



Transcontinental Gas Pipe Line
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April 14, 2011

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Attention: Kimberly D. Bose, Secretary

Re: Transcontinental Gas Pipe Line Company, LLC
Filing to Revise Sections 2 and 18 of the General Terms and Conditions
And Other Conforming Revisions
Docket No. RP11-

Ladies and Gentlemen:

Pursuant to Section 4 of the Natural Gas Act ("NGA") and Part 154 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") regulations thereunder, Transcontinental Gas Pipe Line Company, LLC ("Transco") hereby submits for filing with the Commission Version 4.0.0 of Part I, Section 1, Table of Contents; Version 1.0.0 of Section 2 of the General Terms and Conditions ("GT&C"); Version 3.0.0 of Section 18 of the GT&C; and Version 1.0.0 of Section 54 of the GT&C of its FERC Gas Tariff, Fifth Revised Volume No.1 ("Tariff"). The revised tariff sections are proposed to be effective June 1, 2011.

Statement of Nature, Reasons and Basis for Filing

The purpose of this filing is to refine, update and clarify the allocation procedures set forth in Section 18 of the GT&C of Transco's Tariff, including the addition of new provisions in Section 18 to address unauthorized takes at certain locations and associated penalties; to add two new defined terms to Section 2 of the GT&C and to make other conforming changes necessitated by the aforementioned revisions.

Specifically, Transco proposes to make the following revisions to the GT&C: (i) add two new defined terms, "Production Facility" and "Stub Line," to Section 2 of the GT&C, (ii)

revise the provisions of Sections 18.1(b) and 18.1(c) to address the determination of receipts and deliveries at pipeline interconnects and production facilities, (iii) add new subsections (d), (e) and (f) to Section 18.1 to describe Transco's allocation methodology at virtual points, processing plants and stub lines, (iv) add a new Section 18.2 to allow delivery point operators on Transco's system to designate qualified buyers to be responsible for unauthorized overruns and unauthorized takes, (v) add a new Section 18.7 that addresses unauthorized takes at certain locations and to set forth the penalties that apply to such unauthorized takes, and (vi) to make other minor conforming revisions (e.g. formatting and references) necessitated by these revisions. In addition Transco proposes to change the title of Section 18 from "Determination of Deliveries and Receipts, Allowable Daily Dispatching Variations, Overrun Charges and Penalties" to "Determination of Deliveries and Receipts, Overruns, Unauthorized Takes and Penalties."

Revisions to Section 18.1 and Section 2

The proposed revisions to Section 18.1 of the GT&C refine, update and clarify the allocation procedures in Transco's Tariff to more specifically set forth the procedures applicable to particular receipt and delivery locations. In conjunction with these revisions, Transco is adding two new defined terms to Section 2 of the GT&C to identify the locations to which specific procedures will apply. A more detailed description of the changes proposed herein is set forth below.

Section 18.1(b) – Determination of Receipts and Deliveries at Pipeline Interconnects Where an OBA is Required by FERC Regulation

Transco proposes to change Section 18.1(b) to limit its applicability only to pipeline interconnects that are required by the FERC's regulations to have an Operational Balancing Agreement ("OBA"). Moving the pipeline interconnects that are not required to enter into an OBA from Section 18.1(b) to Section 18.1(c) will provide the operators of such points with additional flexibility in the allocation process.

Section 18.1(c) – Determination of Receipts and Deliveries at Production Facilities and Pipeline Interconnects Where an OBA is Not Required by FERC Regulation

Transco proposes to change the Section 18.1(c) heading from "Determination of Receipts at Non-Pipeline Interconnects" to "Determination of Receipts and Deliveries at Production Facilities and Pipeline Interconnects Where an OBA is Not Required FERC Regulation" and to make conforming changes throughout the section. In addition, Transco proposes to add, as Section 2(p) of the GT&C, a new term – "Production Facility" – defined as a Stub Line or wellhead receipt location, or buyback, fuel, or lift gas delivery location where physical quantities are measured. This definition makes clear that gas may be received into or delivered out of Transco's system at a production facility location. In its current version, Section 18.1(c) contemplates only receipts into its system at such locations. Transco

proposes to change the location references (e.g., “receipt point” to “point”) where necessary in recognition that revised Section 18.1(c) contemplates deliveries out of Transco’s system.

These revisions clarify that the allocation procedures in Section 18.1(c) of the GT&C apply to Production Facilities, consistent with Transco’s current business practices, and provide operators at pipeline interconnects where an OBA is not required with an additional allocation option, *i.e.*, submission of pre-determined allocations.

Sections 18.1(d), (e), and (f)

Transco proposes to add three new subsections to Section 18.1 to address the allocation of gas quantities at less common locations under Transco’s current business practices -- Virtual Points, processing plants, and Stub Lines. A “Virtual Point,” as currently defined in Section 2(o) of the GT&C, is “A receipt or delivery point on Seller’s system where physical quantities are not measured. A Virtual Point is used to facilitate scheduling and allocation transactions on Seller’s system.” Transco’s pooling points are an example of Virtual Points. Transco’s proposed language in Section 18.1(d) provides, consistent with current business practices, that for each Virtual Point, the allocated quantity will be equal to the quantity that is scheduled and confirmed at such point in accordance with Section 28 of the GT&C. Transco also proposes to add a new Section 18.1(e) to cross-reference the existing allocation procedures for processing plants set forth in Section 50.3 of the GT&C. Finally, Transco proposes to add a new Section 18.1(f) to provide that, consistent with current business practice, the daily allocated delivery quantity on a Stub Line will equal the daily allocated receipt quantity on that Stub Line’s associated Production Facility. In that regard, Transco proposes to add, as Section 2(q) of the GT&C, a new term – “Stub Line” – defined as a lateral or section of pipeline, wholly or partially owned by Seller, that is non-contiguous to Seller’s system.

As a result of these revisions, Section 18.1 of the GT&C will set forth the current allocation procedures that apply to each receipt and delivery location on Transco’s system.

Section 18.7 – Unauthorized Takes at Production Facilities and Pipeline Interconnects

Transco proposes to insert a new section, designated as Section 18.7 of the GT&C, to address gas quantities taken from its system at Production Facilities and pipeline interconnects when no delivery transactions have been scheduled and confirmed and there is no OBA in effect at the location. Transco currently has no provision in its Tariff to account for such Unauthorized Takes, and Transco currently deals with this situation on an ad hoc basis. In order to place shippers on notice of the rules to be applied to this activity and to formalize these rules in its Tariff, Transco proposes to add Section 18.7 to the GT&C.

Transco proposes that the delivery point operator, or the Buyer designated by the delivery point operator, will be responsible for the unauthorized takes, and to charge that party the currently effective Rate Schedule IT rate calculated from Zone 1 to the zone in which the

unauthorized takes occur. The unauthorized takes would be treated as an imbalance (delivery with no receipt) under Rate Schedule IT. In addition, Transco proposes to impose a penalty for unauthorized takes at locations where and when Force Majeure (Section 11.3 of the GT&C), Operational Controls (Section 51 of the GT&C) or Operational Flow Orders (Section 52 of the GT&C) are in effect. Penalties are necessary in those situations to deter unauthorized takes that could impair Transco's ability to provide reliable service. Any penalty amounts collected in excess of the Rate Schedule IT rate will be distributed to shippers in accordance with Section 54 of the GT&C.

Although Transco is proposing to formalize the rules applicable to unauthorized takes in its Tariff, customers continue to have the opportunity to avoid having gas quantities designated as unauthorized takes, and any associated penalties, pursuant to other provisions of Transco's Tariff including Section 39 of the GT&C which provides for adjustments to prior gas day scheduled quantities and PDAs.

Transco's proposal to resolve Unauthorized Takes as set forth herein is consistent with tariff provisions previously approved by the Commission for other pipelines, see, Tennessee Gas Pipeline Co., 80 FERC ¶ 61,386 (1997), order on reh'g and clarif., 82 FERC ¶ 61,221 (1998); Southern Natural Gas Co., 80 FERC ¶ 61,233 (1997); Trunkline Gas Co., 76 FERC ¶ 61,074 (1996).

