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FERC GAS TARIFF

Second Revised Volume No. 1-B

of

K N Interstate Gas Transmission Co.

Filed with the

FEDERAL ENERGY REGULATORY COMMISSION

Communications Concerning this Tariff Should be Addressed to:

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GENERAL TERMS AND CONDITIONS FOR SERVICES

1. APPLICATION AND AVAILABILITY

The following General Terms and Conditions apply to the extent indicated and to the extent not superseded by inconsistent provisions in each of Transporter's service rate schedules.

2. DEFINITIONS

The following terms shall have the meanings defined below:

- 2.1 "Approved Daily Nomination" is that quantity of gas which Transporter has approved to be transported on a particular day.
- 2.2 "Balance" and "Balancing" means the Shipper's obligation to cause deliveries to equal receipts, with due consideration given to Fuel Reimbursement Quantities, and other deductions.
- 2.3 "British Thermal Unit" ("Btu") is the amount of energy required to increase the temperature of one (1) pound of water one (1) degree Fahrenheit at fifty-nine (59) degrees Fahrenheit.
- 2.4 "Capacity" means the gas volume which any particular segment of the Transporter's facilities can accommodate based on Transporter's reasonable judgment.
- 2.5 "Company-used Gas" means the quantity of gas consumed by the Transporter as fuel and for other purposes in its gas operations, not including lost and unaccounted for gas.
- 2.6 "Cubic Foot of Gas" is the amount of gas necessary to fill a one cubic foot of space when the gas is at a temperature of sixty (60) degrees Fahrenheit and under an absolute pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch.
- 2.7 "Curtailment" is used interchangeably with the term "interruption".

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 2.8 "Customer" means any party who has requested service from the Transporter and executed a contract for such service with the Transporter.
- 2.9 "Day" is a period of twenty-four (24) consecutive hours beginning and ending at 8:00 o'clock a.m. CST or at such other hour as Shipper and Transporter may agree upon.
- 2.10 "FERC" or "Commission" means the Federal Energy Regulatory Commission and any other governmental body or bodies succeeding to, lawfully exercising, or superseding any powers of the Federal Energy Regulatory Commission.
- 2.11 "Gas" or "Natural Gas" is any mixture of hydrocarbons or of hydrocarbons and non-combustible gas, in a gaseous state, consisting essentially of methane; or all merchantable gases that conform to the quality specifications set forth in the service agreement.
- 2.12 "Total Heating Value" is the number of Btus produced by complete combustion, at a constant pressure, of the amount of gas which would occupy a volume of 1 cubic foot at a temperature of 60 degrees Fahrenheit on a water-free basis and at a pressure of 14.73 p.s.i.a. with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of the gas and air, and when the water formed by combustion has condensed to the liquid state.
- 2.13 "Imbalance" means the difference between the Total Energy Content in MMBtu of transportation gas received by the Transporter for the Shipper's account and the Total Energy Content in MMBtu of transportation gas delivered by the Transporter to the Shipper or for the Shipper's account at the Shipper's Delivery Point, with due regard given to Fuel Reimbursement Quantities, and other deductions.
- 2.14 "Interruptible" means that Transporter has the right to stop, in whole or in part, receipt, transportation, or delivery of natural gas at any time. Transporter shall provide as much advance notice as is practical to Shipper, except as may otherwise be specifically provided for in this Tariff.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 2.15 "Interruption" means suspension, either in total or in part, of service due to the Transporter's inability to provide service to a customer for any reason.
- 2.16 "Lost and Unaccounted-For Gas" means the difference between the sum of all input quantities of gas received into the Transporter's system and the sum of all output quantities of gas delivered from the Transporter's system, which difference shall exclude company-used gas and shall include, but not be limited to, gas vented, storage lost, and loss as a result of an event of force majeure.
- 2.17 "MMBtu" or "dekatherm" ("Dkt") is one million (1,000,000) British thermal units.
- 2.18 "Month" is a period beginning at 8:00 o'clock a.m. (CST) or at such other hour as Shipper and Transporter have agreed upon, on the first day of the calendar month and ending at the same time on the first day of the next month.
- 2.19 "Monthly Billing Period" is the calendar month.
- 2.20 "Operational Balancing Agreement" ("OBA") means a contract between Transporter and the entity ("OBA Party") operating the facilities at a point(s) of interconnection with Transporter's system which describes the manner in which differences between actual flows and nominated quantities will be resolved between Transporter and the OBA Party.
- 2.21 "Party" means Shipper or Transporter.
- 2.22 "Point of Delivery" or "Delivery Point" is the point where Transporter delivers gas to Shipper (or for Shipper's account) that has been transported or stored by Transporter for Shipper.
- 2.23 "Point of Receipt" or "Receipt Point" means the point where Transporter receives gas from Shipper (or for Shipper's account) to be transported or stored by Transporter for Shipper.
- 2.24 "PSI" is the pressure measured in pounds per square inch.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 2.25 "p.s.i.a." means pounds per square inch absolute.
- 2.26 "p.s.i.g." means pounds per square inch gauge.
- 2.27 "Point of Unbundling" will be either at receipt points into Transporter's transmission system or at points upstream (towards the production area of that gas) of Transporter's transmission system.
- 2.28 "Quantity of Gas" or "Gas" when used to refer to a quantity of gas shall mean the Total Energy Content.
- 2.29 "Service Agreement" means a written agreement, and any exhibits, attachments and/or amendments, for gas service, which is executed by Transporter and Shipper.
- 2.30 "Shipper/Buyer" is the party with whom a service agreement is executed.
- 2.31 "Total Energy Content" is that amount determined by multiplying the total heating value by the volume of gas in cubic feet, adjusted for as-delivered water content.
- 2.32 "Transportation" means movement of gas from the receipt point to the delivery point.
- 2.33 "Transporter" is K N Interstate Gas Transmission Co. (KNI).
- 2.34 "Transporting Pipeline" means any pipeline delivering transportation gas to the Receipt Point(s) or taking gas from the Delivery Point(s) specified in the Service Agreement. The transporting pipeline may include facilities owned by Transporter, an affiliate of Transporter, or a third party.
- 2.35 "Year" is a period of three hundred sixty-five (365) days commencing and ending at 8:00 o'clock a.m. (CST), provided that any year which contains that date of February 29 shall consist of three hundred sixty-six (366) days.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

3. ELECTRONIC BULLETIN BOARD (EBB)

3.1 Transporter will provide an electronic bulletin board for communication purposes. The EBB will be updated daily or Interested Parties will be advised that no changes were necessary. The EBB will provide for:

- a. Downloading by users,
- b. Daily backup of information displayed on the board, which will be available for user review for at least three years,
- c. Purging of information on completed transactions from current files,
- d. Display of most recent entries ahead of information posted earlier, and
- e. On-line help, a search function that permits users to locate all information concerning a separate transaction, a menu that permits users to separately access notices of available capacity, each record in the transportation log, and standards of conduct information.

3.2 The following is a list of the information which will be obtainable through or posted on the electronic bulletin board:

- a. Transporter's FERC Gas Tariff
- b. Transportation and Storage request form
- c. Credit application form
- d. Order No. 497 information
- e. Receipt and delivery point lists, including pooling points and the meters associated with each
- g. Available capacity at major receipt points, delivery points, and storage fields

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- i. Available IT capacity
 - j. Available ISS capacity
 - k. Unsubscribed FT, NNS and FSS capacity available and the maximum rate applicable for the capacity; released FT, NNS and FSS capacity and the rate at which it is available;
 - l. Interested Parties notices
 - m. Interested Parties desiring FT or FSS capacity
 - n. Storage inventory levels
 - o. Daily flows at pooling points and major interconnects where electronic gas measurement is available
- 3.3 In addition to the above information, the following services will be offered through the electronic bulletin board:
- a. Service requests
 - b. Contract requests (initial and amendments)
 - c. Nominations
 - d. Capacity release and acquisition
 - e. Discount requests
 - f. Review of transportation activity by contract
 - g. Imbalance trading
- 3.4 The following are the terms and conditions of access to Transporter's EBB. By using Transporter's EBB, Interested Parties is deemed to have constructive knowledge to and agree with the following terms and conditions.
- a. Interested Parties shall have access to Transporter's EBB through a combination of an access code and password. Transporter will assign an access code and password to Interested Parties. The password may be changed at any time by Transporter or upon request by Interested Parties.
 - b. If Interested Parties transacts business on Transporter's EBB, Interested Parties agrees to be bound by all the terms and conditions of Transporter's FERC Gas Tariff, Volume No. 1-B.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- c. Interested Parties must notify Transporter of all persons in Interested Parties' organization who have access to Interested Parties' access code and password. Interested Parties must immediately notify Transporter when a new person is given use of the access code and password or when a person's use has been revoked by Interested Parties. Interested Parties must properly inform Transporter of any apparent breach of security, such as loss, theft or unauthorized disclosure or use of the Interested Parties' password or access code. Until Transporter is notified by telephone at 1-303-989-1740 of a breach of security, the Interested Parties will remain liable for any unauthorized use of or transaction conducted on the EBB using Interested Parties' access code and password.
- d. Interested Parties may download, store, manipulate, analyze, reformat, print and utilize the information from the EBB for its own uses related to transportation and storage on Transporter's system. Transporter shall not be liable in any way to any party other than Interested Parties who may receive the information for any delays, inaccuracy, errors or omissions in the information or in the transmission or delivery of all or any part of the information or for any damage arising from the use of the information.
- e. Interested Parties must provide all personal computer communications equipment necessary to gain access to the EBB service. Interested Parties must have computer equipment and communication software compatible with Transporter's EBB.
- f. Transporter will make reasonable efforts to have the EBB available for service on a 24-hour basis.
- g. Transporter's liability to Interested Parties or any other party for any direct, consequential, punitive, special or other damages arising in any way from the availability of the information, regardless of the form of the action, whether in contract or in tort is the same as that applicable to any of Transporter's other operations under this tariff.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- h. Transporter expressly disclaims any and all warranties, including, without limitation, any warranties as to the availability, accuracy or content of information located on the EBB and any warranties of merchantability or fitness for a particular purpose.
- i. If Interested Parties desire to participate in imbalance trading procedures on Transporter's EBB, Interested Parties specifically consent to Transporter posting on its EBB the information regarding Interested Parties' imbalances outlined in Transporter's tariff.

4. QUALITY

- a. The natural gas to be delivered by Transporter shall be of merchantable quality.
- b. Unless otherwise agreed to in the Service Agreement, gas tendered at each Point of Receipt shall comply with the following quality specifications:
 - (1) At a base pressure of 14.73 p.s.i.a. and a base temperature of 60 degrees Fahrenheit, such gas shall not contain more than:
 - (a) 1/4 grain of hydrogen sulphide per 100 cubic feet;
 - (b) 5 grains of total sulphur per 100 cubic feet;
 - (c) 1 grain of mercaptans per 100 cubic feet;
 - (d) 2.0 percent by volume of carbon dioxide;

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- (e) 7 pounds of water vapor per million cubic feet;
or
 - (f) 10 parts per million (0.001 percent) by volume
of oxygen.
- (2) Such gas shall be commercial in quality and shall be free from any foreign material such as solids, sand, dirt, dust, gums, crude oil, water or hydrocarbons in the liquid phase, iron particles, and other objectionable substances which may be injurious to pipelines or which may interfere with its transportation or commercial utilization.
 - (3) The heat content of the gas shall mean the gross heating value per cubic foot measured on a dry basis at 14.73 p.s.i.a. delivered at the Point(s) of Receipt. The gas at each Receipt Point shall have a heat content not more than 1100 Btu nor less than 950 Btu per cubic foot. Gas at each Receipt Point located east of Big Springs shall be capable of being blended down to a maximum 1000 Btu per cubic foot. Transporter shall have the right to waive such Btu limits if, in Transporter's reasonable judgment Transporter is able to accept gas with a Btu outside such limits without adversely affecting Transporter's operations.
 - (4) The temperature of such gas shall not exceed 120 degrees Fahrenheit; provided, however, if Transporter is required to dehydrate the gas at the Point(s) of Receipt, then the temperature of such gas shall not exceed 90 degrees Fahrenheit.
 - (5) The hydrocarbon dew point of such gas shall not exceed a temperature of 25 degrees Fahrenheit at the pressure existing at the Point of Receipt.

