandle			
RP91-53	TM92-10-21	35,679.00	21
RP91-53	TM92-10-21	39,081.00	21
Texas Gas			
RP91-61	TM92-10-21	17,730.00	9
	TM92-10-21	234.00	9
	TM92-10-21	1,341.00	9

20.7 CNG Transmission

This Subsection 20.7 describes Seller’s allocated share of the fixed take-or-pay charges attributable to amounts approved by the Commission to be billed to Seller by CNG Transmission Corporation (“CNG”).

(a) Calculation of Shippers Monthly Surcharge Amount. The monthly fixed take-or-pay surcharge amount, which Seller will bill each Shipper under Seller’s applicable firm sales and firm transportation rate schedules in order to recover Seller’s allocated share of CNG’s fixed take-or-pay charges, shall be the product of the monthly principal take-or-pay amount billed by CNG to Seller and each Shipper’s allocation factor (shown at Subsection 20.2 hereof) to which amount is added each Shipper’s Surcharge Adjustment, if any.

(b) Charges to Seller. Seller's allocated share of CNG's total direct and indirect fixed take-or-pay costs is:

<u>Supplier</u>	<u>CNG's Docket No.</u>	<u>Principal Amount (\$)</u>	<u>No. of Months</u>
Tennessee			
RP91-29	RP91-51-001		<u>1/</u> <u>2/</u>
RP94-69	TM94-4-22	9,867.12	1
Texas Gas			
RP88-177, RP91-100	RP91-125		<u>1/</u>
RP89-119, RP91-61	RP91-98-000	37,608.90	<u>1/</u>
RP90-64, RP91-102	RP91-125-000		<u>1/</u>
RP91-134	TM91-7-22	70,205.00	24
Texas Eastern			
RP91-74	RP91-98-000		<u>1/</u>
RP91-74	RP91-98-000	19,440.00	24
RP89-184, RP91-74	RP91-98-000	5,568.00	24
RP91-72	RP91-98-000	51,960.00	24
RP91-73	RP91-98-000		<u>1/</u>
RP91-74	TM91-9-22	8,183.00	24
RP91-101	RP91-125-000	11,271.33	<u>1/</u>
RP91-75-001	RP88-91	5,257.00	24
RP91-75-001	RP91-98-001	36,120.00	24
RP91-75-001	RP91-98-001	9,861.00	24
TM91-7-17	TM91-9-22	15,568.00	24
Transco, Direct			
RP88-68, et al.	TM92-7-022	74,406.00*	12
	RP93-69-000	10,258.00	1

\* This amount denotes charges to CNG from Transco for the fifth PSP recovery period and the third LPSP recovery period.

1/ Docket reflects a refund paid NFGS 11/19/93 and flowed through to the customers. See Section 20.7(c) for refund amount.

2/ Pursuant to FERC Order dated May 4, 1994 in Docket No. RP91-47-000 et al the principal amount for Tennessee will be reallocated in accordance with Section 20.2 (b)(4) hereof.



- (c) Refund to Seller. Seller’s allocated share of CNG’s total direct and indirect take-or-pay refunds is:

<u>Supplier</u>	<u>CNG’s Docket No.</u>	<u>Principal Amount (\$) 2/</u>
Tennessee Gas		
RP91-29-006	TM92-2-22	3,027,710.00
Texas Gas		
RP91-100	RP91-125-000	183,179.00
RP91-61	TM92-5-22	269,200.00
RP91-101	RP91-125-000	33,474.00
RP90-102	TM91-6-22	21,900.00
Texas Eastern		
RP91-74	RP91-98-000	644,601.00
RP91-73	RP91-98-000	104,726.00

2/ These amounts due NFGS will be refunded to the customers when received from CNG.

20.8 Transco

This Subsection 20.8 describes Seller’s allocated share of the fixed take-or-pay charges attributable to amounts approved by the Commission to be billed to Seller by Transcontinental Gas Pipeline Company, LLC (“Transco”).

- (a) Calculation of Shippers Monthly Surcharge Amount. The monthly fixed take-or-pay surcharge amount, which Seller will bill each Shipper under Seller’s applicable firm sales and firm transportation rate schedules in order to recover Seller’s allocated share of Transco’s fixed take-or-pay charges, shall be the product of the monthly principal take-or-pay amount billed by Transco to Seller and each Shipper’s allocation factor (shown at Subsection 20.2 hereof) to which amount is added each Shipper’s Surcharge Adjustment, if any.

(b) Charges to Seller. Seller’s allocated share of Transco’s total direct and indirect fixed take-or-pay costs is:

<u>Supplier</u>	<u>Transco’s Docket No.</u>	<u>Principal Amount (\$)</u>	<u>No. of Months</u>
Direct	RP88-68		
	RP90-98		
	RP91-130		
	TM92-10-029	919,920.00*	12
	RP91-147, TM92-12	138,336.00**	12

\* These amounts reflect charges to be recovered from National by Transco during the period May 1, 1992 to April 30, 1993, including interest. These amounts will be adjusted to reflect Transco’s estimated annual interest expense for each succeeding year. A revised Sheet No. 426 is to be filed to reflect the adjusted amounts.

\*\* These amounts reflect charges to be recovered from National by Transco during the period June 1, 1992 to May 31, 1993, including interest. These amounts will be adjusted to reflect Transco’s estimated annual interest expense for each succeeding year. A revised Sheet No. 426 is to be filed to reflect the adjusted amounts.

20.9 Tennessee

This Subsection 20.9 describes Seller’s allocated share of the fixed take-or-pay charges attributable to amounts approved by the Commission to be billed to Seller by Tennessee Gas Pipeline Company (“Tennessee”).

(a) Calculation of Shippers Monthly Surcharge Amount. The monthly fixed take-or-pay surcharge amount, which Seller will bill each Shipper under Seller’s applicable firm sales and firm transportation rate schedules in order to recover Seller’s allocated share of Tennessee’s fixed take-or-pay charges, shall be the product of the monthly principal take-or-pay amount billed by Tennessee to Seller and each Shipper’s allocation factor (shown on Subsection 20.2(b)(5) hereof) to which amount is added each Shipper’s Surcharge Adjustment, if any.

(b) Charges to Seller. Seller's allocated share of Tennessee's total direct and indirect fixed take-or-pay costs is:

<u>Supplier</u>	<u>Tennessee's Docket No.</u>	<u>Principal Amount (\$)</u>	<u>No. of Months</u>
Direct	RP94-69-000	475,188.00*	6
	RP94-261	3,538.00	1

\* These amounts include both principal and interest to be collected by Tennessee over the twelve month recovery period initiated by the December 1, 1993 Tennessee filing.

## 21. TRANSITION COSTS

Pursuant to Order Nos. 636 et seq., issued by the Commission, Transporter is authorized to recover Transition Costs from its Buyers as set forth in this Section. This Section shall be applicable until such time as Transporter has recovered all of its Transition Costs.

### 21.1 Costs Associated with Account Nos. 858, 191 and 186

- (a) Reports. On or before May 1, 1994, Transporter shall file with the Commission and mail to each of its affected Buyers and interested state commissions, a report setting forth the final balances (as of April 30, 1994) of Account Nos. 858 and 191 and the transportation and compression costs in Account No. 186, after all adjustments and the amounts already collected or disbursed as of that point in time if the recovery and/or refund of the accounts has already commenced pursuant to a Commission order. Also, Transporter shall file a report with the Commission setting forth the amounts under Account Nos. 191 and 858, as well as the transportation and compression costs in Account No. 186, finally billed or refunded.
- (b) Debit Balance. If Transporter's net balance of Account Nos. 191 and 858 and the transportation and compression costs in Account No. 186 is a debit balance as of August 1, 1993, (referred to hereunder as "the effective date"), such net debit balance ("balance") shall be recovered through a direct bill to Transporter's former firm sales customers ("customers"). Also, Transporter shall be entitled to recover any out-of-period adjustments to these accounts incurred within nine months of the effective date. If a customer has paid on a lump sum basis, a supplemental invoice will be rendered to that customer.
  - (i) Allocation of commodity costs. The portion of the balance classified as commodity shall be allocated among the customers on the ratio of each customer's purchases under the firm sales rate schedules to all purchases under the firm sales rate schedules during the twelve
  - (ii) Allocation of demand costs. The portion of the balance classified as demand shall be allocated among the customers on the ratio of each customer's demand entitlements under all firm sales rate schedules in effect on the day before the

effective date to the total of such demand entitlements. The demand entitlements for the customers shall be: RQ - the Minimum Monthly Demand; CD - the Maximum Daily Quantity.

- (iii) Billing and payment. Transporter shall invoice each customer for its share of the costs subject to this Section 21.1 within sixty (60) days of the effective date. Any payment due shall be made within ten (10) days after receipt of Transporter's invoice, unless the customer elects to pay the invoiced amount in twelve monthly installments, beginning with the month following the month in which the invoice is received by the customer. In the event the customer elects to make monthly payments, the customer shall also be required to pay interest on the unpaid balance at the interest rate specified in the Commission's regulations for purposes of computing interest on amounts collected subject to refund.
  
- (c) Credit Balance. If Transporter's net balance of Account Nos. 191 and 858 and the transportation and compression costs in Account No. 186 as of the effective date is a net credit balance ("balance") such balance shall be refunded to the customers within sixty (60) days of the effective date.

Refunds of the demand portion of the balance to the customers shall be calculated utilizing the same allocation factors described in Section 21.1(b)(ii). Refunds of the commodity portion of the balance to the customers shall be calculated utilizing the same allocation factors described in Section 21.1(b)(i).

A customer's share of the balance may be used to offset its share of transition costs other than those included in Section 21.1 provided an agreement exists between Transporter and the customer allowing such offset.

- (d) Adjustments. Within sixty (60) days of any charges or refunds to Account Nos. 191 and 858, as well as to the transportation and compression costs in Account No. 186, not included in the balance defined in (b) or (c) above, including costs associated with the resolution of transportation and exchange imbalances, Transporter shall calculate a new net balance and, utilizing the allocation factors described in Sections 21.1(b)(i) and (ii) above, shall issue

supplemental invoices or refunds. Refunds related to the period prior to August 1, 1993, shall be flowed through to the former firm sales customers regardless of when Transporter receives such refunds.

## 21.2 Stranded Costs

Transporter shall seek to recover costs that are stranded as a result of complying with Order No. 636, et seq., together with interest, through a limited Section 4 rate proceedings.

## 21.3 Gas Supply Realignment (“GSR”) Costs

- (a) Transporter shall recover from its customers under the EFT, FT, FST, FT-S and FSS Rate Schedules its Gas Supply Realignment (“GSR”) costs in accordance with this Section 21.3. Storage service quantities under the FSS Rate Schedule will not be so surcharged if surcharged under another rate schedule. GSR costs are those costs attributable to realigning Transporter’s gas supply contracts as permitted by Order No. 636.
- (b) Transporter will make periodic filings after the effective date, seeking necessary Commission authorization to recover any GSR costs actually incurred, plus carrying charges calculated from the date of incurrence of such GSR costs to the projected date of payment as determined pursuant to Section 154.67(c)(2) of the Commission’s regulations.
  - (i) Ninety (90) percent of such GSR costs shall be allocated to Transporter’s shippers under the EFT, FT, FST, FT-S and FSS Rate Schedules, based on the ratio of the Shipper’s Contract MDTQ or Maximum Storage Quantity (MSQ) to the total Contract MDTQ and MSQ of surcharged shippers under Rate Schedules EFT, FT, FST, FT-S and FSS; provided, however, that a FSS shipper shall not be surcharged, nor shall its MSQ be used in the above calculation, with respect to any level of service associated with Firm transportation under the EFT, FT, FT-S or FST Rate Schedules. GSR Costs shall be recovered from shippers under Rate Schedules EFT, FT, FST, FT-S and FSS by means of a GSR Demand Surcharge per Contract MDTQ or MSQ over a three-year amortization period commencing on the date authorized by the Commission. At

the end of the three-year period, Transporter shall continue to charge or refund to the extent necessary to cause the under or over-collections to be adjusted such that Transporter fully recovers its GSR Costs allocated to Shippers under the EFT, FT, FST, FT-S and FSS Rate Schedules.

Transporter will perform an annual revision of the billing determinants to properly reflect changes in the service levels of the Shippers receiving service.

- (ii) Transporter shall recover the remaining ten (10) percent of its GSR costs from Transporter's Shippers under the IT Rate Schedule, over a three-year amortization period, commencing on the date authorized by the Commission. At the end of the three-year period, Transporter shall continue to charge or refund to the extent necessary to cause the under- or over-collections to be adjusted such that Transporter fully recovers its GSR costs allocated to Shippers under the IT Rate Schedule.

If operating experience indicates that Transporter is unable to recover said ten (10) percent from Shippers under the IT Rate Schedule, Transporter may make a new proposal to the Commission to recover any amount of GSR costs not recovered through IT rates.

#### 21.4 Implementation Costs

Transporter shall seek to recover the costs associated with new facilities installed to physically implement Order No. 636 (including, but not limited to, the costs for an Electronic Bulletin Board as well as new metering and flow control equipment), together with interest, through general Section 4 rate proceedings.