Section 18.2 Delivery Point Operator Designation of Quantities

Transco proposes in Section 18.2 of the GT&C to provide that Transco will allocate any Unauthorized Daily Overruns and Unauthorized Takes to the applicable delivery point operator taking gas from Transco's system, unless the delivery point operator has designated a Buyer at the applicable delivery point to which those quantities are to be allocated. The language proposed in Section 18.2 sets forth the criteria that qualify a Buyer to be the delivery point operator's designee and requires that all parties affected by the delivery point operator's designation must agree to it in writing.

Minor Conforming Revisions

Finally, as a result of the tariff changes described herein, Transco proposes other minor conforming revisions, consisting primarily of reference changes, to Part I, Section 1 and Part IV, Sections 18 and 54, of Transco's Tariff.

Proposed Effective Date

The revised tariff sections submitted herein are proposed to be effective June 1, 2011. In the event the tariff sections are suspended, modified, or accepted subject to conditions, in accordance with Section 154.7(a)(9) of the Commission's regulations, Transco reserves the right to file a later motion to place such tariff sections into effect at the end of the applicable suspension period.

Materials Submitted Herewith

In accordance with Section 154.7(a)(1) of the Regulations, the following material is submitted herewith:

An eTariff XML filing package, filed as a zip (compressed) file, containing:

- (1) The revised tariff sections in RTF format with metadata attached;
- (2) A transmittal letter in PDF format;
- (3) A clean version of the revised tariff sections in PDF format for publishing in eLibrary;
- (4) A marked version of the revised tariff sections in accordance with Section 154.201(a) of the Regulations; and
- (5) A copy of the complete filing in PDF format for publishing in eLibrary.

Posting and Certification of Service

In accordance with the provisions of Section 154.2(d) of the Commission's Regulations, copies of this filing are available for public inspection, during regular business hours, in a convenient form and place at Transco's main office at 2800 Post Oak Boulevard in Houston, Texas. In addition, Transco is serving copies of the instant filing to its affected customers, interested State Commissions, and other interested parties.

Any communication regarding this filing should be sent to:

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Respectfully submitted,
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GENERAL TERMS AND CONDITIONS

2. DEFINITIONS

The following terms shall have the meanings defined below:

- (a) "Gas Day" – A period of 24 consecutive hours beginning at 9 A.M. Central Clock Time which includes the recognition of Day Light Saving Time.
- (b) "Month" – A period beginning at 9 A.M. Central Clock Time on the first day of the calendar month and shall end at the aforesaid time on the first day of the next succeeding calendar month.
- (c) "Year" – A period of three hundred sixty-five (365) consecutive days beginning on the date of initial delivery of natural gas under the contract, or on any anniversary thereof; provided, however, that any such year which contains a date of February 29th shall consist of three hundred sixty-six (366) consecutive days.
- (d) "Heating Value" – Gross Heating Value on a dry basis which is the number of British thermal units produced by the complete combustion at constant pressure of the amount of dry gas which would occupy a volume of one cubic foot at 14.73 Psia and 60 degrees Fahrenheit with combustion air at the same temperature and pressure as the gas, the products of combustion being cooled to the initial temperature of the gas and air and the water formed by combustion condensed to the liquid state.
- (e) "British Thermal Unit" (Btu) – The amount of heat required to raise the temperature of one (1) pound of water 1 degree Fahrenheit at 60 degrees Fahrenheit.
- (f) "Mcf" – 1,000 cubic feet of gas provided, however, Mcf as used in service agreements executed prior to January 1, 1977 shall mean dt.
- (g) "Scheduled Daily Delivery" – The daily amounts of gas nominated electronically through 1Line or by electronic data interchange by Buyer to Seller covering a specific period of time and scheduled for delivery by Seller pursuant to the provisions of Seller's rate schedules.
- (h) "Dekatherm" (dt) – The quantity of heat energy which is 1,000,000 British Thermal Units.
- (i) "Natural Gas or Gas" – Natural gas processed or unprocessed, vaporized liquid natural gas, synthetic gas, gas from coal seams or any mixture of these gases.
- (j) "Potential Buyers" – All current transportation and sales customers of Seller as well as all persons who have pending requests for transportation service or for information regarding transportation services of Seller.
- (k) "Maximum Rate" – The highest cost of service based rate (including applicable surcharges) specified under each respective rate schedule, which rate shall be the recourse rate.

- (l) "Business Day" – Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico.
- (m) "Operational Impact Area" (OIA) – The geographic area described as follows:
 - OIA 1 - Transco's system in its entirety upstream of Station 90.
 - OIA 2 - Station 90 and Transco's system in its entirety downstream of Station 90.
- (n) "Operational Balancing Agreement" (OBA) – An Agreement between Seller and OBA party to assign to the OBA party for final resolution any variance between scheduled quantities and measured quantities at a point. The term OBA shall include Pipeline Interconnect Balancing Agreements (PIBAs), as applicable.
- (o) "Virtual Point" – A receipt or delivery point on Seller's system where physical quantities are not measured. A Virtual Point is used to facilitate scheduling and allocation transactions on Seller's system.
- (p) "Production Facility" – A Stub Line or wellhead receipt location, or buyback, fuel, or lift gas delivery location where physical quantities are measured.
- (q) "Stub Line" – A lateral or section of pipeline, wholly or partially owned by Seller, that is non- contiguous to Seller's system.

GENERAL TERMS AND CONDITIONS

18. DETERMINATION OF DELIVERIES AND RECEIPTS, OVERRUNS, UNAUTHORIZED TAKES AND PENALTIES

18.1 (a) Determination of Deliveries at Non-Pipeline Interconnects

- (i) Each delivery point operator which takes gas quantities from Seller's system shall, in accordance with the nomination and ranking deadlines, set forth in Section 28.1 of the General Terms and Conditions, provide Seller (or Buyer shall cause the interconnecting delivery point operator to provide Seller, if applicable) via 1Line with a predetermined allocation (PDA) at the point(s) of delivery where Seller tenders gas to such delivery point operator by 10:30 a.m. CCT on the day following gas flow. Seller, in its sole judgment, may waive such deadline, on a non-discriminatory basis. The delivery point operator shall designate which services are to "take the swing" on any day that measured quantities are greater than or less than the scheduled quantities, including (1) identification of the "swing supplier(s)" under transportation services, (2) the priority ranking of "swing" storage services (scheduled or unscheduled), and (3) the services to which any overruns under this Section 18 will be allocated. The PDAs provided hereunder by such delivery point operator to Seller shall include a numeric rank and quantity (limit value) in accordance with Section 18.1(a)(ii), and shall include a ranking of all available firm services (scheduled or unscheduled) to which measured quantities shall be allocated so as to eliminate or minimize any daily unauthorized overruns under this section.
- (ii) The PDAs provided by delivery point operators shall include a numeric rank and quantity (limit values) for each gas day by using one of the levels specified below, provided, however, PDAs for Rate Schedules GSS, LSS, S-2, SS-2 and LGA must be provided at the transaction level:
 - (A) Buyer ID/Downstream ID - an aggregation of scheduled quantities and effective PDA and limit value(s) with the same Buyer ID and downstream ID.
 - (B) Contract - an aggregation of scheduled quantities and effective PDA and limit value(s) with the same contract.
 - (C) Nomination/Package ID - an aggregation of scheduled quantities and effective PDA and limit value(s) with the same package ID, downstream ID, downstream contract, and Buyer's contract.
 - (D) Transaction - scheduled quantities and effective PDA and limit value(s) without any aggregation.
- (iii) The limit value will be used, in part or in total, in conjunction with the scheduled quantity to determine the total quantity to be allocated. The

