



February 28, 2020

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

ANR Pipeline Company
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Houston, TX 77002-2700

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Re: ANR Pipeline Company
Change in FERC Gas Tariff
Docket No. RP20-_____-000

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act (“NGA”) and Part 154 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) regulations,¹ ANR Pipeline Company (“ANR”) respectfully submits for filing and acceptance revised tariff sections,² included herein as Appendix A, to be part of its FERC Gas Tariff, Third Revised Volume No. 1 (“Tariff”). The revised tariff sections propose to define and clarify ANR’s use of nominal and substantial penalties on non-critical and critical days, respectively, as more fully described below. ANR respectfully requests that the Commission accept the tariff sections, included as Appendix A, to become effective April 1, 2020.

Correspondence

The names, titles and mailing address of the persons to whom correspondence and communications concerning this filing should be directed are as follows:

¹ 18 C.F.R. Part 154 (2020).

² Specifically, Part 5.1.3-Rate Schedule ETS, Charges (“Rate Schedule ETS”); Part 5.2.3-Rate Schedule STS, Charges (“Rate Schedule STS”); Part 5.3.3-Rate Schedule FTS-1, Charges (“Rate Schedule FTS-1”); Part 5.4.3-Rate Schedule FTS-2, Charges (“Rate Schedule FTS-2”); Part 5.5.3-Rate Schedule FTS-3, Charges (“Rate Schedule FTS-3”); Part 5.8(3)-Rate Schedule ITS, Charges (“Rate Schedule ITS”); Part 5.17.3-Rate Schedule PTS-2, Charges (“Rate Schedule PTS-2”); Part 6.14.1-GT&C, Allocation of Deliveries (“Section 6.14.1”); Part 6.18.13-GT&C, Waiver of Penalties (“Section 6.18.13”); and Part 6.31-GT&C, Crediting of Penalty Revenues (“Section 6.31”).

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Statement of Nature, Reasons and Basis for Filing

In the instant filing ANR is proposing tariff modifications which define and clarify when ANR may assess penalties on critical and non-critical days³ to shippers that do not provide daily deliveries within existing Tariff tolerance and contract levels. The modifications described herein are necessary for several reasons, including: to protect the operational integrity of ANR's pipeline system, which has become increasingly more challenging over time as the amount of unsubscribed firm capacity across ANR's system has diminished due to increasing capacity sales; to better align ANR's Tariff with Commission policy related to the imposition of penalties; and to incentivize ANR's shippers to accurately schedule gas requirements on a daily basis.

Historically, ANR has been able to afford shippers flexibility to exceed existing Tariff tolerance and overrun levels due in large part to the operational flexibility of its pipeline system and the cooperation established between itself and its shippers. More recently, as the availability of unsubscribed firm capacity has been reduced across ANR's system due to increasing capacity sales, the flexibility of the pipeline to accommodate deliveries that vary from scheduled quantities outside of tolerance and contract levels has been reduced, highlighting that ANR requires the proper tools necessary to incentivize shippers to more accurately schedule gas on a daily basis. The revisions proposed in the instant filing are intended to ensure that the operational integrity of ANR's pipeline system is protected and shippers accurately schedule gas volumes on a daily basis so that ANR may continue to reliably meet its existing firm obligations.

³ ANR defines a "critical" day as an "Extreme Condition Situation" day at Part 6.1.29-GT&C, Definitions, of its Tariff. For purposes of the descriptions of the revisions proposed herein, ANR will use "non-critical" to refer to "non-Extreme Condition Situation" and "critical" to refer to "Extreme Condition Situation," respectively.

After a review of its existing Tariff, ANR is filing the revisions contained herein to update its Tariff to better align with Commission policy and to define and/or clarify when ANR may assess penalties on non-critical and critical days for existing Daily Scheduling or Unauthorized Overrun Service penalties.⁴ As described in more detail below, ANR is proposing herein revisions to certain of its rate schedules,⁵ in addition to Section 6.14.1, Section 6.18.13, and Section 6.31, to incorporate tariff provisions which clarify and distinguish between the charging of nominal penalties on non-critical days and substantial penalties on critical days, so that shippers are incentivized to more accurately schedule daily gas volumes.

Firm and Interruptible Transportation Service Rate Schedules

Daily Scheduling Penalties

Daily Scheduling Penalties (“DSP”) are outlined within the “Charges” provisions of certain of ANR’s rate schedules⁶ and, as currently provided in those rate schedules, ANR is able to assess such DSPs on each dekatherm of variance that exceeds ANR’s Swing Percentage⁷ only when it and a point operator *have not* agreed to an allocation of deliveries methodology using ranked, pro rata, percentage, swing, or an operator provided value methodology, which may unintentionally and unfairly favor certain shippers. Additionally, ANR’s Tariff stipulates that the rate for any DSP be the *highest* applicable Rate Schedule ITS maximum rate to the applicable delivery point.

The revisions proposed herein for DSP Rate Schedules clarify ANR’s ability to assess DSPs to additionally include those instances where ANR and a point operator *have* agreed to an allocation of

⁴ See *Millennium Pipeline Company, L.L.C.*, 130 FERC ¶ 61,074 (2010) (“*Millennium*”) at P 20 (“With respect to the proposed scheduling penalties for non-critical periods, Commission policy permits a nominal scheduling penalty at the IT rate level for non-critical days...to provide an incentive to schedule accurately...a showing of operational harm is not required for implementation of this nominal non-critical period scheduling penalty.”); *El Paso Natural Gas Company*, 125 FERC ¶ 61,309 (2008) (“*2008 El Paso Order*”) at P 62 (“...the Commission found that a pipeline may propose a nominal penalty for non-critical periods...that is sufficient to provide an incentive to nominate overrun volumes...”); and *Natural Gas Pipeline Company of America*, 103 FERC ¶ 61,174 (2003) (“*Natural*”) at P 63 (“Establishing a scheduling penalty...is intended to provide an incentive for shippers to schedule accurately....”).

⁵ Rate Schedules ETS, STS, FTS-1, FTS-2, FTS-3, ITS, and PTS-2.

⁶ Rate Schedules ETS, FTS-1, FTS-2 and ITS (collectively “DSP Rate Schedules”).

⁷ See Part 6.1.76-GT&C, Definitions, of ANR’s Tariff. The term “Swing Percentage” shall mean the percentage of quantities allocated at Delivery Points to each Shipper that will be excused from overrun charges or daily scheduling penalties, as applicable. The Swing Percentage shall be equal to ten percent (10%) of the Delivery Point nomination for such Shipper, unless [ANR] shall have posted...a notification that an Extreme Condition Situation exists. In such case, the Swing Percentage shall be equal to five percent (5%) of the Delivery Point nomination for such Shipper (“Swing Percentage”).

deliveries methodology. This revision to the DSP Rate Schedules incorporates a reference to an existing tariff provision, Section 6.14.1(c), that will allow ANR to assess DSPs in *all* instances where an allocation of deliveries is required to ensure that all shippers accurately schedule their daily gas requirements, regardless of the methodology utilized to allocate such deliveries.

Additionally, in each DSP Rate Schedule ANR is clarifying the use of the term “exceeds” by providing that DSPs are applicable to under-deliveries which *exceed* a Swing Percentage as well as over-deliveries which *exceed* a Swing Percentage. Impacts on the operation of ANR’s pipeline system can be equally detrimental whether a shipper over-delivers or under-delivers its scheduled quantity(ies), and ANR is revising its DSP Rate Schedules to clarify that under-deliveries outside of an established Swing Percentage shall be assessed a DSP so that the proper incentives are provided to all shippers to accurately schedule their daily gas requirements. The Commission has recognized that “...it is reasonable for the penalty for under-scheduling to be the same as for over-scheduling. Otherwise, there would be an incentive for shippers to schedule significantly less service than they expect to take, so as to avoid the penalty for over-scheduling.”⁸

ANR is additionally updating and clarifying in each DSP Rate Schedule that the nominal DSP applicable on non-critical days will be equal to one (1) times the applicable Rate Schedule ITS maximum rate at the delivery point for the scheduled path for gas volumes outside of the Swing Percentage.⁹ ANR’s DSP Rate Schedules currently stipulate that DSPs be tied to the *highest* applicable Rate Schedule ITS maximum rate to that delivery point.¹⁰ The revision proposed herein is consistent with Commission policy and precedent.