4.1 QUALITY TESTING

- a. The Party operating the measuring equipment, shall use approved standard methods in general use in the gas industry, and shall cause adequate tests to be made to determine the quality of the gas delivered. Such tests shall be made at intervals frequent enough that the gas conforms to these specifications.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- b. If gas tendered fails to meet the specifications of this Agreement, the measuring Party shall notify the other Party of such failure. The receiving Party may refuse to accept such gas. The Party tendering non-specification gas shall indemnify the receiving Party for any injury, damage, loss, or liability caused by the delivery of such gas, except to the extent the receiving Party knowingly and willingly accepts such non-specification gas.

5. MEASUREMENTS.

5.1 The unit of volume for the purpose of measurement and for the determination of total heating value shall be the cubic foot of gas as defined in Section 2 above. Volumes of gas measured at prevailing meter pressures and temperatures shall be corrected to the unit of volume defined above by the procedures described hereinbelow.

- a. Orifice Meters: Installation of orifice meters and the determination of volumes delivered through orifice meters shall conform to the recommendations in "Gas Measurement Committee Report Number Three" of the American Gas Association as amended, revised or superseded from time to time.
- b. Turbine Meters: Installation of turbine meters and the determination of volumes delivered through turbine meters shall conform to the recommendations in "Transmission Measurement Committee Report Number Seven" of the American Gas Association as amended, revised or superseded from time to time.
- c. Positive Displacement Meters: Installation of positive displacement meters and the determination of volumes delivered through such meters shall conform to the recommendations in "Gas Measurement Manual Displacement Measurement Part Number Two" of the American Gas Association as amended, revised or superseded from time to time.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 5.2 The volume of gas delivered through each Point of Delivery and Receipt shall be corrected to a base temperature of sixty (60) degrees Fahrenheit by using:
- a. The arithmetic average of the hourly temperatures recorded by a properly installed continuously operated recording thermometer, or
 - b. A meter containing a temperature operated device, hereinafter referred to as a temperature compensated meter, through the operation of which the meter correctly registers the volume, corrected to sixty (60) degrees Fahrenheit, or
 - c. An assumed temperature of the gas flowing through the meters of fifty (50) degrees Fahrenheit in the case of any small volume delivery where Transporter does not elect to install a recording thermometer or temperature compensated meter; provided, however, in the event Transporter does not install a recording thermometer or temperature compensated meter, Shipper may install a recording thermometer and in such case the temperature so recorded shall be used in correcting to a temperature of sixty (60) degrees Fahrenheit.
- 5.3 When orifice meters are used, the specific gravity of the gas delivered shall be determined by approved methods once a month, or as frequently as necessary for reasonably accurate determination, and the specific gravity so obtained shall be used in computing volumes of gas delivered hereunder.
- 5.4 The components for determining the deviation from Boyle's Law, at the pressure and temperature under which delivered, shall be determined by tests at intervals of twelve (12) months or at such shorter interval as is found necessary in practice and the correction factor so determined using American Gas Association "Report Number Eight" or American Gas Association "Project NX-19" shall be used in the computation of deliveries until the next test.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

5.5 The heating value of the gas delivered shall be determined by approved recording calorimeters, chromatographs, continuous samplers, or other instruments, installed by Transporter at points on Transporter's pipeline system.

6. MEASURING EQUIPMENT

- 6.1 Transporter and Shipper shall agree regarding arrangements for installation, ownership, operation and maintenance at or near Points of Receipt and Points of Delivery of measuring equipment, including heating value measuring equipment and telemetering equipment, which shall meet the qualifications set out in the General Terms and Conditions of Transporter's FERC Gas Tariff.
- 6.2 If Shipper installs, maintains, or operates measuring equipment, such actions shall be pursuant to the specifications set forth in the General Terms and Conditions of Transporter's FERC Gas Tariff. Transporter shall not be obligated to install such measuring equipment.
- 6.3 Shipper may install, operate and maintain, at its own expense, such check measuring equipment as it shall desire, provided that such check meters and equipment shall be so installed as not to interfere with the operation of Transporter's meters at or near the Point of Delivery. Transporter shall have access to such check measuring equipment at all reasonable hours but the reading, calibrating and adjusting thereof and changing of charts shall be done only by Shipper.
- 6.4 Both Transporter and Shipper shall have the right to be represented at any installing, reading, cleaning, changing, repairing, inspecting, calibrating or adjusting done in connection with the other's measuring equipment installed hereunder. The records from such measuring equipment shall remain the property of the owner but the owner upon request will submit to the other such records and charts, together with calculations therefrom, for its inspection and verification, subject to return within ten (10) days after receipt thereof.

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7. METER TESTS AND ADJUSTMENTS.

- 7.1 Transporter shall test its meters at reasonable intervals in the presence, if Shipper so elects, of Shipper's representatives. Shipper, at its own expense, may have tests or calibrations of Transporter's meters made at reasonable times, in the presence of Transporter's representatives.
- a. If, upon any test, measuring equipment is found to be accurate within two percent (2%) or less, previous readings of such equipment shall be considered correct in computing deliveries of gas hereunder; but such equipment shall be properly adjusted at once to record accurately.
 - b. If, upon any test, any measuring equipment shall be found to be inaccurate by an amount exceeding two percent (2%), then any previous readings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon, such adjustment shall be for a period extending over one-half of the time elapsed since the date of last test but not exceeding a correction period of thirty (30) days.
- 7.2 If for any reason Transporter's meters are out of service or out of repair so that the quantity of gas delivered is not correctly indicated by the reading, the gas received or delivered during the period such meters are out of service or out of repair shall be estimated and agreed upon on the basis of the best data available, using the first of the following methods which shall be feasible:
- a. By using the registration of any check meter or meters if installed and accurately registering;
 - b. By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation, or

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- c. By estimating the quantity of receipt or delivery based upon receipts or deliveries during preceding period(s) under similar conditions when the meter was registering accurately.

7.3 If Transporter institutes a new method or technique of gas measurement, such as electronic metering, such new method or technique may be substituted by Transporter in exercise of its reasonable judgment. Transporter shall promptly inform Shipper of any such new technique adopted and the date of its implementation.

8. DETERMINATION OF DELIVERIES

8.1 For purposes of billing, the order of nominated services through a particular delivery point, unless otherwise determined, will be:

- a. Nominated FT and any associated storage withdrawals;
- b. Nominated IT and any associated storage withdrawals;
- c. Authorized contract overrun deliveries (when no-notice service not available);
- d. No-notice service and associated storage withdrawals;
- e. Imbalance gas; and
- f. Unauthorized contract overrun deliveries (when no-notice service not available).

8.2 At any receipt or delivery point, Transporter will allocate flows to Shippers according to the following methodology:

- a. Gas will be allocated first to firm transportation through the point, up to the daily nomination. If insufficient gas is available to satisfy firm nominations, the available gas will be allocated pro rata based on firm nominations;

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b. Any remaining volumes will be allocated pro rata to interruptible transportation based on the approved nominations.

8.3 PREDETERMINED ALLOCATION AGREEMENTS. Transporter will enter into mutually acceptable predetermined allocation agreements with upstream or downstream parties to accommodate allocation methodologies different than that outlined in Section 8.2.

8.4 OPERATIONAL BALANCING AGREEMENTS. Transporter will enter into mutually acceptable operational balancing agreements with upstream or downstream parties.

8.5 Storage injections and withdrawals will be assumed to equal the approved nomination.

9. BILLING.

9.1 On or before the twentieth day of each month, Transporter shall use reasonable efforts to render invoices for all charges applicable to the preceding month. Invoices shall include any applicable credits, including those relating to demand charges for released capacity, if paid. When information necessary for billing purposes is in the control of Shipper, such information shall be delivered to Transporter by Shipper on or before the fifth business day of each month for the prior monthly billing period.

9.2 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 hereof.

9.3 Transporter may invoice Shipper for additional charges which may be applicable. Shipper shall pay Transporter such charges within 10 days of the invoice date except where otherwise specified in a rate schedule.

9.4 BILLING ERRORS. In the event an error is discovered in the amount billed in any statement rendered by Transporter or paid thereunder, such error shall be adjusted within thirty (30) days of the determination, provided that claim shall have been made within sixty (60) days from the date of discovery of such error, but in any event within twelve (12) months from the date of any such statement.

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10. PAYMENTS

10.1 Shipper shall pay Transporter, at its designated office on or before the first day of each month for the invoice rendered by Transporter in the prior month to Shipper. However, payment shall never be due until ten days from the receipt of Transporter's invoice. Any amount not paid when due shall bear interest at the rate specified in Section 154.67 of the Commission's regulations from the due date until paid.

10.2 Any payments received shall first be applied to accrued interest, then to additional charges due, then to the previously outstanding principal due, and lastly, to the most current principal due.

11. OPERATIONS BY SHIPPER

11.1 Upon any request Shipper shall furnish to Transporter, as far in advance as operations permit, estimates of the expected daily, monthly and annual quantities of natural gas required by Shipper.

11.2 At each Point of Receipt and Point of Delivery, each Party shall use reasonable efforts to deliver, or cause to be delivered, gas at reasonably uniform hourly and daily rates of flow; provided, however, either Party may request the other Party to change the rates of delivery or receipt. The Party requested to make such changes will do so to the extent that it can, in its judgment, without adversely affecting its deliveries of gas to any other customer.

11.3 Transporter shall, to the extent reasonable, deliver volumes for Shipper's account concurrently with the receipt of Receipt Volumes. It is recognized that the Parties may be unable to control exactly the quantities of gas received and delivered on any Day and that the quantities received by Transporter may vary from the quantities delivered on any Day. Such variations shall be kept to the minimum and shall be balanced as soon as practicable. Monthly cumulative net variations may result in the application of charges as

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provided in the Transportation Rate Schedules. Shipper and Transporter shall manage the receipts and deliveries so that the difference between receipt volumes and delivery volumes shall be kept as near zero as practicable, taking into account fuel reimbursement and other deductions. Further, Transporter shall be under no obligation to accept from Shipper gas in excess of the Approved Daily Nomination for the Receipt Point for that Day.

12. IMBALANCES

Transporter shall not be responsible for eliminating any imbalances in volumes between Shipper and any third party, including imbalances between local distribution companies and specific end users. Furthermore, Transporter shall not be obligated to deviate from its standard operating and accounting procedures in order to reduce or eliminate any such third party imbalances.

13. POSSESSION OF GAS

13.1 Shipper agrees to indemnify and hold Transporter harmless against any loss or cost incurred by Transporter on account of any liens, encumbrances and claims whatsoever. Transporter agrees to indemnify and hold Shipper harmless against any loss or cost incurred by Shipper on account of liens, encumbrances or claims resulting from any possession or transportation by Transporter.

13.2 Shipper shall be in exclusive control and possession of the gas until such has been received by Transporter at the Point(s) of Receipt and after the gas has been delivered to Shipper or for Shipper's account at the Point(s) of Delivery. The Party which is or is deemed to be in exclusive control and possession of such gas shall be responsible for all injury, damage, loss, or liability caused thereby. Transporter's responsibility with respect to Shipper's gas shall be deemed to be met if Transporter exercises due diligence in protecting such gas.

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14. RIGHT TO DELIVER THE GAS

Shipper shall have a valid right to deliver the gas to be transported at the time of tender to Transporter. Each Party shall indemnify the other Party against all damages, costs, and expenses of any nature whatsoever arising from any claim against the gas.

15. FUEL AND LOSS REIMBURSEMENT

Shippers shall reimburse K N for Company-used gas and Lost and Unaccounted-For Gas (fuel and loss) in kind. Fuel and loss reimbursement percentages are set forth in the effective Sheet No. 4 of this FERC Gas Tariff.

K N shall file revised fuel and loss reimbursement percentages each year, based on prior year actuals. Any difference between actual fuel and loss in the prior year and the quantity retained in kind hereunder for the prior year shall be deferred and be included in the calculation of revised fuel and loss reimbursement percentages for the following year. Such annual filing shall be made no later than June 1st to be effective July 1st.

16. LIMITATIONS ON OBLIGATIONS

16.1 FORCE MAJEURE

- a. It is expressly agreed that Transporter shall not be liable on any account whatsoever to Shipper for any failure, interruption or diminution in delivery of gas or any act, omission or circumstance occasioned by or in consequence of accident to or breakage of pipelines, equipment or machinery, explosions, landslides, earthquakes, fires, lightning, floods, washouts, freezing, storms, the elements, the making of repairs, alterations or replacements, scheduled maintenance, strikes, lockouts or other industrial disturbances, riots, insurrections, civil disturbances, pestilence, acts of God or the public enemy, war, legal interferences, orders or requirements of any court of competent authority, depletion or destruction of gas

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wells or fields, diminution or failure of, or interference, partial or entire, with Transporter's pipeline system, or, and without limitation by the foregoing, any other causes beyond reasonable control of Transporter.