#### 21.5 Upstream Supplier's Transition Costs

- (a) Flow Through of Charges. Transporter has been a customer of several interstate pipelines, one or more of which may bill Transporter for costs, directly or indirectly, as Transition Costs under Order No. 636. Transporter shall be entitled to flow through

to its firm Buyers all Transition Costs that Transporter is required to pay such upstream pipelines.

- (b) Basis for the Flow Through of Charges. The charges to Transporter, associated with Account Nos. 191, 858, and the transportation and compression costs in Account No. 186, as well as with any other transition costs to Transporter as may be authorized by the Commission, shall be flowed through to all firm Buyers on an as-billed basis using the firm Buyers' entitlements during the period of time or on a date prior to the effective date that corresponds to the period of time or date utilized by the upstream pipeline for allocation purposes, unless otherwise modified by the Commission.
- (c) Filing Procedure. At least thirty (30) days before the proposed effective date of an initiation of a charge or a change in the charges covered by this section, Transporter shall file with the Commission and mail to each of its affected firm Buyers and interested state commissions a revised tariff section or sections showing such charge and a statement showing the basis therefor.
- (d) Effective Period of Flow Through. Transporter shall continue to flow through the charges under this section for the full period required to recover the total Transition Costs that Transporter is required to pay such upstream pipelines.

#### 21.6 Exit Fee

- (a) If Transporter and a firm Buyer agree upon a reduction or termination of that Buyer's service, such Buyer shall pay Transporter a negotiated exit fee including charges for Account Nos. 191, 858, and the transportation and Compression costs in Account No. 186, GSR Costs, Stranded Costs, Implementation Costs and Upstream Supplier Transition Costs, plus any associated carrying charges assigned or allocated to and otherwise payable by the Buyer, absent the termination. In addition, Transporter will collect all or a portion of the capacity reservation charge otherwise recoverable by Transporter from the Buyer for the balance of the contractual term, absent early termination.



22. COMPLAINT PROCEDURES

This Section 22 is required by 18 CFR 250.16:

Complaints by shippers and potential shippers concerning any transportation or sales services offered by Transporter or any of Transporter's transportation or sales practices and procedures should be directed to Transporter's President at (716) 857-7889. Transporter will respond initially within 48 hours and in writing within 30 days to such complaints. Any person dissatisfied with the response received from the President should resubmit the complaint, in writing, to:

General Counsel  
National Fuel Gas Supply Corporation  
6363 Main Street  
Williamsville, NY 14221

23. TRANSPORTATION AND STORAGE COST ADJUSTMENTS (“TSCA”)

The rates and charges applicable to Rate Schedule EFT are subject to adjustment, in Seller’s first quarterly filing made pursuant to this Section 23 herein following August 1, 1993 and in each quarterly and annual filing thereafter, to reflect changes in Transportation Costs. “Transportation Costs” are costs incurred by Seller after July 31, 1993, for the transmission, storage and compression of gas by others included in Account Nos. 858 and 826, excluding costs associated with providing service under Rate Schedules V-1, V-2, and X-58, and costs subject to direct passthrough pursuant to Section 12 of these General Terms and Conditions.

23.1 Filing of Transportation and Storage Cost Adjustment

The effective Transportation and Storage Cost Adjustment (“TSCA”) under Rate Schedule EFT shall be shown in Seller’s Tariff at Section 4.010. Seller shall file its TSCA quarterly and its filing shall include computations showing the derivation of the TSCA.

23.2 Calculation Period and Rate Determinants

The Calculation Period (“Calculation Period”) shall be the twelve-month period commencing with the effective date of Seller’s TSCA filings referenced in Section 23.1 above.

The term “Rate Determinants,” as used herein, shall refer to projected Reservation and Commodity billing units for Rate Schedule EFT for the Calculation Period.

23.3 Determination of TSCA

- (a) The “Current Transportation and Storage Costs” shall be the estimated Reservation and Commodity Account Nos. 858 and 826 amounts for the Calculation Period.
- (b) The “Current TSCA Unit Rates” shall be determined by dividing the Current Transportation and Storage Costs by the Rate Determinants under Rate Schedule EFT for the Calculation Period.
- (c) “Current Adjustment” set forth in Section 4.010 hereof shall be determined by subtracting the Current TSCA Unit Rate from the Current TSCA Unit Rate contained in the immediately preceding quarterly filing hereunder; provided, that the initial Current TSCA

Unit Rates hereunder shall be determined on the basis of the Current Transportation and Storage Costs.

23.4 Unrecovered Transportation and Storage Cost Account

- (a) Seller shall establish and maintain an “Unrecovered Transportation and Storage Cost” Account for the collection of TSCA costs under Rate Schedule EFT as a subaccount of Account No. 186. This Account shall be segregated between Transportation and Storage Reservation and Commodity Costs. Each month this Account shall be (a) debited by Seller’s actual Transportation and Storage Costs, and (b) credited by the actual revenues received attributable to the TSCA reflected in Seller’s rates. Such credits shall be determined by multiplying (i) the actual Reservation and Commodity billing units under Rate Schedule EFT for the billing month by (ii) the Current TSCA Unit Rates and TSCA Adjustment, in effect for that month.
- (b) Commencing with the effective date of this TSCA provision, all Transportation and Storage Cost refunds received by Seller, applicable to transportation services performed during the period this Section 23 remains effective, shall be credited to this Account.
- (c) Each month this Account shall be debited (in the event of a debit balance) or credited (in the event of a credit balance with interest, calculated by utilizing the procedures set forth in Section 154.305(h) of the Commission’s Regulations on the prior month’s ending balance).

23.5 Unrecovered Transportation and Storage Cost Surcharges

In each Annual filing, Seller shall adjust its rates either positively or negatively to include a surcharge to recover or return the balance in the applicable Account No. 186 subaccount, Unrecovered Transportation and Storage Cost, as of the preceding August 31. Separate surcharges shall be determined for the Reservation Commodity portions of the balance in Account No. 186. Such surcharges shall be determined by dividing the balance in the applicable Account No. 186 subaccount as of the preceding August 31 by the Rate Determinants under the EFT Rate Schedule for the twelve-month period commencing with the effective date of the Annual filing. This Surcharge Adjustment shall be set forth in Section 4.010 hereof.

For the period January 1 through December 31, the surcharge recoveries or returns shall be recorded to the amortizing subaccount each month. If there is a balance remaining in the amortizing subaccount of Account No. 186 at the end of twelve months, such balance shall be transferred to the “Current” subaccount of Account No. 186.

23.6 Termination Provision

At such time as the provisions of this Section are terminated, (i) any net credit balance in the Account No. 186 subaccount, Unrecovered Transportation and Storage Cost, shall be refunded to Buyers, or (ii) any net debit balance shall be due and payable by Buyers.

Such refunds or payments shall be made by either debiting or crediting a deferred account or by immediate cash refunds/direct billing payments as may be directed by the Commission, or, in the absence of direction from the Commission, cash refunds/direct billing payments.

24. TRANSPORTATION THROUGH TRANSPORTER'S UNPROCESSED GAS SYSTEM

24.1 Designation of Unprocessed Gas System

The following system is designated as Transporter's Unprocessed Gas System:

The facilities in Clarion, Warren, McKean, Forest, Elk and Jefferson Counties, Pennsylvania, upstream of Transporter's system at Kane, Roystone, Whitetail, and Overbeck Processing Plants operated by third-parties.

24.2 Processing of Gas Received into Transporter's Unprocessed Gas System

- (a) Gas received by Transporter in its Unprocessed Gas System must be processed prior to delivery into its downstream transmission facilities, at one of the third-party plants processing gas from Transporter's Unprocessed Gas System ("Third-Party Processors").
- (b) Transporter shall have no obligation to accept gas into its Unprocessed Gas System that is not processed under a processing agreement with one or more of the Third-Party Processors.

24.3 Transportation of Unprocessed Gas

- (a) Transportation of liquefiable hydrocarbons removed from the gas stream by a Third-Party Processor, from the receipt point(s) into Transporter's Unprocessed Gas System to the processing plant(s), shall be governed by Transporter's PTR Rate Schedule and a PTR Service Agreement.

- (b) Transportation of the Related Gas Stream (as defined in Section 1.1 of the PTR Rate Schedule) from the receipt point(s) into Transporter's Unprocessed Gas System to the delivery point(s) specified in Shipper's transportation service agreement shall be performed pursuant to that agreement and the applicable rate schedule. Each shipper of the Related Gas Stream ("Related Shipper") shall act as agent, for purposes of invoicing and payment of charges under the PTR Rate Schedule, for the shipper of the associated liquefiable hydrocarbons under Transporter's PTR Rate Schedule with respect to the transportation of the liquefiable hydrocarbons associated with the quantities of the Related Gas Stream allocated to such Related Shipper. A shipper's nomination for the transportation of any part of the Related Gas Stream shall constitute acceptance of such agency.

## 25. PROVISIONS APPLICABLE ONLY TO RATE SCHEDULE SS-1

The provisions of this Section 25 are applicable only to services under Rate Schedules SS-1. This Section 25 is intended to preserve, to the extent possible, all the terms of service formerly provided by Penn-York Energy Corporation (“Penn-York”) before Penn-York was merged into Transporter in 1994. This Section 25 contains the General Terms and Conditions from Penn-York’s tariff upon the effective date of that merger, except for any Penn-York tariff provision which was effectively the same as another provision in Transporter’s General Terms and Conditions. Transporter’s other General Terms and Conditions shall govern services under Rate Schedule SS-1 except to the extent of any conflict with the provisions of this Section 25, in which case the provisions of this Section 25 shall govern.

### 25.1 Definition of Terms

The following terms are intended and used and shall be construed to have the following meanings:

- (a) The term “contract year” shall mean the year commencing April 1.
- (b) The term “total heating value” when applied to a cubic foot of gas, means the number of British thermal units produced by the complete combustion with air, at a constant pressure, of one anhydrous (dry) cubic foot of gas at a pressure of 14.73 PSIA and a temperature of 60 Fahrenheit when the products of combustion are cooled to the initial temperature of the gas and air, and when water formed by combustion is condensed to a liquid state.
- (c) The term “Volume of Gas” shall mean a number of units of gas express in Mcf’s unless other specified.
- (d) The term “Penn-York” shall mean Penn-York Energy Corporation, which was merged into Transporter in 1994. Any references in Rate Schedule SS-1, or in any service agreement thereunder, to Penn-York shall be deemed to refer to Transporter.
- (e) The term “Former Penn-York Facilities” shall mean the facilities which were transferred from Penn-York to Transporter by merger in 1994. Any provision in any Rate Schedule or Service Agreement which names a Former Penn-York Facility as a point for the delivery or receipt of gas, or for any other purpose, shall be

deemed to apply to that same physical point, even if that point is an interconnection between the Former Penn-York Facilities and Transporter's other facilities.

## 25.2 Quality

- (a) General Standards. The gas delivered by, or for the account of, Buyer to Transporter and redelivered by Transporter to, or for the account of, Buyer shall be natural or mixed gas having a total heating value at the point of delivery and redelivery of not less than 967 Btu per cubic foot and shall be commercially free from objectionable odors, dust or other solid or liquid or gaseous matters which might interfere with its merchantability or contaminate the gas of seller or its customers or cause injury to or interfere with proper operation of the lines, regulators, meters or other appliances through which it flows. Transporter may subject gas received to compression, cooling, cleaning and other processes, but shall not extract and retain hydrocarbons from such gas.
- (b) Non-Conforming Gas. If any gas offered for receipt or delivery hereunder by Transporter or by Buyer shall fail at any time to conform to the standards set forth in this Subsection 25.2 above, then the party to whom said gas is offered shall notify the other party of such deficiency and thereupon may at its option refuse to accept such gas pending correction by such offering party. Upon such offering party's failure promptly to remedy any deficiency in quality as specified in this section, the receiving party may, in its sole discretion accept such gas and may make changes necessary to bring such gas into conformity with the standards set forth in this section, and such offering party in such instance shall reimburse such receiving party for any reasonable expense incurred in effecting such changes.
- (c) Commingling. It is recognized that gas received by Transporter from or for the account of Buyer will be commingled with Transporter's gas or gas of other customers of Transporter. Accordingly, gas shall be subject to changes in total heating value as may result from such commingling and Transporter shall, notwithstanding any other provision hereof, be under no obligation to deliver to Buyer Volumes of Gas equivalent to those received by Transporter from Buyer.



### 25.3 Measurement

- (a) Measurement Units. The measurement unit of the gas delivered by Transporter to Buyer and by Buyer to Transporter shall be (a) an Mcf for purposes of determining Volume of Gas and (b) a Dth for purposes of determining Quantity of Gas. Mcf delivered shall be determined in accordance with Boyle's law for the measurement of gas with deviations therefrom as provided in subsection 3.6 on the measurement basis hereinafter specified. Dth delivered shall be determined by multiplying Mcf delivered by a fraction the numerator of which is the Btu per cubic foot (dry) and the denominator of which is the number 1,000.
- (b) Total Heating Value. The total heating value per cubic foot of gas shall be determined by either (1) the use of a suitably located and acceptable make calorimeter, or (2) calculation from fractional analysis, or (3) methods outlined in Report No. 5 of the Gas Measurement Committee of the American Gas Association, latest edition, or (4) other methods mutually acceptable. Determination of total heating value per cubic foot shall be made daily. Readings recorded during each day shall be averaged, the average thus obtained shall be the total heating value per cubic foot delivered during the corresponding day.