⁸ See *Columbia Gas Transmission Corporation*, 124 FERC ¶ 61,122 (2008) (“*2008 Columbia Order*”) at fn 20.

⁹ See *El Paso Natural Gas Company*, 139 FERC ¶ 61,096 (2012) (“*2012 El Paso Order*”) at P 82 (“...the Commission has recognized that pipelines may establish a nominal scheduling penalty equal to the IT rate during non-critical periods....Because the lost opportunity is an interruptible sale...the Commission finds that the non-critical scheduling penalty should continue to be based on the IT rate, not on the rate schedule under which the penalty was incurred.”); *Millennium* at P 20 (“...Commission policy permits a nominal scheduling penalty at the IT rate level for non-critical days...to provide an incentive to schedule accurately....”); *2008 Columbia Order* at P 10 (“As the Commission explained in *Natural* at P 63: During non-critical periods, a scheduling variance will not have operational effects on the pipeline. Establishing a scheduling penalty at the IT rate for non-critical periods is intended to provide an incentive for shippers to schedule accurately, and to compensate the pipeline for its lost opportunity costs.”); and *Columbia Gas Transmission Corporation*, 119 FERC ¶ 61,267 (2007) at P 30 (“The ITS rate is such a nominal penalty rate that provides an incentive to schedule accurately and compensates [the pipeline] for lost opportunity costs. Accordingly, it is permissible for [the pipeline] to impose a scheduling penalty at the ITS rate during non-critical periods and, as noted above in discussing critical period scheduling penalties, it need not show actual operational harm.”).

¹⁰ Given ANR’s multiple-zone rate structure, it is possible that the current DSP provision could generate a penalty rate that is greater than the applicable 100 percent load factor ITS rate associated with a shipper’s scheduled transportation path. The changes proposed in the instant filing eliminate that possibility.

Furthermore, ANR is adding language to the DSP Rate Schedules clarifying that the substantial DSPs applicable on posted critical days shall be equivalent to ANR's existing substantial critical day penalty stated for unauthorized overrun service, as more fully described below.¹¹

Unauthorized Overrun Service

ANR's firm service rate schedules, which include Unauthorized Overrun Service ("UOS") charges,¹² currently only contain provisions which allow for a substantial penalty which is intended to prevent shipper behavior that may contribute to the impairment of reliable service on ANR's system on a posted critical day.¹³ ANR is proposing as part of the instant filing to incorporate a nominal, non-critical day, penalty in those rate schedules with UOS charges to incentivize shippers to accurately schedule authorized overrun service on those days when they expect gas requirements in excess of their delivery point maximum daily quantities ("MDQ").

Similar to the clarification made for DSPs discussed above, and to similarly incentivize shippers to properly schedule service in accordance with contracted firm service levels, ANR is adding language in each UOS provision in its Tariff stating that a nominal UOS penalty will be assessed on non-critical days for deliveries in excess of delivery point MDQs when authorized overruns have not been scheduled. The proposed nominal UOS penalty will be equal to two (2) times the applicable Rate Schedule ITS maximum rate.¹⁴ Additionally, ANR is adding clarifying language to

¹¹ See *2008 Columbia Order* at P 10 ("...[the Commission] found that [the pipeline's] proposed scheduling penalties are properly calibrated to potential threats to the system....If [the pipeline] declares a Critical Day based on a finding that it faces a "threat to its system integrity and/or [its] ability to meet its firm service obligations," [the pipeline] may impose a substantial scheduling penalty...").

¹² Rate Schedules ETS, STS, FTS-1, FTS-2, FTS-3, and PTS-2.

¹³ ANR's existing substantial critical-day UOS penalty is equal to the greater of ten dollars (\$10.00) or two times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of its Tariff.

¹⁴ See *El Paso Natural Gas Company*, 140 FERC ¶ 61,148 (2012) at P 23 ("[The pipeline] is permitted, however, to maintain an unauthorized daily overrun rate at two times the 100 percent load factor IT rate."); *2012 El Paso Order* at P 81 ("The Commission has previously determined that the unauthorized overrun penalties [the pipeline] may impose during non-critical periods may not exceed two times the maximum IT rate..."); *2008 El Paso Order* at P 62 ("In the orders implementing Order No. 637, the Commission found that a pipeline may propose a nominal penalty for non-critical periods, not to exceed twice its IT rate, that is sufficient to provide an incentive to nominate overrun volumes, but also takes into account the lessened impact such unauthorized overruns will have on the system....The Commission instead required that the non-critical penalties be based on the IT rate, consistent with Commission precedent, and limited them to two times the IT rate."); *El Paso Natural Gas Company*, 115 FERC ¶ 61,280 (2006) at P 27 ("...the [Commission's] Order which established two times the IT rate as the appropriate level for unauthorized overrun penalties in non-critical periods.").

each UOS provision that confirms the existing substantial UOS penalty language is applicable only on posted critical days.

Allocation of Deliveries

Similar to the clarification of the use of “exceed” in the DSP Rate Schedules as discussed previously, ANR is clarifying the use of the term “excess” in Section 6.14.1(a)(3)(iii) and “exceed” in Section 6.14.1(c) of the Tariff by providing that DSPs are applicable to under-deliveries which are in *excess* of a shipper’s Swing Percentage as well as over-deliveries which *exceed* a shipper’s Swing Percentage. Again, for operating and planning purposes, the effects on ANR’s pipeline system can be equally detrimental whether a shipper under-delivers or over-delivers beyond its Swing Percentage, and ANR is incorporating clarifying language in Section 6.14.1 in order to provide the proper incentives to all shippers to accurately schedule daily gas requirements, and so that the DSP penalty provisions proposed as part of the instant filing are consistent throughout ANR’s Tariff. Additionally, ANR is revising “nominations” to “scheduled quantities” in Section 6.14.1(c) to accurately reflect the calculation of variance amounts when delivered volumes have been allocated.

Waiver of Penalties

Section 6.18.13 currently stipulates that ANR “shall” waive its DSPs and UOS penalties “where the imposition thereof is not necessary to prevent the impairment of reliable service....” This language effectively eliminates ANR’s ability to utilize any type of nominal penalty intended to incentivize shippers to schedule anticipated daily gas requirements accurately, including authorized overrun in those instances where delivery point MDQs may be exceeded.

ANR is proposing herein to change the word “shall” to “may” in Section 6.18.13 of the Tariff to allow ANR, on a not unduly discriminatory basis, to assess the nominal penalties proposed as part of the instant filing when offending shippers either take deliveries outside of their applicable Swing Percentage or do not properly schedule authorized overrun service on non-critical days. Without

such a change to Section 6.18.13, ANR will continue to be unable to assess any type of nominal penalty necessary to incentivize shipper behavior.¹⁵

Consistent with the modifications made to DSP and Section 6.14.1, ANR is additionally proposing herein the addition of a reference to Section 6.14.1(c) in Section 6.18.13 so that all shippers that may be assessed DSPs are accordingly eligible for a waiver of such penalties.

Crediting of Penalty Revenues

A reference to Section 6.14.1(c) is being added to Section 6.31(1)(a) so that any DSPs assessed and received by ANR as a result of Section 6.14.1(c) will be considered “penalty revenues” as that term is used in Section 6.31.

The clarifications and revisions proposed in the instant filing are required to promote and ensure the accurate nomination of daily gas requirements by shippers on ANR’s pipeline system. Without these proposed additions and modifications to ANR’s Tariff, ANR does not have the nominal penalty provisions necessary to adequately promote and incentivize shippers to accurately schedule their daily gas requirements. As ANR has continued to sell available unsubscribed firm capacity on its system, it has become increasingly more difficult to operate its system without the protections provided by nominal penalties for under-deliveries and over-deliveries beyond ANR’s Swing Percentage. ANR anticipates such nominal penalties will contribute positively in ensuring that shippers accurately schedule daily gas requirements and, thus, will allow ANR to better operate its system and schedule available capacity on a daily basis.

Effective Date

ANR respectfully requests that the Commission accept the tariff sections included as Appendix A to become effective April 1, 2020.

¹⁵ The clarifications and modifications proposed herein do not affect ANR’s obligation to waive substantial penalties assessed on a critical day where shipper’s actions are subsequently determined not to have caused operational harm. ANR remains committed to waiving substantial DSPs and UOS penalty charges under such circumstances.