- b. Shipper shall not be liable to Transporter for any failure to accept natural gas when occasioned by or in consequence of accident or breakage of pipelines, equipment or machinery, explosions, fires, floods, freezing, storms, landslides, washouts, strikes, industrial disturbances, legal interferences, orders or requirements of competent authority, acts of God or the public enemy, or, and, without limitation by the foregoing, any other cause beyond reasonable control of Shipper. Any such cause or contingency, however, exempting Shipper from liability for non-performance (excepting where prevented by valid orders or requirements of Federal, State or other governmental regulatory bodies having jurisdiction in the premises) shall not relieve Shipper of its obligation to pay demand charges or reservation charges in accordance with the provisions of the applicable rate schedule.
- c. Each Party shall exercise reasonable diligence to remove any such interference with its receipt or delivery of gas and shall resume such take at the earliest practicable time.

16.2 SALES CURTAILMENT

- a. SUPPLY INSUFFICIENCY. Whenever in Transporter's judgment the availability of gas supply for sales service is insufficient, due to any cause whatsoever, at the point(s) of sale to satisfy the quantity of sales gas which all sales customers require, then sales deliveries will be curtailed as specified herein.

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b. SALES CURTAILMENT PRIORITIES

PRIORITY 1

CATEGORY 1(a): Requirements of persons using natural gas in a dwelling for residential purposes, including apartment buildings and other multi-unit buildings, and requirements of small commercial consumers (including public and private institutions and local, state and Federal Governmental agencies) having requirements on a peak day of less than 50 Mcf for purposes other than those involving manufacturing or electric power generation.

CATEGORY 1(b): Requirements for the following purposes:

1. in a school, defined as a facility the primary function of which is to deliver instruction to regularly enrolled students in attendance at such facility.
2. in a hospital, defined as a facility the primary function of which is delivering medical care to patients who remain at the facility, including nursing and convalescent homes.
3. for police and/or fire protection and in sanitation and correctional facilities.

PRIORITY 2

Any use of natural gas which has been certified by the Secretary of Agriculture as an essential agricultural use under Section 401(b) of the Natural Gas Policy Act unless the Commission, in consultation with the Secretary of Agriculture, determines, by rule or order, that the use of an alternative fuel is economically practicable and reasonably available. The definition of "alternative fuel" shall be that stated in 18 CFR

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281.303(b) as amended from time to time. Peak day volumes shall be based on current requirements unless such volumes exceed contract or certificate limitations.

PRIORITY 3

CATEGORY 3(a): All uses by commercial consumers having requirements on peak day of 50 Mcf or more except for boiler fuel use by commercial consumers having requirements on a peak day of more than 300 Mcf, and all industrial consumers or feedstock and process needs having requirements on a peak day of not more than 500 Mcf and for ignition fuel and flame stabilization for boilers when fired by other fuels. Quantities attributed to ignition fuel and flame stabilization shall not exceed the amount required for safe operation.

CATEGORY 3(b): Requirements of all consumers not specified in Priority, Priority 2, Priority 4, Priority 5, and Category 3(a) of this Priority 3.

PRIORITY 4

[Reserved for Essential Industrial Process and Feedstock uses of consumers having a peak day requirement in excess of 500 Mcf.]

PRIORITY 5

Receipts, transportation, and deliveries of requirements for boiler fuel use by industrial and commercial customers having requirements for such use on a peak day of more than 300 Mcf and deliveries of requirements for other industrial uses having a peak day requirement for such use of more than 500 Mcf. Within Priority 5 there are the following steps which are listed from lowest to highest priority:

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- Step 1: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 10,000 Mcf.
- Step 2: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 3,000 Mcf but not more than 10,000 Mcf.
- Step 3: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 1,500 Mcf but not more than 3,000 Mcf.
- Step 4: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 300 Mcf but not more than 1,500 Mcf.
- Step 5: Industrial use not specified in Steps 1, 2, 3 and 4 having a peak day requirement for such use of more than 500 Mcf.

c. DEFINITIONS AND PROCEDURES

- (1) The terms "commercial", "industrial", "boiler fuel", "industrial feedstock" and "industrial process" as used above, shall have the meaning adopted in rules promulgated by the Commission pursuant to Section 402 (d) (1) of the NGPA.
- (2) For purposes of sales curtailment, the order of priorities, from highest to lowest, is as follows:
 - Priority 1(a)
 - Priority 1(b)
 - Priority 2
 - Priority 3(a)
 - Priority 3(b)
 - Priority 4

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Priority 5, Step 5
Priority 5, Step 4
Priority 5, Step 3
Priority 5, Step 2
Priority 5, Step 1

- (3) Transporter will issue curtailment orders to sale customers based upon the percentage of customer's peak day requirements represented by each curtailment category. Each sales customer will annually submit to Transporter a verified statement by September 1, setting forth the percentage of its peak day requirements represented by each curtailment category. In the absence of receipt of such verification, customer's entire billing demand shall be deemed to consist of Category 3(b) usage and will be treated as such for curtailment purposes.
 - (4) All curtailments in any priority shall be pro rata and requirements in a category shall be completely curtailed before any curtailment is applied to the next highest priority.
 - (5) In the event that a supply insufficiency is applicable only to a specific point of sale, and the only curtailments required relate to that point of sale, then the curtailment prescribed above may be limited to customers served through such point.
 - (6) Transporter will use reasonable efforts to provide at least four hours notice in advance of the time curtailment is to commence, except that, when due to an event of force majeure, Transporter will give such notice as may be practicable under the circumstances.
- d. VARIATIONS IN PROCEDURES. The following variations in procedures are authorized:

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- (1) Variations in the reduction of deliveries provided in this Section 16 shall be allowed when necessary to respond to emergency situations (including environmental emergencies and when public utility electric power plants lack an adequate supply of alternate fuel and are unable to obtain emergency power supplies from other sources) where supplemental deliveries are required to forestall irreparable injury to life or property.
 - (2) Variations in the reduction of deliveries provided for in this Section 16 shall be allowed to provide, during periods of complete curtailment of gas for industrial operations or production, gas for industrial non-boiler fuel human needs requirements for space heating of plant offices, for heating of plant areas in which maintenance personnel are working up to a temperature of fifty-five (55) degrees Fahrenheit, and for heating such water as may be required by personnel and for minimum plant protection when the plant is shut down.
 - (3) Customer may orally provide information supporting a variation in procedure but must provide written verification of such information to Transporter within twenty-four (24) hours.
- e. DEMAND CHARGE ADJUSTMENT. Any other provisions of this Gas Tariff notwithstanding, if Transporter does not deliver a volume equal to the billing demand of Customer as a result of any curtailments ordered pursuant to this Section 16, no reduction or other adjustment shall be made in the demand charge or capacity reservation charge of Customer.

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16.3 CAPACITY CURTAILMENT

- a. Whenever the capability of Transporter's system, due to any cause whatsoever, is such that Transporter is unable to receive, transport or deliver the quantity of gas which all customers served by Transporter require, including injection of gas into storage facilities, then receipts, transportation and deliveries will be curtailed as specified below.
- b. The order of transportation priority for purposes of interruption, from lowest to highest, is as follows:
 - (1) Interruptible service overrun
 - (2) Firm service overrun
 - (3) Interruptible service
 - (4) Secondary Firm service
 - (5) Secondary Firm service within a primary path
 - (6) Primary Firm service, including no-notice
- c. Whenever the capacity of all or a portion of Transporter's system or system segment, due to any cause, is such that Transporter is unable to serve all Shippers receiving interruptible services, service to Shippers receiving transportation and storage service on an interruptible basis shall be interrupted or reduced in the order of priorities set forth above, with all services under (1) being interrupted or reduced first, all services under (2) second, all services under (3) being interrupted or reduced third, and all services under (4) fourth, all services under (5) fifth and all services under (6) sixth last. When interruption or reduction is necessary within any one of the interruptible service categories above, Shippers receiving service at a lower rate will be interrupted before those Shippers receiving service at a higher rate. Should any Shippers have equal priority based on rate paid, available capacity shall be allocated pro rata based on accepted nominations.

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- d. Any interruptible service which is flowing on the first of the month at maximum rate cannot be interrupted by other interruptible service as long as the service continues uninterrupted for the remainder of the month. Any interruptible service which is flowing at less than maximum rate may be interrupted by interruptible service at a higher rate on forty-eight (48) hours notice. The Shipper being interrupted has twenty-four (24) hours in which to match the rate, or pay maximum rate to keep from being interrupted. Interruptible service can always be interrupted by firm service.
- e. After all interruptible services have been interrupted, if sufficient capacity still does not exist to serve all firm customers, firm receipts, transportation and deliveries on a secondary basis not utilizing primary paths, will be curtailed next on a pro rata basis. Firm receipts, transportation and deliveries on a secondary basis, utilizing primary path; will be curtailed next on a pro rata basis. Finally, firm receipts, transportation and deliveries on a primary basis will be reduced pro rata based on maximum daily contract quantities.

16.4 SPECIFIC PIPELINE OR AREA REDUCTIONS

In the event that a receipt, transportation, and delivery capability limitation is applicable only to a specific pipeline or area of Transporter's system and the only receipt, transportation, and delivery reductions required relate to that pipeline or area, then the reductions prescribed in this Section 16 may be limited to such pipeline or area.

16.5 LIABILITY

- a. If service under this Tariff is interrupted consistent with this Section 16, Transporter shall not be liable for damages of any kind, including consequential damages, to Shipper or others, except for interruptions caused by Transporter's negligence or willful misconduct.

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- b. Transporter shall have the right, without liability to Shipper or consumers, to interrupt the transportation of gas when necessary to test, alter, modify, enlarge, or repair any facility or property comprising a part of, or appurtenant to, its pipeline system, or otherwise related to the operation thereof. Transporter shall endeavor to cause a minimum inconvenience to Shipper and consumers. Except in cases of unforeseen emergency, Transporter shall give advance notice of its intention to so interrupt the transportation of gas, stating the anticipated timing and magnitude of each such interruption.

17. REMEDIES

- 17.1 In the case of an accounting dispute, Transporter will provide Shipper with the necessary information within five (5) days of the receipt of written notification of the dispute. Should Shipper have a disagreement regarding a bill, Shipper must document the disputed amount and must pay all the undisputed amount to be exempt from this provision. In the event that Shipper shall fail to pay any invoice rendered it by Transporter for gas delivered within sixty (60) days after the same becomes due, Transporter, in addition to all other remedies which it may have at law may after giving Shipper thirty (30) days notice thereafter may suspend the delivery of gas until payment in full.
- 17.2 No provision of these General Terms and Conditions regarding specific remedies shall bar Transporter from asserting any other remedy it may have at law or in equity.
- 17.3 In the event of a bona fide dispute between the Parties with respect to any invoices, Transporter shall have the right to discontinue the transportation of gas beginning 30 days after the issuance of a final nonappealable decision by a court of competent jurisdiction in favor of Transporter, if Shipper has failed to remedy or correct such violation within said 30-day period.

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18. SERVICE AGREEMENT/RIGHT OF FIRST REFUSAL

Shippers with a term of one (1) year or more may exercise the Right of First Refusal. Such agreements are not subject to pregranted abandonment provided notice is given as described herein. A firm Shipper may elect to retain a portion of its capacity, subject to the Right of First Refusal process and have Transporter's pregranted abandonment authority apply to the remainder of the capacity. The process for exercising the Right of First Refusal is as follows:

18.1. NOTICE

Transporter will provide no more than nine (9) months, and not less than six (6) months advance written notice of pending contract expiration to firm Shippers with contract terms of one (1) year or more. Shippers must give notice to Transporter no less than four (4) months before the expiration of its firm throughput contract that it wishes Transporter to post its capacity to begin the Right of First Refusal process.

Failure by the Shipper to give Transporter the notice specified in this section will result in the automatic abandonment of the entitlement and the Shipper's right to the subject capacity at the end of the contract term will cease.

18.2 BIDDING PROCESS

Upon Transporter's receipt of the Shipper's Right of First Refusal notice described in Section 18.1 above, Transporter will post the designated capacity on its Electronic Bulletin Board (EBB) in order to solicit bids for the capacity.

A Bidder desiring to obtain the posted capacity must submit a bid to Transporter in accordance with Section 18.3 below, within forty-five (45) days of the posting to participate in the Right of First Refusal process.

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If the tendered bids are less than maximum rate, Transporter will utilize an iterative bidding process. Each bid will be posted on the EBB and each iteration's best offer will be posted on the EBB for informational purposes, along with the name of the highest bidder. In subsequent iteration(s), bidders will have ten (10) days to respond to Transporter after a posting; thereafter, after each bidding period, Transporter will have up to ten (10) days to perform an analysis to determine the best offer as described in Section 18.4 below. The bidding process must be completed forty-five (45) days before the end of the existing contract term.

