



# TRUNKLINE GAS COMPANY

An ENERGY TRANSFER Company

May 1, 2020

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Trunkline Gas Company, LLC  
Docket No. RP20-\_\_\_\_\_  
Contracting Process Update Filing

Dear Ms. Bose:

Trunkline Gas Company, LLC (Trunkline) hereby electronically submits for filing with the Federal Energy Regulatory Commission (Commission) the revised tariff records listed below to its FERC NGA Gas Tariff, Fourth Revised Volume No. 1 (Tariff), proposed to become effective June 1, 2020.

Tariff Record Version	Description	Title
2.0.0	GT&C Section 10.	Contracting for Unsubscribed Capacity
4.0.0	GT&C Section 11.	Contract Extension, Reduction and Consolidation

## STATEMENT OF NATURE, REASONS AND BASIS

The purpose of this filing, made in accordance with the provisions of Section 154.204 of the Regulations of the Federal Energy Regulatory Commission (Commission), is to update Section 10 of the Tariff's General Terms and Conditions (GT&C) to, among other things, address requests for future capacity in accordance with the Commission's 90-day rule and approved exceptions, to provide procedures for open seasons and prearranged deals, and to include provisions concerning the reservation of capacity for expansion projects. In addition, Trunkline proposes to update Section 11 of the GT&C to reflect a corresponding change from the Section 10 updates.

Under Section 10.2 of the GT&C, Trunkline posts available capacity on Trunkline's web site. A party may submit a request for service at any time. In the event of multiple requests, Trunkline evaluates the bids and awards capacity on a net present value (NPV) basis described in GT&C Section 10.3. Trunkline proposes to change the annual discount factor in the NPV calculation from 10% to be the FERC interest rate as posted on the Commission's website in accordance with Section 154.501(d)(1) of the Commission's regulations. The prime interest rate utilized for an open season posting shall be the rate in effect on the date the open season notice is posted. The NPV for capacity awarded in an open season may be calculated on a per Dt. basis or an aggregate basis as stated in the open season. The Commission has accepted such a definition of net present value in other pipeline

tariffs.<sup>1</sup> Utilizing a net present value calculation recognizes the time value of money over the term of the contract. Calculating net present value per Dt. also recognizes the value of a shipper's request per unit of pipeline capacity. Similar to the provision in GT&C Section 7.1(b) of Panhandle Eastern Pipe Line Company, LLC's (Panhandle) FERC NGA Gas Tariff, Fourth Revised Volume No. 1, Trunkline clarifies that when determining the NPV of a bid under Rate Schedule SST, which has a one-part rate, Trunkline shall use its Rate Schedule EFT reservation rate at a load factor of 100%.

When Trunkline tenders a service agreement to the winning bidder per GT&C Section 10.4, Trunkline proposes that the requestor shall have 15 days, to sign and return the service agreement. The Commission has permitted a reduction to 15 days and recognizes 15 days as a Commission precedent.<sup>2</sup> The revision also allows the flexibility for Trunkline and a shipper to mutually agree to extend the return deadline when necessary to accommodate the shipper's unique circumstances.

The new tariff provisions proposed in new GT&C Sections 10.7 through 10.12 pertain to contracting for future capacity and present more fully-described procedures that are both streamlined and consistent with Commission policy. New GT&C Section 10.7 describes situations in which requests for future service may be accepted and processed. The Commission has recognized varying commercial circumstances in which prospective shippers need assurance that they can obtain future capacity on the pipeline. Such situations accepted by the Commission include requests for future capacity associated with: an open season; new supply being attached to a pipeline's system; termination of an existing contract on another pipeline; a direct-served customer currently served by a third party through facilities directly connected to the pipeline who now desires instead to contract for firm service directly with the pipeline at that direct-served primary delivery point; construction of new facilities required to serve a new receipt or delivery point; or the construction and/or modification of facilities that will result in a material increase in gas usage or production.<sup>3</sup>

New GT&C Section 10.8 provides that Trunkline may post future capacity prior to an open season for unsubscribed capacity, capacity that will become available that is not subject to a right of first refusal, unilateral rollover provision, or other unilateral extension rights and/or capacity that is available due to modification, construction or acquisition of facilities. Consistent with Panhandle's approved tariff provision, the specified future capacity shall be posted on the web site for a minimum of five (5) Business Days prior to the commencement of an open season.