### 25.4 Measuring Equipment

- (a) Ownership and Operation. Unless otherwise agreed upon, Transporter shall install, maintain and operate at or near the delivery points, measuring stations properly equipped with displacement or orifice meters and other necessary measuring equipment by which the Volume of Gas and Quantity of Gas delivered hereunder shall be measured. Orifice meters shall be installed and operated in accordance with specifications recommended in Gas Measurement Committee Report No. 3 of the American Gas Association, as the same may be amended from time to time, applied in a practical manner. Displacement meter dial readings shall be adjusted for varying pressure and temperature conditions.
- (b) Installation. All installations of measuring equipment, applying to or affecting deliveries by Transporter to Buyer and by Buyer to Transporter, shall be made in such manner as to permit an accurate determination of the Volume of Gas and Quantity of Gas delivered

or received and ready verification of the accuracy of measurement. Reasonable care shall be exercised in the installation, maintenance and operation of any pressure regulating equipment so as to avoid, as far as practicable, any inaccuracy in the determination of the Volume of Gas and Quantity of Gas delivered or received hereunder.

- (c) Measuring Equipment Failures. In the event measurement equipment is out of service, or registering inaccurately, the Volume of Gas and/or Quantity of Gas delivered by Transporter to Buyer or by Buyer to Transporter shall be estimated:
1. by using the registration of any check meter, meters or other measurement equipment if installed and accurately registering or, in the absence of 1;
  2. by correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation or, in the absence of both 1 and 2, then;
  3. by estimating the Volume of Gas and/or Quantity of Gas delivered by deliveries during periods under similar conditions when the meter and/or other measuring equipment was registering accurately.
- (d) Accuracy of Measuring Equipment. The accuracy of the Transporter's measuring equipment shall be verified by the Transporter at reasonable intervals, and if requested, in the presence of representatives of the Buyer, but the Transporter shall not be required to verify the accuracy of such equipment more frequently than once in any 30 day period. In the event either party shall notify the other that it desires a special test of any measuring equipment, the parties shall cooperate to secure a prompt verification of accuracy of such equipment.

## 25.5 Billing and Payment

- (a) Demand Charge Statement. A statement to recover the Deliverability and Capacity charges shall be delivered by Transporter to Buyer before the end of each calendar month for services to be provided hereunder during the next following month.

- (b) Injection/Withdrawal Charge Statement. A second statement shall be delivered by Transporter to Buyer on or before the tenth day of each calendar month for recovery of the Injection/Withdrawal and excess service charges for gas delivered hereunder during the preceding month. A schedule shall also be provided each month showing the beginning and ending Volumes of Gas and Quantities of Gas of Buyer in storage during the month immediately preceding the month in which the schedule is delivered, together with applicable Volumes of Gas and Quantities of Gas delivered, Injection Allowance, Volumes of Gas and Quantities of Gas Withdrawn, and Withdrawal Allowance for the month.
- (c) Payments. After timely delivery of a statement pursuant to subparagraph 25.5(a) hereof, Buyer shall pay Transporter at its designated address on or before the 10th day of the month during which services are to be provided hereunder by Transporter as shown by the statement. Buyer shall pay Transporter on or before the twentieth day of the month in which the statement is received for commodity and excess service charges for services provided pursuant to subparagraph 25.5(b).
- (d) Delayed Payment. Should Buyer fail to pay all of the amount of any bill, as herein provided, when such amount is due, interest on the unpaid portion of the bill shall accrue at the rate and manner as prescribed in Section 154.67 of the Regulations of the Federal Energy Regulatory Commission from the due date until date of payment. If such failure to pay continues for 30 days after payment is due, Transporter, in addition to any other remedy it may have, may, after application to and authorization by the Federal Energy Regulatory Commission, suspend further delivery of gas until such amount is paid; provided, however, that if Buyer in good faith shall dispute the amount of any such bill, or parts thereof, and shall pay to Transporter such amounts as it concedes to be correct and at any time thereafter within 30 days of a demand made by Transporter shall furnish a good and sufficient surety bond, to secure payment to Transporter of the amount ultimately found due upon such bills after a final determination, which may be reached either by agreement or judgment of the courts as may be the case, then Transporter shall not be entitled to seek to suspend further delivery of gas on account of such disputed claim while so secured.
- (e) Delay in Billing. If delivery of a statement to Buyer is delayed after the dates specified in subparagraphs 25.5(a) and (b), the time

of payment shall be extended accordingly by Transporter, unless Buyer is responsible for such delay.

- (f) Correction of Errors. If an error is discovered in any statement, such error shall be adjusted, provided that claim shall have been made within 12 months from the date of such statement.

#### 25.6 Delivery Point

The delivery point or points for all service rendered by Transporter to Buyer shall be the connection between Buyer's and Transporter's lines or at such other point or points as agreed in the executed Service Agreement.

#### 25.7 Delivery Pressure

Deliveries of gas from Buyer to Transporter and from Transporter to Buyer shall be at pressures agreed upon by Buyer and Transporter in the executed Service Agreement.

#### 25.8 Possession of Gas and Responsibility

- (a) Possession. As between the Transporter and Buyer, the Buyer shall be deemed to be in control and possession of the gas until it shall have been delivered to the Transporter at the point of delivery. Thereupon, the Transporter shall be deemed to be in control and possession of the gas until it shall have been redelivered to or for the account of the Buyer, after which the Buyer shall be deemed to be in control and possession thereof.
- (b) Responsibility. The Transporter shall have no responsibility with respect to any gas prior to its delivery to the Transporter, nor on account of anything which may be done, happen or arise with respect to said gas prior to such delivery; and Transporter shall have no responsibility with respect to any such gas after its redelivery to or for the account of Buyer, nor on account of anything which may be done, happen or arise with respect to said gas after such redelivery. The Buyer shall have no responsibility with respect to any such gas delivered to Transporter by Buyer during the period after such delivery and prior to redelivery to or for the account of Buyer, nor on account of anything which may be done, happen or arise with respect to said gas during such period.

25.9 Warranty of Title to and Condition of Gas

- (a) Buyer agrees to indemnify Transporter and hold its harmless against all suits, judgments, actions debts, accounts, damages, costs, losses and expenses arising out of or in any way connected with any claims of any and all third persons to or against gas stored hereunder. Transporter shall, within a reasonable time after it receives notice of the assertion of any such lien or claim, notify Buyer of such fact and shall permit Buyer to participate in the defense against such lien or claim. In the event any claim of any character whatsoever is asserted against Transporter in respect of any of said gas, Transporter may, in addition to and without limiting such other remedies as may be available to it, retain such gas of Buyer as may at the time of such claim be in, or thereafter come into, Transporter's possession until such claim has been finally determined, as security for the performance of Buyer's obligations with respect to such claim, or until Buyer shall have furnished bond to Transporter, in the amount of such claim and with sureties reasonably satisfactory to Transporter conditioned for the protection of Transporter with respect to such claim.
- (b) Transporter warrants that the gas delivered to it by Buyer for storage shall not become encumbered by a lien or adverse claim of any person claiming by, through or under Transporter while such gas is in the possession of Transporter.

25.10 Force Majeure

- (a) **Relief from Liability.** Neither Transporter nor Buyer shall be liable in damages to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or wells or lines of lines of pipe, line or well freeze-ups, temporary failure of gas supply, the necessity of making repairs and/or alterations in machinery or line of pipe, partial or complete failure by persons transporting gas for Transporter or Buyer, the binding order of any court or governmental authority having jurisdiction and any other cause, whether of the kind herein enumerated, or otherwise caused or occasioned by or happening on account of the act or omission of one of the parties to the Service Agreement

between Transporter and Buyer or some person or concern not a party thereto, not within the reasonable control of the party claiming relief from liability and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming relief from liability.

- (b) **Liabilities Not Relieved.** The provisions of Transporter's General Terms and Conditions Subsection 8.2 shall be applicable to Rate Schedule SS-1.

#### 25.11 Storage Field Losses

In the event of a loss of gas from one or more storage fields utilized by Transporter resulting from force majeure, such loss shall be allocated among Transporter, lessees of Transporter's storage capacity and each Shipper receiving service under the ESS, FSS, ISS or SS-1 Rate Schedule or in proportion to the quantities of gas (excluding base gas) of each in storage immediately prior thereto as reasonably determined by Transporter, and if such extraordinary loss exceeds the top gas balances of Transporter and all such lessees and Shippers, such excess will be deemed to be from Transporter's base gas. Losses of gas from storage fields utilized by Transporter that are not losses resulting from Transporter's top gas balance, and, to the extent such losses exceed Transporter's top gas balance, such excess will be deemed to be from Transporter's base gas. For purposes of this Section 25.11, a loss of gas resulting from force majeure is a loss caused by any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rules and peoples, civil disturbances, explosions, breakage or accident to machinery or line of pipe, line freeze-ups, or similar causes.

Shipper is placed on notice that Transporter may recognize storage gas losses for rate and accounting purposes. Such losses shall be valued at the current replacement cost of gas. After accounting recognition of any such loss, Transporter shall record and maintain a regulatory asset account which shall be maintained until Transporter's next general rate change filing under Section 4 of this Natural Gas Act. In any of Transporter's general rate change filings, Transporter may propose to amortize storage gas losses through its base rates. This provision shall apply to storage gas

losses incurred by unamortized as of the date upon which this provision becomes effective, and to those incurred after that date.

25.12 Waiver of Defaults

No waiver by either Transporter or Buyer of any one or more defaults by the other in the performance of any provisions of this tariff, the applicable Rate Schedule and the Service Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character, or of the continued enforceability of any of the provisions thereof.

25.13 Buyer's Liabilities

Buyer shall not be relieved of its obligations to pay the Minimum Bill rendered each month until the service agreement is terminated according to its terms and, notwithstanding the provisions of Paragraph 25.11 of these General Terms and Conditions, Buyer's obligations to pay the Minimum Bill rendered each month shall be unaffected by any circumstance whatsoever unless otherwise provided in the applicable rate schedule under this tariff.

26. PROCEDURES FOR ALLOCATING FIRM CAPACITY

26.1 In the event firm capacity on Transporter's system becomes available or will become available other than through the applicable provisions of Sections 10 or 11 of these General Terms and Conditions or Subsection 26.10 hereof, Transporter shall post on its web site all relevant terms and conditions pertaining to such capacity and will solicit service requests for at least the following periods:

- (a) One (1) business day for firm capacity which will be available for less than five (5) months;
- (b) Three (3) business days for firm capacity which will be available for five (5) months or more but less than twelve (12) months; and
- (c) Five (5) business days for firm capacity which will be available for twelve months or longer.

A Shipper submitting a service request in response to a posting pursuant to this Section 26 shall include, in addition to the information required by the applicable rate schedule, a request for any discount sought by the Shipper. The rate for the service requested by Shipper, as discounted in accordance with the Shipper's request, and the term of service requested by the Shipper, shall constitute the Shipper's bid for the capacity posted by Transporter.

26.2 Transporter shall evaluate and determine the value of the bid(s) for the capacity posted by Transporter in accordance with one of the following two methods, with the specific method identified in its posting:

- (a) Net present value of reservation, demand and capacity charges per unit of capacity; or
- (b) Rate bid, provided such bid meets the minimum term (if any) stated in Transporter's posting.

In the event Transporter receives two or more bids of equal value, then under method (a) the best bid shall be the bid with the shortest term and under method (b) the best bid shall be the bid with the longest term. Transporter shall base its selection of method (a) or method (b) upon its



assessment of which method will result in greater revenues for the services associated with the capacity.

- 26.3 In processing requests for service received within the posting period, Transporter shall allocate capacity among shippers according to the present values (where method (a) is employed) or rates (where method (b) is employed) of the bids received. A ratable allocation, based on the quantities requested, shall be made among shippers that submit bids that are equal with respect to both value and term.
- 26.4 Transporter's posting shall also specify the number of days within which shippers must execute and return service agreements or precedent agreements once Transporter has allocated available capacity in accordance with Section 26.3. If a Shipper fails to execute and return the agreement tendered by Transporter within such specified period, the capacity allocated to that Shipper will be reallocated among the remaining shippers requesting the posted capacity during the posting period, in accordance with Section 26.3.
- 26.5 If some or all of the posted capacity remains available following the posting period, either for an indefinite period or for an interim period ending with the commencement date of the service(s) of the shipper(s) submitting the Best Bid(s) during the posting period ("Interim Period"), Transporter may, in its discretion, establish additional posting periods. Requests for firm service that are received by Transporter outside of an established posting period shall be processed on a first-come, first-served basis in accordance with the applicable rate schedule, subject to Section 26.6. A service agreement for capacity available only during an Interim Period shall not be a Qualifying Agreement for purposes of Section 11 of these General Terms and Conditions (Pregranted Abandonment and Right of First Refusal).
- 26.6 If Transporter receives a request for firm service (other than a backhaul service) that requires capacity that exists on Transporter's system, but has not been disclosed to shippers pursuant to Section 9 of these General Terms and Conditions, Transporter shall solicit service requests for such capacity, and shall allocate such capacity in accordance with this Section 26. In such case, the request for capacity that had not been disclosed shall be considered to have been received in response to the posting and during the posting period.