If any bid submitted by a bidder is subsequently withdrawn, any new bids submitted by such bidder for the same path(s) must be at a higher rate.

Transporter will have the right to reject, on a non-discriminatory basis, any bid not at the maximum rate.

18.3. CONTENTS OF BID

Service Agreements, corresponding to the Shipper's bid, will be required and must contain the price, term, amount of capacity desired and primary receipt and delivery points.

When any Shipper bids the maximum rate, such Shipper is only required to bid up to the maximum rate for its requested receipt and delivery points, not the maximum rate which may apply to different receipt and delivery points which could be charged for such service.

Multiple bids (defined as different bids made for different portions of the total capacity) will be permitted.

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18.4 BEST OFFER

Transporter will determine which bid constitutes the best offer by determining the highest economic unit value (per Mcf of capacity) to Transporter. A calculation based on the formula and interest rate set forth in section 23.5 will be used to determine the highest economic unit value. The comparative economic unit value of each bid will be determined by calculating the Net Present Value (NPV) of the reservation charges of each offer over either the term of the offer or five (5) years, whichever is less, and then dividing by the quantity of the respective bid. However, if the bid is at maximum rate and the term is more than five (5) years, the entire term will be considered in determining the economic unit value.

In the event equivalent offers are submitted, the capacity will be made available on a pro rata basis to the equal bidders. Should any one of the equal bidders veto their pro rata allocation of the capacity, Transporter will then conduct a lottery to select the winning bidder, who will then, if the bid is not matched under Section 18.5 below, be allotted its requested capacity. The remainder of said capacity, if any, will be available to the other equal bidder(s) on a pro rata basis, which will again trigger the veto/lottery selection process.

Transporter will post the name of the winning bidder of the gas for a period of no less than five (5) work days.

18.5 MATCH

The original firm Shipper shall have the option to execute a firm service agreement which exactly matches the rate and term of the bid constituting the highest economic unit value to Transporter, except that the original firm Shipper need not match a contract term of more than ten (10) years. The original firm Shipper need only match the quantity bid if the quantity bid is less than the quantity offered under Section 18.1 above. Transporter will notify the original firm Shipper

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within five (5) work days of the best offer it must match by tendering to such Shipper a service agreement. The service agreement must be executed by the original firm Shipper within fifteen (15) days of Transporter's tender thereof. Transporter is not required to accept an offer at less than the maximum rate.

18.6 NO BIDS

Where there are no competing bids for the capacity and the original firm Shipper agrees to pay the maximum rate, service may be contracted for any term the original firm Shipper chooses. Transporter is not required to accept an offer at less than the maximum rate. If Transporter rejects a bid at less than the maximum rate, the original Shipper will receive continued service at the maximum rate unless a negotiated rate is agreed to by Transporter and the original Shipper.

19. DULY CONSTITUTED AUTHORITIES

This FERC Gas Tariff, including these General Terms and Conditions and the respective obligations of the parties under the Service Agreement, is subject to valid current and future laws, orders, rules and regulations of duly constituted authorities having jurisdiction. Each Party's obligations under a Service Agreement is conditioned upon obtaining authorization from the appropriate governmental authorities.

20. NOTICES AND COMMUNICATION

Communication between the Parties may be by electronic bulletin board, fax, or in writing. In addition, communications between the parties relating to capacity available or requested, bids, and trading parties' agreements to trade, must be posted on the electronic bulletin board. Nominations must be through the electronic bulletin board unless the Parties receive notice otherwise. If written, such communication will be considered delivered when deposited in the United States mail, postage prepaid and registered, addressed to the Post Office address of Transporter or Shipper, or at such other address as either shall designate by formal written notice. Routine communications shall be considered delivered when mailed by either registered or ordinary mail, telecopied, or posted on the electronic bulletin board. Notices pursuant to Section 16 of the General Terms and Conditions may be given orally.

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Second Revised Sheet No. 36 Second Revised Sheet No. 36 : Superseded
Superseding: First Revised Sheet No. 36
GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

21. GAS RESEARCH INSTITUTE CHARGE AND FERC ANNUAL CHARGE ADJUSTMENT PROVISIONS

21.1 GAS RESEARCH INSTITUTE CHARGE ADJUSTMENT:

a. PURPOSE

Transporter has joined with other gas enterprises in the formation of and 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.

For the purpose of funding of GRI's approved expenditures, this Section establishes a GRI Adjustment Charge to be applicable to Transporter's Rate Schedules NNS, FT and IT, as set forth on Sheet No. 4-D of Second Revised Volume No. 1-A of this FERC Gas Tariff; provided however, such charge shall not be applicable to Shippers which are interstate pipelines and which include in their rates a charge for RD&D expenditures, or to Shippers which pay a charge for RD&D expenditures to a third party in connection with third party transportation of gas.

b. BASIS OF THE GRI ADJUSTMENT CHARGE

The Rate Schedules shall include an increment for a GRI Adjustment Charge for RD&D. Such adjustment charge shall be that increment, adjusted to Transporter's pressure base and heating value, if required, which has been approved by

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Superseding: First Revised Sheet No. 37

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Federal Energy Regulatory Commission orders approving GRI's RD&D expenditures.

c. FILING PROCEDURE

The notice period and proposed effective date of filings pursuant to this subsection shall be those permitted under the Commission's Regulations unless, for a good cause shown, a lesser notice period and different effective date is allowed by valid Commission order. Any such filing shall not become effective unless it becomes effective without suspension or refund obligation.

d. REMITTANCE TO GRI

Transporter shall remit to GRI, not later than fifteen (15) days after the receipt thereof, all monies received by virtue of the GRI Adjustment Charge, less any amounts properly payable to a Federal, State or Local authority relating to the monies received hereunder.

21.2 FEDERAL ENERGY REGULATORY COMMISSION ANNUAL CHARGE ADJUSTMENT:

a. PURPOSE

For the purpose of funding of the Federal Energy Regulatory Commission's (FERC) costs incurred in any fiscal year, this Article 21 establishes an Annual Charge Adjustment to be applicable to Transporter's Rate Schedules NNS, FT and IT, as set forth on Sheet No. 4-D of Second Revised Volume No. 1-A of this FERC Gas Tariff. Transporter shall not recover any annual charges recorded in FERC Account No. 928 in a NGA Section 4 rate case.

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First Revised Sheet No. 38 First Revised Sheet No. 38 : Superseded

Superseding: Original Sheet No. 38

GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

b. BASIS

The basis for the charge shall be the amount which is redetermined annually by FERC pursuant to Docket No. RM87-3 (May 29, 1987).

c. REMITTANCE TO THE FERC

Transporter shall remit to the FERC, not later than 45 days after receipt of the Annual Charge Billing, the Total Annual Charge stated in such billing.

22. GENERAL

For purposes of Transporter's Service Schedules the following subparagraphs also shall be applicable:

22.1 TARIFF CHANGES

- a. The rates, terms, and conditions, for Services may require change from time to time. Accordingly, Transporter's rates, terms and conditions, may from time to time be changed by appropriate lawful processes, including the filing of changed provisions with the FERC. Transporter shall give Shipper written notice of any filing of Tariff Sheets with the Commission, reflecting any proposed change in such jurisdictional rates and charges. Transporter shall be entitled to collect such changed rate from Shipper commencing with the effective date of such change. Shipper shall be obligated to pay the changed rate, made effective in the manner described above, but nothing herein contained shall prejudice the rights of Shipper to contest at any time changes to the charges for the services rendered by Transporter.

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First Revised Sheet No. 39 First Revised Sheet No. 39 : Superseded
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22.2 LIMITATION OF SERVICE

After giving Shipper ten (10) days notice in which to comply, Transporter shall not be required to perform and may suspend service under the Agreement on behalf of any Shipper that fails to comply with any and all of the terms and conditions of the Service Agreement, including the applicable rate schedules and these General Terms and Conditions but excluding the suspension of service for non-payment in Article 17.1 of these General Terms and Conditions. Transporter may suspend service immediately if Shipper's actions or failure to act threaten the integrity of the Transporter's system.

22.3 ODORIZATION

Transporter shall have no obligation whatsoever to odorize the natural gas delivered, nor to maintain odorant levels in such gas.

22.4 POOLING POINTS

Pooling points are designated as those points where gathering facilities, or facilities owned by third parties, connect with the transmission facilities of Transporter. In order for such points to function as pooling points, daily measurement readings must be available to Transporter. New or additional points may be designated as pooling points by meeting these criteria. Points on Transporter's transmission system where conditions may be favorable for custody transfer of gas (i.e., rate zone boundaries) may also be designated as "paper" pooling points. At such paper pooling points, no physical measurement will take place and throughput will be assumed to equal nominations.

22.5 OWNERSHIP OF LIQUIDS/PROCESSING RIGHTS

Shippers have the right to process their own gas, or have their gas processed by a third party, unless otherwise provided by contract. Transporter recognizes Shipper's ownership rights to products removed from the gas. If gas is

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processed by Transporter, absent any other agreement, the Shipper will receive credit for extracted products based on allocated volumes and compositions at applicable receipt points to Transporter's transmission system, as follows: 98% of residue gas, 50% of net hydrocarbon liquids proceeds, and 20% of net helium proceeds. Transporter will individually negotiate on a non-discriminatory basis other processing arrangements with Shippers. If Transporter has Shipper's gas processed through a third party plant, and Shipper does not have a processing agreement with the third party plant, Transporter will pass through to Shipper all residue gas and net liquids proceeds received from the third party processor.

22.6 SCHEDULING PRINCIPLES

- a. The order for scheduling transportation services is as follows:
 - (1) Firm Services at primary points (scheduled pro rata based on nominations);
 - (2) Firm Services at secondary points utilizing primary path (scheduled pro rata based on nominations);
 - (3) Firm Transportation at secondary points not utilizing primary path (scheduled pro rata based on nominations);
 - (4) Interruptible services at maximum rates (scheduled pro rata based on nominations);
 - (5) Interruptible services at less than maximum rates (scheduled by rate);
 - (6) Firm service overrun (scheduled pro rata based on nominations);
 - (7) Interruptible service overrun (scheduled pro rata based on nominations).
- b. Released capacity has the same priority as non-released capacity.
- c. Released FT, released FSS and released NNS are considered firm services.

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22.7 LATERAL LINE POLICY

Pursuant to 18 C.F.R. 154.39, Transporter will not build or contribute to the cost of building any sales lateral pipelines to any resale customers. Nothing in this statement shall require Transporter to file an application for a certificate of public convenience and necessity under Section 7(c) of the Natural Gas Act. Nothing in this statement, further, shall prevent Transporter from contesting an application for service filed pursuant to Section 7(a). Transporter reserves the right to seek a waiver of this statement, for good cause shown, during any proceeding before the Commission instituted under Section 7 of the Natural Gas Act.

22.8 CREDIT WORTHINESS

Transporter shall not be required to perform or to continue service under any Rate Schedule for any Shipper who is or has become insolvent or who, at Transporter's request, fails within a reasonable period to demonstrate credit worthiness; provided, however, such Shipper may receive service 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 the cost of performing the service requested by Shipper for a three (3) month period. Such cost of performing the service shall include, but not be limited to, the projected cost of transporting Shipper's gas or the equivalent of the cost of gas owed Transporter by the Shipper under an imbalance. For purposes herein, the insolvency of a Shipper shall be evidenced by the filing by Shipper, or any parent entity thereof, 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 reorganization, 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

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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.

22.9 INCIDENTAL PURCHASE AND SALE

From time to time, Transporter may be required to purchase or sell gas in order to maintain the proper level of cushion gas in storage. The volume of cushion gas may be enhanced or depleted due to overreceipts or overdeliveries on the system, respectively. Transporter will, through the cash out mechanism, either receive money from Shippers for overdeliveries or pay Shippers for overreceipts. Should physical make up of cushion gas be necessary, Transporter will use its cash out receipts to purchase gas on the open market for injection into storage. Should disposition of cushion gas be necessary, Transporter will sell gas either in storage or at the storage withdrawal point at the index price on a first-come, first served basis. Sales or purchase of gas will be posted on the electronic bulletin board for at least two (2) business days prior to the actual purchase or sale.

23. VOLUNTARY REALLOCATION OF CAPACITY

23.1 APPLICABILITY

- (a) Any Shipper that holds firm capacity rights, including firm transportation, storage and no-notice service, under a rate schedule contained in Transporter's tariff, may elect to release, subject to the firm capacity releasing program, all or a portion of such firm capacity rights.

