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FERC GAS TARIFF
ORIGINAL VOLUME NO. 1
OF
PINNACLE PIPELINE COMPANY
FILED WITH THE
FEDERAL ENERGY REGULATORY COMMISSION

Communication concerning this tariff

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PRELIMINARY STATEMENT

Pinnacle Pipeline Company ("Pinnacle" or "Transporter") is a corporation formed under the laws of the State of Texas, with its principal place of business at Houston, Texas. Transporter is a "natural gas company" as defined by the Natural Gas Act ("NGA"), 15 U.S.C. 717-717w, and is subject to the jurisdiction of the Federal Energy Regulatory Commission ("Commission"). Transporter owns and operates a natural gas transmission system located in Lea County, New Mexico, which is used solely to transport natural gas from an interconnection with an interstate pipeline to two electric power plants.

Although its facilities are located entirely within the State of New Mexico, Transporter is engaged in the business of transporting natural gas for shippers in interstate commerce on a firm and interruptible basis. The transportation of natural gas in interstate commerce is provided pursuant to a blanket certificate issued to the Transporter for the activities specified in Part 284, Subpart G, of the Commission's regulations, as amended from time to time.

Pinnacle will undertake the transportation of natural gas only under written agreement(s) acceptable to Pinnacle upon consideration of existing commitments, operating conditions, and any other factors deemed pertinent by Pinnacle.

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SYSTEM MAP

Non-Internet Public

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STATEMENT OF RATES AND CHARGES

All rates are stated in U.S. \$

Rate Schedule FT

Recourse Rates:

	Maximum	Minimum
Reservation Charge (\$ per MMBtu per month)	\$ 1.287	0.00
Commodity Charge (\$ per MMBtu)	\$ 0.00	0.00
Overrun Rate	\$ 0.0423	0.00
ACA Charge	_____	_____

Negotiated Rates:

The effective maximum negotiated reservation charge for any negotiated rate transportation agreement is the charge agreed to by the parties, as set forth on Sheet No. 201.

Rate Schedule IT

	Maximum	Minimum
Commodity Charge (\$ per MMBtu)	\$0.042	0.00
ACA Charge	_____	_____

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Reserved for future use

RATE SCHEDULE FT FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

This FT Rate Schedule is available to any party (hereinafter called "Shipper") that has requested service under this Rate Schedule, for firm transportation service under the authority and provisions of Part 284 of the regulations of the Federal Energy Regulatory Commission, provided that:

- 1.1 Transporter determines it has available capacity to render the firm transportation service.
- 1.2 Any construction, acquisition, or expansion of facilities necessary to commence and provide the firm transportation service has been completed.
- 1.3 Shipper has executed a Transportation Agreement in the form contained in this FERC Gas Tariff for service under this Rate Schedule.
- 1.4 Shipper has made arrangements acceptable to Transporter for service on upstream transporters.
- 1.5 Shipper has satisfied, and continues to satisfy throughout the term of its Agreement, the creditworthiness criteria in section 21 of the General Terms and Conditions ("GT&C") of this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 Transportation service hereunder, through all or any portion of Transporter's system, will be firm, subject to the availability of capacity, to the provisions of an effective Transportation Agreement, and to the GT&C.
- 2.2 On each Day during the term of a Firm Transportation Agreement the Shipper shall be entitled to request service hereunder subject to this Rate Schedule and the GT&C. Nominations for service shall be made pursuant to section 4 of the GT&C. Service hereunder shall not be subject to the curtailment or interruption except as provided for herein and in section 5 of the GT&C.

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- 2.3 Transporter may refuse to render service hereunder if and for so long as Shipper is in default under its Firm Transportation Agreement or the GT&C.
- 2.4 Transporter will receive at the Receipt Point for Shipper's account for transportation hereunder daily quantities of Gas up to Shipper's Transportation Quantity. Such Transportation Quantity shall be specified in Shipper's Firm Transportation Agreement. Transporter will deliver for Shipper's account, at the Delivery Point(s) listed, MMBtus equivalent to the amount of MMBtus received by Transporter at the Receipt Point.
- 2.5 Transporter shall not be obligated to add any facilities or to expand the capacity of its pipeline system in any manner in order to provide transportation service to Shipper pursuant to this Rate Schedule.

3. RATES AND CHARGES

- 3.1 The applicable maximum and minimum Recourse Rates for service hereunder are set forth in the currently effective Statement of Rates and Charges of this Tariff, and are incorporated herein by reference.
- 3.2 Unless Transporter and Shipper agree in writing to a discounted rate or a Negotiated Rate for service provided hereunder, the rates applicable to Shipper for service hereunder shall be the maximum Recourse Rates as set forth on the effective Statement of Rates and Charges. In negotiating rates with a Shipper, Transporter will negotiate rates in a manner that is not unduly discriminatory and that treats similarly situated shippers alike.
- 3.3 Effective as of the date of commencement of service, as provided for in the Firm Transportation Agreement, Transporter shall charge and Shipper shall pay for Transportation under this Rate Schedule each Month, or part thereof, if applicable, the sum of the following:

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- (a) the applicable Recourse or Negotiated Reservation Charge, multiplied by Shipper's Transportation Quantity;
- (b) the applicable Negotiated or Recourse Commodity Charge, multiplied by the total quantity actually delivered at the Delivery Point(s); and
- (c) the Annual Charge Adjustment (ACA) set forth in the Statement of Transportation Rates.

4. DELIVERY POINTS

- 4.1 The Delivery Point(s) at which Transporter may deliver Gas for Shipper's account under this Rate Schedule shall be at either Shipper's Cunningham Station or Shipper's Maddox Station.

5. NOMINATIONS AND SCHEDULING OF RECEIPTS AND DELIVERIES

If Shipper desires transportation of Gas on any Day under this Rate Schedule, Shipper shall submit a nomination in accordance with section 4 of the GT&C.

6. OVERRUN QUANTITIES AND IMBALANCES

Overrun quantities and imbalances associated with transportation under this Rate Schedule shall be governed by and resolved pursuant to sections 4 and 8 of the GT&C.

7. RESERVATIONS

Transporter reserves the right to take such actions as may be required to preserve the integrity of its system, including maintenance of service to other firm customers.

8. GOVERNMENTAL AUTHORIZATIONS

Transportation service under this Rate Schedule and effective Firm Transportation Agreements shall be implemented pursuant to any applicable self-implementing authorizations or program of the FERC for

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which Transporter has filed or in which Transporter has agreed to participate.

9. GENERAL TERMS AND CONDITIONS

All of the GT&C of Transporter's Tariff are applicable to this Rate Schedule and service hereunder, and are made a part hereof, to the extent that such terms and conditions are not in conflict with any provision herein. In the event of a conflict between the GT&C and the provisions of this Rate Schedule, the GT&C shall control. In the event of a conflict between the GT&C and any Firm Transportation Agreement, the Firm Transportation Agreement shall control.

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RATE SCHEDULE IT
INTERRUPTIBLE TRANSPORTATION SERVICE

1. AVAILABILITY

This IT Rate Schedule is available to any party (hereinafter called "Shipper") that has requested transportation service under this Rate Schedule, for interruptible transportation service under the authority and provisions of Part 284 of the regulations of the Federal Energy Regulatory Commission, provided that:

- 1.1 Transporter determines it has available capacity to render the interruptible transportation service.
- 1.2 Shipper has executed a Transportation Agreement in the form contained in this FERC Gas Tariff for service under this Rate Schedule.
- 1.3 Shipper has made arrangements acceptable to Transporter for service on upstream transporters.
- 1.4 Shipper has satisfied, and continues to satisfy throughout the term of its Agreement, the creditworthiness criteria in section 21 of the General Terms and Conditions ("GT&C") of this Tariff.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 Service hereunder will be interruptible, as provided herein, and pursuant to the Shipper's Transportation Agreement and Transporter's GT&C, and subject to the availability of capacity and Transporter's operating conditions and system requirements.
- 2.2 Transporter may refuse to render service hereunder if and for so long as Shipper is in default under its Interruptible Transportation Agreement, or under any Transportation Agreement with Transporter, or under GT&C.
- 2.3 Transporter will receive at the Receipt Point for Shipper's account for transportation hereunder daily quantities of Gas nominated by Shipper

pursuant to its Interruptible Transportation Agreement and the GT&C. Transporter will deliver for Shipper's account, at the Delivery Point(s) nominated by Shipper MMBtus equivalent to the amount of MMBtus received by Transporter at the Receipt Point.

- 2.4 Transporter shall not be obligated to add any facilities or to expand the capacity of its pipeline system in any manner in order to provide transportation service to Shipper pursuant to this Rate Schedule. Transporter is free to contract at any time with other parties for new transportation services (whether firm or interruptible) without liability to Shipper for any resulting interruption or reduction of transportation service hereunder.

3. RATES AND CHARGES

- 3.1 The applicable maximum and minimum charges for service hereunder are set forth in the currently effective Statement of Rates and Charges of this Tariff and are incorporated herein.
- 3.2 Unless Transporter and Shipper agree in writing upon a discounted rate for service provided hereunder, the rate applicable to Shipper for service hereunder shall be the applicable maximum interruptible rate as set forth on the effective Statement of Rates and Charges.
- 3.3 Effective as of the date of commencement of service, as provided for in the Interruptible Transportation Agreement, Transporter shall charge and Shipper shall pay Transporter for transportation service under this Rate Schedule and Shipper's Transportation Agreement each Month the applicable rate under the Transportation Agreement, multiplied by either the total quantity actually delivered to Shipper at the Delivery Point(s).

4. DELIVERY POINTS

- 4.1 The Delivery Point(s) at which Transporter may deliver Gas for Shipper's account under this Rate

Schedule shall be at either Shipper's Cunningham Station or Shipper's Maddox Station.

5. NOMINATION AND SCHEDULING OF RECEIPTS AND DELIVERIES

If Shipper desires transportation of Gas on any Day under this Rate Schedule, Shipper shall submit a nomination in accordance with section 4 of the GT&C. If nominations exceed the capacity available for interruptible transportation service, the available capacity shall be apportioned, by price from highest to lowest, however a pro rata apportionment (based on the ratio of the quantity nominated by each individual Shipper and the total quantity nominated by all Shippers seeking interruptible transportation service) will be used for Shippers paying the same rate.

6. OVERRUN QUANTITIES AND IMBALANCES

Overrun quantities and imbalances associated with transportation under this Rate Schedule shall be governed by and resolved pursuant to sections 4 and 8 of the GT&C.

7. RESERVATIONS

Transporter reserves the right to take such actions as may be required to preserve the integrity of its system, including maintenance of service to firm customers.

8. GOVERNMENTAL AUTHORIZATION

Transportation service under this Rate Schedule and Interruptible Transportation Agreements shall be implemented pursuant to any applicable self-implementing authorizations or program of the FERC for which Transporter has filed or in which Transporter has agreed to participate.

9. GENERAL TERMS AND CONDITIONS

All of the GT&C of Transporter's Tariff of which this Rate Schedule is a part are applicable to this Rate Schedule and service hereunder, and are made a part hereof, to the extent that such terms and conditions are not contradicted by any provision herein. In the

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event of a conflict between the GT&C and the provisions
of this Rate Schedule, the GT&C shall control. In the
event of a conflict between the GT&C and any
Interruptible Transportation Agreement, the
Interruptible Transportation Agreement shall control.

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Sheet Nos. 17 through 99 are reserved for future use.

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GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

Except where the context expressly states another meaning, the following terms when used in this Tariff and in any Transportation Agreement or Rate Schedule incorporating this Tariff, shall be construed to have the following meanings:

1. "Affiliate", when used to indicate a relationship with a specific Person, means another Person that directly, or indirectly through one or more intermediaries or otherwise, controls, is controlled by, or is under common control with, such specific Person. A corporation shall be deemed to be an Affiliate of another corporation if one of them is directly or indirectly controlled by the other or if each of them is directly or indirectly controlled by the same Person.
2. "Affiliate Guarantor" means a Shipper's Affiliate that executes a corporate guarantee satisfactory to Transporter for Shipper's obligations under a Transportation Agreement.
3. "Authorized Overrun" is defined as a nomination made by a Shipper that exceeds its applicable Transportation Quantity which is accepted by Transporter. Authorized Overrun quantities are subject to an Authorized Overrun Charge as provided for in section 8.1(a).
4. "Available Capacity" is the capacity in Transporter's system that is not subscribed or scheduled for service under the terms of Transporter's Rate Schedules.
5. "Btu" shall mean one (1) British Thermal Unit. As set forth in section 1.16, the reporting basis for Btu shall be 14.73 dry psia and 60 degrees F.
6. "Business Day" is defined as Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico.