- 26.7 Any shipper submitting a request in response to a posting pursuant to this Section 26 may later amend its bid prior to the conclusion of the posting period.
- 26.8 Notwithstanding the above, Transporter shall not be obligated to accept any bid or execute a service agreement or precedent agreement at a rate less than the maximum rate allowable under the applicable rate schedule. Transporter's posting may specify a minimum rate and the latest commencement date that Transporter will accept for service requiring the capacity described in its posting.
- 26.9 In the event Transporter announces a plan to construct or acquire facilities that would result in additional capacity, Transporter may use any or all of the procedures set forth in this Section 26 or may use different procedures so long as it allocates capacity without undue discrimination.
- 26.10 If capacity posted hereunder is contracted by a shipper, either in response to the posting or outside of an established posting period pursuant to Subsection 26.5 hereof, for a primary term of less than twelve (12) months, Transporter shall not be obligated to post such capacity upon expiration of such contract pursuant to this Section 26, but may process request for firm service utilizing such capacity on a first-come first-served basis, subject to Subsection 26.6 hereof.

27. RESERVED FOR FUTURE USE

28. POLICY CONCERNING REIMBURSEMENT FOR FACILITY CONSTRUCTION

28.1 Except as provided in Section 28.2 herein, Shipper shall reimburse Transporter (a) for the costs of any facilities installed by Transporter with Shipper's consent to receive, measure, transport or deliver natural gas for Shipper's account and (b) for any and all filings and approval fees required in connection with Shipper's Service Agreement that Transporter is obligated to pay to the Commission or any other governmental authority having jurisdiction. Any reimbursement due Transporter by Shipper pursuant to this Section 28.1 shall be due and payable to Transporter within ten (10) days of receipt by Shipper of Transporter's bill(s) for same; provided, however, subject to Transporter's consent such reimbursement, plus carrying charges thereon, may be amortized over a mutually agreeable period not to extend beyond the primary contract term of the service agreement between Transporter and Shipper. Carrying charges shall be computed utilizing interest factors acceptable to both Transporter and Shipper.

28.2 Transporter may waive from time to time, at its discretion, all or a portion of the facility cost reimbursement requirement set forth in Section 28.1 if Shipper provides Transporter adequate assurances of transportation throughput to make construction of the facilities economical to Transporter. Transporter shall post the circumstances under which such waivers are granted on its web site to the extent required by Commission regulations. Shipper's service agreement may provide that a waiver of reimbursement hereunder will be rescinded, and Shipper will be obligated to reimburse Transporter for all or a specified portion of the facility cost reimbursement requirement, if, at any time, Shipper materially defaults on its payment obligations under the agreement or if Shipper becomes subject to a bankruptcy, reorganization, insolvency or similar proceeding. All requests for waiver shall be handled by Transporter in a manner which is not unduly discriminatory. For purposes of determining whether a project is economical, Transporter will evaluate projects on the basis of various economic criteria, which will include the estimated transportation throughput, cost of the facilities, operating and maintenance as well as administrative and general expenses attributable to the facilities, the revenues Transporter estimates will be generated as a result of such construction, and the availability of capital funds on terms and conditions acceptable to Transporter. In estimating the revenues to be generated, Transporter will evaluate the existence of capacity limitations downstream of the facilities, the marketability of the capacity, the location of the

markets, the interruptible versus the firm nature of the transportation service, and other similar factors which impact whether the available deliverability will actually be transported.

29. PERIODIC REPORTS

Set forth below are reports required to be filed by Transporter pursuant to Commission orders:

- (a) Docket No. CP14-501-000  
Beech Hill Storage Complex, Allegany County, New York

Pursuant to the Commission's Letter Order issued March 25, 2021, Transporter must file semi-annual reports providing information on all actions taken and an assessment of the results of those actions on halting the migration of gas specific to the Beech Hill Storage Complex.

- (b) Docket No. CP17-443-000  
Wharton Well WH23 Abandonment Project, Potter County, Pennsylvania

Pursuant to the Commission's Letter Order issued July 27, 2018, Transporter must file quarterly progress reports providing information on the results of the pressure evaluation of Well WH23 and the status of plugging and abandonment activities.

30. INDUSTRY STANDARDS

In compliance with 18 CFR §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 §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:**

NAESB Standard	Tariff Record
1.3.1	Part 7, GT&C §1 – Definition of Terms (No. 1.3)
1.3.2(i)	Part 7, GT&C §13.1(a) – Timely Nominations
1.3.2(ii)	Part 7 GT&C §13.1(a) – Intraday Nominations
1.3.2 (ii – vi)	Part 7, GT&C §13.1(b) – Intraday Nominations
1.3.4	Part 7, GT&C §13.1 – Nominations
1.3.6	Part 7, GT&C §13.1(c) – Other Nominations
1.3.23	Part 7, GT&C §13.2 – Scheduling
2.3.18	Part 7, GT&C §14.3(c) – Allocation of Receipts
2.3.18	Part 7, GT&C §14.4(c) – Allocation of Deliveries
3.2.1	Part 7, GT&C §1 – Definition of Terms (No. 1.5)
3.3.15	Part 7, GT&C §5 – Billing and Payment
3.3.18	Part 7, GT&C §5.2 – Payment
5.2.3	Part 7, GT&C §1 – Definition of Terms (No. 1.28)
5.3.1	Part 7, GT&C §10.3(c) – Capacity Release Timeline
5.3.2	Part 7, GT&C §10.3(c) – Capacity Release Timeline
5.3.3	Part 7, GT&C §10.5(a) – Determination of Best Bid
5.3.4	Part 7, GT&C §10.5(c) – Determination of Best Bid
5.3.8	Part 7, GT&C §10.2(a)(xi) – Notice by Existing Shipper
5.3.11	Part 7, GT&C §10.6 – Awards
5.3.12	Part 7, GT&C §10.3(a) – Posting of Shipper’s Notice
5.3.13	Part 7, GT&C §10.4(c) – Bidding Procedures

NAESB Standard	Tariff Record
5.3.14	Part 7, GT&C §10.2(b) – Notice Required by Existing Shipper
5.3.15	Part 7, GT&C §10.4(c) – Bidding Procedures
5.3.16	Part 7, GT&C §10.2(b) – Notice Required by Existing Shipper
5.3.26	Part 7, GT&C §10.2(a)(ix) – Notice by Existing Shipper
5.3.28	Part 7, GT&C §10.2(a)(iii) – Notice by Existing Shipper
5.3.29	Part 7, GT&C §10.2(a)(iii) – Notice by Existing Shipper
5.3.44	Part 7, GT&C §10.11 – Intraday Recalls of Capacity
5.3.45	Part 7, GT&C §10.11(b) – Intraday Recalls of Capacity
5.3.54	Part 7, GT&C §10.11(c) – Intraday Recalls of Capacity
5.3.55	Part 7, GT&C §10.11(e) – Intraday Recalls of Capacity
5.3.57	Part 7, GT&C §10.11(f) – Intraday Recalls of Capacity

**Standards Incorporated by Reference:**

**Additional Standards:**

**General:**

Definition: 0.2.5  
Standards: 0.3.1, 0.3.2, 0.3.16, 0.3.17

**Creditworthiness:**

Standards: 0.3.3, 0.3.4, 0.3.5, 0.3.6, 0.3.7, 0.3.8, 0.3.9, 0.3.10

**Gas/Electric Operational Communications:**

Definitions: 0.2.1, 0.2.2, 0.2.3, 0.2.4  
Standards: 0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

**Operating Capacity and Unsubscribed:**



Standards: 0.3.18, 0.3.20, 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**

Datasets: 0.4.1

#### **Nominations Related Standards:**

Definitions: 1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.2.5, 1.2.6, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.12, 1.2.13, 1.2.14, 1.2.15, 1.2.16, 1.2.17, 1.2.18, 1.2.19

Standards: 1.3.3, 1.3.5, 1.3.7, 1.3.8, 1.3.9, 1.3.11, 1.3.13, 1.3.14, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.19, 1.3.20, 1.3.21, 1.3.22, 1.3.24, 1.3.25, 1.3.26, 1.3.27, 1.3.28, 1.3.29, 1.3.30, 1.3.31, 1.3.32, 1.3.33, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.39, 1.3.40, 1.3.41, 1.3.42, 1.3.43, 1.3.44, 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

Datasets: 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: 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.5

Standards: 2.3.1, 2.3.2, 2.3.3, 2.3.4, 2.3.5, 2.3.6, 2.3.7, 2.3.8, 2.3.9, 2.3.10, 2.3.11, 2.3.12, 2.3.13, 2.3.14, 2.3.15, 2.3.16, 2.3.17, 2.3.19, 2.3.20, 2.3.21, 2.3.22, 2.3.23, 2.3.25, 2.3.26, 2.3.27, 2.3.28, 2.3.29, 2.3.30, 2.3.31, 2.3.32, 2.3.40, 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

Datasets: 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, 3.3.9, 3.3.10, 3.3.11, 3.3.12,  
3.3.13, 3.3.14, 3.3.16, 3.3.17, 3.3.19, 3.3.21, 3.3.22, 3.3.23, 3.3.24,  
3.3.25, 3.3.26, 3.3.27

Datasets: 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, 4.3.62, 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: 5.2.1, 5.2.2, 5.2.4, 5.2.5

Standards: 5.3.5, 5.3.7, 5.3.9, 5.3.10, 5.3.18, 5.3.19, 5.3.20, 5.3.21, 5.3.22,  
5.3.23, 5.3.24, 5.3.25, 5.3.31, 5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36,  
5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.46, 5.3.47, 5.3.48,  
5.3.49, 5.3.50, 5.3.51, 5.3.52, 5.3.53, 5.3.56, 5.3.58, 5.3.59, 5.3.60,  
5.3.62, 5.3.62a, 5.3.63, 5.3.64, 5.3.65, 5.3.66, 5.3.67, 5.3.68, 5.3.69,  
5.3.70, 5.3.71, 5.3.72, 5.3.73

Datasets: 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:**

None.

### 31. QUALIFICATION FOR SERVICE

31.1 Shippers requesting new or additional service under any rate schedule must provide the information required by this Subsection 31.1 and on Transporter's "Service Request Form" (available on Transporter's web site). No service will be scheduled for receipt and delivery until a completed "Service Request Form" with respect to such service has been provided to Transporter. A "Service Request Form" shall be tendered no earlier than ninety days prior to the proposed commencement date of service, unless the construction of new facilities is required, unless the request is for capacity that will not be available until the proposed commencement date or unless the request is for capacity posted by Transporter pursuant to Section 26 of the General Terms and Conditions of this tariff. If a shipper requests two or more commencement dates for specified quantities under a single service agreement as provided in Section 37.1 of these General Terms and Conditions, each specified quantity will be treated as a separate request for purposes of the preceding sentence. All completed "Service Request Forms" are to be sent to:

National Fuel Gas Supply Corporation  
Commercial Services  
6363 Main Street  
Williamsville, New York 14221

Any modification of an existing service shall be requested by Shipper's submission of a new "Service Request Form" with a notation on the Form that the service requested is a modification of an existing service.

Any request shall include the following:

- (a) Receipt/Delivery Points: The requested receipt and delivery points as set forth in the applicable rate schedule,
- (b) Quantities: The requested quantities, as set forth in the applicable rate schedule.
- (c) Term: The proposed commencement date and term of service.
- (d) Shipper Certification: A statement by the Shipper certifying that all necessary upstream and downstream arrangements will be in place on the date the transportation service is to commence, that Shipper will have good title or the good right to deliver the gas to be

delivered to Transporter, and if the transportation service is to be provided pursuant to Section 311(a) of the Natural Gas Policy Act (NGPA), certification including sufficient information to verify that Shipper's transportation service qualifies under Section 311(a) of the NGPA. Such certification shall include a statement by the intrastate pipeline or local distribution company on whose behalf such transportation service is to be performed that:

- (i) The intrastate pipeline or local distribution company has physical custody of and transports the natural gas at some point; or
  - (ii) The intrastate pipeline or local distribution company holds title to the natural gas at some point, which may occur prior to, during, or after the time that the gas is being transported by the interstate pipeline, for a purpose related to its status and function as an intrastate pipeline or a local distribution company; or
  - (iii) The gas is delivered at some point to a customer that either is located in a local distribution company's service area or is physically able to receive direct deliveries of gas from an intrastate pipeline, and that local distribution company or intrastate pipeline certifies that it is on its behalf that the interstate pipeline is providing transportation service.
- (e) Facilities: Identification and location of any facilities proposed to be constructed or installed by any party affected by the proposed transportation service, including, but not limited to, equipment sufficient to provide Transporter with measurement information from a supervisory control and data acquisition ("SCADA").
- (f) Credit Evaluation:
- (i) a copy of Shipper's most recent audited financial statement and most recent financial statement, audited or unaudited;
  - (ii) a copy of Shipper's most recent twelve-month audited financial statement or Annual Report and, if applicable, 10-K form;
  - (iii) a list of Shipper's affiliates, including parent and subsidiaries, if applicable.

In the event Shipper cannot provide the information in Subsection 31.1(f)(i) and/or (ii) above, Shipper shall, if applicable, provide that information for its parent company.