delivery point operator shall provide Seller with unique limit values for high burn (measured quantities are in excess of scheduled quantities) or low burn (measured quantities are less than scheduled quantities) situations. PDAs provided by the delivery point operator shall be consistent with the rate schedule(s) limitations and the provisions of Section 28 of the General Terms and Conditions. To the extent that the high burn PDAs do not fully use all available firm services, Seller shall consider any measured quantities in excess of the sum of the scheduled quantities and PDAs as dispatching variations pursuant to Section 18.3 and unauthorized daily overruns, if applicable, pursuant to Section 18.4 under this section. If the PDA rank and limit value are provided in accordance with Section 18.1(a)(ii)(D), and sufficient PDAs are not provided by the delivery point operator in a low burn situation, Seller reserves the right to reduce the allocated quantities to all available services of the delivery point operator on a pro-rata basis until the total allocated quantity is equal to the total measured quantity. If necessary, Seller shall reduce all remaining deliveries at the point(s) of delivery where Seller tenders gas to the delivery point operator on a pro-rata basis until the allocated quantity is equal to the measured quantity. If the PDA rank and limit value(s) are provided in accordance with Section 18.1(a)(ii)(A), (B) or (C), and sufficient PDAs are not provided by the delivery point operator in a low burn situation, Seller will reduce the aggregated allocated quantities on a pro-rata basis first and then consistent with Section 18.1(a)(iv)(C).

- (iv) For each gas day, Seller will use the following procedures to allocate the measured quantities:
 - (A) First, the scheduled quantity will be allocated to each transaction that is scheduled and confirmed as set forth in Section 28 of the General Terms and Conditions,
 - (B) Then, Seller will aggregate the resulting scheduled quantities to the level specified by the delivery point operator pursuant to Section 18.1(a)(ii), and
 - (C) Then, beginning with the lowest numeric rank, quantities will be added to the aggregated scheduled quantity for high burn gas days or will be subtracted from the aggregated scheduled quantity in low burn gas days in accordance with the following:
 - (1) If the delivery point operator provides Seller with PDAs and limit values by Buyer ID/downstream ID, pursuant to Section 18.1(a)(ii)(A), Seller will allocate the measured quantities consistent with the following:
 - (i) Seller will first use the PDAs and limit values provided by the delivery point operator to determine the amount to allocate to each Buyer ID/downstream ID,

- (ii) Then, (a) in the event that the measured quantity is in excess of scheduled quantity (high burn), Seller shall allocate among multiple contracts consistent with Section 28.2 of the General Terms and Conditions, and in particular, for interruptible transportation Buyers, Seller shall allocate among Buyers based on the unit rate Buyers were willing to pay at the time quantities were scheduled during the gas day with the highest unit rate receiving first priority and so on, or (b) in the event that the scheduled quantity is in excess of the measured quantity (low burn), Seller shall allocate among multiple contracts consistent with Section 28.4 of the General Terms and Conditions, and in particular, for interruptible transportation Buyers, Seller shall allocate among Buyers based on the unit rate Buyers were willing to pay at the time quantities were scheduled during the gas day with the highest unit rate receiving first priority and so on, and
 - (iii) Then, Seller will allocate among multiple transactions within a contract by using the Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or will allocate pro-rata if no ranks are provided by Buyer.
- (2) If the delivery point operator provides Seller with PDAs and limit values by contract or nomination/package ID, pursuant to Section 18.1(a)(ii)(B) or (C):
 - (i) Seller will first use the PDAs and limit values provided by the delivery point operator to determine the amount to allocate to each contract or nomination/package ID, as applicable, and
 - (ii) Then, Seller will use Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or will allocate pro-rata if no ranks are provided by Buyer, to allocate among multiple transactions.
- (3) If the delivery point operator provides Seller with PDAs and limit values at the transaction level, pursuant to Section 18.1(a)(ii)(D), Seller will use such PDAs and limit values provided by the delivery point operator to determine the amount to allocate to each transaction.

(b) Determination of Receipts and Deliveries at Pipeline Interconnects Where an OBA is Required by FERC Regulation

At each point of interconnection with an interstate or intrastate pipeline where an OBA is required at such point of interconnection by FERC regulation, the point operator delivering gas into or receiving gas from Seller's system shall either:

- (i) Have an executed OBA or equivalent in effect with Seller with provisions for allocating the difference between scheduled and measured quantities at the interconnect point(s). OBA's that have been suspended shall not be considered to be in effect for purposes of this section, and the measured quantity shall be allocated pro-rata among Buyers based upon the scheduled quantity; or
- (ii) In the absence of such executed OBA or equivalent in effect, the measured quantity shall be allocated pro-rata among Buyers based upon the scheduled quantity; provided however, quantities will be allocated to scheduled displacement transactions prior to scheduled non-displacement transactions.

For purposes of Sections 18.1(b) and 18.1(c) herein, as set forth in FERC's Order No. 587-G, and as promulgated by C.F.R. 18 §284.12(b)(2)(i), the requirement that Seller enter into OBAs at all points of interconnection between its system and the systems of other interstate or intrastate pipelines applies to those pipelines performing interstate transportation that are subject to the Commission's regulations under Subparts C and G of Part 284 of the FERC's regulations.

(c) Determination of Receipts and Deliveries at Production Facilities or Pipeline Interconnects Where an OBA is Not Required by FERC Regulation

For each gas day, Buyer shall cause each point operator of a Production Facility or a pipeline interconnect where an OBA is not required by FERC regulation that delivers gas into or receives gas from Seller's system to either:

- (i) Execute an OBA with Seller with provisions for allocating the difference between scheduled and measured quantities at each of the applicable points. OBA's that have been suspended shall not be considered to be in effect for purposes of this section; or
- (ii) (A) Provide Seller with a PDA, via 1Line, by 10:30 a.m. CCT on the day following gas flow, using one of the following levels:
 - (1) Upstream ID/Downstream ID - an aggregation of scheduled quantities with the same upstream ID at receipt points or downstream ID at delivery points
 - (2) Contract - an aggregation of scheduled quantities with the same contract

- (3) Nomination/Package ID - an aggregation of scheduled quantities with the same package ID, upstream ID/downstream ID, upstream contract/downstream contract, and Buyer's contract
 - (4) Transaction - each specific scheduled quantities without any aggregation
- (B) Furthermore, the point operator at each Production Facility or pipeline interconnect where an OBA is not required by FERC regulation shall provide Seller via 1Line with PDA(s) for each transaction, or transactions aggregated pursuant to Section 18.1(c)(ii)(A), in accordance with one of the following methods:
- (1) Provide a numeric rank for each transaction, or aggregated transactions, at the point. The lowest numeric rank provided to Seller at a given point shall have the highest priority;
 - (2) Provide a quantity, Operator Provided Value (OPV), to transaction(s) or aggregated transaction(s) at the point. However, at least one transaction or aggregated transaction must not have a specific quantity assigned. Transactions or aggregated transactions with an OPV shall be satisfied to the extent possible in order of the ranks before transactions or aggregated transactions without an OPV. Quantities in excess of the sum of the OPVs shall be allocated to the transaction(s) or aggregated transactions without an OPV consistent with (1) above;
 - (3) Provide a quantity, Operator Provided Value (OPV), to transaction(s) or aggregated transaction(s) at the point. However, at least one transaction or aggregated transaction must not have a specific quantity assigned. Transactions or aggregated transactions with an OPV shall be satisfied to the extent possible on a pro-rata basis before transactions or aggregated transactions without an OPV. Quantities in excess of the sum of the OPVs shall be allocated to the transaction(s) or aggregated transactions without an OPV on a pro-rata basis; or
 - (4) Provide a percentage for each transaction or aggregated transaction at the point. Such percentage will be applied to the total measured quantity for the gas day. The total of the percentages provided at each point must equal 100%.

Seller, in its sole judgment, may waive the 10:30 a.m. CCT deadline under Section 18.1(c)(ii) on a non-discriminatory basis.