7. "Central Clock Time" or "CCT" means Central Daylight Time when Daylight Savings Time is in effect and Central Standard Time otherwise.
8. "Commodity Charge" means the rate specified in the Statement of Rates and Charges.
9. "Day" means a twenty-four (24) hour period of time from 9:00 a.m. to 9:00 a.m. Central Clock Time.
10. "Dekatherm" or "Dth" means the quantity of heat energy which is 1,000,000 British thermal units (1 MMBtu).
11. "Delivery Point" means either Shipper's Cunningham Station or Shipper's Maddox Station, where Transporter delivers Gas to Shipper, or for Shipper's account. The Delivery Point(s) shall be specified in Shipper's Transportation Agreement.
12. "FERC" or "Commission" means the Federal Energy Regulatory Commission, or any successors thereto.
13. "Firm Transportation Agreement" means an agreement pursuant to the Tariff under which Transporter provides firm transportation to a Shipper.
14. "Force Majeure" has the meaning specified in section 14.1 of these General Terms and Conditions.
15. "Gas" or "Natural Gas" means methane and such other hydrocarbon constituents, or a mixture of two or more of them which, in any case, meets the quality specifications of the Tariff.
16. "Gross Calorific Heating Value" means the quantity of heat expressed in Btus produced by the complete combustion at constant pressure of one anhydrous (dry) cubic foot of Gas with air at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of 14.73 psia, when the products of the combustion are cooled to the initial temperature of the Gas and air and the

water formed by combustion is condensed to the liquid state.

17. "Imbalance" has the meaning specified in section 8 of the GT&C.
18. "Interruptible Transportation Agreement" means an agreement pursuant to which Transporter agrees to provide interruptible transportation service to a Shipper.
19. "Intra-day Nomination" is a nomination submitted after the nomination deadline whose effective time is as stated in section 4 of the GT&C.
20. "Marketing Affiliate", when used with respect to Transporter, means a Person or other entity as defined in Part 161 of the Commission's regulations.
21. "MMBtu", "Dekatherm" or "Dth", means one million (1,000,000) Btu and shall be the standard unit for purposes of nominations, scheduling, invoicing, and balancing. Allocated quantities and imbalances shall be expressed in the same units as nominated quantities.
22. "Month" means the period from 9:00 a.m. CCT on the first Day of the calendar month and ending at 9:00 a.m. on CCT on the first Day of the next succeeding calendar month.
23. "NAESB" means the North American Energy Standards Board.
24. "NAESB Standard" means a standard issued by NAESB and adopted by the Commission.
25. "Negotiated Rate" means a rate or rate formula for service under any Rate Schedule contained in this Tariff established pursuant to Section 13 of these General Terms and Conditions.
26. "Northern Natural" means Northern Natural Gas Company, or any successor-in-interest thereto.

27. "Operational Balancing Agreement" or "OBA" is a contract between parties which specifies the procedures to manage operating balances at an interconnect.
28. "Operational Flow Order" or "OFO" is an order issued pursuant to Section 12 of these General Terms and Conditions.
29. "Payment Due Date" means the 25th day of each month. If the Payment Due Date is not a Business Day, then payment must be received by Transporter or by the financial institution so designated by Transporter for payment, on or before the first Business Day immediately prior to the Payment Due Date.
30. "Person" means a natural person, sole proprietorship, firm, trust, trustee, executor, administrator or other legal personal representative, partnership, limited partnership, joint venture, syndicate, company or corporation with or without share capital, unincorporated association, regulatory body or agency, government of governmental agency, authority or entity however designated or constituted.
31. "Point Operator" has the meaning set forth in Section 4.7 of these General Terms and Conditions.
32. "Pre-arranged Replacement Shipper" and "PRS" mean the entity designated by Releasing Shipper prior to the Released Capacity being posted on the Web Site system in accordance with Section 20.
33. "Prepayment", with respect to requests for capacity or service, means that amount of money that must be submitted by a Shipper along with a request for service. Such amount will be credited to Shipper's invoice for services provided by Transporter, or forfeited by Shipper if it fails to enter into a Transportation Agreement with Transporter in accordance with the terms of Transporter's FERC Gas Tariff. With respect to creditworthiness, prepayment means the

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advance payment for transportation services rendered by Transporter.

34. "Psia" means pounds per square inch absolute.
35. "Psig" means pounds per square inch gauge.
36. "Receipt Point" is the outlet flange of Northern Natural's gas metering equipment (P.O.I. 56403) at Transporter's interconnect with Northern Natural at or near the tailgate of the Linam Ranch Plant located in the Northeast Quarter, Section 6, Township 19 South, Range 37 East, Lea County, New Mexico.
37. "Recourse Rate" means the maximum rate for service under Transporter's Rate Schedule under which the Negotiated Rate is otherwise applicable.
38. "Released Capacity" means capacity reserved under the terms of an effective FT Transportation Agreement that a Releasing Shipper seeks to release, on either a permanent or temporary basis.
39. "Releasing Shipper" or "Releasor" means a Shipper who holds or acquires firm capacity rights and who elects to release all or a part of such capacity.
40. "Replacement Shipper" means a Shipper who acquires all or part of the rights to capacity held by a Releasing Shipper under the terms of an effective FT Transportation Agreement, on either a permanent or temporary basis.
41. "Reservation Charge" means the reservation charge component of the rate applicable to firm transportation service as specified in Transporter's Tariff and the Firm Transportation Agreement between such Shipper and Transporter.
42. "Scheduled Quantity" is the quantity of Gas a Shipper nominates for receipt by Transporter at a Receipt Point and for redelivery by Transporter for Shipper at a delivery Point, and that

Transporter or Operator schedules for transportation.

43. "Transportation Agreement" means an agreement pursuant to the Tariff under which Transporter provides transportation or other contract services to a Shipper.
44. "Shipper" means a Person who executes a Transportation Agreement with Transporter for transportation service under any Rate Schedule of Transporter's tariff.
45. "Tariff" means Transporter's FERC Gas Tariff, as amended and approved from time to time by the Commission.
46. "Transportation" of Gas means the receipt of Gas for Shipper's account at the Receipt Point and the delivery, for Shipper's account, of Gas to Transporter at the Delivery Point(s).
47. "Transportation Quantity" or "TQ" means for customers receiving service pursuant to Rate Schedule FT, the daily quantity of Gas contracted by a Shipper and for which Shipper has agreed to pay a Reservation Charge in accordance with the terms and conditions of Shipper's Firm Transportation Agreement. For shippers receiving service pursuant to Rate Schedule IT, "Transportation Quantity" shall mean the quantity of Gas Transporter schedules and confirms for service on any given Day.
48. "Transporter" means Pinnacle Pipeline Company.
49. "Unauthorized Overrun" means quantities of Gas transported by Transporter on behalf of a Shipper in excess of Shipper's Transportation Quantity without Transporter's advance approval.
50. "Web Site" means the site on the internet <http://www._____.com>, through which electronic communication service is accessible to Transporter.

51. "Year" means a period of 365 consecutive days, except that any year which contains the date February 29 shall consist of 366 consecutive days.

2. QUALITY OF GAS

2.1 Gas Quality Specifications: All gas tendered at the Receipt Point and delivered to the Delivery Points hereunder shall be of merchantable quality, and shall conform to the quality specifications and requirements as provided below:

- (a) The gas shall be commercially free from objectionable odors, solid matter, dust, gums and gum-forming constituents, or any other substance which might interfere with the merchantability of the gas, or cause injury to or interference with proper operation of the lines, meters, regulators, or other appliances through which it flows.
- (b) Oxygen - less than or equal to 0.2% by volume.
- (c) Hydrogen sulfide - less than or equal to 1/4 grain/Ccf.
- (d) Total Sulphur - less than or equal to 20 grains/Ccf.
- (e) Carbon Dioxide - less than or equal to 2.0% by volume.
- (f) Water - less than or equal to 6 pounds/MMcf.
- (g) Heating Value - greater than or equal to 950 Btu/Cubic Foot.
- (h) The temperature shall be less than or equal to 120 degrees Fahrenheit.

If at any time, gas tendered to Transporter at the Receipt Point fails to conform to the quality specifications, Shipper shall notify Transporter

promptly of such deficiency and follow notification in writing. If gas delivered to the Delivery Point(s) fails to conform to the quality specifications, Shipper shall notify Transporter promptly of such deficiency and follow notification in writing. In both instances, the deficiency shall be remedied within a reasonable period of time. Neither Transporter nor Shipper shall be required to receive gas that fails to conform to the quality specifications.

3. MEASUREMENT

3.1 Measurement Facilities

Transporter, at its sole cost and expense, shall provide for the continued operation and maintenance of gas measuring facilities to be located at the Receipt Point and Delivery Points. Such facilities shall be constructed and gas volumes shall be measured by (1) orifice metering tubes at the Delivery Point(s) installed in compliance with the requirements prescribed in Gas Measurement/Committee Report No. 3 of the American Gas Association approved standards measurement, including the appendix thereto, and any subsequent revision thereof acceptable to Shipper and Transporter or their designees and (2) ultrasonic meters at the Receipt Point installed in compliance with the requirements prescribed in Gas Measurement/Committee Report No. 9 of the American Gas Association approved standards measurement, including the appendix thereto, and any subsequent revision thereof acceptable to Shipper and Transporter or their designees.

3.2 Check Metering Equipment - Shipper shall have the right, at its sole option and expense, to install and operate check metering equipment downstream of the Receipt Point and the Delivery Points.

3.3 Gas Measurement and Equipment - Reading, calibration and adjustment of each party's meters and related equipment shall be performed solely by that party. Each party, however, shall provide the other with seven (7) Days prior written notice of all reading, calibration and

adjustment, and representatives of the other party may be present for such events.

- 3.4 Measurement at the Receipt Point - At the Receipt Point, Transporter will comply with the provisions for gas measurement set forth in the General Terms and Conditions of Northern Natural's Tariff. Transporter's measurement equipment, which is operated by Northern Natural, will be used as the primary billing meters at the Receipt Point.
- 3.5 Measurement at the Delivery Points - Each item of equipment shall be calibrated to provide an accuracy of plus or minus five-tenths of one percent of full scale.
- 3.6 Resolving Differences at the Delivery Point(s) - If the testing and calibration performed at the Delivery Point(s) pursuant to Section 3.3 show that any item of equipment installed by Transporter does not conform to the accuracy requirements of Section 3.5, all previous readings of that item of equipment shall be corrected to zero error for any period which the equipment was known to be in error. If this period is not known, the correction shall be made for a period extending back one-half of the time elapsed since the last testing and calibration performed pursuant to Section 3.3. During any period when any item of equipment installed at the Delivery Point(s) by Transporter is inoperable or known to be in error, the measurements provided by the corresponding item of equipment installed by Shipper, if any, shall be used if determined to be accurate in accordance with Section 3.5. If neither item of equipment is operable or accurate, or available in the case of Shipper's equipment, the specification to be measured shall be determined by the parties hereto on the basis of the best data available using the first of the following methods which is feasible:
 - (a) By correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculations; or

- (b) By comparing deliveries made during the preceding period under similar delivery conditions when the equipment was registering accurately.

3.7 Measurement of Moisture

Transporter may install on-line at the Delivery Point(s) the most accurate and reliable technology currently available at reasonable cost to continuously monitor the moisture content of the gas being delivered by Transporter. Moisture content monitoring equipment installed by Transporter, if any, will have the capacity for an alarm, which may be installed by Shipper, to inform Shipper whenever the moisture content of the gas being delivered to Shipper exceeds the maximum designated by the Tariff specifications referenced in Section 2.1. If Transporter does not install moisture monitoring equipment as permitted by this section, Shipper's moisture monitoring equipment located on-line at the Delivery Point(s) will be used to determine the moisture content of gas being delivered by Transporter, if that equipment has been properly installed and maintained and is registering correctly. Shipper will promptly notify Transporter if the moisture content of gas being delivered to Shipper exceeds the maximum designated by the Tariff specifications referenced in Section 2.1.

3.8 Measurement of Gross Calorific Heating Value, Carbon Dioxide, Oxygen, Nitrogen and Hydrogen Sulfide

Transporter's gas chromatograph installed at the Receipt Point shall be used to measure the gross calorific heating value, carbon dioxide, oxygen and nitrogen levels in the gas stream. The standard for calculation of gross calorific heating value, specific gravity and compressibility of gas mixtures from compositional analysis shall be Gas Processors Association Standard No. 2172-84, as amended or supplemented from time to time. If Shipper accepts delivery of any gas that contains moisture in excess of the limit for dry gas

designated by the specifications referenced in Section 2.1, as determined in accordance with Section 3.7, the gross calorific heating value will be adjusted to reflect the actual water vapor content of the gas accordingly for billing purposes.

In the event gas is received into Transporter's pipeline system from an interconnect other than the Receipt Point defined herein, Shipper may request and, upon such request, Transporter shall be required to install an automatic sampling device to measure the hydrogen sulfide levels in the gas. The hydrogen sulfide content of the gas shall be determined in accordance with the Gas Processors Association Standard for such determination then in effect, and if there is no such standard in effect, by a method generally used and accepted in the industry and agreeable to both Transporter and Shipper.

- 3.9 Determination of Total Delivered MMBtu - The total number of MMBtus delivered shall be determined by multiplying the delivered gross calorific heating value, as determined in Section 3.8, by the total volume of gas as determined in Section 3.1. If the total MMBtu results obtained by use of Transporter's equipment, as specified in Section 3.1 and 3.8, differ by one percent or more from the results obtained by use of Shipper's check metering equipment, then Transporter and Shipper shall each be required to calibrate its measurement equipment. If such calibrations indicate that Transporter's measurement equipment is within the tolerance levels set forth in Section 3.5, then Transporter's measurement equipment shall continue to be used. If such calibrations indicate that Transporter's measurement equipment is not within the tolerance levels set forth in Section 3.5 and that Shipper's measurement equipment is within the tolerance levels set forth in Section 3.5, then Shipper's measurement equipment shall be used. If such calibrations indicate that neither parties' measurement equipment is within the tolerance levels set forth in Section 3.5, then the provisions of

Section 3.6 shall be followed to resolve any measurement inaccuracies.