- 31.2 (a) Transporter shall not be required to perform or to continue service on behalf of any Shipper who is or has become insolvent or who, at Transporter's request, fails within a reasonable period to demonstrate creditworthiness; provided, however, such Shipper may receive service
- (i) if Shipper prepays for such service or furnishes good and sufficient security, as determined by Transporter in its reasonable discretion, in an amount equal to:
    - (A) for service under the IAS Rate Schedule, the highest Negative Imbalance Cash-Out price (set forth at Section 14.9(a) of these General Terms and Conditions) occurring during the twelve (12) month period preceding the date service is requested times the quantity of advanced gas requested, or
    - (B) for all other services, the cost of performing the service requested by Shipper for a three-month period; or
  - (ii) if it prepays for service or furnishes an irrevocable letter of credit pursuant to Section 31.2(c) hereof.

For purposes herein, the insolvency of a Shipper shall be evidenced by the filing by Shipper or any parent entity thereof (hereinafter collectively referred to as "the Shipper") of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction in the premises adjudging the Shipper bankrupt or insolvent, or approving, as properly filed, a petition seeking re-organization, arrangement, adjustment or composition of or in respect of the Shipper under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Shipper or of any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, with said order or decree continuing unstayed and in effect for a period of sixty (60) consecutive days.

- (b) For purposes of Section 31.2(a), a Shipper's creditworthiness shall not have been demonstrated if (i) the Shipper has a poor credit history, as established by a reliable reporting agency, or with respect to any services provided by Transporter, or (ii) the Shipper's net worth, or its unencumbered assets in each state in which Transporter operates, is worth less than the amount applicable under Section 31.2(a)(i). Transporter may, from time to time, limit the service it provides to Shipper to such level as is commensurate with the prepayment or other security provided as set forth above, or as is necessary to ensure that neither Shipper's net worth, nor its unencumbered assets in the states in which Transporter operates is less than the amount applicable under Section 31.2(a)(i).
- (c) Shipper may receive service if it provides, no later than noon, ET, on the business day prior to the day on which nominations for the desired service are due, to Transporter the Specified Amounts, as defined below, either in the form of (i) a prepayment to a bank designated by Transporter in U.S. Federal funds or (ii) a letter of credit, irrevocable for ninety (90) days, from a financial institution acceptable to Transporter. Transporter shall accept a nomination from Shippers qualifying for service under this Section 31.2(c) only to the extent that the prepayment or letter of credit in effect as of such time is sufficient to cover such Specified Amount.

For Shippers requesting service under the IAS Rate Schedule, the Specified Amount shall be the sum of the amount projected to become payable to Transporter based on Shipper's request and the amount equal to the highest Negative Cash-Out Price (set forth at Section 14.9a) of these General Terms and Conditions) occurring during the twelve (12) month period preceding the date service is requested times the quantity of advanced gas requested. For Shippers requesting service under other rate schedules, the Specified Amount shall be the amount projected to become payable to Transporter based on the Shipper's nominated deliveries for the month.

- 31.3 (a) Upon Transporter's determination that Shipper's request for service is complete, Transporter will enter such request on a list of pending complete requests and so notify Shipper. Subject to Sections 10, 11 and 26 of these General Terms and Conditions, Transporter will evaluate its ability to satisfy complete requests for transportation in

their order of entry on such list. Transporter shall process requests for service within a reasonable period of time. If Transporter rejects a request for service which has been entered on Transporter's list of pending complete requests, Transporter will so notify Shipper within ten (10) days of such rejection. In such event, Shipper's request for service will not remain entered on such list unless Shipper notifies Transporter, within thirty (30) days of Transporter's notification of rejection, that its request should remain so entered.

Upon receipt of such written notification by Shipper, Shipper's request will remain entered for an additional six (6) months, and for additional six (6) month periods thereafter provided that Shipper notifies Transporter in writing, prior to the conclusion of a six (6) month period, that it requests an extension.

- (b) A Service Agreement (or, when tendered by Transporter in response to a request for firm service that requires the construction of facilities, a precedent agreement) shall be executed by Shipper and Transporter following Transporter's acceptance in writing of Shipper's request for service. Subject to Section 26 of the General Terms and Conditions of this tariff, in the event the Service Agreement or precedent agreement is not executed by Shipper and returned within thirty (30) days after Transporter tendered the contract, Transporter shall consider the request for service invalid.



31.4 New Facilities.

Notwithstanding anything to the contrary in this tariff, if the service requested by Shipper would require the construction of lateral or other non-mainline facilities by Transporter, Transporter may require (i) of a non-creditworthy Shipper, security for a value up to the cost of such facilities, with respect to Shipper's reimbursement obligations under Section 28.1 (if any) and, in addition to any security required by Subsection 31.2(a), Shipper's obligations under its service agreement, and (ii) of a creditworthy Shipper, a commitment to provide the security identified in clause (i) of this Subsection 31.4 in the event Shipper becomes non-creditworthy. In no event shall the amount of the security exceed the cost of the facilities, and in the event facilities are to be constructed to accommodate more than one shipper, such amount shall not exceed the cost of the facilities allocable to Shipper. This tariff does not govern the security requirements applicable to mainline facility projects.

## 32. TRANSFERS OF STORAGE BALANCE

32.1 Subject to the limitations of this Section 32, and subject to Section 3.7 of the ISS Rate Schedule, any Shipper under the ESS, FSS or ISS Rate Schedules (a “Transferring Shipper”) may transfer all or any part of its Storage Balance to:

- (a) any other Shipper that has executed a Service Agreement providing for service under the ESS, FSS or ISS Rate Schedule (“Receiving Shipper”), including Service Agreements executed in connection with the release of storage service under Section 10 of these General Terms and Conditions;
- (b) its Storage Balance under a different Service Agreement under the ESS, FSS or ISS Rate Schedules (in which capacity the Transferring Shipper shall be referred to as the “Receiving Shipper”); or
- (c) Transporter, in order to make contractually required returns of gas (including allowances) to Transporter under Transporter’s IAS Rate Schedule.

32.2 A Transferring Shipper may transfer all or any part of its Storage Balance to a Receiving Shipper only as follows:

- (a) Transferring Shipper and Receiving Shipper shall each submit to Transporter a Customer Nomination as described in Section 13.1 of these General Terms and Conditions, which Customer Nomination shall be without conditions and identify the date(s) on which the transfer is proposed to be effective. Upon Transporter’s receipt of both Customer Nominations to transfer Storage Balance, both such nominations shall be irrevocable.
- (b) Subject to the limitations of this Section 32, a Storage Balance transfer from Transferring Shipper to Receiving Shipper will occur at the effective time of the Receiving Party’s nomination for that transfer.
- (c) By delivering to Transporter a Customer Nomination for a transfer of Storage Balance under this Section 32, Transferring Shipper warrants to Transporter that Transferring Shipper has the authority to transfer the Storage Balance.

- (d) Any time during a Withdrawal Period that the aggregate Storage Balance of all Shippers under the ESS and FSS Rate Schedules is less than 40% of the aggregate MSQ of all Shippers under the ESS and FSS Rate Schedules, then Transporter shall post on its web site a critical system-wide notice to that effect.

Any time during the Withdrawal Period and prior to the posting of such notice, transferred inventory will increase the Storage Balance of the Receiving Shipper, and decrease the Storage Balance of the Transferring Shipper, for all purposes. After the posting of this notice and until the end of the Withdrawal Period in which the transfer occurs, Transferring Shipper and Receiving Shipper shall be entitled to no greater withdrawal entitlement in the aggregate than the Transferring Shipper would have had absent the transfer, including delivery obligations that are assumed by avoiding or delaying the imposition of a ratchet.

- 32.3 All provisions of Section 13 of these General Terms and Conditions shall apply to Customer Nominations to transfer Storage Balance under this Section 32, except that Transporter may reject a nominated transfer of Storage Balance as described in this Section 32.3. Transporter may reject a nominated transfer of Storage Balance (and notify nominating Shippers) within the time period and in the manner by which the nominating Shipper must receive notice of its scheduled quantities pursuant to Section 13.1 of the General Terms and Conditions of this tariff. To reject a nominated transfer of Storage Balance, Transporter must determine, in its reasonable discretion (in which Transporter may assume that Receiving Shipper will subsequently nominate to withdraw the transferred Storage Balance and ship it to Receiving Shipper's primary delivery point or points under its firm transportation agreement, if any) that:
  - (a) the nominated transfer would cause the Storage Balance of Receiving Shipper to exceed that Shipper's MSQ;
  - (b) the Storage Balance of Transferring Shipper is less than the quantities proposed to be transferred;
  - (c) the nominated transfer would not be a transfer to Transporter or to an entity which qualifies to be a Receiving Shipper as described in Section 32.1;

- (d) the nominated transfer would increase Transporter's obligation to deliver gas in any capacity-constrained portion of Transporter's system;
- (e) effecting the nominated transfer would require Transporter, for operational reasons, to inject gas into any storage field at the same time it is withdrawing gas from other storage field(s);
- (f) the nominated transfer would in any way threaten the integrity of Transporter's system;
- (g) the nominated transfer would impair Transporter's current or future operations, or curtail current or future service to any firm Shipper at a Primary Point; or
- (h) the nominated transfer would require Transporter to issue an operational flow order to any other Shipper.

32.4 Except as set forth in Section 3.7 of the ISS Rate Schedule, no injection charge, withdrawal charge, surcharge, or Storage Operating and LAUF Retention shall apply to a transfer of Storage Balance under this Section 32; provided, however, that any charge specifically provided for in a Rate Schedule for a transfer of Storage Balance shall be applicable. No transfer under this Section 32 shall affect Transferring Shipper's obligation to have paid charges applicable to physical injection of such Storage Balance, or Receiving Shipper's obligation to pay applicable charges upon the eventual withdrawal and transportation of such transferred Storage Balance.

### 33. OPERATIONAL FLOW ORDERS

#### 33.1 Scope of Provision

This Section implements Section 284.12(b)(iv) of the Commission's Regulations, which establishes certain requirements regarding "operational flow orders (OFOs) or other measures taken to respond to adverse operational events on its system." For purposes of this provision, the abbreviation "OFO" will be used to represent any measure within the scope of Section 284.12(b)(iv).

- (a) Examples of OFO's under this tariff include, without limitation:
- (i) An interruption of service to maintain gas quality or the integrity of Transporter's system pursuant to Section 2.2 of the FT, FT-S, EFT, FST, FSS, or ESS Rate Schedule;
  - (ii) An operational flow order issued or other action taken by Transporter pursuant to the second sentence of Section 2.10 of the EFT Rate Schedule;
  - (iii) A curtailment of service pursuant to Section 16 of these General Terms and Conditions resulting from adverse operational events on Transporter's system; and
  - (iv) A declination by Transporter to schedule firm service pursuant to Section 13.2 of these General Terms and Conditions resulting from adverse operational events on Transporter's system;
  - (v) An operational flow order prohibiting unscheduled overruns pursuant to Section 15.1 of these General Terms and Conditions; and
  - (vi) A suspension or limitation of withdrawals outside the Withdrawal Period pursuant to Section 2.3(e) of the ESS Rate Schedule.
- (b) Examples of measures that do not constitute OFO's include, without limitation:

- (i) A declination by Transporter to schedule any interruptible service, or a curtailment or bumping of any interruptible service, in order to serve higher priority shippers;
- (ii) A declination by Transporter to schedule any firm service at secondary receipt or delivery points, or a curtailment of bumping of such secondary firm service, in order to provide firm service to other shippers at primary receipt and delivery points;
- (iii) A notification to a Shipper pursuant to Section 14.5 of these General Terms and Conditions that it must correct or avoid an imbalance; or
- (iv) A declination by Transporter to schedule EFT service in conflict with the Operating Protocol for EFT service, pursuant to the first sentence of Section 2.10 of the EFT Rate Schedule.

33.2 Standards for the Beginning and End of OFO's

(a) General

Transporter, in its reasonable discretion, shall have the right to issue OFO's upon determination by Transporter that action is required in order to alleviate conditions which threaten the integrity of Transporter's system, to maintain pipeline operations at the pressure required to provide reliable firm services, to have adequate supplies in the system to deliver on demand, to maintain and protect the integrity and performance capability of Transporter's storage fields, to maintain firm service to all shippers and for all firm services, and to maintain the system in balance for the foregoing purposes. To the extent feasible, Transporter shall direct such OFO's to those shippers causing the condition that necessitates issuance of the OFO. As soon as the conditions giving rise to an OFO have been corrected or are no longer present, the OFO shall be terminated.

(b) Pipeline Specific Standards

On Transporter's system, the circumstances which may result in an OFO include, without limitation, the following:

- (i) Unavailability of compression facilities, as a result of planned work or the necessity to make repairs;
- (ii) Unavailability of storage facilities, as a result of planned work, including periodic pressure tests, or the necessity to make repairs;
- (iii) Unavailability of pipeline facilities, as a result of planned work or the necessity to make repairs;
- (iv) Partial or entire electrical or communication failure that impairs Transporter's ability to monitor and control essential facilities;
- (v) Severe or unanticipated weather conditions, which can include unusually cold or warm temperatures for the time of year, significant differences between prevailing weather conditions from those forecasted, or sudden changes in weather conditions; and
- (vi) The presence of objectionable matter in gas in any part of Transporter's system.