Sub. First Revised Sheet No. 43 Sub. First Revised Sheet No. 43 : Superseded
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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

23.2 VOLUNTARY REALLOCATION RIGHTS

Shipper shall have the right to voluntarily reallocate all or a part of its firm transportation capacity rights to any person who wants to obtain that capacity by contracting with Transporter. The acquiring Shipper must meet all tariff requirements for a new customer. A Shipper, under this firm capacity releasing program, is defined as either a primary or replacement Shipper. The firm capacity releasing program would allow all firm capacity holders to permanently or temporarily release some or all of their capacity through the pipeline.

a. NOTICE BY SHIPPER ELECTING TO RELEASE CAPACITY

A Shipper who elects to permanently or temporarily release firm contract quantities shall post an offer to release through the electronic bulletin board or submit the following information in accordance with Section 20 of these General Terms and Conditions for posting by Transporter. The release information shall include the following:

- (1) Shipper's contract number and legal name;
- (2) an indication of permanent or temporary release;
- (3) the specific daily contract quantity to be released (no less than 100 MMBtu per day);
- (4) the requested effective date of the release;
- (5) the requested term of the release;
- (6) the replacement Shipper name in a pre-arranged release (if any);
- (7) the receipt and delivery point(s) at which Shipper will release capacity and the firm quantities to be released at such point(s);
- (8) an indication whether Shipper is willing to release an amount less than requested and for a shorter time period than requested;
- (9) an indication whether Shipper is willing to release capacity on a volumetric reservation rate basis;
- (10) an indication whether Shipper is willing to release capacity at a rate lower than Transporter's currently effective maximum reservation charge(s). If "yes", Shipper must indicate the minimum rate it is willing to accept for either fixed or volumetric reservation rate releases;

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- (11) an indication whether Shipper wants K N to use NPV to determine the successful bid. If so, specify discount rate. If not, specify desired criteria;
 - (12) the requested bid period; and
 - (13) any other conditions of the release, including the ability to withdraw the release, ability to recall the release and the recall conditions, whether contingent bids will be accepted and under what conditions.
- b. If a releasing Shipper finds a replacement Shipper while the capacity is posted on the electronic bulletin board, the releasing Shipper must repost the release or notify Transporter as soon as possible for reposting. The capacity must be posted again for at least two days or longer at the releasing Shipper's option. The second round of posting cannot apply to prearranged releases at the maximum rate or to releases of thirty-one (31) days or less. For exemption from posting requirements, prearranged releases of thirty-one (31) days or less must at least match the highest posted rate.

23.3 TERM OF RELEASED CAPACITY

- a. Temporary Releases. The term of any temporary release of firm capacity shall not exceed the primary term of the service agreement under which release is occurring. Temporary releases for a period of thirty-one (31) days or less, with a prearranged Shipper, do not have to be posted for bidding.
- b. Permanent Releases. The term of any permanent release of firm capacity shall be equal to the remaining primary term of the service agreement under which release is occurring. The right of first refusal is released with the capacity.

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- c. Availability of Released Capacity. Released capacity will be available on a nondiscriminatory basis, pursuant to Section 284.243, of the federal regulations and will be assigned on the basis of a bid period.

23.4 NOTICE BY PARTY ELECTING TO ACQUIRE CAPACITY

- a. Parties desiring to acquire released capacity must submit an electronic bid for released capacity through the electronic bulletin board during the bid period.
- b. Such bid must include:
 - (1) Shipper's legal name;
 - (2) The quantities to be acquired in daily and monthly increments;
 - (3) The receipt and delivery point(s) and the capacity to be acquired at each point;
 - (4) The desired effective date and term of the acquisition;
 - (5) The fixed or volumetric reservation rate, not to exceed the maximum applicable tariff reservation rate, plus any applicable surcharges that the party bids for the released capacity;
 - (6) Whether bidder is willing to accept a quantity less than that bid upon;
 - (7) Any other conditions of the acquisition.
- c. All bids on released capacity will be posted on Transporter's electronic bulletin board. The information listed in Section 23.4(b) will be posted except for the Shipper's legal name.
- d. Any party desiring to acquire capacity for which no offer of release has been made may post notice of its desire by submitting the above information and the desired posting period to K N via the bulletin board electronic mail system or in accordance with Section 20 of these General Terms and Conditions.

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23.5 BID PERIOD.

If a Shipper desires to release capacity, Shipper may post the available capacity on Transporter's electronic bulletin board. This posting will be for a minimum period of two business days, for releases of more than one (1) calendar month in length, and up to a maximum period of one month, as specified by releasing Shipper. A releasing Shipper may specify an objectively stated, non-discriminatory standard and post it on Transporter's EBB for determining the best bid(s). If releasing Shipper does not so specify, bids will be evaluated based on the economic value of the reservation charge bid.*

The economic value of a bid shall be defined as the total net present value of the reservation charge bid, not to exceed a term of twenty (20) years. Transporter will give any replacement Shipper found by the releasing Shipper (if any) an opportunity to match any better offer by the close of business on the next business day following the close of the bid period (match day). All offers must be received by 5:00 PM CT on the last day of the bid period and on match day. If the replacement Shipper matches the better offer, Transporter will contract with the replacement Shipper found by the releasing customer. If the better offer is not matched, Transporter will contract with the person who made the better offer. In all situations, including those where Shipper specified criteria are used, Transporter will evaluate and rank the bids. Capacity will be awarded once the winning bid is determined. Capacity not taken by the winning bidder will be offered to the next highest bidder.

* According to the following formula:

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Where

NPV = net present value of the bid
R = Reservation charge (potential replacement Shipper's bid reservation charge) stated on a daily basis
Bid MDTQ = Amount of capacity bid on in MMBtu/d
i = Discount (interest) rate stated on a daily basis
n = Number of days from begin release date to the end of the period covered by the bid.

If no interest rate is specified by the releasing Shipper, the latest Wall Street Journal prime rate will be used.

23.6 ABILITY TO WITHDRAW CAPACITY POSTING OR CAPACITY BID AND ABILITY TO MAKE CONDITIONED BID.

- a. Ability to Withdraw Released Capacity Posting. Releasing Shipper may withdraw the capacity release any time before the end of the bid period.
- b. Ability to Withdraw Released Capacity Bid. Bids for released capacity may be withdrawn at any time before the end of the bid period. Once a bid has been withdrawn on a release, the bidder may not submit a bid at a lower rate, although he may do so at a higher rate.
- c. Ability to Make Conditioned Bids. Conditioned bids will be allowed if the releasing Shipper has indicated its willingness to accept condition(s) in the release.

23.7 POSTING AND ALLOCATION OF RELEASED CAPACITY

- a. All capacity will be posted on Transporter's electronic bulletin board. The information listed in Section 23.2(a) will be posted except for the releasing Shipper's contract number and legal name and the replacement Shipper's name. Bids for the capacity will be made through the bulletin board and Transporter will allocate released capacity to the person offering the highest rate, not to exceed the maximum tariff reservation rate, that Transporter can charge the releasing Shipper and

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offering to meet all other terms and conditions of the release. If more than one person offers the highest rate and meets the terms and conditions of the release, the released capacity will be given to the Shipper delivering the earliest bid to Transporter (date and time received by Transporter). Released capacity will be allocated by lottery among the requesting Shippers in the event requests are received at the same time, provided however, if the replacement Shipper designated in a prearranged deal offers the highest rate, the capacity will be allocated to the designated replacement Shipper. Transporter will not refuse to provide service if the Shipper meets Transporter's applicable tariff conditions.

- b. The lottery will consist of replacement Shippers attempting to match a random number posted on the electronic bulletin board. The Shipper closest to the winning number, either over or under, will win the lottery. In case of a tie, the procedure will be repeated.
- c. Releasing Shipper may designate in its release an alternate, objective, non-discriminatory method for resolving the tie.
- d. If no bids are received or accepted by Transporter, the relinquishing Shipper shall retain the capacity and remain liable for the reservation charge(s) and all applicable commodity charge(s) under the executed service agreement.
- e. Informational postings of releases not subject to bidding (capacity release at maximum rate or prearranged releases with a duration of thirty-one (31) days or less) will consist of the information specified in Transporter's Notice by Shipper Electing to Release Capacity.

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- f. Posting of Bid Results within forty-eight (48) hours of the determination of a winning bidder, the release information with the releasing Shipper's name and all bid information for the winning bid, including the bidder's name, will be posted for fourteen (14) days. Transporter will post prearranged releases at the maximum rate for notification purposes within forty-eight (48) hours of the release. Service may begin and a contract may be executed even if the bid results are not posted on the EBB until later.

23.8 EXECUTION OF AGREEMENTS

- a. Parties wishing to bid on released capacity can enter into a nonspecific FT, FSS or NNS Agreement(s) prior to bidding on capacity to speed the process. The agreement(s) will allow creditworthiness evaluation and execution to be done ahead of time so that only preparation and issuance of appendices to the agreement will be necessary before released capacity may be used.
- b. Both amendments to existing service agreements and new service agreements must be executed and returned to Transporter no later than 24 hours prior to the nomination deadline applicable to the release and acquisition. The replacement Shipper may nominate when (1) Transporter receives a release notification for a prearranged release (prearranged only for releases at maximum rate or releases for thirty-one (31) days or less), or (2) the replacement Shipper places its bid for capacity. Any amendment or service agreement received after such date may not be effective until the next day for which flow can be nominated. If the release notification or bid conflicts with Transporter's nomination procedures, Transporter will treat the nomination as a late filed nomination and schedule this capacity on a reasonable efforts basis.

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- c. The replacement Shipper acquiring temporary or permanently released capacity shall execute a service agreement with Transporter for the contract quantities acquired in accordance with the applicable rate schedule under which the releasing Shipper contracted for service. The replacement Shipper is subject to Transporter's operational provisions as stated in this tariff. Transporter will bill the replacement Shipper for all charges due, including imbalance and overrun charges. All releases of firm capacity will be contracted for by Transporter as firm transportation, regardless of the interruption conditions imposed by the releasing Shipper.
- d. A Shipper releasing capacity on a temporary basis shall execute an amendment to its service agreement with Transporter to reflect the reduction in contract quantities, by receipt and delivery point(s), resulting from the release. This reduction will not reduce the amount of reservation charges due under the agreement.

23.9 COMPLIANCE BY REPLACEMENT SHIPPER

By acquiring released capacity, a replacement Shipper agrees that it will comply with the terms and conditions of Transporter's firm capacity releasing program and all applicable Commission orders and regulations, including Part 284. Shipper also agrees to be responsible to Transporter for compliance with all terms and conditions of Transporter's tariff, as well as Shipper's service agreement, including, but not limited to, the terms and conditions regarding nominations, scheduling of receipts and deliveries and the payment for all rates, charges, assessments and fees for service rendered pursuant to the service agreement.

23.10 CAPACITY RELEASE AT MAXIMUM RATE

Assignment of capacity to a replacement Shipper will take place immediately when capacity is released by a firm Shipper who has pre-arranged a release to a designated replacement

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Shipper willing to pay the maximum rate(s). Such capacity releases will be posted on the electronic bulletin board for informational purposes. The Posting will consist of the information listed in Section 23.2(a) and the information will be posted for fourteen (14) days.

23.11 CAPACITY RELEASE FOR THIRTY-ONE (31) DAYS OR LESS.

- a. Prearranged assignment of capacity to a replacement Shipper will take place immediately when capacity is released by a firm Shipper who has pre-arranged a release to a designated replacement Shipper for a period of thirty-one (31) days or less. Such capacity releases will be posted on the electronic bulletin board within forty-eight (48) hours of the release for information purposes. A short term release at the maximum rate may be rolled over. For prearranged releases at less than maximum rate, a releasing Shipper may not roll over, extend or in any way continue a release under this section without complying with the notification and bidding requirements of this section, and may not re-release to the same replacement Shipper under this section until twenty-eight (28) days after the first release period has ended. Capacity releases for thirty-one (31) days or less at maximum rate may be rolled over if both parties notify K N no later than one (1) day before the applicable nomination deadline of their plan to roll over.
- b. Assignment of capacity for periods of thirty-one (31) days or less may be posted on the EBB for bidding. Such capacity releases will be posted on the EBB for four (4) hours. Such releases must be consummated within twenty-four (24) hours of posting or within twenty-four (24) hours after the Transporter receives the release notification, whichever is later. At the releasing or replacement Shipper's option, the gas may flow after the twenty-four (24) hour period.