- 3.10 Delivery Pressure - Transporter will operate its pipeline in a manner that will allow receipt of the deliveries of gas at maximum daily quantities, at a delivery pressure of 400 Psig to Shipper's Cunningham Station and a delivery pressure of 548 Psig to Shipper's Maddox Station (assuming a receipt pressure of 585 Psig at the Receipt Point). Additionally, Transporter shall be obligated to deliver quantities of gas at the Delivery Point(s) on pressure control or flow control. The pressure on Northern Natural's system will dictate the operating pressures on Transporter's Pipeline facilities, and neither party is obligated to install compression.
- 3.10 Atmospheric Pressure - The atmospheric pressure shall be assumed to be 12.84 pounds per square inch absolute at the Receipt Point and Delivery Point(s), regardless of any variation from the actual barometric pressure.

4. NOMINATIONS

- 4.1 For service required on any Day under each of Shipper's Transportation Agreements, Shipper shall provide Transporter or Northern Natural's dispatch department with a nomination(s) providing the Shipper's Receipt Point, contract numbers, the applicable service, the quantity of Gas to be delivered, the Delivery Point, and such additional information as Transporter determines to be necessary.
- 4.2 General Rules and Timeline - Pursuant to NAESB Standards 1.3.2 (Version 1.6), 1.3.3 (Version 1.6), 1.3.5 (Version 1.6), 1.3.6 (Version 1.6), 1.3.20 (Version 1.6), 1.3.21 (Version 1.6): The standard nominations timeline shall be as follows:
- (a) The Timely Nomination Cycle: 11:30 a.m. for nominations leaving control of the nominating party; 11:45 a.m. for receipt of nominations by Transporter; noon to send

Quick Response; 3:30 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 4:30 p.m. for receipt of scheduled quantities by Shipper and point operator (Central Clock Time on the day prior to flow).

- (b) The Evening Nomination Cycle: 6:00 p.m. for nominations leaving control of the nominating party; 6:15 p.m. for receipt of nominations by Transporter; 6:30 p.m. to send Quick Response; 9:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 10:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (Central Clock Time on the day prior to flow).

Scheduled quantities resulting from Evening Nomination that does not cause another Service Requester on Transporter to receive notice that it is being bumped should be effective at 9:00 a.m. on Gas day; and when an Evening Nomination causes another Service Requester on Transporter to receive notice that it is being bumped, the scheduled quantities should be effective at 9:00 a.m. on Gas day.

- (c) The Intraday 1 Nomination Cycle: 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by Transporter; 10:30 a.m. to send Quick Response; 1:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 2:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties), (Central Clock Time on the Gas day).
Scheduled quantities resulting from

Intraday 1 Nominations should be effective at 5:00 p.m. on Gas day.

- (d) The Intraday 2 Nomination Cycle: 5:00 p.m. for nominations leaving control of the nominating party; 5:15 p.m. for receipt of nominations by Transporter; 5:30 p.m. to send Quick Response; 8:00 p.m. for receipt of completed confirmations by Transporter from upstream and downstream connected parties; 9:00 p.m. for Transporter to provide scheduled quantities to affected Shippers and point operators (Central Clock Time on the Gas day). Scheduled quantities resulting from Intraday 2 Nominations should be effective at 9:00 p.m. on Gas day. Bumping is not allowed during the Intraday 2 Nomination Cycle.

In addition to making scheduled quantities information available by 4:30 p.m., at the end of each day Transporter shall make available to Shippers information containing scheduled quantities, including scheduled intra-day nominations and any other scheduling changes. All nominations shall include Shipper defined begin dates and end dates. All nominations excluding Intraday Nominations shall have rollover options. Specifically, Shippers shall have the ability to nominate for several days, months, or years, provided the nomination begin and end dates are within the term of Shipper's contract. Nominations received after the nomination deadline shall be scheduled after nominations received before the nomination deadline. Receiver of nomination initiates confirmation with the caveat that the receiver of the confirmation may relieve the obligation of sender to send. The sending party shall adhere to nomination, confirmation, and scheduling deadlines. The party receiving the request has the right to waiver the deadline.

- 4.3 Any change in a daily scheduled quantity implemented during the Day shall only be

recognized pro rata to the fraction of the Day remaining at the time the change is implemented. Changed daily scheduled quantity shall not exceed an amount equal to Shipper's Transportation Quantity multiplied by the fraction of the Day remaining at the time the changes are implemented, nor less than zero at any point in time. Transporter shall be under no obligation to accept such revisions for Shipper nominations made under Transporter's Interruptible Transportation Service.

- 4.4 Pursuant to NAESB Standards 1.3.9 (Version 1.6), 1.3.11 (Version 1.6), 1.3.13 (Version 1.6): All nominations, including Intraday Nominations, shall be based on a daily quantity; thus, an intraday nominator need not submit an hourly nomination. Intraday Nominations shall include an effective date and time. The interconnected parties shall agree on the hourly flows of the Intraday Nomination, if not otherwise addressed in the Transportation Agreement or Tariff. Intraday Nominations can be used to request increases or decreases in total flow, changes to receipt points, or changes to delivery points of scheduled Gas. Intraday Nominations do not rollover (i.e., Intraday Nominations span one day only). Intraday Nominations do not replace the remainder of a standing nomination. There is no need to renominate if an Intraday Nomination modifies an existing nomination.
- 4.5 Shipper Prioritization of Nominated Quantities - If Shipper elects to nominate quantities of Gas to be received by Transporter from one or more upstream parties at the Receipt Point, Shipper shall provide the priority, method, and extent to which each nominated receipt quantity from a particular upstream party should be reduced in the event that, due to Transporter's allocation of Available Capacity for Transportation services, all nominated receipts cannot be scheduled.

Shipper prioritization of nominated quantities must be consistent with the terms of this FERC Gas Tariff and such prioritization will be honored to the extent that Transporter reasonably

determines such prioritization is operationally feasible.

- 4.6 Delegation of Nomination Authority to Agent - A Shipper may delegate to any third party the responsibility for submitting nominations and receiving confirmations or performing other administrative duties under any effective agreement, subject to the following conditions:
- (a) Any designation of a third party as agent, or any change in such designation must be provided in writing to Transporter at least two (2) Business Days prior to the requested effective date of the designation.
 - (b) The written designation must specify any limits on the authority of the agent, including any time limit for the designation. Transporter may reject any Shipper's request to delegate responsibilities if the limitations on the designation would impose undue administrative burdens on Transporter.
 - (c) Transporter will rely on communications from a Shipper's agent for all nomination purposes, except to the extent the designation is expressly limited. Communications by Transporter to such agent will be deemed notice to Shipper.
 - (d) Any third party may administer multiple Transportation Agreements as the agent for one or more Shippers, but the agent must make nominations and otherwise administer and account separately for each Transportation Agreement.

4.7 Shipper Designated as Point Operator

Transporter's Shipper shall, prior to the effective date of any Transportation Agreement, be designated and act as Point Operator for the scheduling and balancing of gas flows at the Receipt Point to be delivered into the

Transporter's pipeline. Transporter and Shipper agree that Shipper shall continue to serve as Point Operator at the Receipt Point for all gas quantities transported under such Agreement, and that Transporter shall provide all necessary notices to Northern Natural to effectuate such designation. Such designation of Shipper as Point Operator shall continue in full force and effect throughout the term of such Agreement, provided that Shipper remains the only Shipper on Transporter's pipeline. In the event Transporter subsequently begins transporting gas over the pipeline for other shippers, subject to any limitations set forth in such Agreement, Transporter shall take over the responsibilities of Point Operator at the Receipt Point, but shall coordinate its activities so as not to impair the nomination and balancing of the existing Shipper's gas quantities transported under the Agreement with such Shipper.

- 4.8 Imbalances - The quantities of gas tendered at the Receipt Point and the quantities of gas delivered at the Delivery Point(s) shall remain in continuous balance or as near thereto as practical. In the event the quantity of gas tendered at the Receipt Point and the quantity of gas taken at the Delivery Point(s) are not equal, a condition of imbalance shall exist. If Transporter or Shipper determines that an imbalance exists, both Transporter and Shipper shall use diligent efforts to correct the imbalance as soon as practical. Transporter will net Shipper's imbalances on a monthly basis across all of Shipper's Transportation Agreements. Shipper may trade any imbalances incurred under this Section 4 with other Shippers on Transporter's system, provided the imbalances to be traded are off-setting. Trades will be deemed completed upon notification to Transporter.
- 4.9 Shipper and Transporter will comply with the nomination provisions set forth in Rate Schedule IT-1 of the Northern Natural Gas Tariff, as such procedure may be reasonably revised from time to time to account for operational changes.

5. PRIORITY OF SERVICES AND CURTAILMENT

5.1 Transporter shall have the right to curtail or discontinue services, in whole or in part, on all or a portion of its system at any time for reasons of Force Majeure or when capacity or operating conditions so require. Transporter shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. Routine repair and maintenance is not deemed an emergency situation or an unexpected loss of capacity and will be scheduled by Transporter in a manner to avoid, wherever possible, the disruption of confirmed service.

5.2 If due to any cause whatsoever Transporter is unable on any day to schedule or deliver the quantities of Gas nominated by Shippers, service shall be curtailed in the following order:

(a) first, interruptible service provided pursuant to Rate Schedule IT, curtailed by price from lowest to highest, except curtailment will be pro rata on nominated quantities among Shippers paying the same rate, and recognizing that Shippers paying the maximum rate will be curtailed last;

(b) second, firm service provided pursuant to Rate Schedule FT. Transporter shall curtail on a pro rata basis on nominated quantities among all Shippers receiving this service.

6. SCHEDULING

6.1 Transporter shall schedule all transportation quantities in accordance with the following priorities:

(a) Firm transportation of Natural Gas within Shipper's Transportation Quantity from a Shipper's primary Receipt Point(s) and to its primary Delivery Point(s), provided a Shipper's scheduled quantity shall not exceed its nomination;

- (b) Firm transportation of Natural Gas within the contract path from a Shipper's Secondary Receipt Point(s) and/or to its Secondary Delivery Point(s), provided a Shipper's scheduled quantity shall not exceed its nomination;
- (c) Firm transportation of Natural Gas outside the contract path from a Shipper's Secondary Receipt Point(s) and/or to its Secondary Delivery Point(s).
- (d) Interruptible service by price from highest to lowest, except scheduling will be pro rata based on nominated quantities among Shippers paying the same rate.
- (e) Transporter shall use service requester provided rankings when making reductions during the scheduling and curtailment process when this does not conflict with tariff-based rules. Pursuant to NAESB Standard 2.3.26 (version 1.6), the time limitation for disputes of allocations shall be six (6) months from the date of the initial month-end allocation with a three (3)-month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

7. ALLOCATION OF DAILY QUANTITIES

Receipts and deliveries of Gas under more than one contract and/or Rate Schedule shall be allocated in accordance with any agreement as may exist between Transporter and Northern Natural. Absent such agreement, Shipper(s) shall be deemed to have taken receipt or delivery of Shipper's scheduled quantities sequentially and in the same priority order as Transportation is scheduled under section 6 of the GT&C. Any difference between the allocated and scheduled Gas quantities at a location will result in the allocation of an imbalance equal to that difference to the Shipper. Such imbalances shall be resolved in

accordance with Section 4.8 of the General Terms and Conditions.

8. OVERRUN QUANTITIES

8.1 Overrun Charge

(a) Authorized Overrun Charge

If Shipper requests Transporter to deliver quantities of Gas in excess of Shipper's applicable Transportation Quantity, and Transporter agrees, Shipper shall be subject to an Overrun Charge in addition to the applicable reservation and commodity charges and any balancing charges pursuant to this section, equal to the 100% load factor maximum rate applicable to the service Shipper receives as specified in Shipper's Transportation Agreement per each MMBtu of Gas taken in excess of Shipper's Transportation Quantity.

(b) Unauthorized Overrun Charge

If Shipper exceeds its Transportation Quantity without the approval of the Transporter, Shipper shall be subject to an Overrun Charge in addition to the applicable reservation and commodity charges and any balancing charges pursuant to this section, equal to \$10 per MMBtu for each MMBtu of Gas taken in excess of Shipper's Transportation Quantity.

8.2 A Shipper must comply with an OFO issued pursuant to Section 12 within the time period set forth therein, unless the Shipper is able to demonstrate that such compliance is prevented due to a Force Majeure event as defined in Section 14.1. In all instances, including Force Majeure, the Shipper shall make a good faith effort to comply with any such OFO, including seeking waivers of any contractual limits with third parties or modifications of operating conditions on third party systems. Shipper shall notify Transporter immediately if it believes that it is

excused from compliance with the OFO for any reason, and shall provide Transporter with documentation sufficient to support its basis for non-compliance.