Other Filings Which May Affect This Proceeding

There are no other filings before the Commission that may significantly affect the changes proposed herein.

Contents of Filing

In accordance with Section 154.7 of the Commission's regulations, ANR is submitting the following via its electronic tariff filing:

1. This transmittal letter;
2. Clean tariff sections (Appendix A); and
3. Marked tariff sections (Appendix B).

Certificate of Service

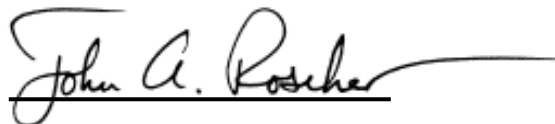
As required by Sections 154.7(b) and 154.208 of the Commission's regulations, a copy of this filing is being served upon all of ANR's existing customers and interested state regulatory agencies. A copy of this letter, together with any attachments, is available during regular business hours for public inspection at ANR's principal place of business.

Pursuant to Section 385.2005 of the Commission's regulations, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. Additionally, the undersigned possesses full power and authority to sign such filing.

Any questions regarding this filing may be directed to David A. Alonzo at (832) 320-5477.

Respectfully submitted,

ANR Pipeline Company

A handwritten signature in black ink, reading "John A. Roscher", with a horizontal line underneath the signature.

John A. Roscher
Director, Rates & Tariffs

Enclosures

Appendix A

ANR Pipeline Company Third Revised Volume No. 1

Clean Tariff

<u>Tariff Sections</u>	<u>Version</u>
5.1.3 – Rate Schedule ETS, Charges	v.3.0.0
5.2.3 – Rate Schedule STS, Charges	v.2.0.0
5.3.3 – Rate Schedule FTS-1, Charges	v.3.0.0
5.4.3 – Rate Schedule FTS-2, Charges	v.3.0.0
5.5.3 – Rate Schedule FTS-3, Charges	v.3.0.0
5.8 – Rate Schedules, Rate Schedule ITS	v.2.0.0
5.17.3 – Rate Schedule PTS-2, Charges	v.2.0.0
6.14.1 – GT&C, Allocation of Deliveries	v.1.0.0
6.18.13 – GT&C, Waiver of Penalties	v.1.0.0
6.31 – GT&C, Crediting of Penalty Revenues	v.1.0.0

5.1.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the sum of the applicable Reservation Rate(s), as stated in Section 4.1 or 4.4, for each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route designated for such MDQ.
- (b) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.1.3 paragraph 1(a), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.1.3 paragraph 1(a), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rate(s), as stated in Sections 4.1, 4.4 and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (d) If, at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) The applicable Commodity Rate, as stated in Section 4.1 or 4.4 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route utilized during the Service Month.
- (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of MDQ, or Gas Delivered Hereunder, as applicable. Such charges or surcharges are stated in Sections 4.16 and 4.20.

3. Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject

to daily scheduling penalties, and only on each Dekatherm of the quantities of variance set forth therein that exceeds the Swing Percentage for overdeliveries or underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

4. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of any of Shipper's Delivery Point MDQs. Any request for service under this Section 5.1.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff. In addition to other applicable charges, Shipper shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to (a) the applicable maximum Reservation Charges times 12 then dividing the result by 365, plus (b) in the case of utilization of any Secondary Receipt or Delivery Points, the applicable incremental maximum Reservation Rate(s) set forth in Section 5.1.3 paragraph 1(c), above, times 12 then dividing the result by 365.
5. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of any of Shipper's Delivery Point MDQs, which has not been authorized under Section 5.1.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.1.3 paragraph 4 above.

- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under this Rate Schedule, in addition to all of the charges set forth in Section 5.1.3 paragraphs 4 and 5(a), above.
6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.1 or 4.4 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

5.2.3 CHARGES

1. Each Month Shipper shall pay to Transporter the applicable Commodity Rate(s) set forth in Section 4.2 and, if applicable, Section 5.19, for each Dekatherm of Gas Delivered Hereunder.
2. Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges or surcharges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of Gas Delivered Hereunder. Such charges or surcharges are shown in Sections 4.16 and 4.20.
3. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of any of Shipper's Rate Schedule STS MDQs. Any request for service under this Section 5.2.3 paragraph 3 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff. The charges for each Dekatherm of Authorized Daily Overrun Quantity Gas that exceeds the Swing Percentage shall be equal to the Charges set forth in Section 5.2.3 paragraphs 1 and 2, above.
4. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of any of Shipper's Rate Schedule STS MDQs, and which has not been authorized under Section 5.2.3 paragraph 3 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.2.3 paragraph 3 above.

- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the applicable maximum reservation rates under Rate Schedule ETS, in addition to all of the charges set forth in Section 5.2.3 paragraphs 3 and 4(a), above.
5. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use, utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable Section 5.19. Shipper shall also furnish at the Point of Injection/Withdrawal, for each Dekatherm injected, the applicable storage-related Transporter's Use (%) set forth in Section 4.18. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
6. Cycling Fuel Charge. If a Shipper has renewed its Agreement for the next Storage Contract Year under this Rate Schedule, or any successor Rate Schedule, and fails to reduce its Working Storage Gas to twenty percent (20%) or less of its Maximum Storage Quantity by the end of the Winter Period, then Transporter shall reduce Working Storage Gas for Cycling Fuel.
7. If a Shipper has not renewed its Agreement for the next Storage Contract Year, and fails to withdraw all of its Working Storage Gas by the end of the Winter Period, then such Shipper shall be deemed to have executed the necessary Agreements under Rate Schedules DDS and ITS for the further disposition of such remaining Working Storage Gas.
8. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff. Notwithstanding the definitions set forth in such Section 6.15, the calculations of Excess Quantities and Deficient

Quantities shall be reduced by the storage injections and withdrawals determined pursuant to Section 6.14.1(a)(3)(ii) of the General Terms and Conditions of this Tariff, to the extent that Working Storage Gas is greater than zero and less than the Maximum Storage Quantity.

10. Storage Account Implementation. Upon the effective date of this Tariff, Shipper electing service under this Rate Schedule shall have purchased storage inventory in place equal to its Maximum Storage Quantity.

5.3.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the applicable Reservation Rate(s), as stated in Section 4.3 or 4.4, for each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route designated for such MDQ.
- (b) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.3.3 paragraph 1(a), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) that are outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.3.3 paragraph 1(a), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rate(s), as stated in Sections 4.3, 4.4, and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (d) If, at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) The applicable Commodity Rate, as stated in Section 4.3 or 4.4 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route during the Month.
- (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of MDQ, or Gas Delivered Hereunder, as applicable. Such charges or surcharges are shown in Sections 4.16 and 4.20.

3. Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject to daily scheduling penalties, and only on each Dekatherm of the quantities of

variance set forth therein that exceeds the Swing Percentage for overdeliveries or underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

4. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of any of Shipper's Primary Route MDQs. Any request for service under this Section 5.3.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff.

In addition to other applicable charges, Shipper shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to (a) the applicable maximum Reservation Rates times 12 then dividing the result by 365, plus (b) in the case of utilization of any Secondary Receipt or Delivery Points, the applicable incremental maximum Reservation Rate(s) set forth in Section 5.3.3 paragraph 1(c), above, times 12 then dividing the result by 365.

5. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of any of Shipper's Primary Route MDQs, which has not been authorized under Section 5.3.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.3.3 paragraph 4 above.

- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under this Rate Schedule, in addition to all of the charges set forth in Section 5.3.3 paragraphs 4 and 5(a), above.
6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.3 or 4.4 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

5.4.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the sum of the applicable Reservation Rate(s), as stated in Section 4.5, for each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route designated for such MDQ.
- (b) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.4.3 paragraph 1(a), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) that are outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.4.3 paragraph 1(a), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rate(s), as stated in Section 4.5 and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (d) If at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) A Commodity Rate, as stated in Section 4.5 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route utilized during the Month.
- (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of MDQ, or Gas Delivered Hereunder, as applicable. Such charges or surcharges are shown in Sections 4.16 and 4.20.

3. Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject to daily scheduling penalties, and only on each Dekatherm of the quantities of variance set forth therein that exceeds the Swing Percentage for overdeliveries or

underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

4. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of Shipper's Primary Route MDQ. Any request for service under this Section 5.4.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff. Shipper shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to the applicable incremental maximum Reservation Rates times 12 then dividing the result by 365.
5. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of Shipper's MDQ, which has not been authorized under Section 5.4.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.4.3 paragraph 4 above.
 - (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under

this Rate Schedule, in addition to all of the charges set forth in Section 5.4.3 paragraphs 4 and 5(a), above.

6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.5 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

5.5.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route, an FTS-3 Deliverability Reservation Rate, as stated in Section 4.6, shall be paid each Month for each Dekatherm of Shipper's Billing MHQ; plus
- (b) For each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route, an FTS-3 Capacity Reservation Rate, as stated in Section 4.6, shall be paid each Month for each Dekatherm of Shipper's Primary Route Billing MDQ.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.5.3 paragraphs 1(a) and (b), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (d) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.5.3 paragraphs 1(a) and (b), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rates, as stated in Section 4.6 and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (e) If, at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

A Commodity Rate, as stated in Section 4.6 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route during the Month.

3. Other Applicable Charges or Surcharges.

All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of

this Tariff, for each Dekatherm of MDQ or of Gas Delivered Hereunder, as applicable. Such charges or surcharges are shown in Section 4.16.

4. Authorized Overrun Service.

- (a) Transporter may authorize Shipper to take hereunder overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of Shipper's Primary Route MDQs or Primary Delivery Point MHQs, whichever is greater. Any request for service under this Section 5.5.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff.
- (b) In addition to other applicable charges, Shipper shall pay a commodity charge for each Dekatherm of Authorized Overrun Quantity. The formula for calculating this Rate Schedule FTS-3 Overrun Service Rate is stated in Section 4.6.

5. Unauthorized Overrun Service.

- (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of Shipper's Primary Route MDQs or Primary Delivery Point MHQ, whichever is greater, and which has not been authorized under Section 5.5.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.5.3 paragraph 4 above.
- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Deliverability rate, plus the Capacity Reservation Rate multiplied by 365 and divided by 12, in addition to all of the charges set forth in Section 5.5.3 paragraphs 4(b) and 5(a), above.

6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shippers electing the optional variation of delivery feature provided under Section 5.5.5, below, shall also furnish Gas for Transporter's Use for storage injections. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.6 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.

RATE SCHEDULE ITS
Interruptible Transportation Service

1. AVAILABILITY

This Rate Schedule is available to any person, corporation, partnership or any other party (hereinafter referred to as "Shipper") for the Transportation of Gas by Transporter when Shipper and Transporter have executed an Agreement under this Rate Schedule, or conformed an existing Agreement to be consistent with this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

- (a) This Rate Schedule shall apply to all Transportation Service rendered by Transporter for Shipper pursuant to the executed Agreement under this Rate Schedule.
- (b) Transportation Service under this Rate Schedule shall consist of: (a) the receipt of Gas on behalf of Shipper, (b) the Transportation of Gas and (c) the Tender of Gas for delivery by Transporter to Shipper, or for Shipper's account.
- (c) Transportation Service rendered under this Rate Schedule shall be interruptible. Interruptible service shall be available only to the extent of actual available capacity as it may be from time to time, under current conditions and shall be offered in accordance with the priorities established in the General Terms and Conditions of this Tariff.

3. CHARGES

Each Month Shipper shall pay to Transporter the following charges:

- (1) Commodity Charges.
 - (a) A Commodity Rate, as stated in Section 4.7 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route utilized during the Service Month.
 - (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of Gas Delivered Hereunder. Such charges or surcharges are shown in Sections 4.16 and 4.20.
- (2) Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject to daily scheduling penalties, and only on each Dekatherm of the quantities of variance

set forth therein that exceeds the Swing Percentage for overdeliveries or underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

- (3) Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
- (4) Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
- (5) Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.7 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
- (6) Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.
- (7) Each Dekatherm of Gas Delivered Hereunder to Shipper in excess of that Day's confirmed nomination, after Transporter has issued an express order to Shipper to

cease and desist, shall be subject to a penalty rate equal to the penalty rate set forth in Section 5.1.3 paragraph 5(b) of Rate Schedule ETS.

4. COMMISSION AND OTHER REGULATORY FEES

Shipper shall reimburse Transporter directly for any separately stated fees required by the Commission or any other federal or any state regulatory body which are related to service provided under this Rate Schedule.

5. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions of this Tariff are hereby specifically incorporated herein and made a part of this Rate Schedule.

5.17.3 CHARGES

Each Month Pooler shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the Reservation Rate, as stated in Section 4.12 for the Southwest Area, if the Agreement provides for Transportation that reserves Transporter's Southwest Area Facilities.
- (b) (i) For each Dekatherm of MDQ, the Reservation Rate, as stated in Section 4.12 for the Southeast Area, if the Agreement provides for Transportation that reserves Transporter's Southeast Area Facilities.

(ii) If, in any month, Shipper nominates Secondary Receipt Point(s) or Secondary Delivery Point(s) in the Southeast Area where such points are not Transmission Receipt Points or Transmission Delivery Points, respectively, Shipper shall pay the applicable Reservation Rate as stated in Section 5.19.
- (c) If at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) A Southwest Area Commodity Rate, as stated in Section 4.12, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Pooler at the Delivery Point(s) during the Month pursuant to an Agreement that utilizes Transporter's Southwest Area Facilities.
- (b) A Southeast Area Commodity Rate, as stated in Section 4.12 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Pooler at the Delivery Point(s) during the Month pursuant to an Agreement that utilizes Transporter's Southeast Area Facilities.
- (c) (i) No ACA or other surcharges shall be assessed against any quantities transported pursuant to this Rate Schedule, provided, however, that if quantities hereunder are delivered off-system from Transporter's Pipeline System, then such charges shall be applicable.

(ii) In the case of any Shipper that purchases Gas from a Pooler, service to such Shipper shall be subject to an adjustment for Transporter's Use and Transporter's EPC that includes Transportation Service in the applicable

Pooling Area, and in that event the Pooler hereunder shall not be subject to an adjustment for Transporter's Use and Transporter's EPC, provided, however, that if quantities hereunder are delivered off-system from Transporter's Pipeline System, then service hereunder shall be subject to the adjustment for Transporter's Use and Transporter's EPC.

3. Authorized Overrun Service. Transporter may authorize Pooler to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of Pooler's MDQ. Any request for service under this Section 5.17.3 paragraph 3 must be made by Pooler pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff. Pooler shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to the sum of the applicable maximum Reservation Rates times 12 then dividing the result by 365.
4. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Pooler pursuant to Section 6.14 of this Tariff on any Day, which is in excess of Pooler's MDQ, which has not been authorized under Section 5.17.3 paragraph 3 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.17.3 paragraph 3 above.
 - (b) Each Dekatherm of Gas Delivered Hereunder to Pooler as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Pooler to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under this Rate Schedule, in addition to all of the charges set forth in Section 5.17.3 paragraphs 3 and 4(a), above.
5. Third Party Charges. Pooler shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Pooler requests, and Transporter agrees, that Transporter shall, for

service to Pooler, use transportation service which Transporter has contracted for with third party(ies) for Pooler on or after November 1, 1989, Pooler shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Pooler under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Pooler's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Pooler.

6. Rate Changes. Subject to any limitations agreed to by Pooler and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Pooler for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.12 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service or for continuation of service under an existing Agreement. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
7. Cashout of Monthly Imbalances. Transporter or Pooler, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

6.14.1 Allocation of Deliveries. Unless Transporter and Operator mutually agree to allocate deliveries each Day using ranked, pro rata, percentage, swing, or operator provided value methodologies, such deliveries will be allocated through the meter using the allocation methodology in Section 6.14.1(a) below.