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Second Revised Sheet No. 52 Second Revised Sheet No. 52 : Superseded
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23.12 PAYMENT FOR RELEASED CAPACITY ACQUIRED

Payment for reservation, capacity and commodity charges will be due as required under the applicable tariff provisions for payment of such amounts.

23.13 CREDIT FOR CAPACITY RESOLD

The releasing Shipper will remain liable under its contract and pay reservation fees for the capacity released. However, the releasing Shipper will receive a simultaneous reservation fee credit of 100% of the reservation fee billed to the acquiring Shipper by Transporter for that business month. A releasing Shipper paying a discounted rate is entitled to receive proceeds from a release even if such proceeds exceed its reservation fee. The releasing Shipper is liable for any late fees defaulted by the replacement Shipper; however, Transporter will not unreasonably refuse to relieve a releasing Shipper of all liability under its contract when there is a permanent release of capacity. Transporter may reverse the reservation fee credit to the extent the replacement Shipper does not pay Transporter for the reservation charges.

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FERC Docket: MT95- 6-000

Fourth Revised Sheet No. 53 Fourth Revised Sheet No. 53 : Superseded

Superseding: Third Revised Sheet No. 53

GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

24. ORDER NO. 497 AND 497-A COMPLIANCE INFORMATION AND PROCEDURES

24.1 SHARED OPERATING PERSONNEL OR FACILITIES.

Transporter has three marketing affiliates, K N Gas Marketing, K N Gas Supply Services, Inc., and Anthem Energy Company, L.P., which conduct transactions with Transporter. Transporter does not share any operating personnel with its marketing affiliates. Certain directors of Transporter are also directors of the marketing affiliates. Transporter and its marketing affiliates share certain administrative and support services, as well as a telephone system and mainframe computer equipment. The mainframe computer equipment, including access to all computer data bases, is password protected in order to maintain operational separation and confidential access to the system.

24.2 STANDARDS OF CONDUCT.

Transporter will apply FERC Order No. 497 Standards of Conduct and reporting requirements to its marketing affiliates, as well as to its merchant sales service provided under Rate Schedule MSS, as applicable.

24.3 SHIPPER COMPLAINT PROCEDURES.

- a. Shipper notifies Transporter of any complaint Shipper may have regarding Transporter's services.
- b. Transporter obtains all necessary facts from Shipper.
- c. Transporter notifies other appropriate departments (e.g. dispatch, engineering, accounting, legal, etc.) and obtains any necessary information regarding the complaint.
- d. Transporter contacts Shipper if additional information is needed regarding the complaint.
- e. Transporter reviews and analyzes all available information and responds initially within 48 hours, prepares a formal written reply and/or proposal for action regarding the complaint, and submits it for management approval.

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- f. Following management approval, a written response is sent to Shipper within 30 days of the complaint.

24.4 PROCEDURES FOR OBTAINING TRANSPORTATION INFORMATION.

Information regarding availability and pricing of transportation service, and capacity of pipeline available for transportation, may be obtained on the electronic bulletin board or by contacting Transporter at:

K N Interstate Gas Transmission Co.
P.O. Box 281304
370 Van Gordon Street
Lakewood, CO 80228-8304
(303) 989-1740
Facsimile: (303) 980-9044

25. ORDER NO. 500/528. FLOW-THROUGH OF PIPELINE SUPPLIERS BUY-OUT BUY-DOWN BILLINGS.

25.1 PURPOSE.

This section establishes the procedures under which Transporter will recover from Shippers under Transporter's sales Rate Schedules CD-1, WPS-1, CD-2, WPS-2, SF-1 and SF-2 the total jurisdictional portion of Buyout-Buydown Obligations paid by Transporter pursuant to applicable tariff provisions of its upstream pipeline supplier, Colorado Interstate Gas Company ("CIG"), on an as billed basis.

25.2 BASIS OF CIG's BILLING.

CIG has filed in Docket Nos. RP89-98 and RP89-133 to recover a portion of its Buyout-Buydown Costs from its jurisdictional customers. For the purposes of calculating each customer's Purchase Deficiency, CIG has utilized a Base Period of Fiscal Year 1982 and a Deficiency Period of Fiscal Years 1983 through 1988. CIG's fiscal years are the 12 month periods ending on September 30 of the year indicated. Pursuant to this calculation, CIG has allocated \$218,984, as adjusted, as Transporter's fixed charge Buyout-Buydown Obligation with respect to Buyout-Buydown Costs incurred by CIG.

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First Revised Sheet No. 55 First Revised Sheet No. 55 : Superseded
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CIG has also filed, in Docket Nos. RP89-178, TM90-4-32 and TM90-5-32, to flow through the Buyout-Buydown Obligation assigned to CIG by its former pipeline supplier, Northwest Pipeline Corporation ("Northwest") and recover a portion of this obligation from its jurisdictional customers. For the purpose of calculating each customer's Purchase Deficiency, CIG utilized Northwest's Base Period of Calendar Years 1982 and 1983 and a Deficiency Period of Calendar Years 1984 through 1988. Pursuant to this calculation, CIG has allocated \$26,889, as adjusted, (Docket No. TM90-5-32) as Transporter's fixed charge Buyout-Buydown Obligation with respect to the Buyout-Buydown Obligation incurred by CIG from Northwest.

Accordingly, Transporter has calculated each affected Shipper's allocated share of Transporter's fixed charge Buyout-Buydown Obligation to CIG, using the same procedures CIG and Northwest utilized in allocating such cost.

Any refunds related to CIG's Buyout-Buydown billing which Transporter receives will be refunded to Shippers by Transporter on the same basis as the refund amount was initially recovered by Transporter from such Shippers. Any increase or decrease in CIG's Buyout-Buydown billing to Transporter will be flowed-through to Shippers on the same proportionate basis, to the extent possible, as the increase or decrease was allocated by CIG to Transporter.

25.3 ELECTION TO DELAY BILLING.

Any Shipper notifying Transporter in writing no later than 30 days after the date of the Commission's order accepting tariff sheets authorizing the initial fixed charge billing of its election to do so may delay the initial billing of the Buyout-Buydown Obligation applicable to such Shipper until the normal billing cycle in November 1989. Any Shipper electing to delay the commencement of Buyout-Buydown Obligation billings and notifying the Transporter in writing on or before such date may elect an Amortization Period other than twelve months, not to exceed 60 months. Upon acceptance of an appropriate tariff filing to be made by Transporter upon receipt of such notice, Shippers electing to delay commencement of initial billing and an alternate Amortization Period will be billed in the normal billing cycle commencing in November 1989, based on their elections.

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First Revised Sheet No. 56 First Revised Sheet No. 56 : Superseded
Superseding: Original Sheet No. 56

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25.4 ELECTION OF AMORTIZATION PERIOD.

Any Shipper not timely notifying Transporter in writing of its election to delay the billing of the Buyout-Buydown Obligation pursuant to Section 25.3 above may notify Transporter on or before 30 days after the date of the Commission's order accepting tariff sheets authorizing the initial fixed charge billing of its desire to utilize an Amortization Period other than twelve months, not to exceed 60 months.

In the event Transporter makes additional tariff filings which adjust the Buyout-Buydown Obligation, Shipper shall be provided 30 days after the date of the Commission's order accepting the tariff filing to elect to delay the billing or to utilize an amortization period other than twelve months, not to exceed 60 months, as provided by this Section 25 for the initial billing.

Upon receipt of such election to utilize an alternate Amortization Period, and upon acceptance of an appropriate tariff filing to be made by Transporter reflecting the effect of the use of an alternate Amortization Period, Transporter will bill Shipper in the immediately following normal billing cycle based upon the alternate Amortization Period selected by Shipper.

25.5 FAILURE TO ELECT.

Any Shipper failing to notify Transporter in writing no later than August 24, 1989 of its election either to delay the initial billing of the Buyout-Buydown Obligation or to use an alternate Amortization Period will be billed in the normal billing cycle of the month immediately following the effectiveness of this tariff sheet for the Buyout-Buydown Obligation amount over a twelve month Amortization Period.

Effective Date: 12/01/1994 Status: Effective
 FERC Docket: RP95- 11-000

Original Sheet No. 57-D Original Sheet No. 57-D : Superseded

K N Interstate Gas Transmission Co.
 Demand 2 Allocation

	Billing Units	Allocation Factor	Account 191 Direct Bill
Zone 1			
City of Alma Natural Gas Co.	115,492	0.5085%	44.42
City of Colorado Springs	5,180,000	22.8050%	1,992.24
City of Morland	18,410	0.0811%	7.08
City of Winona	7,134	0.0314%	2.74
Greeley Gas Company	204,607	0.9008%	78.69
Midwest Energy, Inc.	3,704,894	16.3108%	1,424.91
Northern Gas Company	461,838	2.0332%	177.62
Peoples Natural Gas Division	1,036,175	4.5618%	398.52
Public Service of Company - Denver	9,863,000	43.4219%	3,793.36
Public Service of Company - Sterling	1,209,776	5.3260%	465.28
Western Resources, Inc.	913,000	4.0195%	351.14
Subtotal Zone 1	22,714,326	100.0000%	8,736.00
Zone 2			
City of Central City	202,539	1.6916%	133.18
City of Hastings	1,620,101	13.5311%	1,065.30
City of Wisner	106,066	0.8859%	69.74
Northwestern Public Service Company	6,597,418	55.1015%	4,338.15
Peoples Natural Gas Division	3,447,080	28.7900%	2,266.63
Subtotal Zone 2	11,973,204	100.0000%	7,873.00
Total	34,687,530		16,609.00

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First Revised Sheet No. 58 First Revised Sheet No. 58 : Superseded
Superseding: Original Sheet No. 58

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26. TRANSITION COST RECOVERY MECHANISMS.

26.1 ACCOUNT 191 TRANSITION COSTS.

- a. Transporter will not recover any formerly non-jurisdictional gas costs in the liquidation of Account 191. Transporter will recover or refund, by direct bill or payment, all jurisdictional Account 191 balances remaining upon the effective date of its implementation of the restructuring filing. Any billing disputes or out-of-period costs will be resolved within nine (9) months of Transporter's effective RS implementation date. Payment for the recovery of disputed costs must be made within twelve (12) months of the resolution of the dispute. Recoveries and refunds will include carrying charges to the extent required by this section. The Account 191 balance related to demand charges will be allocated to customers based on the 1992 sales billing demand units. The commodity balance will be allocated to customers based on the actual 1992 sales deliveries.
- b. Recoveries for remaining Account 191 balances shall be made either through a one-time lump sum payment or may be spread out over the twelve-month period immediately following implementation of the restructuring services. Refunds for remaining Account 191 balances shall be made as they are determined. If amounts are spread out, carrying charges will be assessed at the same rate Transporter charges its customers under its PGA clause (see Sec. 154.305[h] of the Commission's Rules and Regulations for a definition of carrying charges interest rates).
- c. As of the effective date of RS implementation, Transporter's PGA mechanism will be discontinued.

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First Revised Sheet No. 59 First Revised Sheet No. 59 : Superseded
Superseding: Original Sheet No. 59

GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

26.2 UPSTREAM PIPELINE TRANSITION COSTS.

To the extent Transporter assigns its upstream capacity to its customers, such customers will be responsible for all costs related to that capacity. Costs related to any capacity not assigned will be collected from all FT customers through a demand-based surcharge mechanism.

26.3 GAS SUPPLY REALIGNMENT TRANSITION COSTS.

Beginning March 1993, Transporter will make available for review its gas supply contracts which Transporter has determined are not required to provide MSS Service. Within seven (7) business days after the Commission issues an order accepting Transporter's revised Compliance Filing in Docket No. RS92-19, all parties are free to submit to Transporter, written notice of their binding election to take direct assignment of specific Transporter supply contracts. Parties have the right to take assignment of Transporter's non-CAM gas, to the extent that parties also takes assignment of the same percentage of net present value share of CAM gas. Full assignment of contracts will become effective upon implementation of Transporter's Compliance Filing under Order Nos. 636, 636-A and 636-B. After seven (7) business days from the date the Commission issues an order accepting Transporter's revised Compliance Filing in Docket No. RS92-19, Transporter may buyout or realign its remaining CAM gas supply contracts which have not been assigned. GSR costs shall include buyout, buydown or other reformation costs relating to CAM gas contract activity plus carrying charges.

a. DEFINITIONS.

- (1) CAM Gas - Gas which K N has under contract and is currently priced at or above \$2.50 per MMBtu delivered into K N pooling receipt point and for which K N has no contractual right to terminate the contract, market out, reduce takes, or control production.