- 8.3 If a shipper fails to comply with an OFO, it shall be subject to (a) a penalty of \$25.00 per MMBtu for any volume of gas by which it deviated from the requirements of the OFO, and (b) any overrun or other charges that may be applicable under Section 8. A Shipper shall not incur any charges or penalties if such charges or penalties would not have been incurred but for Shipper's compliance with an OFO. A Shipper shall not incur any penalties if the OFO was necessitated exclusively by Transporter's negligence or willful misconduct.
- 8.4 Transporter may waive its right to collect all or any portion of an OFO penalty assessed against a Shipper, provided that such waiver is granted in a nondiscriminatory manner.

9. BILLING AND PAYMENT

9.1 Payment Terms

On or before the tenth (10th) Business Day of each Month, Transporter shall deliver invoices to Shipper for its services in transporting gas under the applicable Transportation Agreement. All invoices shall be sent to Shipper by facsimile transmission, or by other means of transmission acceptable to the Transporter and Shipper, and all invoices shall be deemed delivered to Shipper when sent by Transporter in this manner. In addition, Transporter shall mail to Shipper a confirmation copy of each invoice, but the date this copy is delivered shall have no effect on the due date for payment of any invoice for accounting purposes. Invoices shall be due and payable within fifteen (15) Days of Shipper's receipt of the original invoice. All past due payments shall bear interest at one percent above the prime rate per annum announced by Bank One, Texas N.A. ("Index Bank") as it may vary from time to time over the period beginning on the Day

after the due date in question and ending on the date payment is sent by Shipper.

Invoices will be supported by adequate backup information to allow Shipper to review invoice calculations. In the event the delivered volumes reflected in a Transporter invoice differ from the volumes indicated by Shipper's check measuring equipment, then Shipper shall make payment to Transporter using the lower of the two volume totals, subject to adjustment as described in Section 9.2 below (following calculation of final volumes pursuant to Section 3.9). All taxes applicable to transportation shall be shown as a separate line item on each invoice for accounting purposes. Shipper shall make payment, at Transporter's option, either by mailing its check via U.S. mail to any address specified by Transporter, postage prepaid, or by bank transfer of funds to a bank account to be designated by Transporter.

9.2 Disputed Amounts

If Shipper disputes the amount of any invoice for any reason, Shipper shall notify Transporter of the dispute within ten (10) Business Days after receipt of the invoice. If Shipper fails to notify Transporter of the dispute within ten (10) Business Days, the disputed invoice shall be paid in full according to the terms of the Transportation Agreement, but the payment shall be subject to adjustment upon final resolution of the dispute, with any refund to bear interest at one percent over the prime rate announced by The Index Bank as it may vary from time to time over the period that Transporter has possession of the money. Any refund due to Shipper under this section shall be due and payable fifteen (15) Days after the final resolution of the dispute.

If Shipper notifies Transporter of the dispute within ten (10) Business Days of the receipt of the disputed invoice by Shipper, and if Shipper and Transporter are unable to resolve the dispute before the due date of the dispute invoice, Shipper shall pay only the undisputed portion of the disputed invoice on the due date. Shipper

shall pay the portion of the disputed invoice, if any, determined to be owing to Transporter within fifteen (15) Days from the date the dispute is resolved together with interest on such amount at one percent (1.0%) over the prime rate announced by the Index Bank as it may vary from time to time, commencing fifteen (15) Days after the date the invoice is delivered to Shipper, and continuing until paid.

9.2 Failure of Index Bank

If the Index Bank (or any substitute Index Bank) no longer announces a prime rate or ceases to exist, Shipper shall designate a substitute Index Bank by notifying Transporter of the selection and the designation shall be effective as of the date the original Index bank ceased announcing a prime rate or ceased existence, as the case may be. A substitute Index Bank must be a national banking association that has capital and undivided profits of at latest \$100,000,000.00 and is located in a metropolitan area of the United States of America that has a population greater than 500,000.

10. CONTROL, OWNERSHIP, AND WARRANTIES

10.1 Control and Possession

Shipper shall be in control and in possession of the gas prior to such gas being tendered to Transporter at the Receipt Point and responsible for any damages, losses or injuries caused thereby until the same shall have been tendered to Transporter at the Receipt Point, except for injuries and damages which shall be occasioned solely and proximately by the negligent act or omission of Transporter or its designee. After the gas has been tendered by Shipper to Transporter, Transporter shall be deemed in exclusive control and possession of such gas until delivery thereof at the Delivery Points, and Transporter shall be responsible for any injuries or damages caused thereby, except injuries and damages which shall be occasioned solely and proximately by the negligent act or omission of Shipper or its designee. After the

gas has been tendered by Transporter to Shipper at the Delivery Point(s), Shipper shall be deemed in exclusive control and possession of such gas, and Shipper shall be responsible for any injuries or damages caused thereby, except injuries and damages which shall be occasioned solely and proximately by the negligent act or omission of Transporter or its designee.

10.2 Representation and Warranties Regarding Clear Title

Shipper shall represent and warrant that it has title to all gas it tenders to Transporter at the Receipt Point, free and clear of any liens and/or adverse claims. Transporter shall represent and warrant that it shall deliver all gas received from Shipper to Shipper at the Delivery Point(s) free and clear of any liens or adverse claims.

10.3 Indemnification for Claims Affecting Title

Shipper and Transporter shall fully indemnify and hold harmless each other, respective officers, agents, employees and contractors, from any loss, liability or damages, including costs and reasonable attorney's fees, suffered as a result of any claim, action or suit brought by any person arising from any breach by the indemnifying party of the representations and warranties in a Transportation Agreement or in Section 10.2 of this Tariff.

10.4 Indemnification for Breach of Other Representations and Warranties

In addition to the indemnification provisions set forth in Section 10.3 above, Shipper and Transporter shall fully indemnify and hold harmless each other, its officers, agents, employees and contractors from any loss, liability or damages, including costs and reasonable attorney's fees, suffered as a result of any claim, action or suit brought by any person arising from any breach by the indemnifying party of any other representations

and warranties in a Transportation Agreement or the GT&C of this Tariff.

11. SEGMENTATION OF CAPACITY

Any Shipper receiving firm transportation service may segment, to the extent operationally feasible, its contract path into two (2) or more discrete segments for its own use or in connection with a capacity release pursuant to Section 20 of the GT&C. If Shipper utilizes two (2) or more discrete pipeline segments, the sum of the quantities of Gas nominated at all Receipt Points or at all Delivery Points by the Shipper and, if applicable, the Releasing Shipper may exceed the TQ specified in the Transportation Agreement so long as the quantities nominated for transportation in a pipeline segment do not exceed the TQ applicable to the segment. Shipper may segment its contract path to forwardhaul and backhaul quantities of Gas to the same Receipt Point or to the same Delivery Point. In such a segmented transaction, the Shipper may exceed its TQ at that Receipt Point or Delivery Point and may nominate quantities of Gas in each segment up to Shipper's TQ assigned to such segment; provided, however, the quantities nominated to flow in the opposite direction of the flow of the contract path shall be considered to be outside the Shipper's contract path. If the Releasing Shipper and the Replacement Shipper nominate quantities of Gas in segments that overlap, the quantities shall be scheduled in accordance with the order set forth in section 6.1 above. If the quantities have equal priority and the sum of the quantities cannot be scheduled, the quantities shall be scheduled pro rata unless the Releasing Shipper specifies otherwise in its release notice.

12. OPERATIONAL FLOW ORDERS

12.1 General -- Transporter may issue OFOs to preserve the integrity of its Pipeline facilities, to ensure adequate operating pressures, to have adequate supplies in the Pipeline facilities, to assure adequate Transporter's Use Gas, to maintain firm services, and to optimize the operation of the system. Transporter may also issue OFOs on a not unduly discriminatory basis to respond to other unforeseen circumstances. To the extent possible, Transporter will identify

discrete Shipper(s) whose action(s) require Transporter to issue an OFO(s) and Transporter will limit the applicability of the OFO(s) to such Shipper(s). Notwithstanding the foregoing, if Transporter is unable to identify discrete Shipper(s) whose action(s) require issuance of an OFO, any OFO will be applicable to all Shippers on the affected Pipeline facilities.

12.2 Circumstances Under Which an OFO May be Issued -- Transporter may issue an OFO in any circumstance which would, in Transporter's reasonable judgment, impair Transporter's ability to receive or deliver Quantities of Gas in accordance with its service obligations including, but not limited to, when:

- (a) operating pressures are significantly less than or greater than normal system operating pressures despite Transporter's efforts to maintain normal pressures, and a further decline or increase in operating pressures would impair Transporter's ability to receive or deliver scheduled Quantities of Gas;
- (b) a Shipper fails to maintain receipts or deliveries as required in this Tariff;
- (c) unscheduled pipeline maintenance and repairs affect capacity.

12.3 Notices

If Transporter is required to issue an OFO, Transporter will issue a notice or email the notice to all affected Shippers, with an explanation of the necessity of such order, the Shipper(s) to which the order is directed, and the anticipated duration of such order. To the extent discrete Shipper(s) are not identified in any notice of an OFO, such order will be applicable to all Shippers. Transporter will issue or email any notice of an OFO as far in advance of the effective date/time of the OFO as is operationally feasible, subject to Transporter's need to protect the integrity of

the pipeline facilities. Transporter will provide updated information concerning the need for the OFO and will issue a notice informing Shipper(s) when any OFO in effect will be canceled.

13. NEGOTIATED RATES

- 13.1 Notwithstanding anything to the contrary contained in this Tariff, Transporter and Shipper may negotiate a rate for service under any Rate Schedule contained in this Tariff. Transporter's maximum Rate Schedule FT rate as shown on Sheet No. 6, Transporter's Statement of Rates and Charges ("Recourse Rate") is available for any Shipper that does not desire to negotiate a rate with Transporter.
- 13.2 A Negotiated Rate shall mean a rate for service, which may be less than, equal to or greater than Transporter's maximum Reservation Charge, if applicable, or Commodity Charge, as stated on Transporter's Statement of Rates and Charges for that service, shall not be less than the minimum rate, may be based on a rate design other than Straight Fixed Variable ("SFV"), and may include a minimum quantity. With respect to a Negotiated Rate which, when calculated on a 100% load factor basis, exceeds Transporter's maximum allocation of receipts and deliveries pursuant to Section 7, Shippers who have agreed to pay said Negotiated Rate would be considered to have paid the maximum Recourse Rate. For purposes of exercising rights to continue service pursuant to Section 22, the highest rate that a Shipper must match if it desires to retain all or a portion of its capacity and continue to receive firm service under the same Rate Schedule beyond the expiration date of such Firm Transportation Agreement is the maximum rate applicable to such service.
- 13.3 On or before the date service commences, Transporter will submit to the Commission Tariff Sheet No. 201 stating the exact legal name of the Shipper, the negotiated rate, the rate schedule, the Receipt Point, Delivery Point(s) and TQ. Unless Transporter executes and files a non-

conforming Agreement, such tariff sheet will contain a statement that the negotiated rate Agreement does not deviate in any material aspect from the form of Transportation Agreement in the tariff for the applicable rate schedule.

13.4 Nothing in this Section 13 shall authorize Transporter or Shipper to negotiate terms and conditions of service.

14. FORCE MAJEURE

14.1 The phrase "Force Majeure", as used in these General Terms and Conditions, shall mean, without limitation, an act of God, terrorism, lightening, storm, fire, explosion, accident, unusual casualty, strike, lockout, labor dispute, civil dispute, civil disturbance or labor slow down; closure at the time of the Force Majeure event of all or part of the Shipper electric generating plant(s) at which gas delivered hereunder was to be utilized because of imminent danger, industrial disturbance, or labor trouble; breakdowns or damage to the Shipper electric generating plant(s) at which gas hereunder was to be utilized because of imminent danger, industrial disturbance, or labor trouble; breakdowns or damage to the Shipper electric generating plant(s) at which gas hereunder was to be utilized at the time of the Force Majeure event, or breakdown or damage to necessary electrical transmission equipment (including emergency outages of equipment or facilities for the purpose of making repairs to avoid breakdown or damage); freezing of gas lines or gas wells; breakdown or damage to gas supply facilities or gas transportation facilities; orders or acts of civil authority which are complied with in good faith; or any other cause, whether or not of the same class or kind specifically enumerated above and whether or not foreseen or foreseeable, which is not reasonably within the control of the party claiming Force Majeure; provided, however, that an adverse change to the expected economic benefits or costs associated with the party's continued performance of its obligations under a Transportation Agreement shall not constitute an event of Force Majeure for either Transporter or

Shipper. Orders and acts of civil authority as used herein shall include, without limitation, any regulation, direction, order or request (whether valid or invalid) made by any governmental authority or person acting for a governmental agency, as well as the act or failure or refusal to act, whether rightfully or wrongfully done, of any governmental agency, authority, officer, or court charged with the interpretation, enforcement, or administration of any applicable law, rule or regulation, which act or failure or refusal to act effectively delays issuance of, or denies to either party, any permit, license, or approval reasonably necessary for the construction, development, operation, or repair of any facilities necessary or the performance of the Transportation Agreement.