(a) Each Day's deliveries of Gas shall be allocated by Transporter for all services using the following order through the meter:

- (1) Rate Schedules FTS-3, ITS-3 and MBS Shippers and BTA Stand-Alone Option Shippers will be allocated their BTA consumption, if available, or, if such BTA consumption is not available, pursuant to Section 6.14.1(a)(2), below. The difference between the BTA Stand-Alone Option Shipper's nomination and its BTA allocation ("BTA Stand-Alone Variance") shall be subject to the additional charges, if any, set forth in Section 6.14.1(d), below. The MBS Supply Transportation shall be allocated as-nominated, pursuant to Section 6.14.1(a)(2), below. The difference between the MBS Supply Transportation allocation and the BTA shall be allocated as injections into or withdrawals from the MBS Storage Account and as Transportation under Rate Schedule MBS. An overrun charge pursuant to Rate Schedule MBS shall only be assessed on each Dekatherm of such allocated quantities that exceeds the Swing Percentage;
- (2) Next, all Notice Services (other than BTA Stand-Alone Option Shippers) will be allocated a quantity equal to the confirmed daily nomination for such services;
- (3) Finally, all residual quantities, positive or negative, will be allocated pursuant to the following procedures:
 - (i) In the case of any Delivery Point Operator that has elected no-notice service pursuant to Rate Schedule NNS, there shall be no daily scheduling penalties. The residual quantities, positive or negative, shall be allocated to the Delivery Point Operator's NNS service as injections into or withdrawals from the Designated Storage Account, and as transportation under the Delivery Point Operator's NNS Storage Transportation. An overrun charge pursuant to Rate Schedule NNS shall only be assessed on each Dekatherm of such allocated quantities that exceeds the Swing Percentage.
 - (ii) In the case of any Delivery Point Operator that is a Rate Schedule STS Shipper, there shall be no daily scheduling penalties. The residual quantities, positive or negative, shall be allocated as no-notice service pursuant to Rate Schedule STS. The difference between the quantities allocated hereunder and the receipts allocated for such service pursuant

to Section 6.14.2, below, shall be injected into or withdrawn from the storage account underlying such service. An overrun charge pursuant to Rate Schedule STS shall only be assessed on each Dekatherm of such allocated quantities that exceeds the Swing Percentage.

- (iii) In the case of any Delivery Point Operator that has not elected No-Notice Service pursuant to Rate Schedules NNS or STS, then, unless otherwise agreed, residual quantities shall first be allocated to any Notice Service designated for that purpose by the Delivery Point Operator (if the affected Shipper has agreed in writing) and then shall be allocated pro rata based on nominations to all Notice Services, except for MBS Supply Transportation, and such Shippers shall be subject to daily scheduling penalties on each Dekatherm of such allocated quantities in excess of the Swing Percentage, for overdeliveries or underdeliveries, as applicable.
- (b) Notwithstanding Section 6.14.1(a) above, if the Delivery Point is a Point of Injection/Withdrawal or a Headstation, deliveries shall be allocated to each service in a quantity equal to the confirmed nomination for such service.
- (c) If allocated deliveries hereunder are less than, or exceed scheduled quantities under any Agreement, Transporter will, after applying the Swing Percentage, only charge the affected Shipper the applicable daily scheduling penalty for underdeliveries on each Dekatherm down to the delivered amount, or for overdeliveries on each Dekatherm up to Shipper's MDQ, and only the applicable overrun charges for overdeliveries in excess of MDQ.
- (d) The BTA Stand-Alone Variance, in addition to the applicable Transportation charges, shall be subject to the following charges:
 - (i) for a quantity up to the Swing Percentage, there shall be no additional charge;
 - (ii) for the next incremental quantity up to any amount equal to the Swing Percentage, a daily scheduling penalty equal to the highest applicable Rate Schedule STS rate times each Dekatherm of such quantity; then
 - (iii) for any remaining quantity, a daily scheduling penalty of ten dollars (\$10) per Dekatherm.

6.18.13 Waiver of Penalties.

Transporter may waive the following penalties on a not unduly discriminatory basis where the imposition thereof is not necessary to prevent the impairment of reliable service:

- (a) daily scheduling penalties assessed as a result of allocations of deliveries pursuant to Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of these General Terms and Conditions; or
- (b) penalty rates for unauthorized overrun charges assessed pursuant to any of Transporter's firm service rate schedules.

6.31 CREDITING OF PENALTY REVENUES

1. Definition. As used in this Section 6.31, the term "penalty revenues" shall mean any net revenues that Transporter actually receives for any of the following:
 - (a) daily scheduling penalties assessed as a result of allocations of deliveries pursuant to Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of these General Terms and Conditions;
 - (b) penalty rates for unauthorized overrun charges assessed pursuant to any of Transporter's firm service rate schedules;
 - (c) penalties assessed for failure to comply with the OFO pursuant to Section 6.8.8 of these General Terms and Conditions; or
 - (d) penalties assessed to FTS-4 Shippers for failure to comply with their MFO obligations under their Agreements.
2. Crediting of Penalty Revenues. Transporter shall record all penalty revenues received from time to time in a separate account, and credit such penalty revenues to its Firm Service Shippers on an annual basis in accordance with the following procedures:
 - (a) on July 1, 2001, and on each July 1, thereafter, Transporter shall determine the outstanding balance in its penalty revenues account for the previous annual period. Such annual period shall consist of the twelve (12) Month period ending three (3) Months prior to the determination date of July 1;
 - (b) if there is a positive balance in such account exceeding \$100,000, Transporter shall allocate such positive balance to its "Eligible Credit Shippers", who shall consist of those Firm Service Shippers who received service during any such previous annual period provided, however, that any such Shipper that paid any penalty revenues to Transporter during any Month of the applicable annual period shall not be an Eligible Credit Shipper to receive any of that Month's penalty revenues. Notwithstanding the above, any penalty revenues received by Transporter from an FTS-4 Shipper due to that Shipper's failure to comply with its MFO obligations, shall be credited directly to the affected FTS-4L Shipper(s);
 - (c) the allocation of the credits to the qualifying Eligible Credit Shippers shall be determined pro rata based on the firm service revenues paid to Transporter by such Firm Service Shippers during the applicable annual period, and each Shipper's cumulative annual credit, if any, shall be reflected as a credit to the billing statement(s) due to such Shipper on the ninth (9th) business Day of the

next Month. If no such billing statement is due to any such Eligible Credit Shipper, then the credit shall be paid to such Shipper by Transporter in cash; and

- (d) any positive balance less than \$100,000 shall be carried forward, with interest to the next July 1 determination.

Appendix B

ANR Pipeline Company Third Revised Volume No. 1

Marked Tariff

<u>Tariff Sections</u>	<u>Version</u>
5.1.3 – Rate Schedule ETS, Charges	v.3.0.0
5.2.3 – Rate Schedule STS, Charges	v.2.0.0
5.3.3 – Rate Schedule FTS-1, Charges	v.3.0.0
5.4.3 – Rate Schedule FTS-2, Charges	v.3.0.0
5.5.3 – Rate Schedule FTS-3, Charges	v.3.0.0
5.8 – Rate Schedules, Rate Schedule ITS	v.2.0.0
5.17.3 – Rate Schedule PTS-2, Charges	v.2.0.0
6.14.1 – GT&C, Allocation of Deliveries	v.1.0.0
6.18.13 – GT&C, Waiver of Penalties	v.1.0.0
6.31 – GT&C, Crediting of Penalty Revenues	v.1.0.0

5.1.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the sum of the applicable Reservation Rate(s), as stated in Section 4.1 or 4.4, for each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route designated for such MDQ.
- (b) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.1.3 paragraph 1(a), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.1.3 paragraph 1(a), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rate(s), as stated in Sections 4.1, 4.4 and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (d) If, at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) The applicable Commodity Rate, as stated in Section 4.1 or 4.4 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route utilized during the Service Month.
- (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of MDQ, or Gas Delivered Hereunder, as applicable. Such charges or surcharges are stated in Sections 4.16 and 4.20.

- 3. Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject

to daily scheduling penalties, and only on each Dekatherm of the quantities of variance set forth therein that exceeds the Swing Percentage for overdeliveries or underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the highest applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

4. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of any of Shipper's Delivery Point MDQs. Any request for service under this Section 5.1.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff. In addition to other applicable charges, Shipper shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to (a) the applicable maximum Reservation Charges times 12 then dividing the result by 365, plus (b) in the case of utilization of any Secondary Receipt or Delivery Points, the applicable incremental maximum Reservation Rate(s) set forth in Section 5.1.3 paragraph 1(c), above, times 12 then dividing the result by 365.

5. Unauthorized Overrun Service.

- (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of any of Shipper's Delivery Point MDQs, which has not been authorized under Section 5.1.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.1.3 paragraph 4 above.

- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under this Rate Schedule, in addition to all of the charges set forth in Section 5.1.3 paragraphs 4 and 5(a), above.
6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.1 or 4.4 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

5.2.3 CHARGES

1. Each Month Shipper shall pay to Transporter the applicable Commodity Rate(s) set forth in Section 4.2 and, if applicable, Section 5.19, for each Dekatherm of Gas Delivered Hereunder.
2. Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges or surcharges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of Gas Delivered Hereunder. Such charges or surcharges are shown in Sections 4.16 and 4.20.
3. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of any of Shipper's Rate Schedule STS MDQs. Any request for service under this Section 5.2.3 paragraph 3 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff. The charges for each Dekatherm of Authorized Daily Overrun Quantity Gas that exceeds the Swing Percentage shall be equal to the Charges set forth in Section 5.2.3 paragraphs 1 and 2, above.
4. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of any of Shipper's Rate Schedule STS MDQs, and which has not been authorized under Section 5.2.3 paragraph 3 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.2.3 paragraph 3 above.

- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the applicable maximum reservation rates under Rate Schedule ETS, in addition to all of the charges set forth in Section 5.2.3 paragraphs 3 and 4(a), above.
5. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use, utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable Section 5.19. Shipper shall also furnish at the Point of Injection/Withdrawal, for each Dekatherm injected, the applicable storage-related Transporter's Use (%) set forth in Section 4.18. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
6. Cycling Fuel Charge. If a Shipper has renewed its Agreement for the next Storage Contract Year under this Rate Schedule, or any successor Rate Schedule, and fails to reduce its Working Storage Gas to twenty percent (20%) or less of its Maximum Storage Quantity by the end of the Winter Period, then Transporter shall reduce Working Storage Gas for Cycling Fuel.
7. If a Shipper has not renewed its Agreement for the next Storage Contract Year, and fails to withdraw all of its Working Storage Gas by the end of the Winter Period, then such Shipper shall be deemed to have executed the necessary Agreements under Rate Schedules DDS and ITS for the further disposition of such remaining Working Storage Gas.
8. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff. Notwithstanding the definitions set forth in such Section 6.15, the calculations of Excess Quantities and Deficient

Quantities shall be reduced by the storage injections and withdrawals determined pursuant to Section 6.14.1(a)(3)(ii) of the General Terms and Conditions of this Tariff, to the extent that Working Storage Gas is greater than zero and less than the Maximum Storage Quantity.

10. Storage Account Implementation. Upon the effective date of this Tariff, Shipper electing service under this Rate Schedule shall have purchased storage inventory in place equal to its Maximum Storage Quantity.

5.3.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the applicable Reservation Rate(s), as stated in Section 4.3 or 4.4, for each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route designated for such MDQ.
- (b) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.3.3 paragraph 1(a), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) that are outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.3.3 paragraph 1(a), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rate(s), as stated in Sections 4.3, 4.4, and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (d) If, at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) The applicable Commodity Rate, as stated in Section 4.3 or 4.4 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route during the Month.
- (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of MDQ, or Gas Delivered Hereunder, as applicable. Such charges or surcharges are shown in Sections 4.16 and 4.20.

3. Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject to daily scheduling penalties, and only on each Dekatherm of the quantities of

variance set forth therein that exceeds the Swing Percentage for overdeliveries or underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the ~~highest~~ applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

4. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of any of Shipper's Primary Route MDQs. Any request for service under this Section 5.3.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff.

In addition to other applicable charges, Shipper shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to (a) the applicable maximum Reservation Rates times 12 then dividing the result by 365, plus (b) in the case of utilization of any Secondary Receipt or Delivery Points, the applicable incremental maximum Reservation Rate(s) set forth in Section 5.3.3 paragraph 1(c), above, times 12 then dividing the result by 365.

5. Unauthorized Overrun Service.

- (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of any of Shipper's Primary Route MDQs, which has not been authorized under Section 5.3.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.3.3 paragraph 4 above.

- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under this Rate Schedule, in addition to all of the charges set forth in Section 5.3.3 paragraphs 4 and 5(a), above.
6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.3 or 4.4 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

5.4.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the sum of the applicable Reservation Rate(s), as stated in Section 4.5, for each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route designated for such MDQ.
- (b) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.4.3 paragraph 1(a), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) that are outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.4.3 paragraph 1(a), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rate(s), as stated in Section 4.5 and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (d) If at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) A Commodity Rate, as stated in Section 4.5 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route utilized during the Month.
- (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of MDQ, or Gas Delivered Hereunder, as applicable. Such charges or surcharges are shown in Sections 4.16 and 4.20.

- 3. Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject to daily scheduling penalties, and only on each Dekatherm of the quantities of variance set forth therein that exceeds the Swing Percentage for overdeliveries or

underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the ~~highest~~ applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

4. Authorized Overrun Service. Transporter may authorize Shipper to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of Shipper's Primary Route MDQ. Any request for service under this Section 5.4.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff, provided, however, a separate nomination is not required if the overrun is being delivered under any service associated with the operation of Transporter's Rate Schedule NNS or MBS and has been authorized and allocated to Shipper pursuant to Section 6.14.1(a)(1), 6.14.1(a)(3) or 6.14.1(c) of the General Terms and Conditions of this Tariff. Shipper shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to the applicable incremental maximum Reservation Rates times 12 then dividing the result by 365.
5. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of Shipper's MDQ, which has not been authorized under Section 5.4.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.4.3 paragraph 4 above.
 - (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under

this Rate Schedule, in addition to all of the charges set forth in Section 5.4.3 paragraphs 4 and 5(a), above.

6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.5 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
9. Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

5.5.3 CHARGES

Each Month Shipper shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route, an FTS-3 Deliverability Reservation Rate, as stated in Section 4.6, shall be paid each Month for each Dekatherm of Shipper's Billing MHQ; plus
- (b) For each Pooling Area or Mainline Segment (together, "Rate Segment(s)") traversed by the Primary Route, an FTS-3 Capacity Reservation Rate, as stated in Section 4.6, shall be paid each Month for each Dekatherm of Shipper's Primary Route Billing MDQ.
- (c) If, in any Month, Shipper nominates quantities at Secondary Receipt Points or Secondary Delivery Points, and all of such Secondary Points are within Rate Segment(s) for which capacity is reserved pursuant to Section 5.5.3 paragraphs 1(a) and (b), above, no Reservation Charges associated with the use of additional Rate Segment(s) shall be applicable.
- (d) If, in any Month, Shipper nominates quantities at Secondary Receipt Point(s) or Secondary Delivery Point(s) outside of Rate Segment(s) or portion(s) thereof, for which capacity is reserved pursuant to Section 5.5.3 paragraphs 1(a) and (b), above, Shipper shall pay on a pro rata basis for each Day of such nomination the applicable Reservation Rates, as stated in Section 4.6 and/or 5.19, that Transporter otherwise would charge for Transportation to or from those additional Rate Segment(s) or portion(s) thereof.
- (e) If, at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

A Commodity Rate, as stated in Section 4.6 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route during the Month.

3. Other Applicable Charges or Surcharges.

All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of

this Tariff, for each Dekatherm of MDQ or of Gas Delivered Hereunder, as applicable. Such charges or surcharges are shown in Section 4.16.

4. Authorized Overrun Service.

- (a) Transporter may authorize Shipper to take hereunder overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of Shipper's Primary Route MDQs or Primary Delivery Point MHQs, whichever is greater. Any request for service under this Section 5.5.3 paragraph 4 must be made by Shipper pursuant to a separate nomination for Authorized Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff.
- (b) In addition to other applicable charges, Shipper shall pay a commodity charge for each Dekatherm of Authorized Overrun Quantity. The formula for calculating this Rate Schedule FTS-3 Overrun Service Rate is stated in Section 4.6.

5. Unauthorized Overrun Service.

- (a) Each Dekatherm of Gas Delivered Hereunder to Shipper pursuant to Section 6.14 of the General Terms and Conditions of this Tariff on any Day, which is in excess of Shipper's Primary Route MDQs or Primary Delivery Point MHQ, whichever is greater, and which has not been authorized under Section 5.5.3 paragraph 4 of this Rate Schedule, shall be considered as "Unauthorized Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.5.3 paragraph 4 above.
- (b) Each Dekatherm of Gas Delivered Hereunder to Shipper as an Unauthorized Overrun Quantity at any time after Transporter has issued an express order to Shipper to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Deliverability rate, plus the Capacity Reservation Rate multiplied by 365 and divided by 12, in addition to all of the charges set forth in Section 5.5.3 paragraphs 4(b) and 5(a), above.

6. Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shippers electing the optional variation of delivery feature provided under Section 5.5.5, below, shall also furnish Gas for Transporter's Use for storage injections. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
7. Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
8. Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.6 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement, or pursuant to Section 6.4 paragraphs 1(b) and 2(b) of the General Terms and Conditions of this Tariff. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.

RATE SCHEDULE ITS
Interruptible Transportation Service

1. AVAILABILITY

This Rate Schedule is available to any person, corporation, partnership or any other party (hereinafter referred to as "Shipper") for the Transportation of Gas by Transporter when Shipper and Transporter have executed an Agreement under this Rate Schedule, or conformed an existing Agreement to be consistent with this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

- (a) This Rate Schedule shall apply to all Transportation Service rendered by Transporter for Shipper pursuant to the executed Agreement under this Rate Schedule.
- (b) Transportation Service under this Rate Schedule shall consist of: (a) the receipt of Gas on behalf of Shipper, (b) the Transportation of Gas and (c) the Tender of Gas for delivery by Transporter to Shipper, or for Shipper's account.
- (c) Transportation Service rendered under this Rate Schedule shall be interruptible. Interruptible service shall be available only to the extent of actual available capacity as it may be from time to time, under current conditions and shall be offered in accordance with the priorities established in the General Terms and Conditions of this Tariff.

3. CHARGES

Each Month Shipper shall pay to Transporter the following charges:

- (1) Commodity Charges.
 - (a) A Commodity Rate, as stated in Section 4.7 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Shipper for each Nomination Route utilized during the Service Month.
 - (b) Other Applicable Charges or Surcharges. All applicable reservation and volumetric charges or surcharges, including but not limited to those charges under Section 6.24 of the General Terms and Conditions of this Tariff, for each Dekatherm of Gas Delivered Hereunder. Such charges or surcharges are shown in Sections 4.16 and 4.20.
- (2) Daily Scheduling Penalties. Only Shippers identified in Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of the General Terms and Conditions of this Tariff, may be subject to daily scheduling penalties, and only on each Dekatherm of the quantities of variance

set forth therein that exceeds the Swing Percentage for overdeliveries or underdeliveries, as applicable. The rate for any such daily scheduling penalty per Dekatherm shall be one (1) times the ~~highest~~ applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days.

- (3) Fuel and Electric Power Cost Reimbursement. Shipper shall furnish at Receipt Point(s) the Gas for Transporter's Use utilizing the applicable Transporter's Use (%) set forth in Section 4.18 and, if applicable, Section 5.19. Shipper shall also pay to Transporter the applicable EPC Charge as stated in Section 4.19.
- (4) Third Party Charges. Shipper shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Shipper requests, and Transporter agrees, that Transporter shall, for service to Shipper, use transportation service which Transporter has contracted for with third party(ies) for Shipper on or after November 1, 1989, Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Shipper under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Shipper's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Shipper.
- (5) Rate Changes. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.7 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service, or for continuation of service under an existing Agreement. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
- (6) Cashout of Monthly Imbalances. Transporter or Shipper, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.
- (7) Each Dekatherm of Gas Delivered Hereunder to Shipper in excess of that Day's confirmed nomination, after Transporter has issued an express order to Shipper to

cease and desist, shall be subject to a penalty rate equal to the penalty rate set forth in Section 5.1.3 paragraph 5(b) of Rate Schedule ETS.

4. COMMISSION AND OTHER REGULATORY FEES

Shipper shall reimburse Transporter directly for any separately stated fees required by the Commission or any other federal or any state regulatory body which are related to service provided under this Rate Schedule.

5. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions of this Tariff are hereby specifically incorporated herein and made a part of this Rate Schedule.

5.17.3 CHARGES

Each Month Pooler shall pay to Transporter the following charges:

1. Reservation Charges.

- (a) For each Dekatherm of MDQ, the Reservation Rate, as stated in Section 4.12 for the Southwest Area, if the Agreement provides for Transportation that reserves Transporter's Southwest Area Facilities.
- (b) (i) For each Dekatherm of MDQ, the Reservation Rate, as stated in Section 4.12 for the Southeast Area, if the Agreement provides for Transportation that reserves Transporter's Southeast Area Facilities.
 - (ii) If, in any month, Shipper nominates Secondary Receipt Point(s) or Secondary Delivery Point(s) in the Southeast Area where such points are not Transmission Receipt Points or Transmission Delivery Points, respectively, Shipper shall pay the applicable Reservation Rate as stated in Section 5.19.
- (c) If at the commencement or termination of the Agreement, service is provided for only a portion of a Service Month, any applicable Reservation Charges shall be prorated for the number of Days that service is provided.

2. Commodity Charges.

- (a) A Southwest Area Commodity Rate, as stated in Section 4.12, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Pooler at the Delivery Point(s) during the Month pursuant to an Agreement that utilizes Transporter's Southwest Area Facilities.
- (b) A Southeast Area Commodity Rate, as stated in Section 4.12 and, if applicable, Section 5.19, shall be paid for each Dekatherm of Gas Delivered Hereunder to or on behalf of Pooler at the Delivery Point(s) during the Month pursuant to an Agreement that utilizes Transporter's Southeast Area Facilities.
- (c) (i) No ACA or other surcharges shall be assessed against any quantities transported pursuant to this Rate Schedule, provided, however, that if quantities hereunder are delivered off-system from Transporter's Pipeline System, then such charges shall be applicable.
 - (ii) In the case of any Shipper that purchases Gas from a Pooler, service to such Shipper shall be subject to an adjustment for Transporter's Use and Transporter's EPC that includes Transportation Service in the applicable

Pooling Area, and in that event the Pooler hereunder shall not be subject to an adjustment for Transporter's Use and Transporter's EPC, provided, however, that if quantities hereunder are delivered off-system from Transporter's Pipeline System, then service hereunder shall be subject to the adjustment for Transporter's Use and Transporter's EPC.

3. Authorized Overrun Service. Transporter may authorize Pooler to take hereunder daily overrun quantities of Gas to the extent that, in the sole judgment of Transporter, the delivery capacity of Transporter's Pipeline System will permit such delivery without jeopardizing the ability of Transporter to meet all of its other firm service delivery obligations. The term "Authorized Daily Overrun Quantity" shall mean the quantity of Gas which is authorized and delivered by Transporter during any one Day in excess of Pooler's MDQ. Any request for service under this Section 5.17.3 paragraph 3 must be made by Pooler pursuant to a separate nomination for Authorized Daily Overrun Quantity Gas in accordance with Section 6.6.1(a) or 6.6.2(a) of the General Terms and Conditions of this Tariff. Pooler shall pay a commodity charge for each Dekatherm of Authorized Daily Overrun Quantity equal to the sum of the applicable maximum Reservation Rates times 12 then dividing the result by 365.
4. Unauthorized Overrun Service.
 - (a) Each Dekatherm of Gas Delivered Hereunder to Pooler pursuant to Section 6.14 of this Tariff on any Day, which is in excess of Pooler's MDQ, which has not been authorized under Section 5.17.3 paragraph 3 of this Rate Schedule, shall be considered as "Unauthorized Daily Overrun Quantity" and shall be subject to a penalty rate equal to two (2) times the applicable Rate Schedule ITS Maximum Rate to that Delivery Point on non-Extreme Condition Situation days, or the greater of ten dollars (\$10.00) or two (2) times the Spot Price Index for the Service Month, as defined in Section 6.16 of the General Terms and Conditions of this Tariff on posted Extreme Condition Situation days, in addition to all the charges set forth in Section 5.17.3 paragraph 3 above.
 - (b) Each Dekatherm of Gas Delivered Hereunder to Pooler as an Unauthorized Daily Overrun Quantity at any time after Transporter has issued an express order to Pooler to cease and desist shall be subject to a penalty rate equal to twelve (12) times the sum of the applicable maximum Reservation Rates under this Rate Schedule, in addition to all of the charges set forth in Section 5.17.3 paragraphs 3 and 4(a), above.
5. Third Party Charges. Pooler shall be responsible for delivering all Gas to Transporter's system, and shall be free to contract with third party(ies) to achieve such result. If Pooler requests, and Transporter agrees, that Transporter shall, for

service to Pooler, use transportation service which Transporter has contracted for with third party(ies) for Pooler on or after November 1, 1989, Pooler shall pay Transporter an amount equal to the charges Transporter is obligated to pay to third party(ies) for transportation or other services attributable to performance of service on behalf of Pooler under this Rate Schedule. Such charges include, but are not limited to, compression fuel charges, compression fees, Gas handling fees, measurement fees, processing fees, facility rents, or charges that Transporter pays to a third party for transportation of Pooler's Gas, including third party's filing and regulatory fees. Such charges, as they may be from time to time, shall be set forth as separate items on billings rendered to Pooler.