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- (2) NPV of CAM Gas - The net present value discounted cash flow of the total projected cost of CAM gas over a twenty (20) year period.

26.4 TRANSITION COST RECOVERY MECHANISM

- a. In addition to the other costs included in the rates set forth in this FERC Gas Tariff for Rate Schedules FT, NNS and IT, Shipper shall, beginning one (1) month from Commission authorization in a Section 4 proceeding, recover from Customers under Rate Schedules FT, NNS and IT its Gas Supply Realignment Costs in accordance with the procedures set forth in this Section 15.2. Gas Supply Realignment Costs are those costs attributable to realigning Shipper's gas supply contracts as permitted by Order No. 636, et al. including but not limited to Pricing Differential costs. Pricing Differential costs are costs incurred beginning one (1) month from the implementation date that are equal to 1) the difference between the contract price under List A and List B Contracts and the higher of (a) the price paid by a third party purchaser from time to time for gas quantities available for sale attributable to such Contracts or (b) a floor price equal to the applicable GSR Index Price 2) times the quantity sold. Transporter will continue to negotiate to buyout, buydown, assign, modify or settle the terms and conditions of the Contracts from time to time so as to result in the minimization of transition costs without regard to continuation of any other Contract. In addition, within seven (7) days after receipt of a final Commission order in Docket No. RS92-19-000, Transporter will file under seal List A and List B. Contracts under List A and List B will be available for review in Lakewood and Washington upon execution of an appropriate protective and non-disclosure agreement.
- b. Transporter will make filings to be effective commencing one (1) month after Commission authorization in a Section 4 proceeding, and quarterly thereafter, to recover any Gas Supply Realignment Costs actually

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incurred and booked by the end of the quarter preceding the filing and which are known and measurable with reasonable accuracy, plus carrying charges calculated on the net outstanding balance (i.e., after Gas Supply Realignment revenues are received and credited) from the date of incurrence of such Gas Supply Realignment Costs to the projected date of payment as determined pursuant to Section 154.305 of the Commission's regulations; provided, however, that on and after the date of the credit calculated pursuant to Section 26.4e. carrying charges shall be computed on the net outstanding balance.

- (1) Ninety percent (90%) of such Gas Supply Realignment Costs shall be allocated to Shippers under Rate Schedules FT and NNS, pursuant to Order No. 636, pro rata based on the ratio of the Shipper's aggregate MDQ to the total aggregate MDQ under Rate Schedules FT and NNS effective as

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of the date of Transporter's GSR surcharge filings and adjusted as necessary during that recovery period to reflect any changes in Shipper's MDQ, and recovered from such Shippers under Rate Schedules FT and NNS by means of a GSR Demand Surcharge per MDQ. Allocation of Gas Supply Realignment Costs shall not be reduced for any Shipper by virtue of any discounted FT or NSS services commencing after the implementation date. Shippers under Rate Schedules FT and NNS taking assignment of gas supply contracts from Transporter shall be excluded from the allocation of Gas Supply Realignment Costs as calculated pursuant to Section 26.4.

- (a) Transporter shall render a bill for the entire amount of each Shipper's GSR Demand Surcharge Amount with respect to any quarterly filing on or after the tenth day of the month following the effective date of the filing. Such amount shall be payable in three (3) consecutive monthly installments equal to one-third (p)of such amount on each date following submission of such bill on which payment is payable.
- (b) Each Shipper shall have the option, in lieu of payment of such GSR Demand Surcharge in three installments, of paying twelve (12) consecutive monthly installments equal to 1/12th of such amount. Additional carrying charges on such amount shall be calculated and included on each monthly bill for those Shippers electing the twelve (12) month payment option. Monthly amounts shall be payable on the 20th of each month following submission of the bill referred to in paragraph (a). Any Shipper may, at any time, pay all or a portion of its unpaid GSR Demand Surcharge Amount and in such event its obligation for carrying charges shall be applicable only to amounts unpaid.

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Carrying charges on unpaid principal amounts for those Shippers electing to extend their payment hereunder shall be determined using the methods specified in Section 154.305 of the Commissions's Regulations.

- (c) Should Shipper fail to pay any amount on the date due hereunder, additional interest thereon shall accrue at the rate computed using the factors specified in Section 154.305 of the Commissions's Regulations, until such time as the full amount due has been paid or collected.
 - (d) Regardless of whether the Shipper elects the three (3) month or twelve (12) month payment option, the GSR Demand Surcharge Amounts hereunder together with the applicable carrying charges, shall accrue in full as of the effective date of any quarterly filing, shall be unaffected by, and shall remain in effect following, any expiration or termination of Shipper's service agreement with Transporter. Notwithstanding anything herein or in any contract to the contrary, Transporter shall have the right to sell or assign to a third party or parties amounts payable hereunder by any Shipper.
- (2) Ten percent (10%) of such Gas Supply Realignment Costs shall be reflected in revised rates for Rate Schedule IT service which shall be designed to recover over the following twelve (12) months said ten percent (10%) of Transporter's Gas Supply Realignment Costs. A portion of the Rate Schedule IT revenue as determined pursuant to Section 26.3 d. shall be credited to the recovery of Gas Supply Realignment Charges collected by Transporter.

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- (3) Any Gas Supply Realignment Costs actually incurred and recovered from Shippers under Rate Schedules FT and NNS but subsequently required by the Commission to be refunded shall be refunded to such Shippers within sixty (60) days after the date of the Commission order requiring such refunds on the ratio of the Shipper's aggregate MDQ to the total aggregate MDQ under Rate Schedules FT and NNS for the time period during which the Gas Supply Realignment Costs were allocated. Any Gas Supply Realignment Costs actually incurred and deemed recovered from Shippers under Rate Schedule IT shall be credited to the Gas Supply Realignment Costs to be included in the rates for Rate Schedule IT in the next quarterly filing.
- c. Within sixty (60) days from each twelve (12) month period following the implementation date, Transporter shall file a statement with the Commission reflecting:
- (1) The aggregate amount of Gas Supply Realignment Costs incurred and allocated to be collected during the previous twelve (12) month period from Rate Schedule IT, as determined pursuant to Section 26.3 d.;
 - (2) The aggregate amount of Gas Supply Realignment Costs deemed collected during the previous twelve (12) month period by Transporter under Rate Schedule IT as determined pursuant to Section 26.3 d.

Transporter shall have the option at any time after twelve (12) months from the initial implementation of the GSR surcharge to file to recover any Gas Supply Realignment Costs unrecovered through its Rate Schedule IT rates through an alternate mechanism.

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Substitute Second Revised Sheet No. 65 Substitute Second Revised Sheet No. 65 : Superseded
Superseding: First Revised Sheet No. 65

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- d. To determine pursuant to Section 26.4 c.(2) whether Transporter has recovered Gas Supply Realignment Costs pursuant to Rate Schedule IT, Transporter shall compare total IT revenues during the initial twelve (12) month period of the GSR surcharge against the cost of service allocated to be recovered from Rate Schedule IT excluding Gas Supply Realignment Costs. To the extent such revenue exceeds such cost of service allocation, excluding Gas Supply Realignment Cost, Transporter shall consider such excess revenue, less applicable surcharges and variable costs incurred in providing the service, to be recovery of the Gas Supply Realignment Costs allocated to Rate Schedule IT for such period. Ninety percent (90%) of any additional excess revenue, less applicable surcharges and variable costs incurred in providing the service, shall also be considered recovery of Gas Supply Realignment Costs and shall be credited against future Gas Supply Realignment Costs. Transporter shall retain the remaining ten percent (10%) of such excess revenue without any refund obligation.
- e. Shipper's aggregate MDQ for purposes of allocating Gas Supply Realignment Costs shall be reduced by a credit percentage to the extent Customer takes assignment of a CAM Gas Supply contract(s). Shipper's credit percentage shall be calculated as follows:
 - (1) Shipper's GSR responsibility shall be equal to an allocation of total NPV of CAM gas based upon aggregate MDQ under Rate Schedules FT and NNS.
 - (2) Shipper's credit percentage shall equal the NPV of CAM gas associated with the contract(s) assigned to the Customer divided by Customer's GSR responsibility.

27. CREDITING OF EXCESS RATE SCHEDULE IT REVENUE

27.1 This Section 27 establishes the procedures to be used by Transporter to credit to Shippers under Rate Schedules FT and NNS for revenues received under Rate Schedule IT. Transporter shall make separate calculations of excess IT revenues, in accordance with the provisions of this section,

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for (1) Production Area 4, and (2) all other production and market areas combined. In this regard, the costs assigned to IT services and the revenues received under Rate Schedule IT for Production Area 4 shall be separately maintained and isolated from other production and market area amounts for the purpose of applying the provisions of this section.

- a. By December 30 of each year, Transporter shall submit to the FERC a reconciliation filing setting forth a comparison of revenues received from Rate Schedule IT (excluding transition cost surcharges, the variable cost component of the Rate Schedule IT rate in effect when the revenues were generated and applicable surcharges including, but not limited to ACA and GRI) to the costs allocated to Rate Schedule IT transportation service for the twelve (12) month period ended on September 30, excluding transition cost surcharges and variable costs allocated to Rate Schedule IT service. Rate Schedule IT revenues received in excess of such allocated costs shall be considered excess revenues and be subject to the provisions of Subsection 27.1.b. hereof.

- b. To the extent the revenues received from Rate Schedule IT service, as described in Subsection 27.1.a. above, exceed the costs allocated to such service, certain of the excess revenues shall be refunded through a direct payment. A refund allocation factor for each FT and NNS customer shall be calculated by dividing the actual FT reservation revenues, including the imbedded FT reservation revenues within NNS, for each customer by the total FT reservation revenues inclusive of the imbedded FT reservation revenues within NNS during the preceding twelve (12) month period ending on the anniversary date of this provision. The reservation revenues used to calculate the refund allocation factor shall be net of all applicable surcharges including, but not limited to, ACA and GRI surcharges. The resulting refund allocation factor shall be multiplied by ninety percent (90%) of the excess revenues as defined in Subsection 27.1.a. to arrive at the applicable direct payment for each FT and NNS customer.

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Superseding: 1st Rev. First Revised Sheet No. 67
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28. CREDITING OF EXCESS FIXED STORAGE COST REVENUE

28.1 This Section 28 establishes the procedures to be used by Transporter to credit to Shippers under Rate Schedules FSS and NNS for storage related revenues received under Rate Schedules ISS, FSS, NNS, and SCS in excess of the applicable fixed storage costs allocated to all storage related services.

- a. By December 30 of each year, Transporter shall submit to the FERC a reconciliation filing setting forth a comparison of storage related revenues received from Rate Schedules ISS, FSS, NNS, and SCS (excluding transition cost surcharges, the variable cost component of such rates in effect when the revenues were generated and any other applicable surcharges allocated to related storage services) for the twelve (12) month period ended on September 30. For purposes of determining the imbedded storage component fixed cost recovery received from NNS and SCS services, Transporter will allocate the total fixed cost recovery in the ratio of the imbedded storage reservation rate component to the maximum reservation rates for these services. Storage related revenues received in excess of such allocated costs shall be considered excess revenues and be subject to the provisions of Subsection 28.1.b. hereof.
- b. To the extent the revenues received from storage related services, as described in Subsection 28.1.a. above, exceed the costs allocated to such service, certain of the excess revenues shall be refunded through a direct payment. A refund allocation factor for each FSS and NNS customer shall be calculated by dividing the actual FSS reservation revenues, including the imbedded FSS reservation revenues within NNS, for each customer by the total FSS reservation revenues inclusive of the imbedded FSS reservation revenues within NNS during the preceding twelve (12) month period ending on the anniversary date of this provision. The reservation revenues used to calculate the refund allocation factor shall be net of all applicable surcharges. The resulting refund allocation factor shall be multiplied by the excess revenues as defined in Subsection 28.1.a. to arrive at the applicable direct payment for each FSS and NNS customer.

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29. OPERATIONAL FLOW ORDERS

- a. Transporter shall have the right to issue operational flow orders (OFO) as specified in this Section if action is required in order to alleviate conditions which threaten the integrity of Transporter's system, to maintain pipeline operations at the pressures required to provide an efficient and reliable transportation service, to have adequate gas supplies in the system to deliver on demand (including injection of gas into the mainline, providing line pack, and injecting gas into storage in the right quantity at the right place and time), to maintain service to all Shippers and for all services, and/or to maintain the system in balance for the foregoing purposes. Before issuing an OFO, Transporter will attempt to identify specific customers causing a problem and attempt to remedy those problems. Upon issuing an OFO, Transporter shall notify all affected Shippers by telephone and facsimile as well as by posting the information on the EBB. Where operationally feasible, service to interruptible Shippers will be suspended prior to issuing an OFO interrupting service to firm Shippers.