14.2 Suspension of Obligations

If either Transporter or Shipper is prevented, or is delayed wholly or in part, from carrying out any of its obligations under this Tariff or a Transportation Agreement due to Force Majeure or its effects, and if that party gives the other party written notice and full particulars of the Force Majeure event as soon as reasonably practical, the obligations of the party giving the notice shall be suspended, except as otherwise stated in the Agreement and except for Shipper's obligation to make payments for transportation of gas previously delivered to Shipper, to the extent made necessary during the continuance of Force Majeure or its effects. The party claiming Force Majeure shall incur no liability except as set out in this Tariff or a Transportation Agreement by reason of its failure to perform the obligation so suspended; provided, however, that the disabling effects of Force Majeure shall be eliminated by the affected party as soon as and to the extent reasonably possible. If Force Majeure prevents Transporter or Shipper from complying with the terms and conditions of a Transportation Agreement for a period in excess of three (3) Months in any twelve-Month period, the party not claiming Force Majeure may terminate such Agreement upon ten (10) Days prior written notice to the other party; provided,

however, that such termination in the initial term will require a termination payment by the party claiming Force Majeure.

The requirement that any Force Majeure be remedied as soon as and to the extent reasonably possible shall not require the settlement of strikes, lockout, or other labor difficulty by the party involved, contrary to its reasonable wishes.

15. MARKETING AFFILIATES

15.1 Shared Operating Personnel and Facilities

Information on facilities and operating personnel that Transporter shares with its Marketing Affiliates will be available on the Web Site.

15.2 Complaint Resolution

Transporter will attempt to resolve any complaints by Shippers or potential Shippers without the necessity of a written complaint. To this end, Shippers are encouraged to attempt to resolve disputes informally with Transporter. A formal complaint concerning any services offered by Transporter should be directed, in writing or via facsimile, to:

Pinnacle Pipeline Company
Attn: William G. Janacek, Senior Vice President,
Project Development
5100 Westheimer, Suite 320, Houston, Texas 77056
Telephone: (713) 965-9151
Facsimile: (713) 965-9156

The complaint should state that it constitutes a complaint pursuant to these tariff provisions, and the complaint should state with specificity the nature of the complaint, the actions or procedures of Transporter that gave rise to the complaint, and the remedy sought by the Shipper. Transporter will respond initially to the complaint within two (2) Business Days and in writing within thirty (30) Days.

Effective Date: 10/08/2003 Status: Effective

FERC Docket: RP04-102-001

Original Sheet No. 132 Original Sheet No. 132 : Effective

16. NOTICES

Except as otherwise specifically provided in this
Tariff, any notice to be given by Shipper shall be
in
writing and shall be sufficient if personally
delivered
or sent by mail or facsimile transmission (with
confirmation of receipt) to the following address:

Transporter: 5100 Westheimer, Suite 320
Houston, TX 77056
Fax: (713) 965-9156
Attn: Mr. William G. Janacek

Any notice shall be deemed received on the date
delivered if transmitted via facsimile, telecopied,
or
personally delivered, or five (5) Days following
deposit in the mail if mailed in the manner set out
above. The designation or address of the party to
be
notified may be changed at any time by delivery of
written notice of that change to the other party.

17. NEW FACILITIES POLICY

Transporter is under no obligation to build, acquire
and/or install service lateral pipelines, taps and
metering facilities necessary to provide transportation
service to any new or existing Shipper. Transporter
may construct facilities on a non-discriminatory basis,
provided:

- 17.1 Transporter determines in its sole discretion it
has sufficient unutilized mainline transportation
capacity to provide the service requested by the
Shipper without impairing the operational
integrity of its system, or Transporter has
obtained certificate authorizations to expand its
mainline capacity by an amount sufficient to
allow Transporter to provide the requested
service;
- 17.2 Transporter has or obtains any certificate
authorizations necessary to build, acquire and/or
install the service lateral pipeline(s), tap(s)
and/or meter facilities; and
- 17.3 Unless otherwise agreed to by Transporter,
Shipper agrees to reimburse or compensate

Transporter, on mutually agreeable terms, for 100% of Transporter's construction, acquisition and/or installation costs (including any associated tax effects), as defined below, for facilities required to effect the service requested by Shipper. Transporter may waive this requirement at its discretion, on a not unduly discriminatory basis.

For the purposes of this section, Transporter's construction, acquisition, and/or installation costs shall include, but shall not be limited to: Transporter's design costs, equipment costs, labor costs, material costs, supervision costs, construction financing costs (including a return on equity), taxes (whether income or otherwise), filing fees, right of way costs and permitting costs. Nothing in this Section 17 shall require Transporter to file an application for a certificate of public convenience and necessity under section 7(c) of the Natural Gas Act, and nothing in this section shall prevent Transporter from contesting an application for service filed pursuant to section 7(a) of the Natural Gas Act. Transporter reserves the right to seek a waiver of the policy set forth herein, for good cause shown during any proceeding before the Commission instituted under section 7 of the Natural Gas Act.

18. FERC ANNUAL CHARGE ADJUSTMENT

Transporter shall adjust the rates charged for services as specified below from time to time to reflect the annual charge, if any, assessed Transporter by FERC (Annual Charge Adjustment on "ACA") pursuant to Order No. 472 or any other superseding or related rule or order.

18.1 Services subject to ACA shall include all Transportation services under Rate Schedules in Transporter's FERC Gas Tariff.

18.2 The effective ACA rates shall be shown on Transporter's effective Statement of Rates and Charges reflecting the current ACA amount under this section 18.

(a) The effective date of adjustment for each annual charge rate adjustment filed pursuant to this section 18 shall be October 1 of each year. The ACA shall become effective on the effective date of adjustment without suspension or refund obligation.

(b) Filing Procedure: At least thirty days prior to the effective date of adjustment, Transporter shall file with FERC and post, as defined in Section 154.402 of the Commission's Regulations, a revised Tariff Sheet showing the Statement of Rates and Charges in Volume No. 1 of Transporter's FERC Gas Tariff, reflecting the current Annual Charge Adjustment.

18.3 The current Annual Charge Adjustment shall be the unit amount, adjusted as necessary for heating value and pressure base, which FERC orders to be effective for the fiscal year commencing on the effective date of the adjustment.

18.4 Transporter shall retain all revenues collected under this Section 18. Except as provided by this section 18, Transporter shall not have the right to seek to recover in any proceeding under section 4(e) of the Natural Gas Act any annual charges recorded in its FERC Account No. 928.

19. ORDER OF DISCOUNTING

To the extent Transporter discounts the rates for service pursuant to this tariff, the rates for service will be deemed to have been discounted in the following order: (1) Reservation Charge; (2) Commodity Charge, but no charges will be discounted below the stated Minimum Rate.

20. RELEASE AND ASSIGNMENT OF FIRM TRANSPORTATION SERVICES

20.1 Capacity Eligible for Release

(a) Shippers under Rate Schedule FT shall be permitted to release their capacity on a temporary or permanent basis, in accordance

with this Section 20. Capacity which may be assigned to the Replacement Shipper hereunder shall be limited to the firm capacity reserved by the Releasing Shipper, as defined by the Primary Receipt Points and the Primary Delivery Points contained in the released capacity. Releases may be made on an interruptible (i.e., subject to recall) or firm basis and may be billed by Transporter based on usage.

- (b) Transporter shall continue to sell its unsubscribed firm capacity by providing notice of the availability of such capacity on the Web Site or by using any other marketing services at its disposal.

20.2 Shipper Release Notice

- (a) A Shipper that desires to release any or all of its firm capacity under this Section 20 must notify Transporter electronically on the Web Site of its intent to release capacity and the terms of the release (hereinafter referred to as "Shipper Notice"). A Shipper Notice shall be posted on the Web Site upon receipt by Transporter or such other time which must comply with the timeline set forth in Section 20.4(b) herein, as requested by Releasing Shipper. This Shipper Notice shall include:

- (1) Releasing Shipper's contract number;
- (2) The specific quantity of capacity to be released;
- (3) If the request for release is on a permanent basis;
- (4) The Receipt Points and Delivery Points at which Releasing Shipper will release capacity and the quantity of capacity to be released at each point;

- (5) The period of time or term of the release;
- (6) The conditions of Releasing Shipper's right of recall as well as methods and rights associated with returning the previously recalled capacity to the Replacement Shipper, if applicable;
- (7) Whether contingent bids will be accepted and when the contingency must be removed;
- (8) The identity of a PRS, if applicable;
- (9) The minimum rate, including the tariff reservation rate and all demand surcharges as a total number or as stated separately, expressed in dollars and cents or percentage of maximum Tariff rate, term, and quantity of capacity Releasing Shipper shall accept, if any, and whether bids using a volumetric rate for the collection of Reservation Charges will be accepted and whether Releasing Shipper requires a volumetric commitment. The maximum volumetric rate that may be bid shall not exceed the one hundred percent (100%) load factor equivalent of the maximum rate, which reservation rate equals the Authorized Overrun rate for the applicable service being released as set forth on the effective rate tariff sheets. Transporter shall support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Commission. The maximum reservation rate that may be bid shall not exceed the maximum rate for the applicable service being released as set forth

on the applicable currently effective tariff sheets.

- (b) Releasing Shipper shall post the Shipper Notice on the Web Site. Offers should be binding until written or electronic notice of withdrawal is received by Transporter. The releasing party has the right to withdraw its offer during the bid period, where unanticipated circumstances justify and no minimum bid has been made.
- (c) When a Releasing Shipper presents a PRS that is on the approved bidders list, such Replacement Shipper initiates confirmations of prearranged deals electronically as a prerequisite to the awarding of the Shipper Notice.
- (d) The terms Releasing Shipper imposes may not conflict with any provision of the Transportation Agreement, Rate Schedule or General Terms and Conditions. In the event of such conflict, Transporter may withdraw the Shipper Notice from posting.

20.3 Exceptions to Bidding

- (a) At Shipper's option, a Shipper Notice for a release of thirty-one (31) days or less with a designated PRS shall not be subject to the bidding process in accordance with Section 20.4 herein (exempt capacity release). An exempt capacity release shall not contain an evergreen provision and cannot be reassigned to the same PRS within twenty-eight (28) Days from the termination of each release, except in the event the PRS is bidding the Maximum Rate or is bidding on a second release under a different Transportation Agreement.
- (b) In the event Releasing Shipper presents a PRS that is on the approved bidders list, and such PRS agrees to pay the applicable Maximum Rate and agrees to all other conditions of the release prior to the

submission of the Shipper Notice to Transporter, the released capacity will be assigned to the PRS and such Shipper Notice shall be exempt from the bidding process in accordance with Section 20.4 herein. The PRS will be posted as the winning bidder in accordance with Section 20.4(i) herein.

(c) Timing of Capacity Releases Exempt from Bidding

For non-biddable releases, the posting of the Shipper Notice for prearranged deals not subject to bid are due (Central Time):

- (1) Timely Cycle - by 10:30 a.m. on a Business Day
- (2) Evening Cycle - by 5:00 p.m. on a Business Day
- (3) Intra-day 1 Cycle - by 9:00 a.m. on a Business Day
- (4) Intra-day 2 Cycle - by 4:00 p.m. on a Business Day

The capacity release addendum number will be issued within one hour of the award posting. Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.

20.4 Bidding Process

- (a) In order to submit a valid bid under this capacity release program, any party, including a PRS, must be on the approved bidders list. To be on the approved bidders list, a party must meet the provisions of Section 21 herein and have executed a capacity release Transportation Agreement with Transporter in the form as set forth in this Tariff (Capacity Release Form of Transportation Agreement). A party shall remain on the approved bidders list

until such party notifies Transporter to the contrary, no longer meets the credit qualifications in Section 21 herein, or is suspended from the approved bidders list in the event and for such time as such party fails to pay part or all of the amount of any bill for service.

- (b) The capacity release timeline in CCT is applicable to all parties involved in the Capacity Release process; however, it is only applicable if (1) all information provided by the parties to the transaction is valid and the acquiring Shipper has been determined to be creditworthy before the capacity release bid is tendered; and (2) there are no special terms or conditions of the release.

- (1) For biddable releases (less than one year)

On a Business Day

12:00 p.m.

Time by which Releasing Shipper shall post the Shipper Notice on the Web Site.

1:00 p.m.

Bidding period ends and evaluation period begins during which contingency is eliminated, determination of best bid is made and ties are broken.

2:00 p.m.

Evaluation period ends and award posting if no match required.

Communication of match or award is due.

2:30 p.m.

Match response is due

3:00 p.m.

Award posting where match is required

- (2) For biddable releases (one year or more)

The timeline is the same as biddable releases for less than one year except that the Releasing Shipper shall post the Shipper Notice on the Web Site by 12:00 p.m. CCT four (4) Business Days before award for long-term release. Open season ends no later than 1:00 p.m. Central Clock Time on the Business Day before timely nominations are due (open season is three Business Days).

- (3) Timeline for Releases with Special Conditions

If the Releasing Shipper specifies a bid evaluation methodology other than highest rate, net revenue or present value, or a permanent release or any other special conditions, the above timelines shall apply; provided, however, one additional Business Day will be added to the evaluation period. Such extended evaluation period shall cause Gas flow to be at least one day later than Gas could flow under the timeline set forth in Section 20.4(b) (1) or Section 20.4(b) (2).

- (c) All bids must be expressed in dollars and cents or percents of maximum rate, whichever is stated in the Shipper Notice,

include the required bid information and must be received and posted electronically through the Web Site. Bids shall be posted on the Web Site with any contingencies identified and with the bidder's identity deleted.