- (C) For each gas day, Seller will use the following procedures to allocate the measured quantities at Production Facilities and pipeline interconnects where an OBA is not required by FERC regulation:
 - (1) If the point operator provides Seller with PDA(s) by upstream ID or downstream ID, pursuant to Section 18.1(c)(ii)(A)(1),
 - (i) Seller will first use the PDAs provided by the point operator to determine the amount to allocate to each upstream ID or downstream ID,
 - (ii) Then, Seller will allocate among multiple contracts consistent with Section 28.4 of the General Terms and Conditions, and
 - (iii) Then, Seller will allocate among multiple transactions within a contract by using the Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or will allocate pro-rata if no ranks are provided by Buyer.
 - (2) If the point operator provides PDA(s) by contract or nomination/package ID, pursuant to Section 18.1(c)(ii)(A)(2) or (3),
 - (i) Seller will first use the PDAs provided by the point operator to determine the amount to allocate to each contract or nomination/package ID, as appropriate, and
 - (ii) Then, Seller will use Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or pro rata if no ranks are provided by Buyer, to allocate among multiple transactions.
 - (3) If the point operator provides PDA(s) by transaction, as defined in Section 18.1(c)(ii)(A)(4), Seller will use the point operators PDA(s) to allocate to each transaction.
- (iii) In the absence of an executed OBA in effect or a valid election by the point operator pursuant to 18.1(c)(ii) above, Seller will allocate the measured quantity pro-rata based on the scheduled quantity for each transaction. Further, in the absence of an executed OBA in effect, quantities will be allocated to scheduled displacement transactions prior to scheduled non-displacement transactions.
- (d) Determination of Receipts and Deliveries at Virtual Points

For each Virtual Point, the allocated quantity shall be equal to the quantity scheduled and confirmed at that Virtual Point in accordance with Section 28 of the General Terms and Conditions.

(e) Determination of Allocated Quantities at Processing Plants

Seller will allocate daily quantities at processing plants in accordance with the provisions of Section 50.3 of the General Terms and Conditions.

(f) Determination of Deliveries on Stub Lines

The daily allocated delivery quantity on a Stub Line shall be equal to the daily allocated receipt quantity on that Stub Line's associated Production Facility.

(g) Determination of Make-Up Receipts and Deliveries

Make-up quantities, including imbalance quantities that are being resolved in-kind, shall be deemed to be the "last through the meter." Imbalance quantities returned in-kind in the current month are applied first to the previous month imbalance until such balance is zero and then applied to the current month imbalance.

18.2 Delivery Point Operator Designation of Quantities

Each delivery point operator taking gas quantities from Seller's system may designate a Buyer, for each delivery point, to which any Unauthorized Daily Overruns or Unauthorized Takes under this Section 18 will be allocated. Such designation may be made to any Buyer with an interruptible or firm transportation or storage agreement with delivery rights at the applicable delivery point. The delivery point operator shall provide such designation by 10:30 a.m. CCT on the day following gas flow. Seller, in its sole judgment, may waive the deadline on a non-discriminatory basis. Seller and all parties affected by the delivery point operator's designation must consent to the designation in writing. The Buyer so designated shall be the party responsible for any Unauthorized Daily Overruns or any Unauthorized Takes at the applicable delivery point. In the absence of an agreement among all parties, Seller shall allocate such Unauthorized Daily Overruns or Unauthorized Takes to the delivery point operator. Changes to the delivery point operator's designation for a prior gas day shall be permitted only if Seller and the other affected parties consent in writing to the resulting prior period adjustment.

18.3 Allowable Daily Dispatching Variations

The allowable daily dispatching variation shall be the greater of 50 dt or the quantity computed as follows:

- (a) During each day of the period beginning on May 1 of any year and extending through the next succeeding September 30, the sum of 5 percent of Seller's maximum daily delivery obligation to Buyer at the respective points of delivery under Rate Schedules FT, FT-G, FTN, FDLS, GSS and S-2 and firm X-Rate Schedules; the scheduled daily

delivery each day pursuant to Section 2.8 of Rate Schedules FT and FT-G, or Section 2.5 of Rate Schedule FTN; and the scheduled daily delivery each day under Rate Schedule IT, certificated interruptible X-Rate Schedules and Rate Schedule IDLS when interruptible capacity on Seller's system is allocated or when such service is limited pursuant to the provisions of Section 11.3.(d) of the General Terms and Conditions.

- (b) During each day of the period beginning on October 1 of any year and extending through the next succeeding April 30, the sum of 3.5 percent of Seller's maximum daily delivery obligation to Buyer at the respective points of delivery under Rate Schedules FT, FT-G, FTN, FDLS, GSS and S-2 and firm X-Rate Schedules; the scheduled daily delivery each day pursuant to Section 2.8 of Rate Schedules FT and FT-G, or Section 2.5 of Rate Schedule FTN; and the scheduled daily delivery each day under Rate Schedule IT, certificated interruptible X-Rate Schedules and Rate Schedule IDLS when interruptible capacity on Seller's system is allocated or when such service is limited pursuant to the provisions of Section 11.3.(d) of the General Terms and Conditions.

18.4 Unauthorized Daily Overrun Defined

Any quantity of gas taken by a Buyer on any day from Seller (including deliveries by another pipeline company for the account of Seller, deliveries by Seller for the account of another pipeline company, and Buyer's nomination for injection into storage under Seller's contract storage rate schedules) in excess of the sum of the following amounts shall constitute unauthorized daily overrun quantities:

- (a) Seller's maximum daily delivery obligation excluding deliveries made pursuant to Section 2.8 of Rate Schedules FT and FT-G, Section 2.5 of Rate Schedule FTN and Section 2.6 of Rate Schedule FDLS, at that delivery point to Buyer under Rate Schedules FT, FTN, FT-G and FDLS or any maximum limitations imposed thereon pursuant to Section 11 of the General Terms and Conditions,
- (b) Seller's maximum daily delivery obligation at that delivery point to Buyer under Rate Schedules GSS, LSS, S-2, LG-A, LNG and SS-2 or any maximum limitation imposed thereon pursuant to Section 11 of the General Terms and Conditions,
- (c) Seller's maximum daily delivery obligation at that delivery point to Buyer under Seller's certificated firm X-Rate Schedules or any maximum limitations imposed thereon pursuant to Section 11 of the General Terms and Conditions,
- (d) Buyer's Scheduled Daily Delivery on such day for the account of another pipeline company, and
- (e) Buyer's Scheduled Daily Delivery at that delivery point on such day under Rate Schedule IT, certificated interruptible X-Rate Schedules and Rate Schedule IDLS when interruptible capacity on Seller's System is allocated or when such service is limited pursuant to the provisions of Section 11.3(d) of the General Terms and Conditions, and

- (f) Buyers Scheduled Daily Delivery at that delivery point on such day pursuant to Section 2.8 of Rate Schedules FT and FT-G, Section 2.5 of Rate Schedule FTN and Section 2.6 of Rate Schedule FDLS when delivery to such point is reduced or interrupted in accordance with Sections 11 and 28 of the General Terms and Conditions.

18.5 Overrun Charges and Penalties

Buyer shall pay Seller for all such unauthorized daily overrun quantities taken on such day, an overrun charge equal to Seller's Rate Schedule IT rate per dt calculated from Zone 3 to the zone in which Buyer receives such quantities and such quantities shall be treated as deliveries under Seller's applicable rate schedule(s) and as an imbalance thereunder. If Buyer takes on any day unauthorized overrun quantities in excess of the allowable daily dispatch variations set forth in Section 18.3, Buyer shall pay in lieu of such IT charge a penalty of \$2.50 per dt up to 50 dt, in excess of that allowable variation for the particular day, and for any quantity of additional unauthorized daily overrun taken on such day, a penalty equal to the higher of (i) \$50 per dt or (ii) three times the highest weekly Reference Spot Price for the current month (as set forth in Section 37.1(a) of the General Terms and Conditions) applicable to the zone(s) in which the unauthorized daily overrun occurs.