If an OFO is issued, Transporter will direct one or more Shippers to adjust receipts and/or deliveries at specific point(s) on Transporter's system.

All quantities tendered to Transporter and/or taken by Shipper on a daily basis in violation of Transporter's operational flow orders shall constitute unauthorized receipts or deliveries for which a charge of \$15 per MMBtu shall be assessed. Shippers will be exempt from penalties on imbalances that result from complying with an OFO. A reasonable make-up period treated as monthly imbalance carried forward in Section 5.2(d)(4) FT Rate Schedule will be allowed to correct OFO created imbalances. Upon an operational flow order becoming effective, as specified in the operational flow order or as provided in this Section 29 of the General Terms and Conditions, Shipper, OFO party, or operator of the facilities connecting with Transporter's facilities shall be permitted the time stated in the OFO, or such lesser time as is required to protect the integrity of Transporter's system, to make adjustments in compliance with the operational flow orders. If Shipper, or operator of such interconnect, adjusts its tenders or takes within such notice period, then no charge, as provided for herein, shall be assessed.

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Transporter will post to its EBB its intention to place an OFO into effect and notify the affected Shipper(s) by telephone and facsimile at least twenty-four (24) hours prior to the implementation of the OFO; provided, however, that a shorter notice period may be given where action must be taken to protect the integrity of the system. Such notice and posting shall (i) identify the parties subject to the OFO, (ii) the time the OFO will become effective, (iii) the estimated duration of the OFO (i.e., the triggering tariff provision which is the basis for the OFO). Where an OFO is issued pursuant to this section or made effective on a less than twenty-four (24) hours notice, Transporter will also provide the Commission and affected Shippers, as well as post on the EBB, with a detailed explanation with all relevant information specific to the individual situation to justify issuance of that particular OFO.

- b. In the event receipts in segments of Transporter's system exceed scheduled receipts so that high system pressures back off scheduled receipt quantities, Transporter may issue an OFO to all Shippers in the affected segment of the system stating that a high pressure condition exists. All such operators will be required to check their deliveries into receipt points on the affected portion of the system. Those operators who are delivering more than their scheduled volumes will have four (4) hours to make needed adjustments, or enter the penalty situation. Shipper(s) responsible for the high pressure conditions will have four (4) hours to make needed

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adjustments or, absent timely compliance, the Shipper will enter the penalty situation. An OFO issued pursuant to this Section 29.c. will be cancelled by Transporter when the high pressure condition described above has been corrected and the imbalances created by the high pressure condition have been reasonably resolved.

- c. In the event there is a need for Transporter to engage in routine and normal maintenance of the system, to undertake repairs and replacements of lines of pipe, to schedule DOT compliance activities, to install taps, to make pig runs, to test storage fields, to test equipment, to check or change compressor internals, or to engage in other similar actions affecting the capacity of any portions of the system, Transporter may issue OFO's pursuant to this Section 29.d. which will contain an estimate of the time, duration, and impact of the activity. This provision is contained in Section 16.1 of the General Terms and Conditions of Transporter's FERC Gas Tariff. An event of force majeure may affect deliveries, but not trigger the need for an operational flow order pursuant to this Section 29.d. An order issued pursuant to this Section 29.d. shall be canceled when such planned maintenance or other activities have been completed.

- d. If in Transporter's judgment, impending operating conditions will cause the delivery pressure to one or more Shippers to drop to a level which could jeopardize system integrity, Transporter may immediately issue an operational flow order pursuant to this Section 29.e. of the General Terms and Conditions, to protect the system integrity of the pipeline, requiring that deliveries under all of Transporter's rate schedules be made on a uniform hourly rate effective three (3) hours after issuance of the operational flow order or, absent timely compliance, the Shipper will enter the penalty situation. If only one segment of Transporter's system will be affected by low pressure, the operational flow order shall be limited to that segment of the system

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and shall be so stated. For the duration of this operational flow order, increases in scheduled delivery quantities within affected segments of Transporter's system will be made on a prospective basis only.

- e. Transporter may, on a nondiscriminatory basis, issue such other reasonable operational flow orders as may be required for the purposes set forth in this Section 29.g. of the General Terms and Conditions in order to provide the services contemplated by this FERC Gas Tariff.
- f. Compliance with the operational flow orders and the other terms and conditions of Transporter's FERC Gas Tariff is essential to provide deliveries and services under all rate schedules. A failure by one or more Shippers to comply with the operational flow orders may affect Transporter's ability to provide such deliveries and services. In such event and in addition to other provisions hereof and not in lieu of any other remedies available in law or at equity, Transporter will, except for negligence or undue discrimination, have no liability consistent with the provisions in Section 16.5 of these General Terms and Conditions.
- g. In the event a Shipper's gas supplies are diverted to another Shipper or retained by Transporter as a result of an OFO, the party receiving such gas supplies shall compensate the Shipper whose gas was diverted or retained at one hundred percent (100%) of Transporter's cashout index price. Should reduced deliveries result from the issuance of an OFO, Transporter shall provide reservation charge credits to Shippers reflecting such reduced deliveries.

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30. TRACKING OF CERTAIN ACCOUNT NO. 858 COSTS

30.1 Purpose

The purpose of this tracking mechanism is to recover certain Account No. 858 costs over a limited term. Specifically, this Section covers the recoverability of costs associated with Colorado Interstate Gas Company (CIG) and Trailblazer Pipeline Company (Trailblazer) transportation agreements, except as provided in subsection 30.2(c), reflected in Account No. 858, Transmission and Compression of Gas By Others, and sets out a tracking mechanism to recover these CIG and Trailblazer Account No. 858 costs.

30.2 Establishment of Initial Tracking Level

- (a) Except for contracts identified in subsection (c), Transporter shall endeavor to reduce its Account No. 858 costs by assignment of the CIG and Trailblazer Account No. 858 contracts.
- (b) The CIG and Trailblazer costs reflected in Transporter's Account No. 858 shall be recovered by a tracking mechanism as set out in Section 30.3 of these General Terms and Conditions. The level of costs to be tracked shall be based on Account No. 858 costs associated with transportation on Trailblazer and sales conversion on CIG at a level not to exceed the current level as of December 31, 1993, adjusted for known and measurable changes, less the exclusions identified in subsection (c). The initial level of collections under this tracker shall be included as part of Transporter's motion rates in Docket No. RP94-93-000.
- (c) The Account No. 858 costs recoverable in the tracking mechanism shall exclude the costs of any upstream arrangements with Trailblazer that Transporter was permitted to retain by Commission orders in Docket No. RS92-19-000 for the period of such retention.

Effective Date: 11/01/1994 Status: Effective

FERC Docket: RP94-397-000

First Revised Sheet No. 73 First Revised Sheet No. 73 : Superseded

Superseding: Substitute Original Sheet No. 73

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30.3 Tracking Rate Adjustments

- (a) The initial tracking amount determined under Section 30.2 of these General Terms and Conditions shall become effective on the date permitted by the Commission. Effective July 1, 1995 and each subsequent twelve month period thereafter while this Section 30 is in effect, Transporter shall adjust its rates to reflect (1) changes in the level of annual costs in Account No. 858 as determined under subsection (b); and (2) buyout or buydown costs as determined pursuant to Section 30.4 of these General Terms and Conditions. Annual tracking filings submitted in accordance with this Section shall become effective, subject to refund, on the designated effective dates. Any review of a subsequent annual filing may encompass issues of the eligibility and prudence of the changes from the previously effective level of tracked costs.
- (b) For the CIG and Trailblazer Account No. 858 costs tracked under this Section 30, changes from the prior tracking level for Account No. 858 costs shall be based on a comparison between the known and measurable annual costs of reservation, demand, commodity and other fixed charges under Account No. 858 contracts and the level of such costs reflected in the most recent prior tracking filing. Buyout or buydown costs may be reflected by an amortization consistent with Section 30.4 of these General Terms and Conditions. Such cost changes shall be reflected in a tracking filing made by Transporter in its annual filings specified in subsection (a).

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- (c) Transporter shall maintain a deferred account to reflect any differences between amounts recovered under this Section 30 and actual costs. The net deferred balance shall be an adjustment to each annual tracking filing. Account No. 858 activity associated with any period prior to June 30, 1994 shall be excluded from this deferred account. Transporter shall also reflect any refunds or capacity release credits accrued under Account No. 858 arrangements covered by this Section attributable to the period this tracker is in effect. Any refund(s) credited to Transporter for such period after this tracker has otherwise expired will be refunded in accordance with subsection 30.6(b). A rate adjustment (which may be positive or negative) shall be included in each annual tracking filing to eliminate the balance of this deferred account, existing three (3) months before the effective date of the filing, over a 12-month period commencing with the next effective date. Any over or under-recoveries in this deferred account shall be reflected in future deferred account adjustments.
- (d) Billings under this Section 30 shall be assessed based on the demand, commodity or reservation billing units under firm and interruptible transportation, no-notice and small customer agreements in effect during the period the annual tracking filing is in effect.

30.4 Buyout and Buydown Costs

Transporter may enter into settlement agreements for the buyout or buydown of such contracts and may reflect the resulting costs in the annual tracking filings under Section 30.3 of these General Terms and Conditions. The costs of any buyout or buydown shall be recovered through either an annual filing or an out-of-period filing and by amortizing such cost over a period permitted by the Commission.

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30.5 Carrying Charges

Carrying costs at the interest rate allowed under the Commission's Rules and Regulations, 18 C.F.R. 154.67 (c), shall be applicable to any adjustments under Section 30.3 of these General Terms and Conditions and to any amount amortized under Section 30.4 of these General Terms and Conditions.

30.6 Sunset Provision

- (a) This tracking mechanism shall terminate September 30, 1996; provided, however, that any balance remaining in the deferred account under Section 30.3(c) as of September 30, 1996 shall be collected or refunded as appropriate by adjusting the January 1997 billings of each customer of record on July 1, 1996, pro rata based on each customer's Account No. 858 cost recovery contribution for the period July 1 through September 30, 1996. If any such customer has left Transporter's system, any amounts owed or due shall be directly refunded or invoiced, as appropriate, on the same pro rata basis.
- (b) Any applicable refunds received after January 1997 shall be directly refunded pro rata in accordance with the procedure set out in subsection 30.6(a).

31. OPERATIONAL BALANCING AGREEMENTS

31.1 General. 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 and confirmed receipts of natural gas at Point(s) of Receipt into Pipeline's system, or (2) between actual deliveries of natural gas and scheduled and confirmed deliveries of natural gas at Point(s) of Delivery from Transporter's system, which Point(s) of Receipt and/or Point(s) of Delivery are subject to Operational Balancing Agreements ("OBAs") as more fully described in Section 31.2 on the day or days such variances arise, will be resolved pursuant to the applicable OBA and Shipper will not be subject to any imbalance charges or penalties pursuant to its transportation agreements with Transporter for such imbalances.

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31.2 Terms Governing. For the purpose of minimizing operational conflicts between various natural gas facilities with respect to the delivery of gas to and from Transporter's facilities, Transporter is willing to negotiate and execute OBAs with appropriate parties that operate natural gas facilities interconnecting with Transporter's system (any such party will be referred to herein as the "OBA Party"). Such OBAs shall specify the gas custody transfer procedures to be followed by Transporter and the OBA Party for the confirmation of scheduled quantities to be received by Transporter at Point(s) of Receipt and delivered by Transporter at Point(s) of Delivery. Such OBAs will provide that any variance between actual quantities and scheduled and confirmed quantities for any day shall be resolved pursuant to the terms of the OBA. To facilitate such determination of variances on a timely basis, Transporter and the OBA Party will agree in the OBA on necessary measurement and accounting procedures. Transporter shall post on its EBB those Points of Receipt and Points of Delivery which are subject to an OBA. Transporter will also provide to any party upon request a copy of any executed OBA. A form of OBA is contained among the forms of service agreements contained in this tariff.

31.3 Prerequisite to Execution. It is Transporter's intent to negotiate and execute OBAs on a non-discriminatory basis with any OBA Party. However, Transporter shall have no obligation to negotiate and execute OBAs with any Party that:

- (a) is not creditworthy as determined pursuant to Section 22.8 of these General Terms and Conditions, substituting the term "OBA Party" for "Shipper" for this purpose;
- (b) does not maintain a gas control operation which is staffed on a continuous, around-the-clock basis;
- (c) does not have electronic flow measurement equipment to which Transporter has access at the interconnect points which are proposed to be subject to the OBA;