- (d) A bidder may submit only one bid at a time in response to a Shipper Notice. A bidder may withdraw its bid through the Web Site at any time prior to the close of the posting period specified in the Shipper Notice without prejudice to its submitting another bid with an economic value equal to or greater than the economic value of the withdrawn bid.
- (e) Where there is a PRS and an offer which is better than the bid submitted by the PRS, Transporter will notify the PRS by 2:00 p.m. CCT on the day capacity is awarded and the PRS will have until 2:30 p.m. to match the better offer and obtain the right to the released capacity. In the event the PRS does not match the better bid, Transporter shall award the capacity to the party who made the best bid.
- (f) Bids shall be binding until written or electronic notice of withdrawal is received by Transporter. Bids cannot be withdrawn after the bid period ends.
- (g) In the event that a winning bid has an unacceptable contingency, and Transporter is not notified through the Web Site that such contingency has been removed within the time period specified in the Shipper Notice, such contingent bid will be rejected by Transporter.
- (h) The Releasing Shipper may define in the Shipper Notice the criteria for determining the best bid. If the Releasing Shipper does not specify the criteria, Transporter shall use the highest economic value to determine the best bid. If there are multiple bids meeting the minimum

conditions, Transporter shall award the bids, best bid first, until all offered capacity is awarded. Transporter will notify, through the Web Site by 2:00 p.m. CCT following the end of the posting period, or by 3:00 p.m. CCT if a matching period is applicable, the PRS or Replacement Shipper that capacity has been awarded. Transporter shall allow re-releases on the same terms and basis as the primary release (except as prohibited by the Commission's regulations).

- (i) Transporter will post the winning bids and Replacement Shippers' identity on the Web Site for at least five Business Days.

20.5 Rights and Obligations of Releasing Shipper

- (a) Regardless of the amount of capacity Releasing Shipper releases under this Section 20, Releasing Shipper shall remain liable for the Reservation Charges attributable to the released capacity unless otherwise agreed to in writing and in advance by Transporter. In the event of a permanent release, Transporter may, and will not unreasonably refuse to, waive liability of Releasing Shipper for the Reservation Charges.
- (b) When capacity is awarded to Replacement Shipper, Releasing Shipper must adjust or reconfirm its nominations to reflect the capacity released. Transporter may automatically change Releasing Shipper's nominations to zero for the Transportation Agreement under which capacity was released unless such nominations are adjusted or reconfirmed by the Releasing Shipper.
- (c) If Releasing Shipper releases its TQ for a geographic portion of the capacity reserved under its Transportation Agreement, Releasing Shipper may use its full TQ for its unreleased geographic portion of capacity.

- (d) When Releasing Shipper partially releases its capacity under a Transportation Agreement by releasing capacity between specific Receipt Points and Delivery Points or by releasing only a portion of its TQ, Releasing Shipper's Transportation Agreement shall be deemed to be modified in accordance with the release and Releasing Shipper may not utilize the capacity released during the term of the release.
- (e) Releasing Shipper shall retain all Rights of First Refusal with respect to the released capacity, unless such release is a permanent release.
- (f) Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity (scheduled or unscheduled) at the Timely Nomination cycle and the Evening Nomination cycle, and recall unscheduled released capacity at the Intra-Day 1 and Intra- Day 2 Nomination cycles by providing notice to Transporter by the following times for each cycle: 8:00 a.m. CCT for the Timely Nomination cycle; 5:00 p.m. CCT for the Evening Nomination cycle; 8:00 a.m. CCT for the Intra-Day 1 Nomination cycle, and 3:00 p.m. for the Intra- Day 2 Nomination cycle. Notification to Replacement Shippers provided by Transporter within one hour of receipt of recall notification.

20.6 Rights and Obligations of Replacement Shipper

- (a) Any bid submitted will bind Replacement Shipper or PRS to the terms of the bid if Transporter selects such bid as the best bid. If all the information provided by the Releasing Shipper, the bidder/PRS is valid, the Replacement Shipper is creditworthy, and there are no special terms and conditions, Transporter will issue and execute the Addendum to the Capacity Release Transportation Agreement within one hour of awarding the winning bid.

- (b) The capacity release addendum number will be issued within one hour of the award posting. Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum; however, in no event will Gas flow on Replacement Shipper's Transportation Agreement prior to the effective date of the release as posted in the Shipper Notice.
- (c) Replacement Shipper is responsible for payment of the applicable Reservation Charge, and any surcharges thereon, in the amount of its winning bid. Replacement Shipper is also responsible for all other billings, e.g., commodity rate and applicable commodity surcharges. In the event of payment default, subject to Section 26 herein, Transporter may elect to terminate that Replacement Shipper's Capacity Release Transportation Agreement which shall terminate all service thereunder utilized by the Replacement Shipper.
- (d) Once Replacement Shipper or PRS is notified of a winning bid, such Replacement Shipper or PRS shall have all the rights and obligations specified under the Releasing Shipper's Rate Schedule, the Releasing Shipper's Transportation Agreement and the General Terms and Conditions of this Tariff including the right to release firm capacity pursuant to this Section unless the conditions prescribed by the Shipper Notice require otherwise. Transporter shall allow re-releases on the same terms and basis as the primary release (except as prohibited by the Commission's regulations).
- (e) Replacement Shipper shall have no Right of First Refusal with respect to the released capacity, unless such release is permanent.

20.7 Rights and Obligations of Transporter

- (a) Transporter shall determine the best bid based upon the best bid criteria. Transporter shall have the right, but not the obligation, to reject, in whole or in part, the terms of any Shipper Notice or bid which is discriminatory or conflicts with any order or regulation issued by the FERC, or provision of the Transportation Agreement, Rate Schedule or General Terms and Conditions. Such Shipper Notice shall be rejected in its entirety unless Shipper permits a partial rejection. Transporter shall provide notification to Shipper, through the Web Site, of the reason(s) for rejecting a release notice with the notice of rejection.
- (b) Transporter shall not have any liability to any Shipper, Releasing Shipper, Replacement Shipper, bidder or any other party as a result of Transporter's performance of its obligations under its capacity release program, and such Shippers, Releasing Shippers, Replacement Shippers, and bidders shall indemnify Transporter from and against any and all losses, damages, expenses, claims, suits, actions and proceedings whatsoever threatened, incurred or initiated as a result of Transporter's performance hereunder, except to the extent such loss, damage, expense, claim, suit, action or proceeding is the result of Transporter's gross negligence, undue discrimination or willful misconduct, provided that Transporter shall be responsible for direct damages, if any, resulting from Transporter's own negligence.

20.8 Term

- (a) Any release under this Section 20 shall be for a minimum term of at least one Gas Day.
- (b) Any release under this Section 20 shall be for a maximum term expiring on the earlier of:

- (1) The last date this Tariff provision shall be effective;
- (2) The expiration date of Releasing Shipper's Transportation Agreement when the release is for the full term of such agreement; or
- (3) The expiration date specified by the Releasing Shipper in the Shipper Notice.

20.9 Billing Adjustments to Releasing Shipper

- (a) Unless otherwise agreed upon by the Releasing Shipper, Transporter shall credit Releasing Shipper's monthly bill to reflect the Reservation Charge (including surcharges, if any) invoiced to Replacement Shipper, provided however, that Transporter and Releasing Shipper may, in connection with a Negotiated Rate based on a rate design other than straight fixed variable, agree upon a payment obligation and crediting mechanism that varies from or is in addition to the provisions of this Section 20.9 in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. In the event of a release with a volumetric rate, the volumetric rate shall be no greater than the 100% load factor equivalent of the maximum rate currently applicable to the service released and shall be credited to the Releasing Shipper's monthly bill. Replacement Shipper's payment of the Commodity Charge will be retained by Transporter.
- (b) If Replacement Shipper fails to pay all or any part of the Reservation Charge so credited within thirty (30) days of its due date, then such unpaid amount plus interest will be charged to Releasing Shipper's next monthly bill and will be due and payable by

Releasing Shipper in accordance with
Section 9 herein.

20.10 Offers to Purchase Firm Capacity

Transporter agrees to post on its Web Site, at a party's request, offers to purchase firm capacity on a permanent or temporary basis. Each offer will remain on the Web Site for five (5) Business Days before it is removed, unless the requesting party notifies Transporter prior to the expiration of any five (5) Day period that it wishes to extend the posting for an additional five (5) Business Days.

20.11 Assignment and Delegation.

Except as otherwise provided for in this section, Transporter shall not assign its rights or delegate any of its duties under a Transportation Agreement as may exist between Transporter and Shipper without the prior written consent of Shipper, which consent shall not be unreasonably withheld, and any attempted assignment or delegation by Transporter without the prior written consent of Shipper shall be void; provided, however, that Transporter may, upon reasonable notice to Shipper, assign its rights or delegate its duties under such Agreement, in whole or in part, to any Affiliate of Transporter or any subsequent purchaser(s) of the Pipeline facilities, including a pipeline expansion, used for the Tariff or any subsequent purchaser of all or substantially all of Transporter's assets, without the necessity of obtaining consent from Shipper. Unless a release is consented to by Shipper, no assignment by Transporter shall relieve Transporter of its duties and obligations under such Agreement, and it shall remain principally liable to Shipper for the performance thereof. Likewise, prior written consent shall not be required to employ third parties to perform services incidental to the performance of any Agreement, but no such employment shall relieve Transporter of its ultimate responsibility to perform the Agreement.

Except as provided herein, Shipper shall not assign its rights or delegate any of its duties under a Transportation Agreement as may exist between Transporter and Shipper without prior written consent of Transporter, which consent shall not be unreasonably withheld, and any attempted assignment or delegation by Shipper without the prior written consent of Transporter shall be void; provided, however, that Shipper may, upon reasonable notice to Transporter as provided in Section 16 above, assign its rights or delegate its duties under such Agreement, in whole or in part, to any affiliate of Shipper or any subsequent purchaser(s) of any electric generating plants served by an Agreement, without the necessity of obtaining consent from Transporter. Unless a release is consented to by Transporter, no assignment by Shipper shall relieve Shipper of its duties and obligations under such Agreement, and it shall remain principally liable to Transporter for the performance thereof. Likewise, prior written consent shall not be required to employ third parties to perform services incidental to the performance of any Agreement, but no such employment shall relieve Shipper of its ultimate responsibility to perform the Agreement.

21. REQUESTS FOR SERVICE

Subject to any conditions set forth in the applicable Rate Schedules, this section shall govern qualifications for receipt of service under Rate Schedules FT and IT.

21.1 Information Required from All Shippers

All Shippers requesting service from Transporter must provide the following information in writing to Transporter at the following address:

Pinnacle Pipeline Company
5100 Westheimer
Suite 320
Houston, Texas 77056

(a) Shipper information

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- (1) Shipper's legal name in full and DUNS number.
 - (2) Shipper's mailing address for notices and billing.
 - (3) Shipper's street address if different from above.
 - (4) The name(s), telephone number(s) and fax number(s) of Shipper employees responsible for nominations and/or dispatching.
 - (5) The name(s), telephone number(s) and fax number(s) of Shipper employees responsible for payment of invoices.
 - (6) The name(s), telephone number(s) and fax number(s) of Shipper employees responsible for other matters.
 - (7) Whether the Shipper is affiliated with Transporter.
- (b) Type of service requested.
- (c) Requested Transportation Quantity, stated in MMBtu per day (if applicable).
- (d) Estimated total quantities of Gas to be received and transported over the delivery period.
- (e) Requested date of commencement of service (if applicable).
- (f) Requested term of service (if applicable).
- (g) Requested Receipt Point and Delivery Point(s), together with the name of the entity delivering Gas to Transporter and the name of the entity to receive Gas from Transporter (if applicable).
- (h) If applicable, a copy of an executed agreement between Shipper and third party

authorizing Shipper to act on behalf of the third party to secure the service requested. If Shipper requests service on behalf of a third party, Shipper shall provide the name, address, telephone number and primary business of the third party.

- (i) No Requests for service will be processed until Shipper has provided to Transporter a completed Service Request Form, including information regarding any specific affiliation with Transporter. All completed Service Request Forms must be sent by U.S. Postal Service, by express mail, by courier, or by facsimile, to:

PINNACLE PIPELINE COMPANY
5100 Westheimer
Suite 320
Houston, Texas 77056
Phone: (713) 965-9151
Facsimile: (713) 965-9156

21.2 Allocation of Capacity

To the extent requests for firm service exceed Available Capacity, capacity will be allocated based on highest bid as established pursuant to this Section 21, pro rata among equal bids.

21.3 Prepayment

If requesting any firm service, Shipper shall make a prepayment by wire transfer in an amount equal to the lesser of the reservation charge for two months service or \$10,000. The prepayment, plus the accrued interest from the date payment is received until the date service commences, shall be applied to the first month's invoice, and to the invoices of subsequent month(s), as necessary, until the amount is fully credited. The accrued interest herein shall be computed in a manner consistent with Section 154.501(d) of the Commission's Regulations.