### 33.3 Notice Procedures for OFO's

Transporter will post all notices of OFO's on its web site as expeditiously as is practicable, and, to the extent an operational flow order is applicable only to specific shippers, Transporter will notify each such Shipper by facsimile or email, provided that such Shipper has provided a facsimile number or email address to Transporter.

Transporter shall update its OFO notices with available information regarding the operational variables that determine when the OFO will begin and end. For example, if an OFO will remain in effect until repairs to a compressor or pipeline are complete, information regarding the status of the repairs will be posted by Transporter. Transporter shall post notices concerning planned work at compressor or other facilities, and scheduled pressure tests of its storage facilities, which, under reasonably foreseeable circumstances, may cause Transporter to issue an OFO. Within a reasonable time following the termination of an OFO, Transporter shall post a report detailing the factors requiring the issuance of the OFO and the termination of the OFO.

33.4 Operational Remedies Prior to Issuance of an OFO

Transporter shall, whenever practicable, attempt to obviate the issuance of an OFO to a particular shipper by (i) temporarily changing system operations, (ii) seeking the voluntary assistance of other parties, including, without limitation, shippers and interconnected facility operators, and (iii) restricting service to shippers with lower scheduling and curtailment priority.

33.5 Degrees of Severity of OFO's

If Transporter determines that it is necessary to issue an OFO, Transporter will classify the OFO within one of the following three levels of severity, with Level 1 representing the least severe operational condition and Level 3 representing the most severe operational condition:

Level 1: Transporter experiences a condition covered by Section 33.2(a) that is not a Level 2 or Level 3 condition.

Level 2: Transporter experiences a condition covered by Section 33.2(a) during the non-heating season (May-October) that threatens service to local markets directly connected to Transporter's system.

Level 3: Transporter experiences a condition covered by Section 33.2(a) during the heating season (November-April) that threatens service to local markets directly connected to Transporter's system.



34. NON-CONFORMING AGREEMENTS

The following agreements contain one or more currently effective provisions that differ materially from the applicable form contained in this tariff.

Name of Shipper	Agreement Number	Rate Schedule
NSTAR Gas Company	N10517	FST
NSTAR Gas Company	O10516	FSS
Transcontinental Gas Pipe Line Company, LLC	P01517 (Amendment I & III)	SS-1
Beacon Landfill Gas Holdings, Inc.	F10890	FT
Beacon Landfill Gas Holdings, Inc.	F10891	FT
Beacon Landfill Gas Holdings, Inc.	F10892	FT
Beacon Landfill Gas Holdings, Inc.	F10905	FT
Beacon Landfill Gas Holdings, Inc.	F10906	FT
Beacon Landfill Gas Holdings, Inc.	F10907	FT
NLMK Pennsylvania LLC	F11097 (Amendment II)	FT
United Refining Company	F02092 (Amendment III)	FT
Somerset Gas Gathering of Pennsylvania, LLC	Interconnection Agreement	N/A
Consolidated Edison Company of New York, Inc.	F01775	FT
Connecticut Natural Gas Corporation	N01719	FST
Connecticut Natural Gas Corporation	N01719 (Amendments I & II)	FST
Connecticut Natural Gas Corporation	O01718	FSS
Connecticut Natural Gas Corporation	O01718 (Amendment I)	FSS
Eastern Natural Gas Company	E00525	EFT
UBS AG	I10791	IT
Spark Energy Gas, LP	I10914	IT
Beacon Landfill Gas Holdings, LLC	F11547	FT

Name of Shipper	Agreement Number	Rate Schedule
Beacon Landfill Gas Holdings, LLC and The Bank of New York Mellon	Consent to Assignment and Agreement, and Amendment Nos. 1 and 2 (F11547)	N/A
Norse Pipeline, LLC	Interconnection Agreement	N/A
EnergyMark, LLC	E12367	EFT
EnergyMark, LLC	E12368	EFT
EnergyMark, LLC	E12369	EFT
EnergyMark, LLC	E12370	EFT
EnergyMark, LLC	E12371	EFT
EnergyMark, LLC	E12372	EFT
EnergyMark, LLC	E12373	EFT
National Fuel Resources, Inc.	E12366	EFT
Spotlight Energy, LLC	O12591 (Amendment III)	FSS
Spotlight Energy, LLC	N12592 (Amendment IV)	FST

35. ACQUIRED CAPACITY

- (a) Transporter may from time to time acquire capacity on a third-party system (“Acquired Capacity”). Transporter may use Acquired Capacity for its system operational needs and to render service to its customers. When Transporter uses Acquired Capacity to transport or store gas for others, such service will be provided pursuant to this FERC Gas Tariff. For purposes of any use of Acquired Capacity covered by this Section 35, the “shipper must hold title” requirement is waived.
- (b) This Section 35 does not preclude Transporter from seeking case specific authorization for the utilization of Acquired Capacity on terms and conditions that differ from those set forth in Section 35(a).
- (c) In the event that Acquired Capacity used to render service to Transporter’s Shippers is subject to renewal limitations, consistent with the third-party provider’s tariff or operating statement, Transporter will indicate, in any posting of capacity available for service, any limitation to the term or to the extension rights that will apply as a result of the limitation on the Acquired Capacity. Any such limitation shall be reflected in the Service Agreement between Transporter and Shipper. This provision shall not impact any right of first refusal Shipper may have pursuant to this tariff, except that extension of the affected Service Agreement shall be limited to the term of Transporter’s contract or service agreement with the third-party provider. This Section 35.1(c) shall also apply to services provided by Transporter requiring the use of capacity in jointly-owned facilities which use may be terminated upon notice by another owner of the facilities pursuant to the applicable joint ownership agreement. In this case, any extension of the affected Service Agreement by a shipper exercising its right of first refusal shall be limited to the remainder of the notice period specified in the joint ownership agreement.

36. RESERVATION OF CAPACITY FOR EXPANSION PROJECTS

Transporter may elect to reserve, for future expansion projects, unsubscribed firm capacity or capacity under expiring or terminating firm transportation or firm storage service agreements where such agreements are Non-Qualifying Agreements under Section 11 of these General Terms and Condition, or Shipper does not exercise its Right of First Refusal under such section. Transporter may only reserve 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 Transporter posts such capacity as being reserved. If Transporter elects to reserve capacity for future expansion projects under this Section, such capacity may be reserved for up to one year prior to Transporter filing for certificate approval for the proposed expansion under Section 7(c) of the Natural Gas Act, and thereafter until such expansion is placed into service. Transporter shall, on a limited-term basis up to the in-service date of the expansion project, make available any capacity reserved under this section in accordance with Section 26 of these General Terms and Conditions.

A service agreement for capacity available on a limited-term basis up to the in-service date of the expansion project shall not be a Qualifying Agreement for purposes of Section 11 of these General Terms and Conditions (Pregranted Abandonment and Right of First Refusal).

Prior to reserving capacity for future expansion projects under this section, Transporter shall first make such capacity available pursuant to Section 11 or Section 26 of these General Terms and Conditions.

Capacity that remains available after the posting and bidding procedure in accordance with Section 26 may be reserved by Transporter by means of a posting on Transporter's web site which shall include, but not be limited to:

- (i) A description of the expansion project for which the capacity will be reserved;
- (ii) The total quantity of capacity to be reserved;
- (iii) The location of the proposed reserved capacity on Transporter's system;
- (iv) When Transporter held or anticipates holding an open season or otherwise posting the capacity for bidding in connection with the expansion project;
- (v) The projected in-service date of the expansion project; and,

- (vi) On an ongoing basis, how much of the reserved capacity has been sold on a limited-term basis.

Where the release of firm capacity by existing shippers could reduce the scope of the expansion project, Transporter's posting for capacity to be reserved under this section shall also include solicitation for the release of capacity from Transporter's existing shippers to serve the expansion project, provided that Transporter shall post such solicitation for turnback capacity no later than 90 days after the close of the expansion project open season.

Any capacity reserved under this Section for an expansion project that does not go forward because Transporter does not file any required application with the Commission within one year from such reservation date, or because Transporter ultimately does not receive authorization, shall be posted as available capacity within 30 days of the date such capacity becomes available subject to then existing commitments for such capacity.

37 COMBINATION AND MUTUAL TERMINATION OR REDUCTION OF AGREEMENTS

37.1 Combination of Service Agreements

Transporter and Shipper may mutually agree on a not unduly discriminatory basis to (i) different commencement or termination dates for specified quantities within the same service agreement and/or (ii) combine service agreements under the same rate schedule into a single service agreement with different termination dates for specified quantitative portions of Shipper's maximum quantity. Transporter and Shipper may mutually agree to combine service agreements only to the extent that each individual service agreement's rates, terms, and conditions can be distinctly maintained and will not be altered by the combination. For each service agreement executed in accordance with this Section 37.1, each of the varying commencement or termination dates and associated quantities will be set forth on a separate exhibit thereto. Each component with a different commencement or termination date for a specified quantitative portion of Shipper's maximum quantity within the same service agreement and reflected in a separate exhibit will be regarded as a single service agreement for purposes of Shipper's exercise of any Right of First Refusal under the provisions of Section 11 of these General Terms and Conditions. In the event of a constraint or other occurrence that precludes combined nominations or allocations, Transporter may advise shippers under such combined service agreements that capacity must be nominated separately, and is subject to separate allocation, pursuant to the terms of each separate exhibit of each service agreement. Each exhibit of each combined service agreements will be identified by its original contract number or such other identification convention determined to be applicable by Transporter.

37.2 Mutual Termination or Reduction of Service Agreements

Transporter may, on a not unduly discriminatory basis, agree with a Shipper to terminate its service agreement prior to its expiration date or reduce the contract quantity thereunder. The situations in which Transporter may so agree include, without limitation, the following:

- (a) where shipper responds to a solicitation for capacity release offers in an open season for capacity requiring the construction of new facilities pursuant to Section 26 of these General Terms and

Conditions, and the conditions set forth in the solicitation have been satisfied;

- (b) where shipper no longer qualifies for service pursuant to Section 31.2 of these General Terms and Conditions;
- (c) where the termination or reduction of the service agreement is part of a restructuring of services between Transporter and Shipper, involving the execution of one or more new service agreements or the extension of one or more other existing service agreements, which Transporter reasonably considers financially beneficial to Transporter;
- (d) where shipper agrees to pay an exit fee that is sufficient, taking into account the remaining term of the agreement and the value and liquidity of the capacity subscribed under the service agreement being terminated or reduced, to make the termination or reduction financially beneficial to Transporter, in Transporter's reasonable judgment; provided, however, that Transporter may waive the exit fee where Shipper's service agreement provides for a discounted rate and Transporter concludes that the capacity subscribed thereunder would be sold at a higher rate for the full remaining term of such agreement.

An agreement to terminate or reduce a service agreement hereunder shall not constitute a material deviation from the applicable form of service agreement.

38. PRESSURE

- (a) Transporter shall deliver gas at each delivery point to or for the account of Shipper at the pressure which shall be available from time to time in Transporter's pipeline, less any pressure reduction that may occur through any measurement, flow control, regulation or other appurtenant facilities that are owned by Transporter; provided, however, that Transporter and a firm Shipper may mutually agree to a specific minimum delivery pressure for a stated period at any delivery point or points which Transporter shall agree to meet or exceed, and where necessary, upon specified conditions to ensure that such agreement does not have any adverse effects on Transporter's system. Transporter's obligation to meet or exceed this minimum delivery pressure shall be contingent upon total deliveries at the particular delivery point or points not exceeding the sum of the maximum quantities, applicable to such point, of all Shippers with firm service agreements specifying such point as a primary delivery point. Transporter may meet or exceed the specified minimum delivery pressure if deliveries at the delivery point or points are in excess of such sum, but shall have no obligation to do so. If Transporter and Shipper agree to a specific minimum delivery pressure obligation for a stated period, the pressure obligation and any conditions will be specified in the service agreement in the blank spaces provided in the Form of Service Agreement. Transporter may at any time, and from time to time, exceed a minimum delivery pressure obligation it has made to a Shipper. Transporter also may operate its facilities at less than the minimum delivery pressure obligation made to a Shipper when maintenance of the minimum pressure is not necessary to effect delivery of scheduled quantities up to the maximum quantity specified in Shipper's service agreement. If Transporter and a Shipper are unable to mutually agree upon a minimum pressure commitment, Transporter will, upon request from that Shipper, provide a written explanation concerning the operational reasons for the denial.
- (b) Shipper shall deliver gas or cause gas to be delivered to Transporter at the receipt point(s) at a pressure sufficient to allow the gas to enter Transporter's pipeline, as such pressure shall vary from time to time, provided, however, that such pressure shall not exceed any maximum pressure determined by Transporter from time to time. Transporter shall not be required to compress into its pipeline gas transported under any rate schedule, or otherwise change its normal pipeline operations. Transporter and Shipper may agree to a specific minimum receipt pressure for a stated period at any point or points, below which Transporter is not obligated to receive gas from or on behalf of Shipper, and where necessary, upon



specified conditions to ensure that such agreement does not have any adverse effect on Transporter's system. If Transporter and Shipper agree to a specific minimum receipt point pressure obligation for a stated period, the pressure obligation and any conditions will be specified in the service agreement in the blank spaces provided in the Form of Service Agreement. If Transporter and a Shipper are unable to mutually agree upon a minimum pressure commitment, Transporter will, upon request from that Shipper, provide a written explanation concerning the operational reasons for the denial.