18.6 Unauthorized Overruns During Periods of Curtailment

In addition to the provisions for unauthorized daily overruns and penalties therefore under Sections 18.4 and 18.5 hereof, any quantity taken by Buyer in excess of its Entitlement under Section 13 of the General Terms and Conditions by an amount of 100 dt or two-tenths (0.2) percent of such Entitlement, whichever is greater, shall constitute an unauthorized overrun, for which Buyer shall pay Seller a penalty of \$10 per dt for any such unauthorized overrun.

18.7 Unauthorized Takes at Production Facilities and Pipeline Interconnects

Unauthorized Takes shall be the quantities taken from Seller's system on a day at a Production Facility or pipeline interconnect where no quantities of gas have been scheduled and confirmed as required by the provisions of Section 28 of the General Terms and Conditions and an OBA is not in effect at that location. OBAs that have been suspended shall not be considered to be in effect for purposes of this section.

The delivery point operator, or the Buyer designated by the delivery point operator pursuant to Section 18.2, shall pay Seller for all Unauthorized Takes an amount equal to the Unauthorized Takes multiplied by Seller's Rate Schedule IT rate calculated from Zone 1 to the zone in which such quantities were taken from Seller's system, and such quantities shall be treated as if delivered under Seller's Rate Schedule IT and as an imbalance thereunder. For any gas day in which Seller has implemented the procedures set forth in Sections 11.3, 51 or 52 of the General Terms and Conditions, the delivery point operator at the affected location(s), or the Buyer designated by the delivery point operator pursuant to Section 18.2, shall pay Seller, in lieu of such IT charge, a penalty for Unauthorized Takes of \$2.50 per dt up to 50 dt and for any additional Unauthorized Takes a penalty equal to the higher of (i) \$50

per dt or (ii) three times the highest weekly Reference Spot Price for the current month (as set forth in Section 37.1(a) of the General Terms and Conditions) applicable to the zone(s) in which the Unauthorized Takes occurred.

The payment for Unauthorized Takes hereunder shall under no circumstances be considered as giving any Buyer the right to take such Unauthorized Takes nor shall such payment be considered as a substitute for any other remedy available to Seller.

18.8 Disposition of Penalties

All overrun and Unauthorized Takes penalties collected by Seller during the annual period ending July 31, less an amount equal to Seller's Rate Schedule IT rate per dt multiplied by the total quantity of overruns and Unauthorized Takes, which represents Seller's cost to provide the interruptible transportation service, shall be the penalty revenue distributed pursuant to Section 54 of the General Terms and Conditions.

18.9 Reservation

The payment of a penalty for an unauthorized overrun quantity shall under no circumstances be considered as giving any Buyer the right to take such unauthorized overrun quantity nor shall such payment be considered as a substitute for any other remedy available to Seller or any other Buyer against the offending Buyer for failure to respect its obligation to stay within its entitlements.

GENERAL TERMS AND CONDITIONS

54. PENALTY REVENUE SHARING

Subject to the further provisions of this Section 54, Seller shall distribute annually all penalty revenue collected, net of costs, during each annual period, excluding cash out penalty revenue, to firm and interruptible transportation and storage Buyers. "Net of costs" means the costs resulting from the transactions that gave rise to the penalty amounts, which are defined in Section 6.1 of Rate Schedule EESWS, Section 3.2(d) of Rate Schedule ISS, Section 7.2 of Rate Schedule PAL, and Section 18.8 of the General Terms and Conditions respectively. Each annual period shall consist of a twelve (12) month period ending July 31. For each month during each annual period, Seller shall determine the Buyers that have not incurred in that month any of the penalties subject to distribution pursuant to this section and, therefore, are eligible to share in the penalty revenue collected in that month. Eligible Buyers will share in all penalty revenue collected during that month based on each respective eligible Buyer's actual fixed cost contribution as a percentage of the total fixed cost contribution of all eligible Buyers (exclusive of the fixed cost contribution pertaining to service purchased by Seller from third parties) during that month. The fixed cost contribution for any capacity release transaction not subject to the maximum rate ceiling shall be capped at the fixed cost portion of the maximum tariff rate that applies to the original Shipper's contract.

Following each annual period, Seller shall post on its EBB the penalty revenue collected and file a report with the Federal Energy Regulatory Commission and serve on Buyers and interested State Commissions. If the penalty revenue collected during an annual period does not exceed \$100,000, Seller shall not distribute the penalty revenue to the eligible Buyers, as determined above, but shall retain the penalty revenue for distribution to the eligible Buyers following the end of the annual period during which the cumulative undistributed penalty revenue collected exceeds \$100,000. Any penalty revenue collected and retained by Seller shall accrue interest calculated pursuant to Section 154.501(d) of the Commission's regulations.

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GENERAL TERMS AND CONDITIONS

2. DEFINITIONS

The following terms shall have the meanings defined below:

- (a) "Gas Day" – A period of 24 consecutive hours beginning at 9 A.M. Central Clock Time which includes the recognition of Day Light Saving Time.
- (b) "Month" – A period beginning at 9 A.M. Central Clock Time on the first day of the calendar month and shall end at the aforesaid time on the first day of the next succeeding calendar month.
- (c) "Year" – A period of three hundred sixty-five (365) consecutive days beginning on the date of initial delivery of natural gas under the contract, or on any anniversary thereof; provided, however, that any such year which contains a date of February 29th shall consist of three hundred sixty-six (366) consecutive days.
- (d) "Heating Value" – Gross Heating Value on a dry basis which is the number of British thermal units produced by the complete combustion at constant pressure of the amount of dry gas which would occupy a volume of one cubic foot at 14.73 Psia and 60 degrees Fahrenheit with combustion air at the same temperature and pressure as the gas, the products of combustion being cooled to the initial temperature of the gas and air and the water formed by combustion condensed to the liquid state.
- (e) "British Thermal Unit" (Btu) – The amount of heat required to raise the temperature of one (1) pound of water 1 degree Fahrenheit at 60 degrees Fahrenheit.
- (f) "Mcf" – 1,000 cubic feet of gas provided, however, Mcf as used in service agreements executed prior to January 1, 1977 shall mean dt.
- (g) "Scheduled Daily Delivery" – The daily amounts of gas nominated electronically through 1Line or by electronic data interchange by Buyer to Seller covering a specific period of time and scheduled for delivery by Seller pursuant to the provisions of Seller's rate schedules.
- (h) "Dekatherm" (dt) – The quantity of heat energy which is 1,000,000 British Thermal Units.
- (i) "Natural Gas or Gas" – Natural gas processed or unprocessed, vaporized liquid natural gas, synthetic gas, gas from coal seams or any mixture of these gases.
- (j) "Potential Buyers" – All current transportation and sales customers of Seller as well as all persons who have pending requests for transportation service or for information regarding transportation services of Seller.
- (k) "Maximum Rate" – The highest cost of service based rate (including applicable surcharges) specified under each respective rate schedule, which rate shall be the recourse rate.

- (l) "Business Day" – Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico.
- (m) "Operational Impact Area" (OIA) – The geographic area described as follows:
 - OIA 1 - Transco's system in its entirety upstream of Station 90.
 - OIA 2 - Station 90 and Transco's system in its entirety downstream of Station 90.
- (n) "Operational Balancing Agreement" (OBA) – An Agreement between Seller and OBA party to assign to the OBA party for final resolution any variance between scheduled quantities and measured quantities at a point. The term OBA shall include Pipeline Interconnect Balancing Agreements (PIBAs), as applicable.
- (o) "Virtual Point" – A receipt or delivery point on Seller's system where physical quantities are not measured. A Virtual Point is used to facilitate scheduling and allocation transactions on Seller's system.
- (p) "Production Facility" – A Stub Line or wellhead receipt location, or buyback, fuel, or lift gas delivery location where physical quantities are measured.
- (q) "Stub Line" – A lateral or section of pipeline, wholly or partially owned by Seller, that is non- contiguous to Seller's system.