6. Rate Changes. Subject to any limitations agreed to by Pooler and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Pooler for any and all of the transportation routes for which a Maximum Rate and Minimum Rate are stated in Section 4.12 of this Tariff or a superseding tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Rate(s), nor shall they be less than the Minimum Rate(s), set forth in such sections. Transporter shall have the right to charge the Maximum Rate at any time as a condition for new service or for continuation of service under an existing Agreement. Transporter shall make all information filings required by the Commission's regulations with respect to any charges at less than the Maximum Rate.
7. Cashout of Monthly Imbalances. Transporter or Pooler, as the case may be, shall be responsible for payment of the Cashout amount(s) provided for in Section 6.15 of the General Terms and Conditions of this Tariff.

6.14.1 Allocation of Deliveries. Unless Transporter and Operator mutually agree to allocate deliveries each Day using ranked, pro rata, percentage, swing, or operator provided value methodologies, such deliveries will be allocated through the meter using the allocation methodology in Section 6.14.1(a) below.

(a) Each Day's deliveries of Gas shall be allocated by Transporter for all services using the following order through the meter:

- (1) Rate Schedules FTS-3, ITS-3 and MBS Shippers and BTA Stand-Alone Option Shippers will be allocated their BTA consumption, if available, or, if such BTA consumption is not available, pursuant to Section 6.14.1(a)(2), below. The difference between the BTA Stand-Alone Option Shipper's nomination and its BTA allocation ("BTA Stand-Alone Variance") shall be subject to the additional charges, if any, set forth in Section 6.14.1(d), below. The MBS Supply Transportation shall be allocated as-nominated, pursuant to Section 6.14.1(a)(2), below. The difference between the MBS Supply Transportation allocation and the BTA shall be allocated as injections into or withdrawals from the MBS Storage Account and as Transportation under Rate Schedule MBS. An overrun charge pursuant to Rate Schedule MBS shall only be assessed on each Dekatherm of such allocated quantities that exceeds the Swing Percentage;
- (2) Next, all Notice Services (other than BTA Stand-Alone Option Shippers) will be allocated a quantity equal to the confirmed daily nomination for such services;
- (3) Finally, all residual quantities, positive or negative, will be allocated pursuant to the following procedures:
 - (i) In the case of any Delivery Point Operator that has elected no-notice service pursuant to Rate Schedule NNS, there shall be no daily scheduling penalties. The residual quantities, positive or negative, shall be allocated to the Delivery Point Operator's NNS service as injections into or withdrawals from the Designated Storage Account, and as transportation under the Delivery Point Operator's NNS Storage Transportation. An overrun charge pursuant to Rate Schedule NNS shall only be assessed on each Dekatherm of such allocated quantities that exceeds the Swing Percentage.
 - (ii) In the case of any Delivery Point Operator that is a Rate Schedule STS Shipper, there shall be no daily scheduling penalties. The residual quantities, positive or negative, shall be allocated as no-notice service pursuant to Rate Schedule STS. The difference between the quantities allocated hereunder and the receipts allocated for such service pursuant

to Section 6.14.2, below, shall be injected into or withdrawn from the storage account underlying such service. An overrun charge pursuant to Rate Schedule STS shall only be assessed on each Dekatherm of such allocated quantities that exceeds the Swing Percentage.

- (iii) In the case of any Delivery Point Operator that has not elected No-Notice Service pursuant to Rate Schedules NNS or STS, then, unless otherwise agreed, residual quantities shall first be allocated to any Notice Service designated for that purpose by the Delivery Point Operator (if the affected Shipper has agreed in writing) and then shall be allocated pro rata based on nominations to all Notice Services, except for MBS Supply Transportation, and such Shippers shall be subject to daily scheduling penalties on each Dekatherm of such allocated quantities in excess of the Swing Percentage, for overdeliveries or underdeliveries, as applicable.
- (b) Notwithstanding Section 6.14.1(a) above, if the Delivery Point is a Point of Injection/Withdrawal or a Headstation, deliveries shall be allocated to each service in a quantity equal to the confirmed nomination for such service.
- (c) If allocated deliveries hereunder are less than, or exceed scheduled quantities ~~nominations and the MDQ~~ under any Agreement, Transporter will, after applying the Swing Percentage, only charge the affected Shipper the applicable daily scheduling penalty for underdeliveries on each Dekatherm down to the delivered amount, or for overdeliveries on each Dekatherm up to Shipper's MDQ, and only the applicable overrun charges for overdeliveries in excess of MDQ.
- (d) The BTA Stand-Alone Variance, in addition to the applicable Transportation charges, shall be subject to the following charges:
 - (i) for a quantity up to the Swing Percentage, there shall be no additional charge;
 - (ii) for the next incremental quantity up to any amount equal to the Swing Percentage, a daily scheduling penalty equal to the highest applicable Rate Schedule STS rate times each Dekatherm of such quantity; then
 - (iii) for any remaining quantity, a daily scheduling penalty of ten dollars (\$10) per Dekatherm.

6.18.13 Waiver of Penalties.

Transporter ~~shall~~may waive the following penalties on a not unduly discriminatory basis where the imposition thereof is not necessary to prevent the impairment of reliable service:

- (a) daily scheduling penalties assessed as a result of allocations of deliveries pursuant to Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of these General Terms and Conditions; or
- (b) penalty rates for unauthorized overrun charges assessed pursuant to any of Transporter's firm service rate schedules.

6.31 CREDITING OF PENALTY REVENUES

1. Definition. As used in this Section 6.31, the term "penalty revenues" shall mean any net revenues that Transporter actually receives for any of the following:
 - (a) daily scheduling penalties assessed as a result of allocations of deliveries pursuant to Section 6.14.1(a)(3)(iii) or Section 6.14.1(c) of these General Terms and Conditions;
 - (b) penalty rates for unauthorized overrun charges assessed pursuant to any of Transporter's firm service rate schedules;
 - (c) penalties assessed for failure to comply with the OFO pursuant to Section 6.8.8 of these General Terms and Conditions; or
 - (d) penalties assessed to FTS-4 Shippers for failure to comply with their MFO obligations under their Agreements.
2. Crediting of Penalty Revenues. Transporter shall record all penalty revenues received from time to time in a separate account, and credit such penalty revenues to its Firm Service Shippers on an annual basis in accordance with the following procedures:
 - (a) on July 1, 2001, and on each July 1, thereafter, Transporter shall determine the outstanding balance in its penalty revenues account for the previous annual period. Such annual period shall consist of the twelve (12) Month period ending three (3) Months prior to the determination date of July 1;
 - (b) if there is a positive balance in such account exceeding \$100,000, Transporter shall allocate such positive balance to its "Eligible Credit Shippers", who shall consist of those Firm Service Shippers who received service during any such previous annual period provided, however, that any such Shipper that paid any penalty revenues to Transporter during any Month of the applicable annual period shall not be an Eligible Credit Shipper to receive any of that Month's penalty revenues. Notwithstanding the above, any penalty revenues received by Transporter from an FTS-4 Shipper due to that Shipper's failure to comply with its MFO obligations, shall be credited directly to the affected FTS-4L Shipper(s);
 - (c) the allocation of the credits to the qualifying Eligible Credit Shippers shall be determined pro rata based on the firm service revenues paid to Transporter by such Firm Service Shippers during the applicable annual period, and each Shipper's cumulative annual credit, if any, shall be reflected as a credit to the billing statement(s) due to such Shipper on the ninth (9th) business Day of the

next Month. If no such billing statement is due to any such Eligible Credit Shipper, then the credit shall be paid to such Shipper by Transporter in cash; and

- (d) any positive balance less than \$100,000 shall be carried forward, with interest to the next July 1 determination.