- (c) Transporter will not enter into minimum pressure obligations or conditions that will adversely affect Transporter's ability to meet its firm service obligations to an existing Shipper. In addition, Transporter will not unilaterally impose new contractual minimum pressure conditions when an existing Shipper exercises its right of first refusal in accordance with Section 11 of these General Terms and Conditions.
- (d) The receipt and delivery pressure requirements set forth in Section 6 of the EFT Rate Schedule shall apply to EFT Shippers, notwithstanding anything to the contrary in this Section 38.

### 39. DISCOUNTED AGREEMENTS

In any amendment to a service agreement providing for discounted rates Transporter and Shipper may agree to one or more of the following provisions:

- (a) that a specified discounted rate will apply only to specified quantities under the agreement;
- (b) that a specified discounted rate will apply only if specified quantities are achieved or only with respect to quantities below a specified level;
- (c) that a specified discounted rate will apply only during specified periods of the year or for a specifically defined period, which provision may permit Transporter to specify whether the maximum rate or a discount rate would apply to periods beyond the expiration of the primary term of the service agreement;
- (d) that a specified discounted rate will apply only to specified points, combinations of points, zones or other defined geographical area(s), which provision may include an explanation of how reservation or other fixed charges are calculated when non-discounted points, zones or areas are used;
- (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];
- (f) that a specified discounted rate is based on published index prices for specific receipt and/or delivery points or other agreed upon published pricing reference points (such discounted rate may be based upon the differential between published prices or arrived at by formula). Any agreement containing such discounted rate shall specify the rate component(s) to be discounted. To the extent the firm reservation charge is discounted, the index price differential rate formula shall be calculated to state a rate per maximum daily quantity. Furthermore, such discount shall not change the underlying rate design to include any minimum bill or minimum take provision that has the effect of guaranteeing revenue;
- (g) 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 or is less than the applicable minimum rate due to a change in Transporter's maximum (minimum) rates so that such

rate component must be adjusted downward (upward) to equal the new applicable maximum (minimum) rate, then other rate components may be adjusted upward (downward) to achieve the agreed overall rate, so long as none of the resulting rate components exceed the maximum rate or are less than the minimum rate applicable to that rate component. The amendment may also provide for an adjustment to rate components to achieve the overall revenues attributable to the agreed rates under the service agreement being amended and other service agreements under the same or other rate schedules, should changes in Transporter's maximum or minimum rates increase or decrease the revenues attributable to such other service agreement, so long as none of the resulting rate components exceed the maximum rate or are less than the minimum 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. Nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates that had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable;

- (h) that Shipper agrees to forgo any reservation charge credits to which Shipper would otherwise be entitled pursuant to Section 3.6 of the FT, FT-S, EFT or FST Rate Schedule.

Notwithstanding the foregoing, no discount agreement may provide that an agreed discount as to a defined quantity level will be invalidated if the Shipper transports an incremental quantity above the agreed level. Transporter and Shipper may agree to a discounted rate provided that the discounted rate is between the applicable maximum and minimum rates.

A provision entered into pursuant to this Section 39 shall not constitute a material deviation from the applicable form of service agreement.

40. OPERATIONAL PURCHASES AND SALES OF GAS

- 40.1 Transporter may purchase and/or sell gas to the extent necessary to balance quantities retained pursuant to its Transportation Fuel and Company Use Retention, Transportation LAUF Retention, or Storage Operating and LAUF Retention with Transporter's Transportation Fuel and Company Use, Transportation LAUF and Storage Fuel and Losses. Any such sales will be made on an unbundled basis at interconnections between Transporter and other interstate pipelines; and any such sales or purchases will have a lower scheduling priority than firm transportation or firm storage service.
- 40.2 Transporter will make a web site posting of each such proposed purchase or sale which shall include at a minimum (a) the level of daily quantities and whether the purchases or sales shall be made on a firm or interruptible basis; (b) the requested commencement date and term of the purchase or sale; and (c) the point(s) of receipt and/or delivery. The posting will solicit bids within a stated bidding period. Transporter will apply nondiscriminatory credit standards in evaluating bids. Transporter will award the purchase to the bidder(s) submitting the lowest bid(s) and the sale to the bidder(s) meeting the applicable credit standards that submit the highest bid(s). If stated in the posting, Transporter may reserve the right to withdraw its offering for operational, economic, or other reasons.
- 40.3 Except for (a) purchases for which the costs are capitalized by Transporter, or (b) purchases and sales resulting from Negotiated Rate agreements providing for a retention factor different than the applicable Retainage stated in this tariff; costs and revenues associated with purchases and sales undertaken pursuant to this section shall be subject to the crediting mechanism set forth at Section 14.9 of these General Terms and Conditions.
- 40.4 This Section 40 does not apply to purchases and sales undertaken to resolve shipper imbalances, which are subject to Section 14 of these General Terms and Conditions.

41. TRANSPORTATION AND STORAGE RETAINAGE AND EPCR  
ADJUSTMENTS

41.1 General

This section sets forth the procedures Transporter shall use to adjust its Transportation Fuel and Company Use Retention, Transportation LAUF Retention, and Storage Operating and LAUF Retention and Northern Access 2015 Retention (“NA15 Retention”) (collectively, the “Retainages”) and its Electric Power Cost Rates (“EPCRs”) for transportation and storage services. Each Retainage shall be stated as a percentage and each EPCR shall be stated in dollars per Dth. With respect to Negotiated Rate agreements providing for a retention factor or EPCR different than the Retainage or EPCR stated in this tariff, Transporter shall assume that it retains or charges the Retainage or EPCR stated in this tariff, for purposes of calculating the Retainages and the EPCRs.

41.2 Definitions

- (a) “Base Period” shall mean the period of twelve months ending three (3) months prior to the effective date of a change in the Retainages or EPCRs filed pursuant to this Section 41; provided that for Transporter’s first annual filing, or any out-of-cycle adjustment prior to the first annual filing, the term “Base Period” shall mean the period commencing May 1, 2012 and ending three (3) months prior to the effective date of a change in the Retainages or EPCRs.
- (b) “Electric Power Costs” shall mean the costs incurred by Transporter for electric power, which are recorded in FERC Accounts 819 and 855 and incurred for the operation of Transporter’s compressor stations with electric motor prime movers and electric power cost charges paid to third-parties pursuant to transportation, storage, joint ownership or other agreements entered into by Transporter.
- (c) “Electric Power Cost Rates” shall mean the Electric Power Cost Rates for transportation and storage services determined and adjusted in accordance with this Section 41 and set forth in Sections 4.010-4.050 of this tariff.
- (d) “Estimated Quantities” shall mean (a) with respect to transportation services, the actual billable transportation received quantities in the Base Period for which Transporter applies the Transportation Fuel and Company Use Retention and NA 15 Retention and the

Transportation LAUF Retention, or charges the EPCR; or (b) with respect to storage services, the actual billable storage quantities received for injection or withdrawn in the Base Period for which Transporter applies the Storage Operating and LAUF Retention; provided that for Transporter's first annual filing, or any out-of-cycle adjustment prior to the first annual filing, Base Period quantities shall be annualized in determining Estimated Quantities.

- (e) "Fuel and Losses" shall refer collectively to Transportation Fuel and Company Use; Transportation LAUF; and Storage Fuel and Losses; each of which shall be referred to as a category of Fuel and Losses.
- (f) "NA15 Retention" shall refer to the fuel and Company use retention determined and adjusted in accordance with this Section 41 applicable to NA15 shipper(s) as set forth in Section 4.010 of this tariff.
- (g) "Storage Operating and LAUF Retention" shall mean the Storage Operating and LAUF Retention determined and adjusted in accordance with this Section 41 and set forth in Sections 4.010-4.050 of this tariff.
- (h) "Storage Fuel and Losses" shall include (a) fuel used by Transporter at compressor stations identified as Underground Storage Compressors in Transporter's Form No. 2, and other fuel use, company use, surface and subsurface losses and unaccounted for gas associated with storage facilities (but not including extraordinary reservoir losses); less (b) quantities retained under a lease of storage capacity on Transporter's system.
- (i) "Transportation Fuel and Company Use" shall mean (a) fuel and company use in connection with the provision of transportation services or leased capacity, including without limitation (i) fuel used at compressor stations (except for those identified as Underground Storage Compressors in Transporter's Form No. 2), heaters, and other facilities; (ii) company use; and (iii) gas provided to third parties pursuant to transportation, joint ownership or other agreements utilized by Transporter in connection with the provision of transportation services; less (b) quantities retained pursuant to a lease of transportation capacity on Transporter's system.
- (j) "Transportation Fuel and Company Use Retention" shall mean the Transportation Fuel and Company Use Retention determined and

adjusted in accordance with this Section 41 and set forth in Sections 4.010-4.050 of this tariff.

- (k) “Transportation LAUF” shall mean (a) lost and unaccounted for gas experienced by Transporter in connection with the provision of transportation services; less (b) quantities retained pursuant to a lease of transportation capacity on Transporter’s system.
- (l) “Transportation LAUF Retention” shall mean the Transportation LAUF Retention determined and adjusted in accordance with this Section 41 and set forth in Sections 4.010-4.050 of this tariff.

#### 41.3 Filing and Effectiveness of Retainages and EPCR

Transporter shall file annually to revise its Retainages and EPCR at least thirty (30) days prior to the effective date of the proposed changes. Such filings shall be filed by Transporter to become effective on April 1 of each year; provided that Transporter shall have the right to file out-of-cycle adjustments as described in Section 41.5(e) below. With each filing, for the NA15 Retention revision, Transporter shall include an analysis of the usage of the NA15 facilities and associated fuel use of the NA15 shippers and resulting applicable retention, consistent with the study provided in Docket No. RP17-407-002 computing the use of the facilities by NA15 shippers for the most recent period. Such determined fuel use shall be removed from the determination of system shipper fuel.

#### 41.4 Determination of Retainages

- (a) Fuel and Losses in each category for the Base Period, including the effect of prior period adjustments recorded during the Base Period, shall be summed with the balance at the end of the Base Period in the applicable Deferred F&LR subaccount as determined in accordance with Section 41.5 below.
- (b) The Transportation Fuel and Company Use, NA15 Retention, Transportation LAUF, and Storage Fuel and Losses determined pursuant to Section 41.4(a) shall be divided by the applicable Estimated Quantities to arrive at the Transportation and Company Use Retention, NA15 Retention, Transportation LAUF Retention, and Storage Operating and LAUF Retention, respectively. With respect to the determination of the Storage Operating and LAUF Retention, Transporter’s filings shall separately identify the amount

of surface and subsurface losses and unaccounted for gas associated with its storage facilities.

#### 41.5 Deferred F&LR Accounts

- (a) Transporter shall maintain a Deferred F&LR Account with appropriate subaccounts for each Retainage to separately track over or under collections of Fuel and Losses. Each such subaccount may have a negative or positive balance to reflect any past over or under collection of Fuel and Losses.
- (b) Transporter shall determine for each month the difference between (a) actual Fuel and Losses in each category and (b) quantities retained by Transporter under each respective Retainage.
- (c) The balance in the applicable Deferred F&LR subaccounts shall be increased or decreased by the difference computed pursuant to Section 41.5(b) above. These subaccount balances shall also be increased (or decreased) to reflect any operational sales (or operational purchases) subject to the crediting mechanism set forth at Section 14.9 of these General Terms and Conditions. Such operational sales (or operational purchases) shall be allocated among the subaccounts with negative (or positive) balances in proportion to the magnitude of such negative (or positive) balances.
- (d) Transporter shall include the balance of each Deferred F&LR subaccount as of the end of the Base Period in the determination of the Retainages as set forth in Section 41.4 above.
- (e) To the extent the Deferred F&LR Account exceeds 500,000 Dth (positive or negative), Transporter shall have the right to file an out-of-cycle Retainage adjustment utilizing the same methodology contained herein to be effective on not less the thirty (30) days notice.

#### 41.6 Establishment and Determination of the EPCRs

Transporter shall establish its initial EPCRs and determine the EPCRs for each period as follows:

- (a) Within ninety (90) days following the date it first incurs Electric Power Costs, and at least thirty (30) days prior to the effective date,



Transporter shall file to establish its initial EPCRs for transportation and storage services. Transporter's initial EPCRs shall be computed by dividing Transporter's estimate of its Electric Power Costs applicable to transportation and storage services for the three hundred sixty-five (365) day period beginning on the date it first incurs Electric Power Costs by the applicable Estimated Quantities.

- (b) For both transportation and storage services, Electric Power Costs for the base period, including the effect of prior period adjustments recorded during the Base Period, shall be summed with the balance as of the end of the Base Period in the applicable Deferred EPCR subaccount, as determined in accordance with Section 41.7 below.
- (c) The amounts determined pursuant to Section 41.6(a) above shall be divided by the applicable Estimated Quantities to arrive at the EPCRs for transportation and storage services.