21.4 Creditworthiness

- (a) Prior to execution of a Transportation Agreement, providing for service under any Rate Schedule, a Shipper shall be required to establish creditworthiness with Transporter. Transporter shall not be required to: (i) execute a Transportation Agreement providing for service under the applicable Rate Schedule on behalf of any Shipper who fails to meet Transporter's standards for creditworthiness; or (ii) initiate service to a Shipper who fails to meet Transporter's standards for creditworthiness; or (iii) continue transportation service on behalf of any Shipper who is or has become insolvent or who, at Transporter's request, fails within a reasonable period to demonstrate creditworthiness.
- (b) For purposes herein, the determination of Shipper's creditworthiness shall be based upon the level of service requested by Shipper, Shipper's estimated financial strength as defined by Dun & Bradstreet and a composite credit appraisal of at least "3", also as defined by Dun & Bradstreet. If Shipper is not rated by Dun & Bradstreet, determination of a Shipper's creditworthiness shall be based upon a credit rating, as evaluated by Transporter, based upon the level of service requested by Shipper and financial analysis criteria and which are generally acceptable in the natural gas industry. If Transporter determines that Shipper does not have an acceptable rating set forth above, Shipper may, at its own expense, obtain a private rating from Dun & Bradstreet, or, as an alternative, request that an independent certified public accountant, mutually acceptable to Shipper and Transporter, prepare an equivalent evaluation based on the financial analysis criteria and ratios which are generally acceptable in the natural gas industry.
- (c) If a Shipper otherwise fails to establish creditworthiness as provided herein,

Shipper may still receive service under the applicable Rate Schedule provided it furnishes and maintains for the term of the Transportation Agreement: (i) a written guarantee in a form satisfactory to Transporter from a third party which is creditworthy as determined above, (ii) an irrevocable standby letter of credit in an amount equal to the contract on a 100% load factor basis, for contracts with a term of twelve (12) months or longer the amount of the irrevocable standby letter of credit will not exceed twelve (12) months valuation, and contracts with a term less than twelve (12) months the irrevocable standby letter of credit will be the lesser of three (3) months valuation or the term of the contracts, (iii) a pre-payment in the amount equal to the contract on a 100% load factor basis, for contracts with a term of twelve (12) months valuation, and for contracts with a term less than twelve (12) months the pre-payment will be the lesser of three (3) months valuation or the term of the contracts, or (iv) other security acceptable to Transporter.

- (d) To permit Transporter to conduct a creditworthiness review, a Shipper shall, upon request by Transporter, render to Transporter: (i) a completed credit application, and (ii) complete financial statements prepared in accordance with generally accepted accounting principles or, for non-U.S.-based Shippers, prepared in accordance with equivalent principles. Upon requesting transportation service, a Shipper must submit to Transporter a completed credit application unless it has previously submitted such to Transporter within the last twelve (12) months. If a Shipper elects to provide an irrevocable standby letter of credit or pre-payment, the completed credit application, and financial statement requirement is waived by Transporter. Transporter shall have the right to review a Shipper's creditworthiness on an ongoing basis and

Shipper shall provide, upon Transporter's request, updated financial statements periodically in order to determine the continuing creditworthiness of a Shipper.

- (e) Transporter shall also consider the Shipper's past payment record with Transporter. Specifically, if Shipper is current with its payments to Transporter, and has not been delinquent in paying bills to Transporter over the past twelve (12) months (with good faith billing disputes excepted), the Shipper shall be deemed to have met the creditworthiness standard with respect to its existing transportation and storage contracts with Transporter. Shipper's past payment record with Transporter and other pipelines shall also be considered in establishing creditworthiness requirements for new transportation and storage contracts on Transporter.

22. RIGHT OF FIRST REFUSAL

22.1 If a Firm Transportation Agreement at the maximum recourse rate for a term of twelve (12) or more consecutive months of service contains no automatic extension provision, Shipper shall be entitled to a right of first refusal ("ROFR") to the renewal of its Transportation Quantity in accordance with the following procedures. Transporter shall post the capacity for bidding on its Web Site no later than 180 days prior to the expiration of Shipper's Firm Transportation Agreement. The capacity will remain posted on the Web Site for a minimum of 20 days ("ROFR Bidding Period"), with such posting containing the following information with respect to the capacity:

- (a) Daily Transportation Quantity;
- (b) Receipt and Delivery Points;
- (c) Maximum reservation charge;

(d) Any applicable restrictions; and

(e) The last day of the ROFR Bidding Period.

Transporter may require bidders to insure that offers are bona fide by providing financial assurances satisfactory to Transporter.

A Shipper's ROFR rights apply only when the Shipper is seeking to contract for its entire geographic historical Transportation Quantity, however a Shipper may elect to retain a portion of its Transportation Quantity subject to ROFR rights, in which case Transporter's pregranted abandonment authority would apply to the remainder of the service.

22.2 Upon conclusion of the ROFR Bidding Period, Transporter shall evaluate the bids in accordance with the procedures set forth in section 20, provided that the term used for purposes of the formula will be the lesser of the term proposed by the bidder or five years; and provided further that any bid rate higher than the maximum applicable recourse rate shall be deemed to be equal to the maximum applicable recourse rate. Transporter shall not be required to accept any bid at less than Transporter's maximum applicable recourse rate.

22.3 If Transporter receives no bids, or if Transporter receives no bids at its maximum applicable recourse rate and Transporter determines not to accept any bids below the maximum applicable recourse rate, Transporter shall notify Shipper of the bid having the highest value to Transporter ("Highest Bid"), or that no bids were received. If Transporter receives a bid at its maximum applicable recourse rate, or if it accepts any bid below the maximum applicable recourse rate, Transporter shall, within five days of the close of the ROFR Bidding Period, inform Shipper of the offer to purchase capacity solicited pursuant to section 20 herein that Transporter intends to accept. Shipper shall have twenty-five (25) days after receiving notice to notify Transporter as to whether it will match the Highest Bid in terms of price,

quantity and duration. If the Shipper elects to match the Highest Bid, it must execute a new Transportation Agreement that contains the terms of the Highest Bid; provided, however, that Shipper shall not be required to pay any rate higher than the maximum applicable recourse rate. If the Shipper fails to match the offer presented by Transporter, Transporter shall enter into a Firm Transportation Agreement with the Person submitting the competing offer.

22.4 If Transporter receives no bids at the maximum applicable recourse rate and Transporter refuses to accept a lower bid, Transporter may abandon service to Shipper, unless Shipper agrees to pay the maximum applicable recourse rate for a period of one year, or if Transporter and Shipper negotiate the terms and conditions of a Firm Transportation Agreement extension.

23. CREDITING OF PENALTIES

Penalties Net of Out-of-Pocket Costs - Transporter will flow through to its Shippers the amount of all out-of-pocket costs incurred and collected as a direct result of the Shipper conduct that was penalized pursuant to sections 8.1(b) and 8.3 of the GT&C. Transporter will net all revenues received pursuant to those sections against the costs incurred for such revenues. Transporter will credit the net amount to those Shippers that were not billed pursuant to those sections during the applicable Month.

24. INCORPORATION IN RATE SCHEDULES AND TRANSPORTATION AGREEMENTS

These General Terms and Conditions are incorporated in and are made a part of Transporter's Rate Schedules and Transportation Agreements. To the extent there is any inconsistency between terms in these General Terms and Conditions and terms in Transporter's Rate Schedules or Transportation Agreements, these General Terms and Conditions shall govern.

25. NORTH AMERICAN ENERGY STANDARDS BOARD (NAESB) STANDARDS

Transporter hereby incorporates into this Tariff by reference the following NAESB business standards of Version 1.6 that are required by the Commission in 18 CFR Part 284.12(a), in accordance with Order Nos. 587, et seq.:

0.3.1, 1.2.1 through 1.2.5, 1.2.8 through 1.2.11, 1.2.13 through 1.2.19, 1.3.2(vi), 1.3.3 through 1.3.9, 1.3.11, 1.3.13 through 1.3.78, 1.3.79, 1.4.1 through 1.4.7, 2.2.1 through 2.2.3, 2.3.1 through 2.3.6, 2.3.8 through 2.3.13, 2.3.15, 2.3.17 through 2.3.25, 2.3.27, 2.3.28 through 2.3.39, 2.3.42 through 2.3.44, 2.3.48, 2.3.50, 2.4.1 through 2.4.16, 3.3.1 through 3.3.14, 3.3.16 through 3.3.26, 3.4.1 through 3.4.4, 4.2.1 through 4.2.20, 4.3.1 through 4.3.76, 4.3.78 through 4.3.88, 5.2.1, 5.2.2, 5.3.3, 5.3.7 through 5.3.10, 5.3.12, 5.3.17, 5.3.18, 5.3.20 through 5.3.43, 5.4.1 through 5.4.22 and standards contained in Recommendations R02002 (Standards 5.3.44 through 5.3.54) and R02002-2 (Standards 5.2.3 and 5.3.55 through 5.3.58).

In addition, Transporter hereby incorporates into this Tariff by reference the model Operational Balancing Agreement approved by NAESB as Standards 6.5.2.

26. DEFAULTS AND REMEDIES

26.1 Events of Default - An "Event of Default" shall mean, with respect to Shipper or Transporter, the occurrence of any of the following:

- (a) any representation or warranty made in the Agreement by Shipper or Transporter that proves to be false or misleading in any material respect;
- (b) the failure of Shipper or Transporter to perform any covenant set forth in a Transportation Agreement, where such failure is not excused by Force Majeure and is not cured within thirty (30) Business Days after written notice thereof to the other party; or

(c) Shipper or Transporter shall be subject to a Bankruptcy Event (with "Bankruptcy Event" meaning with respect to either Shipper or Transporter, that such party (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency or other law affecting creditors' rights and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment or insolvency or bankruptcy or the entry of an order for its wind-up or liquidation or (B) is not withdrawn, dismissed or discharged within thirty (30) Days after the institution or presentation thereof, (iv) otherwise becomes bankrupt or insolvent (however evidenced), (v) has a secured party take possession of all or substantially all of its assets or has an action or proceeding taken or levied against all or substantially all of its assets and such secured party maintains possession, or any such action or proceeding is not dismissed, in either case within thirty (30) Days thereafter, or (vi) is unable to pay its debts or admits in writing its inability generally to pay its debts as they fall due.)

26.2 Termination by Transporter - Upon the occurrence of an Event of Default by Shipper under a Transportation Agreement ("Agreement"), Transporter may terminate the Agreement upon ten (10) additional Days' prior written notice to Shipper. Except as otherwise provided in the Agreement, upon termination by Transporter, Shipper shall pay to Transporter all payments owed to Transporter for gas that flowed prior to termination. In addition, Transporter and Shipper may agree to a termination payment to be paid by Shipper, which shall be equal to the quantity remaining to be delivered to Shipper

under the Transportation Agreement, multiplied by the Negotiated Rate, if any, under the Transportation Agreement.

- 26.3 Termination by Shipper - Upon the occurrence of an Event of Default by Transporter under a Transportation Agreement ("Agreement"), Shipper may terminate the Agreement upon ten (10) additional Days' prior written notice to Transporter. Except as otherwise provided in the Agreement, upon termination by Shipper, Shipper shall pay to Transporter all payments owed to Transporter for gas that flowed prior to termination. In addition, Transporter and Shipper may agree to a termination payment to be paid by Transporter, which shall be equal to the difference between the Negotiated Rate, if any, and the next highest rate that Shipper would be required to pay for equivalent capacity and service from another transportation service provider, multiplied by the quantity remaining to be delivered to Shipper under the Transportation Agreement.
- 26.4 Accounting Upon Termination - Any termination of a Transportation Agreement pursuant to the provisions of Sections 26.2 or 26.3 will be without prejudice to the right of either Transporter or Shipper to collect any amounts then due to it, to offset amounts owed to it by the other party from such amounts due to the other party, and will be without prejudice to the right of Shipper to receive any Gas that has been delivered to Transporter at the Receipt Point but which Transporter has not yet redelivered to the Delivery Point(s), subject, however, to the payment of the applicable charge set forth in the terminated Transportation Agreement for such transportation and resolution of any applicable Gas imbalances, and without waiver of any remedy to which the party not in default may be entitled as a result of the defaulting party's default, breach or violation of the terms of the terminated Transportation Agreement.
- 26.5 Remedies - In the event of termination by either Transporter or Shipper under GT&C Sections 26.2 or 26.3, in addition to the remedies set forth in

those Sections, the parties shall have such other rights and remedies as may exist at law or in equity.

27. CHANGES IN RATES OR GENERAL TERMS AND CONDITIONS

Unless otherwise agreed, Transporter may, from time to time propose and file with FERC, in accordance with Section 4 of the Natural Gas Act, changes, amendments, revisions, and modifications to (a) Transporter's rates and rate schedules, and/or (b) the General Terms and Conditions of Transporter's tariff, provided, however, that unless they have otherwise agreed, Shippers shall have the right to intervene in and/or protest any such changes before FERC (or any successor governmental agency) or other authorities and to exercise any other rights that Shippers may have with respect thereto.

28. ARBITRATION

Any controversy arising out of or relating to any Agreement, if not resolved by the parties, may, by mutual agreement, be submitted to arbitration under the provisions of the Texas General Arbitration Act, Tex. Civ. Prac. & Rem. Code 171.001 et seq., as it may be amended from time to time and as modified by any Agreement. When the parties agree to arbitration, the controversy shall be determined by a board of three arbitrators to be selected as follows: either party may, at the time a board of arbitration is desired, notify the other of the name of any arbitrator of its choosing, and the other party shall, within ten (10) Days, notify the party desiring arbitration of the name of its arbitrator. The two arbitrators shall, within ten (10) Days after the notification of the identity of the second arbitrator, choose the third arbitrator. If they are unable to agree, the parties shall make application within two (2) Days to the Senior Judge of the United States District Court for the Northern District of Texas, who (acting in an individual and not official capacity) shall appoint the third arbitrator. All arbitrators appointed pursuant to this Section 28 shall be third-party individuals qualified by education, knowledge, and experience to pass on the matters submitted for arbitration and shall not be employed by nor regularly receive remuneration from either party other than for arbitration services.