GENERAL TERMS AND CONDITIONS

18. DETERMINATION OF DELIVERIES AND RECEIPTS, ~~ALLOWABLE DAILY DISPATCHING VARIATIONS,~~ OVERRUNS, UNAUTHORIZED TAKES CHARGES AND PENALTIES

18.1 (a) Determination of Deliveries at Non-Pipeline Interconnects

- (i) Each delivery point operator which takes gas quantities from Seller's system shall, in accordance with the nomination and ranking deadlines, set forth in Section 28.1 of the General Terms and Conditions, provide Seller (or Buyer shall cause the interconnecting delivery point operator to provide Seller, if applicable) via 1Line with a predetermined allocation (PDA) at the point(s) of delivery where Seller tenders gas to such delivery point operator by 10:30 a.m. CCT on the day following gas flow. Seller, in its sole judgment, may waive such deadline, on a non-discriminatory basis. The delivery point operator shall designate which services are to "take the swing" on any day that measured quantities are greater than or less than the scheduled quantities, including (1) identification of the "swing supplier(s)" under transportation services, (2) the priority ranking of "swing" storage services (scheduled or unscheduled), and (3) the services to which any overruns under this Section 18 will be allocated. The PDAs provided hereunder by such delivery point operator to Seller shall include a numeric rank and quantity (limit value) in accordance with Section 18.1(a)(ii), and shall include a ranking of all available firm services (scheduled or unscheduled) to which measured quantities shall be allocated so as to eliminate or minimize any daily unauthorized overruns under this section.
- (ii) The PDAs provided by delivery point operators shall include a numeric rank and quantity (limit values) for each gas day by using one of the levels specified below, provided, however, PDAs for Rate Schedules GSS, LSS, S-2, SS-2 and LGA must be provided at the transaction level:
 - (A) Buyer ID/Downstream ID - an aggregation of scheduled quantities and effective PDA and limit value(s) with the same Buyer ID and downstream ID.
 - (B) Contract - an aggregation of scheduled quantities and effective PDA and limit value(s) with the same contract.
 - (C) Nomination/Package ID - an aggregation of scheduled quantities and effective PDA and limit value(s) with the same package ID, downstream ID, downstream contract, and Buyer's contract.
 - (D) Transaction - scheduled quantities and effective PDA and limit value(s) without any aggregation.
- (iii) The limit value will be used, in part or in total, in conjunction with the scheduled quantity to determine the total quantity to be allocated. The

delivery point operator shall provide Seller with unique limit values for high burn (measured quantities are in excess of scheduled quantities) or low burn (measured quantities are less than scheduled quantities) situations. PDAs provided by the delivery point operator shall be consistent with the rate schedule(s) limitations and the provisions of Section 28 of the General Terms and Conditions. To the extent that the high burn PDAs do not fully use all available firm services, Seller shall consider any measured quantities in excess of the sum of the scheduled quantities and PDAs as dispatching variations pursuant to Section 18.23 and unauthorized daily overruns, if applicable, pursuant to Section 18.34 under this section. If the PDA rank and limit value are provided in accordance with Section 18.1(a)(ii)(D), and sufficient PDAs are not provided by the delivery point operator in a low burn situation, Seller reserves the right to reduce the allocated quantities to all available services of the delivery point operator on a pro-rata basis until the total allocated quantity is equal to the total measured quantity. If necessary, Seller shall reduce all remaining deliveries at the point(s) of delivery where Seller tenders gas to the delivery point operator on a pro-rata basis until the allocated quantity is equal to the measured quantity. If the PDA rank and limit value(s) are provided in accordance with Section 18.1(a)(ii)(A), (B) or (C), and sufficient PDAs are not provided by the delivery point operator in a low burn situation, Seller will reduce the aggregated allocated quantities on a pro-rata basis first and then consistent with Section 18.1(a)(iv)(C).

- (iv) For each gas day, Seller will use the following procedures to allocate the measured quantities:
 - (A) First, the scheduled quantity will be allocated to each transaction that is scheduled and confirmed as set forth in Section 28 of the General Terms and Conditions,
 - (B) Then, Seller will aggregate the resulting scheduled quantities to the level specified by the delivery point operator pursuant to Section 18.1(a)(ii), and
 - (C) Then, beginning with the lowest numeric rank, quantities will be added to the aggregated scheduled quantity for high burn gas days or will be subtracted from the aggregated scheduled quantity in low burn gas days in accordance with the following:
 - (1) If the delivery point operator provides Seller with PDAs and limit values by Buyer ID/downstream ID, pursuant to Section 18.1(a)(ii)(A), Seller will allocate the measured quantities consistent with the following:
 - (i) Seller will first use the PDAs and limit values provided by the delivery point operator to determine the amount to allocate to each Buyer ID/downstream ID,

- (ii) Then, (a) in the event that the measured quantity is in excess of scheduled quantity (high burn), Seller shall allocate among multiple contracts consistent with Section 28.2 of the General Terms and Conditions, and in particular, for interruptible transportation Buyers, Seller shall allocate among Buyers based on the unit rate Buyers were willing to pay at the time quantities were scheduled during the gas day with the highest unit rate receiving first priority and so on, or (b) in the event that the scheduled quantity is in excess of the measured quantity (low burn), Seller shall allocate among multiple contracts consistent with Section 28.4 of the General Terms and Conditions, and in particular, for interruptible transportation Buyers, Seller shall allocate among Buyers based on the unit rate Buyers were willing to pay at the time quantities were scheduled during the gas day with the highest unit rate receiving first priority and so on, and
 - (iii) Then, Seller will allocate among multiple transactions within a contract by using the Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or will allocate pro-rata if no ranks are provided by Buyer.
- (2) If the delivery point operator provides Seller with PDAs and limit values by contract or nomination/package ID, pursuant to Section 18.1(a)(ii)(B) or (C):
 - (i) Seller will first use the PDAs and limit values provided by the delivery point operator to determine the amount to allocate to each contract or nomination/package ID, as applicable, and
 - (ii) Then, Seller will use Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or will allocate pro-rata if no ranks are provided by Buyer, to allocate among multiple transactions.
- (3) If the delivery point operator provides Seller with PDAs and limit values at the transaction level, pursuant to Section 18.1(a)(ii)(D), Seller will use such PDAs and limit values provided by the delivery point operator to determine the amount to allocate to each transaction.

(b) Determination of Receipts and Deliveries at Pipeline Interconnects Where an OBA is Required by FERC Regulation

At each point of interconnection with an interconnecting interstate or intrastate pipeline where an OBA is required at such point of interconnection by FERC regulation, the receipt point operator ~~that delivers~~ delivering gas into or ~~receives~~ receiving gas from Seller's system shall either:

- (i) Have an executed OBA or equivalent in effect with Seller with provisions for allocating the difference between scheduled and measured quantities at the interconnect point(s). OBA's that have been suspended shall not be considered to be in effect for purposes of this section, and the measured quantity shall be allocated pro-rata among Buyers based upon the scheduled quantity; or
- (ii) In the absence of such executed OBA or equivalent in effect, the measured quantity shall be allocated pro-rata among Buyers based upon the scheduled quantity; provided however, quantities will be allocated to scheduled displacement transactions prior to scheduled non-displacement transactions.

For purposes of Sections 18.1(b) and 18.1(c) herein, as set forth in FERC's Order No. 587-G, and as promulgated by C.F.R. 18 §284.12(b)(2)(i), the requirement that Seller enter into OBAs at all points of interconnection between its system and the systems of other interstate or intrastate pipelines applies to those pipelines performing interstate transportation that are subject to the Commission's regulations under Subparts C and G of Part 284 of the FERC's regulations.