#### 41.7 Deferred EPCR Accounts

- (a) Beginning on the date Transporter first incurs Electric Power Costs, Transporter shall maintain a Deferred EPCR Account with appropriate subaccounts for transportation and storage services to separately track over or under collections of Electric Power Costs related to those services. Such account(s) may have a negative or positive balance to reflect any past over or under recovery of Electric Power Costs.
- (b) Transporter shall determine for each month the difference between its Electric Power Costs and EPCR charges billed to its shippers.
- (c) The applicable subaccounts shall be increased or decreased by the difference computed pursuant to Section 41.7(b) above. Interest shall be computed on the balance in the Deferred EPCR Account, positive or negative, based on the methodology set forth in Section 154.501 of the Commission's Regulations.
- (d) Transporter shall include the appropriate Deferred EPCR subaccount balance as of the end of the Base Period in the determination of the EPCRs as set forth in Section 41.6 above.

42. PIPELINE SAFETY AND RELIABILITY AND GREENHOUSE GAS COST  
ADJUSTMENT MECHANISM

42.1 General

This section sets forth the procedures Transporter shall use to recover the Cost of Service of Pipeline Safety and Reliability Costs and Greenhouse Gas Costs necessary to modernize Transporter's system, as defined below.

42.2 Definitions

- a. "Annual Period" shall mean the period of twelve months beginning on the effective date of each annual filing pursuant to this section, except that the Annual Period for the initial filing to implement any surcharges hereunder shall include the entire prior period during which costs accumulated to reach the \$2.5 million threshold under Section 42.5(b).
- b. "Transmission Cost of Service" shall mean with respect to facilities in service during the period of the surcharge, for each Annual Period, the sum of (A) the cost of service attributable to capital expenditures that are Pipeline Safety and Reliability Costs or Greenhouse Gas Costs in the transmission function, determined by multiplying such capital expenditures (net of any applicable accumulated deferred income taxes and accumulated depreciation) by the sum of (i) a rate base multiplier of 15.50% (that reflects a pretax rate of return and taxes other than income tax) and (ii) the applicable depreciation and amortization rates; (B) additional operation and maintenance expenses that are Pipeline Safety and Reliability Costs or Greenhouse Gas Costs in the transmission function, and (C) the transmission portion of the additional administrative and general expenses that are Pipeline Safety and Reliability Costs or Greenhouse Gas Costs, to be determined by allocating such administrative and general expenses between the Transmission and Storage Costs of Service in proportion to the ratio between Transmission Cost of Service and Storage Cost of Service with administrative and general expenses excluded.
- c. "Storage Cost of Service" shall mean, for each Annual Period, the sum of (A) the cost of service attributable to capital expenditures that are Pipeline Safety and Reliability Costs or Greenhouse Gas Costs in the storage function, determined by multiplying such

capital expenditures (net of any applicable accumulated deferred income taxes and accumulated depreciation) by the sum of (i) a rate base multiplier of 15.50% (that reflects a pretax rate of return and taxes other than income tax) and (ii) the applicable depreciation and amortization rates; (B) additional operation and maintenance expenses that are Pipeline Safety and Reliability Costs or Greenhouse Gas Costs in the storage function, and (C) the storage portion of additional administrative and general expenses that are Pipeline Safety and Reliability Costs or Greenhouse Gas Costs, to be determined by allocating such administrative and general expenses between the Transmission and Storage Costs of Service in proportion to the ratio between Transmission Cost of Service and Storage Cost of Service with administrative and general expenses excluded.

- d. “Applicable Service Agreements” shall mean: (i) maximum rate part 284 service agreements and SS-1 storage service agreements and, (ii) negotiated rate and discounted rate service agreements.
- e. “Estimated Surcharges” shall mean, for the Applicable Service Agreements, the projected billing determinants for the applicable Annual Period.
- f. “Pipeline Safety and Reliability Costs” shall mean costs actually incurred by Transporter and costs projected to be incurred by Transporter, if such projected costs are known and measurable to comply with New legislation and New regulatory requirements, such as an order, advisory bulletins, regulations, policy statements, security directives, rulemakings or other actions of general applicability, for pipeline safety or are costs incurred or to be incurred by the Transporter after February 1, 2024, to implement and to comply with the PIPES Act of 2020 (*See* Public Law No. 116-260 (published December 27, 2020)), including any resulting regulations, as well as the Pipeline and Hazardous Materials Safety Administration’s “gas mega rule” Part 1 (*See* 84 Federal Register 52180 (published Oct. 10, 2019)) and Part 2 (*See* 87 Federal Register 52224 (published August 24, 2022)), “UNGSF (Storage) Final Rule” (*See* 85 Federal Register 8104 (published March 13, 2020)), and the “RMV rule” (*See* 87 Federal Register 20940 (published April 8, 2022)). Such costs shall also include costs actually incurred and known and measurable costs projected to be incurred by Transporter in connection with significant

modernization projects that are necessary to enhance safety, integrity, reliability, and/or efficiency.

- g. “Greenhouse Gas Costs” shall mean costs actually incurred by Transporter and projected to be incurred by Transporter, if such projected costs are known and measurable, to comply with applicable sections of the Clean Air Act, New greenhouse gas and/or emissions legislation, rulemakings or New greenhouse gas regulations of any federal, regional, state or local authority, associated with emissions or releases of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), nitrogen trifluoride (NF<sub>3</sub>), products of combustion or any other gas or aerosol including any combination of the foregoing or targeted to other emissions and precursors to ozone such as nitrogen oxides (NO<sub>x</sub>) and volatile organic compounds (VOCs). Greenhouse Gas Costs shall include but not be limited to costs: (i) for the acquisition or production of any renewable energy credits, allowances, greenhouse gas offsets or any other climate change related programs, whether such costs are incurred under a carbon tax, command and control, cap and trade, or any other statutory, regulatory or trading framework; (ii) for the purchase of greenhouse gas allowances and offsets, renewable energy certificates (RECs); (iii) for any other emissions reduction or climate change related program or actions, including any assessments or pass-through to Transporter of any third-party vendor or supplier costs. Greenhouse Gas Costs also include costs incurred or to be incurred by Transporter after February 1, 2024 to implement and comply with the Inflation Reduction Act (*See* Public Law 117-169 (published August 16, 2022)) and any resulting regulations, the PIPES Act of 2020 (*See* Public Law No. 116-260 (published December 27, 2020)) and any resulting regulations, the Climate Leadership and Community Protection Act (*See* NY Environmental Conservation Law, Article 75 (published July 18, 2019)) and any resulting regulations, the EPA’s Good Neighbor Rule (*See* 88 Fed. Reg. 36654 (published June 5, 2023)) and Subpart YYYY (85 Fed. Reg. 13524 (published March 9, 2020)), New York Part 203 (6 NYCRR Part 203 (adopted January 18, 2022), and Pennsylvania RACT 3 (25 Pa. Code Chs. 121 and 129 (adopted November 12, 2022)). Provided, however, that any proceeds received net of costs incurred by Transporter from the sale of greenhouse gas allowances and offsets and REC’s which are related to Greenhouse Gas Costs shall be used to reduce such costs. Such costs shall also include costs actually incurred and

known and measurable costs projected to be incurred by Transporter in connection with significant modernization projects that are necessary to reduce emissions and/or improve efficiency.

- h. “New” as used in Section 42.2(f) and (g) above shall mean not effective with respect to Transporter as of February 1, 2024.
- i. “PSR/GHG Surcharges” shall mean the Pipeline Safety and Reliability and Greenhouse Gas surcharges to be determined pursuant to Section 42.4.
- j. “Estimated Reservation Billing Determinants” shall mean, for the Applicable Service Agreements, the projected reservation billing determinants for the applicable Annual Period.

#### 42.3 Filing and Effectiveness of Surcharges

- a. Transporter shall file annually to revise its Transmission Pipeline Safety and Reliability Costs and Greenhouse Gas Costs surcharge and its Storage Pipeline Safety and Reliability Costs and Greenhouse Gas Costs surcharge (PSR/GHG Surcharges) at least 30 days prior to the effective date of the proposed change in the surcharges. Transporter’s annual filing shall be filed on or before September 30 to become effective November 1.
- b. The initial filing to implement Transporter’s surcharges, if any, pursuant to this Section 42 shall become effective on November 1, 2024; provided that if Transporter does not make such filing to become effective on November 1, 2024, Transporter shall have the right to make such initial filing in a subsequent period prior to September 30 of such year.
- c. Shippers on whom the surcharges are assessed shall have the right to intervene in Commission dockets initiated by filings pursuant to this Section 42 and to challenge the eligibility and prudence of costs incurred or projected, the reasonableness of projected cost estimates, the level of billing determinants used, including any discount adjustments reflected in billing determinants, or the accuracy of calculations underlying the PSR/GHG Surcharges. Transporter shall include in its filings workpapers detailing the Pipeline Safety and Reliability Costs and Greenhouse Gas Costs underlying each of the surcharges and also the derivation of such PSR/GHG Surcharges. No challenges shall be made or protests entertained by the

Commission which assert that an examination of overall costs and revenues underlying Transporter's base rates is necessary to allow the PSR/GHG Surcharges to become effective.

- d. Except for any balances remaining in the Deferred Surcharge Accounts for the surcharges, the applicability of this Section 42 shall terminate on the effective date of the next general NGA Section 4 rate proceeding filed by Transporter, ("Expiration Date"). Within 60 days after the Expiration Date, Transporter shall make a filing to true-up any balances remaining in the Deferred Surcharge Account by either: (i) a refund to shippers who paid PSR/GHG Surcharges in the final Annual Period through a one-time credit to each firm Applicable Service Agreement, pro rata based on its proportion of total amount paid; or (ii) a one-time reservation surcharge to shippers having a firm Applicable Service Agreement in the month immediately following the expiration date of the mechanism, pro rata based on proportion of the Estimated Reservation Billing Determinants in that month.

#### 42.4 Determination of Surcharges

Transporter shall determine the Transmission PSR/GHG Surcharge and the Storage PSR/GHG Surcharges (Demand/Deliverability and Capacity) for each Annual Period as follows:

- a. The Transmission PSR/GHG reservation surcharge shall be calculated by dividing the sum of (i) the Transmission Cost of Service for the Annual Period and (ii) any projected balance in the Transmission Demand Surcharge Deferred subaccount as of the end of the immediately preceding Annual Period, by the Estimated Reservation Billing Determinants for firm transportation services.
- b. The Storage PSR/GHG surcharges shall be calculated by:

For the Storage PSR/GHG capacity surcharge dividing the sum of (i) 50% of the Storage Cost of Service for the Annual Period and (ii) any projected balance in the Storage PSR/GHG capacity Surcharge Deferred subaccount as of the end of the immediately preceding Annual Period, by the Estimated Billing Determinants for firm storage services for capacity; and

For the Storage PSR/GHG demand/deliverability surcharge dividing the sum of (i) 50% of the Storage Cost of Service for the Annual

Period and (ii) any projected balance in the Storage PSR/GHG demand/deliverability Surcharge Deferred subaccount as of the end of the immediately preceding Annual Period, by the Estimated Billing Determinants for firm storage services for demand/deliverability.

- c. Notwithstanding the foregoing, in its first filing, Transporter may also include in its surcharge determinations the Transmission Cost of Service and Storage Cost of Service, if any, for the time period from February 1, 2024 through the day immediately preceding the effective date of such filing.
- d. The applicable PSR/GHG Surcharges shall be included in Sections 4.010 – 4.030 of this tariff.

#### 42.5. Limitations

- a. The following limitations shall apply in the determination of the PSR/GHG Surcharges pursuant to Section 42.4 above: For each Annual Period, the Cost of Service for Greenhouse Gas Costs (both Transmission and Storage) and for Pipeline Safety and Reliability Costs (both Transmission and Storage) shall be subject to a cap of \$40 million, including any amounts in excess of the cap for prior Annual Periods or related to the Deferred Account(s).
- b. Transporter shall not file for PSR/GHG Surcharges to recover the Cost of Service attributable to Pipeline Safety and Reliability Costs (both Transmission and Storage) and Greenhouse Gas Costs (both Transmission and Storage) unless the Cost of Service exceeds \$2.5 million.

#### 42.6 Deferred Surcharge Accounts

- a. Transporter shall maintain Deferred Surcharge Accounts with appropriate subaccounts to separately track over or under collections of the Transmission and Storage PSR/GHG Surcharges. Such account(s) may have a negative or positive balance to reflect any past over or under collection of the surcharges.
- b. Transporter shall determine for each Annual Period the difference between each Cost of Service incurred, and the actual revenues recovered from the PSR/GHG Surcharges.

- c. The applicable subaccounts shall be increased or decreased by the difference computed pursuant to Section 42.6(b) above. Interest shall be computed on the balance in the appropriate Deferred Surcharge Accounts (transmission, storage capacity, storage demand/deliverability), positive or negative, based on the methodology set forth in Section 154.501 of the Commission's Regulations.
- d. Transporter shall include each projected Deferred Surcharge Account balance as of the end of the applicable Annual Period in the calculation of the appropriate PSR/GHG Surcharges as set forth in Section 42 above.

42.7. Next General Rate Case

Nothing in this Section 42, shall preclude Transporter from seeking in the next general rate proceeding to recover in rates any capital costs, including return of and on capital expenditures, and new or continuing non-capital costs associated with pipeline safety and reliability programs, greenhouse gas emissions reductions, and modernization or any other costs to become effective on or after the Expiration Date specified in Section 42.3(d).