The board so constituted shall meet within ten (10) Days after the identity of the third arbitrator is determined, at which time the board shall set a reasonable schedule so that the parties may submit evidence and argument as they may see fit and be represented by counsel. The action of a majority of the members of the board shall govern and, unless otherwise agreed by both parties or otherwise set forth in any Agreement, their decision shall be rendered within seventy-two (72) hours from the conclusion of submission of the evidence, shall be in writing, and shall be final and binding on the parties. Each party shall pay the expense of the arbitrator selected by it and its own attorney's fees and costs associated with preparation of its case. All other costs of the arbitration shall be divided between the parties according to a method mutually agreed to by them at the outset of the arbitration proceeding and, failing such agreement, according to the decision of a majority of the members of the arbitration board, which shall likewise be final and binding on the parties. Without regard to any terms of any Agreement which may appear to be in conflict with this Section 28, neither party shall be entitled to recovery or reimbursement of costs incurred. Procedures not specified in the Agreement are established by the provisions of the Texas General Arbitration Act.

29. MISCELLANEOUS

29.1 Audit - Shipper and Transporter shall maintain books and records relating to their operation and performance under a Transportation Agreement in order that the provisions of the Agreement can adequately be administered. Shipper and Transporter shall have the right, during the term of such Agreement and within a two-Year period following its expiration, to enter upon the premises of the other party at reasonable times for the purposes of examining and auditing all books and records relating directly to performance under the Agreement. Audits shall be conducted at the sole expense of the party conducting the audit. Such party shall furnish the other party a report stating the results of any audit and the basis of those results. If any such report discloses that any error has occurred and that, as a result, an overpayment or an

underpayment has been made, and if the other party disagrees with the report, both parties shall cooperate in an attempt to resolve any differences regarding the report. If any difference regarding an audit report is not resolved within thirty (30) Days following delivery of that report, Shipper and Transporter may, by mutual agreement, submit the controversy to arbitration, and failing such agreement, may use any legal means at their disposal to resolve the dispute. The amount of the underpayment or overpayment, as the case may be, shall promptly be paid to the party to whom it is owed by the other party upon final resolution of any difference.

- 29.2 Governing Laws - Any Transportation Agreement made pursuant to Transporter's Rates Schedules shall be construed under and in accordance with the substantive laws of the State of Texas, except any provision of such laws that requires the application of the laws of another state.
- 29.3 Government Contract Clauses - To the extent applicable, Transporter shall be bound by any government contract clauses that are incorporated into a Transportation Agreement, and any other clauses which Shipper has notified Transporter are required by governmental statutes, rules or regulations to be included in a Transportation Agreement. No Transportation Agreement shall be interpreted to require Transporter to be bound by the provisions of any law unless that law itself provides for applicability to Transporter.
- 29.4 Cumulative Remedies - Pursuit, by either Transporter or Shipper, of any remedy available under this Tariff or any Transportation Agreement as may exist between Transporter and Shipper, shall not constitute a waiver of any other remedy that may be available. No waiver of any event of default or other breach of an Agreement shall be deemed or construed to constitute a waiver of any subsequent occurrence of the same event of default or breach of the same provision of the Agreement.

- 29.5 Limitation on Damages - In all situations arising out of a Transportation Agreement, Transporter and Shipper shall attempt to avoid and minimize the damages resulting from the act or omission of the other party. Notwithstanding anything to the contrary in the Agreement, no party shall be liable to any other party for any lost or prospective profits or any special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of the Agreement or arising from any failure of performance related hereto howsoever caused.
- 29.6 Ownership of Pipeline - Unless otherwise agreed, in the event that Transporter at any time during the term of a Transportation Agreement desires to sell its pipeline system, Transporter shall notify Shipper of the full particulars of any bona fide offer received by Transporter that Transporter is willing to accept. Shipper shall have an exclusive first option to purchase the system by providing to Transporter, within thirty (30) Days after receipt of the notice from Transporter, a written offer to purchase the system on the same terms or terms more favorable to Transporter. These rights to purchase shall not extend to the sale, transfer or other disposition of all or substantially all of Transporter's assets, or to a sale or disposition to another party being a wholly-owned subsidiary or entity holding more than fifty-percent (50%) of the stock of Transporter, or by merger, or by way of pledge or hypothecation for purposes of obtaining financing.
- 29.7 Calculations - The end results of all calculations under a Transportation Agreement shall be rounded to three (3) decimal places.
- 29.8 Entire Agreement - The Transportation Agreement, Rate Schedules, and the General Terms and Conditions contain the entire agreement of Transporter and Shipper with respect to the matters contained therein. No other agreement, statement, or promise made by any party, or by any employee, officer, or agent of any party, which is not contained in such materials shall be

binding or valid. Provisions of the Agreement shall be construed as a whole according to their common meaning, and not strictly for or against either Transporter or Shipper. No amendment or modification of the Agreement shall be effective unless in writing and signed by both Transporter and Shipper.

- 29.9 Modification - No modification of the terms and provisions of a Transportation Agreement shall be made except by the execution of written contracts.
- 29.10 Non-waiver and Future Default - No waiver by either Transporter or Shipper of anyone or more defaults by the other in the performance of any provisions of any Transportation Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.
- 29.11 Schedules and Contract Subject to Regulation - This Tariff shall be subject to all present and future applicable laws, orders, rules and regulations of any duly constituted governmental authority, whether federal, state, or local, having jurisdiction over Transporter and Shipper, their facilities, or any provision of this Tariff including, without limitation, all applicable Federal Energy Regulatory Commission rules and regulations. The Transportation Agreement shall be subject to all present and future applicable laws, orders, rules and regulations of any duly constituted governmental authority, whether federal, state, or local, having jurisdiction over the parties to the Agreement, their facilities, or any provision of the Agreement including, without limitation, all applicable Federal Energy Regulatory Commission rules and regulations.
- 29.12 Survival - The provisions of any Transportation Agreement shall survive the termination of that Transportation Agreement for so long as is necessary to complete all business transactions outstanding between the parties related to the Transportation Agreement, but in no event beyond two (2) Years after its termination.

Effective Date: 10/08/2003 Status: Effective

FERC Docket: RP04-102-001

Original Sheet No. 164 Original Sheet No. 164 : Effective

Sheet No. 164 through 199 are reserved for future use.

Effective Date: 10/08/2003 Status: Effective

FERC Docket: RP04-102-001

Original Sheet No. 200 Original Sheet No. 200 : Effective

SHIPPER INQUIRY FORM

Name of inquirer:

Identification of contract under question:

Designation of time period involved:

Nature of inquiry or complaint:

Signature:

Title:

Effective Date: 10/08/2003 Status: Effective

FERC Docket: RP04-102-001

Original Sheet No. 201 Original Sheet No. 201 : Effective

REFERENCE TO CUSTOMERS HAVING NEGOTIATED RATE AGREEMENT OR
NON-CONFORMING TRANSPORTATION AGREEMENTS PURSUANT TO SECTION
154.112(B) OF THE COMMISSION'S REGULATIONS:

Shipper	Rate	Negotiated	TQ	Receipt	Delivery	Signed
Effective	Docket	Reservation	in	Point	Point(s)	
	Schedule	No.				
	Date	Rate	MMBtu			
Southwestern FT		\$0.0375	166,0	NN	Maddox	
01/01/04 CP03-						
Public		per MMBtu	00		and	
Service	-000	(commodity	MMBtu		Cunningh	
Company		only)	/day		am	

[Applicable to the following Rate Schedules: FT, IT,
Capacity Release]

Effective Date: 10/08/2003 Status: Effective
FERC Docket: RP04-102-001

Original Sheet No. 202 Original Sheet No. 202 : Effective

_____ TRANSPORTATION AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 20____, by and between _____ ("Transporter") and _____ ("Shipper").

WITNESSETH:

WHEREAS, Transporter owns and operates a pipeline system;

WHEREAS, Shipper desires to purchase transportation service from Transporter;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements herein contained, Transporter and Shipper agree as follows:

ARTICLE I
SERVICE TO BE RENDERED

Transporter shall perform and Shipper shall receive transportation service in accordance with the provisions of the effective Rate Schedule _____ and the applicable General Terms and Conditions ("GT&C") of Transporter's FERC Gas Tariff, Volume No. 1 (Tariff), on file with the Federal Energy Regulatory Commission (Commission), as the same may be amended or superseded in accordance with the rules and regulations of the Commission. The maximum obligations of Transporter to deliver gas hereunder to or for Shipper, and the designation of the Delivery Points at which Transporter shall deliver or cause gas to be delivered to or for Shipper, are specified in Exhibit A, as the same may be amended from time to time by agreement between Shipper and Transporter, or as required by the rules and regulations of the Commission.

ARTICLE II
TERM OF AGREEMENT

Service under this Agreement shall commence as of _____ and shall continue in full force and effect until _____. Shipper and Transporter agree to avail themselves of the Commission's pre-granted abandonment authority upon termination of this Agreement, subject to any right of first refusal Shipper may have under the Commission's rules and regulations and Transporter's Tariff.

ARTICLE III
RATES AND CHARGES, RATE SCHEDULE AND GENERAL TERMS AND
CONDITIONS

3.1 Shipper agrees to and will pay Transporter all applicable maximum rates and charges provided for in Rate Schedule ___ and the GT&C, as effective from time to time, for service under this Service Agreement, unless service is rendered hereunder at discounted rates, or negotiated rates under Section 13 of the GT&C, in which event the rates and charges that Shipper shall pay Transporter are those agreed to and set forth in Article VIII of this Service Agreement.

3.2 All of the GT&C and provisions of Rate Schedule ___ shall be applicable to service hereunder and shall be made a part hereof.

3.3 Unless otherwise agreed, Shipper agrees that Transporter shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in: (i) the rates and charges applicable to Transporter's Schedule ___; (ii) the terms and conditions of service pursuant to which service hereunder is rendered; and/or (iii) any provision of the GT&C applicable to service hereunder. Transporter agrees that Shipper may protest or contest any such filings or may seek authorization from duly constituted regulatory authorities for such adjustments of Transporter's Tariff as may be necessary to ensure that the provisions in (i), (ii), or (iii) above are consistent with regulatory law and policy or otherwise.

ARTICLE IV
RESERVATIONS

Transporter shall have the right to take actions as may be required to preserve the integrity of Transporter's pipeline facilities, including maintenance of service to other firm Shippers.

ARTICLE V
GOVERNMENTAL AUTHORIZATIONS

It is hereby agreed that transportation service under this Service Agreement shall be implemented pursuant to applicable authorizations of the FERC.

Effective Date: 10/08/2003 Status: Effective
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Original Sheet No. 204 Original Sheet No. 204 : Effective

ARTICLE VI
NOTICES

Notices shall be provided in accordance with the GT&C, to Transporter and Shipper, respectively, at the addresses set forth below:

(a) Transporter
Pinnacle Pipeline Company
5100 Westheimer, Suite 320
Houston, Texas 77056
Attention:

(b) Shipper

Attention: _____

or such other address as either party designates by formal written notice for any communication.

ARTICLE VII
INTERPRETATION

The parties hereto agree that the interpretation and performance of this Service Agreement must be in accordance with the laws of the state of Texas without recourse to the law governing conflict of laws which would require the application of the laws of another state.

ARTICLE VIII
FURTHER AGREEMENT

[If none, so state] [Particulars of any agreement pursuant to Section 13 of the GT&C to be included here]

ARTICLE IX
CANCELLATION OF PRIOR CONTRACT(S)

This Service Agreement supercedes and cancels, as of the effective date of this Service Agreement, the contract(s) between the parties hereto as described below: [If none, so state.]

Effective Date: 10/08/2003 Status: Effective
FERC Docket: RP04-102-001

Original Sheet No. 205 Original Sheet No. 205 : Effective

ARTICLE X

No modification of the terms and provisions of this Service Agreement shall be or become effective except by the execution of a written instrument by Transporter and Shipper.

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be executed by their respective duly authorized officers or other authorized persons, the day and year first above written.

PINNACLE PIPELINE COMPANY

By _____

Printed Name _____

Title _____

Executed _____, _____

(Date)

(SHIPPER) [NAME OF SHIPPER]

By

Printed Name

Title

Executed

(Date)

Effective Date: 10/08/2003 Status: Effective

FERC Docket: RP04-102-001

Original Sheet No. 206 Original Sheet No. 206 : Effective

EXHIBIT A

RATE QUANTITY AND DELIVERY POINTS

Receipt Point: The outlet flange of Northern Natural Gas Company's gas metering equipment (P.O.I. 56403) at Pinnacle's interconnect with Northern Natural Gas Company at or near the tailgate of the Linam Ranch Plant located in the Northeast Quarter, Section 6, Township 19 South, Range 37 East, Lea County, New Mexico.

Delivery Point(s): _____

Transportation Quantity: _____ MMBtu/d