(c) Determination of Receipts and Deliveries at ~~Non-Pipeline Interconnects~~ Production Facilities or Pipeline Interconnects Where an OBA is Not Required by FERC Regulation

For each gas day, Buyer shall cause each ~~receipt~~ point operator of a Production Facility or a pipeline interconnect where an OBA is not required by FERC regulation ~~non-pipeline interconnect~~ that delivers gas into or receives gas from Seller's system to either:

- (i) Execute an OBA with Seller with provisions for allocating the difference between scheduled and measured quantities at each of the ~~operator's receipt~~ applicable points. OBA's that have been suspended shall not be considered to be in effect for purposes of this section; or
- (ii) (A) Provide Seller with a PDA, via 1Line, ~~with a PDA~~ by 10:30 a.m. CCT on the day following gas flow, using one of the following levels ~~specified below~~:
 - (1) Upstream ID/Downstream ID - an aggregation of scheduled quantities with the same upstream ID at receipt points or downstream ID at delivery points

- (2) Contract - an aggregation of scheduled quantities with the same contract
- (3) Nomination/Package ID - an aggregation of scheduled quantities with the same package ID, upstream ID/downstream ID, upstream contract/downstream contract, and Buyer's contract
- (4) Transaction - each specific scheduled quantities without any aggregation

(B) Furthermore, the point operator at each ~~receipt~~ Production Facility or pipeline interconnect where an OBA is not required by FERC regulation ~~point operator~~ shall provide Seller via 1Line with PDA(s) for each transaction, or transactions aggregated pursuant to Section 18.1(c)(ii)(A), in accordance with one of the following methods:

- (1) Provide a numeric rank for each transaction, or aggregated transactions, at the ~~receipt~~ point. The lowest numeric rank provided to Seller at a given point shall have the highest priority;
- (2) Provide a quantity, Operator Provided Value (OPV), to transaction(s) or aggregated transaction(s) at the ~~receipt~~ point. However, at least one transaction or aggregated transaction must not have a specific quantity assigned. Transactions or aggregated transactions with an OPV shall be satisfied to the extent possible in order of the ranks before transactions or aggregated transactions without an OPV. Quantities in excess of the sum of the OPVs shall be allocated to the transaction(s) or aggregated transactions without an OPV consistent with (1) above;
- (3) Provide a quantity, Operator Provided Value (OPV), to transaction(s) or aggregated transaction(s) at the ~~receipt~~ point. However, at least one transaction or aggregated transaction must not have a specific quantity assigned. Transactions or aggregated transactions with an OPV shall be satisfied to the extent possible on a pro-rata basis before transactions or aggregated transactions without an OPV. Quantities in excess of the sum of the OPVs shall be allocated to the transaction(s) or aggregated transactions without an OPV on a pro-rata basis; or
- (4) Provide a percentage for each transaction or aggregated transaction at the ~~receipt~~ point. Such percentage will be applied to the total measured quantity for the gas day. The total of the percentages provided at each ~~receipt~~ point must equal 100%.

Seller, in its sole judgment, may waive the 10:30 a.m. CCT deadline under Section 18.1(c)(ii) on a non-discriminatory basis.

(C) For each gas day, Seller will use the following procedures to allocate the measured quantities at Production Facilities and pipeline interconnects where an OBA is not required by FERC regulation:

(1) If the ~~receipt~~ point operator provides Seller with PDA(s) by upstream ID or downstream ID, pursuant to Section 18.1(c)(ii)(A)(1),

(i) Seller will first use the PDAs provided by the ~~receipt~~ point operator to determine the amount to allocate to each upstream ID or downstream ID,

(ii) Then, Seller will allocate among multiple contracts consistent with Section 28.4 of the General Terms and Conditions, and

(iii) Then, Seller will allocate among multiple transactions within a contract by using the Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or will allocate pro-rata if no ranks are provided by Buyer.

(2) If the ~~receipt~~ point operator provides PDA(s) by contract or nomination/package ID, pursuant to Section 18.1(c)(ii)(A)(2) or (3),

(i) Seller will first use the PDAs provided by the ~~receipt~~ point operator to determine the amount to allocate to each contract or nomination/package ID, as appropriate, and

(ii) Then, Seller will use Buyer's provided schedule ranks (in accordance with NAESB defined data sets), or pro rata if no ranks are provided by Buyer, to allocate among multiple transactions.

(3) If the ~~receipt~~ point operator provides PDA(s) by transaction, as defined in Section 18.1(c)(ii)(A)(4), Seller will use the ~~receipt~~ point operators PDA(s) to allocate to each transaction.

(iii) In the absence of an executed OBA in effect or a valid election by the ~~receipt~~ point operator pursuant to 18.1(c)(ii) above, Seller will allocate the measured quantity pro-rata based on the scheduled quantity for each transaction. Further, in the absence of an executed OBA in effect, quantities will be allocated to scheduled displacement transactions prior to scheduled non-displacement transactions.

(d) Determination of Receipts and Deliveries at Virtual Points

For each Virtual Point, the allocated quantity shall be equal to the quantity scheduled and confirmed at that Virtual Point in accordance with Section 28 of the General Terms and Conditions.

(e) Determination of Allocated Quantities at Processing Plants

Seller will allocate daily quantities at processing plants in accordance with the provisions of Section 50.3 of the General Terms and Conditions.

(f) Determination of Deliveries on Stub Lines

The daily allocated delivery quantity on a Stub Line shall be equal to the daily allocated receipt quantity on that Stub Line's associated Production Facility.

(g) Determination of Make-Up Receipts and Deliveries

Make-up quantities, including imbalance quantities that are being resolved in-kind, shall be deemed to be the "last through the meter." Imbalance quantities returned in-kind in the current month are applied first to the previous month imbalance until such balance is zero and then applied to the current month imbalance.

18.2 Delivery Point Operator Designation of Quantities

Each delivery point operator taking gas quantities from Seller's system may designate a Buyer, for each delivery point, to which any Unauthorized Daily Overruns or Unauthorized Takes under this Section 18 will be allocated. Such designation may be made to any Buyer with an interruptible or firm transportation or storage agreement with delivery rights at the applicable delivery point. The delivery point operator shall provide such designation by 10:30 a.m. CCT on the day following gas flow. Seller, in its sole judgment, may waive the deadline on a non-discriminatory basis. Seller and all parties affected by the delivery point operator's designation must consent to the designation in writing. The Buyer so designated shall be the party responsible for any Unauthorized Daily Overruns or any Unauthorized Takes at the applicable delivery point. In the absence of an agreement among all parties, Seller shall allocate such Unauthorized Daily Overruns or Unauthorized Takes to the delivery point operator. Changes to the delivery point operator's designation for a prior gas day shall be permitted only if Seller and the other affected parties consent in writing to the resulting prior period adjustment.

18.23 Allowable Daily Dispatching Variations

The allowable daily dispatching variation shall be the greater of 50 dt or the quantity computed as follows:

- (a) During each day of the period beginning on May 1 of any year and extending through the next succeeding September 30, the sum of 5 percent of Seller's maximum daily delivery obligation to Buyer at the respective points of delivery under Rate Schedules FT, FT-G, FTN, FDLS, GSS and S-2 and firm X-Rate Schedules; the scheduled daily delivery each day pursuant to Section 2.8 of Rate Schedules FT and FT-G, or Section 2.5 of Rate Schedule FTN; and the scheduled daily delivery each day under Rate Schedule IT, certificated interruptible X-Rate Schedules and Rate Schedule IDLS when interruptible capacity on Seller's system is allocated or when such service is limited pursuant to the provisions of Section 11.3.(d) of the General Terms and Conditions.
- (b) During each day of the period beginning on October 1 of any year and extending through the next succeeding April 30, the sum of 3.5 percent of Seller's maximum daily delivery obligation to Buyer at the respective points of delivery under Rate Schedules FT, FT-G, FTN, FDLS, GSS and S-2 and firm X-Rate Schedules; the scheduled daily delivery each day pursuant to Section 2.8 of Rate Schedules FT and FT-G, or Section 2.5 of Rate Schedule FTN; and the scheduled daily delivery each day under Rate Schedule IT, certificated interruptible X-Rate Schedules and Rate Schedule IDLS when interruptible capacity on Seller's system is allocated or when such service is limited pursuant to the provisions of Section 11.3.(d) of the General Terms and Conditions.

| 18.34 Unauthorized Daily Overrun Defined

Any quantity of gas taken by a Buyer on any day from Seller (including deliveries by another pipeline company for the account of Seller, deliveries by Seller for the account of another pipeline company, and Buyer's nomination for injection into storage under Seller's contract storage rate schedules) in excess of the sum of the following amounts shall constitute unauthorized daily overrun quantities:

- (a) Seller's maximum daily delivery obligation excluding deliveries made pursuant to Section 2.8 of Rate Schedules FT and FT-G, Section 2.5 of Rate Schedule FTN and Section 2.6 of Rate Schedule FDLS, at that delivery point to Buyer under Rate Schedules FT, FTN, FT-G and FDLS or any maximum limitations imposed thereon pursuant to Section 11 of the General Terms and Conditions,
- (b) Seller's maximum daily delivery obligation at that delivery point to Buyer under Rate Schedules GSS, LSS, S-2, LG-A, LNG and SS-2 or any maximum limitation imposed thereon pursuant to Section 11 of the General Terms and Conditions,
- (c) Seller's maximum daily delivery obligation at that delivery point to Buyer under Seller's certificated firm X-Rate Schedules or any maximum limitations imposed thereon pursuant to Section 11 of the General Terms and Conditions,
- (d) Buyer's Scheduled Daily Delivery on such day for the account of another pipeline company, and

- (e) Buyer's Scheduled Daily Delivery at that delivery point on such day under Rate Schedule IT, certificated interruptible X-Rate Schedules and Rate Schedule IDLS when interruptible capacity on Seller's System is allocated or when such service is limited pursuant to the provisions of Section 11.3(d) of the General Terms and Conditions, and
- (f) Buyers Scheduled Daily Delivery at that delivery point on such day pursuant to Section 2.8 of Rate Schedules FT and FT-G, Section 2.5 of Rate Schedule FTN and Section 2.6 of Rate Schedule FDLS when delivery to such point is reduced or interrupted in accordance with Sections 11 and 28 of the General Terms and Conditions.

18.45 Overrun Charges and Penalties

Buyer shall pay Seller for all such unauthorized daily overrun quantities taken on such day, an overrun charge equal to Seller's Rate Schedule IT rate per dt calculated from Zone 3 to the zone in which Buyer receives such quantities and such quantities shall be treated as deliveries under Seller's applicable rate schedule(s) and as an imbalance thereunder. If Buyer takes on any day unauthorized overrun quantities in excess of the allowable daily dispatch variations set forth in Section 18.23, Buyer shall pay in lieu of such IT charge a penalty of \$2.50 per dt up to 50 dt, in excess of that allowable variation for the particular day, and for any quantity of additional unauthorized daily overrun taken on such day, a penalty equal to the higher of (i) \$50 per dt or (ii) three times the highest weekly Reference Spot Price for the current month (as set forth in Section 37.1(a) of the General Terms and Conditions) applicable to the zone(s) in which the unauthorized daily overrun occurs.

18.56 Unauthorized Overruns During Periods of Curtailment

In addition to the provisions for unauthorized daily overruns and penalties therefore under Sections 18.34 and 18.45 hereof, any quantity taken by Buyer in excess of its Entitlement under Section 13 of the General Terms and Conditions by an amount of 100 dt or two-tenths (0.2) percent of such Entitlement, whichever is greater, shall constitute an unauthorized overrun, for which Buyer shall pay Seller a penalty of \$10 per dt for any such unauthorized overrun.

18.7 Unauthorized Takes at Production Facilities and Pipeline Interconnects

Unauthorized Takes shall be the quantities taken from Seller's system on a day at a Production Facility or pipeline interconnect where no quantities of gas have been scheduled and confirmed as required by the provisions of Section 28 of the General Terms and Conditions and an OBA is not in effect at that location. OBAs that have been suspended shall not be considered to be in effect for purposes of this section.

The delivery point operator, or the Buyer designated by the delivery point operator pursuant to Section 18.2, shall pay Seller for all Unauthorized Takes an amount equal to the Unauthorized Takes multiplied by Seller's Rate Schedule IT rate calculated from Zone 1 to the zone in which such quantities were taken from Seller's system, and such quantities shall be treated as if delivered under Seller's Rate Schedule IT and as an imbalance thereunder.

For any gas day in which Seller has implemented the procedures set forth in Sections 11.3, 51 or 52 of the General Terms and Conditions, the delivery point operator at the affected location(s), or the Buyer designated by the delivery point operator pursuant to Section 18.2, shall pay Seller, in lieu of such IT charge, a penalty for Unauthorized Takes of \$2.50 per dt up to 50 dt and for any additional Unauthorized Takes a penalty equal to the higher of (i) \$50 per dt or (ii) three times the highest weekly Reference Spot Price for the current month (as set forth in Section 37.1(a) of the General Terms and Conditions) applicable to the zone(s) in which the Unauthorized Takes occurred.

The payment for Unauthorized Takes hereunder shall under no circumstances be considered as giving any Buyer the right to take such Unauthorized Takes nor shall such payment be considered as a substitute for any other remedy available to Seller.

18.~~68~~ Disposition of Penalties

All overrun and Unauthorized Takes penalties collected by Seller during the annual period ending July 31, less an amount equal to Seller's Rate Schedule IT rate per dt multiplied by the total quantity of overruns and Unauthorized Takes, which represents Seller's cost to provide the interruptible transportation service, shall be the penalty revenue distributed pursuant to Section 54 of the General Terms and Conditions.

18.~~79~~ Reservation

The payment of a penalty for an unauthorized overrun quantity shall under no circumstances be considered as giving any Buyer the right to take such unauthorized overrun quantity nor shall such payment be considered as a substitute for any other remedy available to Seller or any other Buyer against the offending Buyer for failure to respect its obligation to stay within its entitlements.

GENERAL TERMS AND CONDITIONS

54. PENALTY REVENUE SHARING

Subject to the further provisions of this Section 54, Seller shall distribute annually all penalty revenue collected, net of costs, during each annual period, excluding cash out penalty revenue, to firm and interruptible transportation and storage Buyers. "Net of costs" means the costs resulting from the transactions that gave rise to the penalty amounts, which are defined in Section 6.1 of Rate Schedule EESWS, Section 3.2(d) of Rate Schedule ISS, Section 7.2 of Rate Schedule PAL, and Section 18.68 of the General Terms and Conditions respectively. Each annual period shall consist of a twelve (12) month period ending July 31. For each month during each annual period, Seller shall determine the Buyers that have not incurred in that month any of the penalties subject to distribution pursuant to this section and, therefore, are eligible to share in the penalty revenue collected in that month. Eligible Buyers will share in all penalty revenue collected during that month based on each respective eligible Buyer's actual fixed cost contribution as a percentage of the total fixed cost contribution of all eligible Buyers (exclusive of the fixed cost contribution pertaining to service purchased by Seller from third parties) during that month. The fixed cost contribution for any capacity release transaction not subject to the maximum rate ceiling shall be capped at the fixed cost portion of the maximum tariff rate that applies to the original Shipper's contract.

Following each annual period, Seller shall post on its EBB the penalty revenue collected and file a report with the Federal Energy Regulatory Commission and serve on Buyers and interested State Commissions. If the penalty revenue collected during an annual period does not exceed \$100,000, Seller shall not distribute the penalty revenue to the eligible Buyers, as determined above, but shall retain the penalty revenue for distribution to the eligible Buyers following the end of the annual period during which the cumulative undistributed penalty revenue collected exceeds \$100,000. Any penalty revenue collected and retained by Seller shall accrue interest calculated pursuant to Section 154.501(d) of the Commission's regulations.