Trunkline outlines in new GT&C Section 10.9 the procedures for conducting an open season for immediate or future capacity pursuant to proposed GT&C Sections 10.7 and 10.8. Specifically, it describes the process for submitting, evaluating and awarding the bids received from the open season posting. The open season shall be conducted for a minimum of 5 business days. A party wishing to bid must meet the creditworthiness requirements of GT&C Section 2. Similar to other pipelines,<sup>4</sup> Trunkline proposes to clarify that bids may be rejected if they detrimentally impact the operational integrity of the Trunkline's system, do not satisfy all the terms and conditions of the posting or contain terms and conditions contrary to Trunkline's tariff. In addition, bids for service shall be for continuous service at a constant contract quantity for the entire term of the service, unless the parties agree otherwise. Trunkline shall award capacity to the shipper(s) who values it most, starting with the bid providing the

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<sup>1</sup> See NPV definition in General Terms and Conditions of FERC NGA Gas Tariffs of Gulf South Pipeline Company, LP (Gulf South) and Texas Gas Transmission, LLC.

<sup>2</sup> *Southern Natural Gas Company*, 92 FERC ¶ 61,265 (2000).

<sup>3</sup> See, *Gulf South*, 161 FERC ¶ 61,274 PP 21-25 (2017).

<sup>4</sup> *Gas Transmission Northwest, LLC (GTN)*, General Terms and Conditions Section 6.18.2(e); *Texas Eastern Transmission, LP (Texas Eastern)*, General Terms and Conditions Section 3.11(C).

highest net present value. The NPV for capacity awarded in an open season may be calculated on a per Dt. basis or an aggregate basis as stated in the open season. Trunkline shall post the winning bidder(s) and methodology used to determine the winning bid(s). Awards of capacity shall be subject to Trunkline receiving any necessary regulatory approvals. Further, regulatory approvals for system modifications must be acceptable to Trunkline.

New GT&C Section 10.10 addresses the open season process involving a prearranged shipper. Using a prearranged deal approach, pipelines can individually negotiate contracts with shippers for service to start at some time in the future. When Trunkline sells future capacity on a prearranged basis, such capacity will be posted for other parties to have an opportunity to bid on that capacity. All bids are required to be evaluated on a NPV basis, so that the value of a future bid is reduced by the time value of the delay in the pipeline receiving revenue. The prearranged shipper shall have the right to match the NPV of any higher bid to obtain the capacity. As the Commission previously has stated, the “bidding process seeks to ensure that at the time of the request for prearranged capacity, there is no other shipper wishing to purchase the capacity either immediately or in the future that would place a higher value on the capacity”<sup>5</sup> thereby preventing preferential treatment to a customer that wishes to secure the capacity in the future.

Proposed GT&C Section 10.11 provides that Trunkline may reserve capacity for a potential expansion project for which an open season has been or will be held. The Commission previously has found that such “reservation of capacity will minimize facility construction and associated environmental impacts, will encourage fuller utilization of capacity, and will minimize the rate impact of allocating costs of unsubscribed capacity to existing customers once the expansion is completed.”<sup>6</sup> Capacity may be held for up to 12 months prior to Trunkline filing for certificate approval of the proposed expansion project and, thereafter, until all expansion facilities are placed into service. The tariff language proposed in GT&C Section 10.11 reflects current Commission policy and is consistent with similar provisions approved by the Commission for other pipelines.<sup>7</sup>

New GT&C Section 10.12 states that when future capacity is awarded or capacity is reserved, such capacity is available on an interim basis up to the commencement date of the service agreement of the awarded capacity as required by the Commission. Trunkline reserves the right to limit the shipper’s extension rights, including right of first refusal (“ROFR”), within the interim service agreement. The Commission has granted waiver of ROFR rights on interim sales of capacity in the case of future sales of capacity awarded to bidders in an open season based on the highest net present value as Trunkline proposes herein.<sup>8</sup> The interim capacity provision also applies when capacity has been reserved for future use as Trunkline proposes in GT&C Section 10.11. The Commission has waived the right of first refusal requirement for interim capacity stating that “interim shippers’ exercise of ROFR rights would defeat the point of reserving the capacity.”<sup>9</sup>

Last, GT&C Section 11, Contract Extension, Reduction and Consolidation is updated to recognize the limitation of the right of first refusal on interim capacity service agreements in GT&C Section 11.3.

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<sup>5</sup> *GTN*, 109 FERC ¶ 61,141 at P 18.

<sup>6</sup> *Northwest Pipeline Corp.*, 85 FERC ¶ 61,335 at 62,312 (1998).

<sup>7</sup> *ANR Pipeline Co.*, 107 FERC ¶ 61,187 at P 12 (2004); *Transcontinental Gas Pipeline Corp.*, 118 FERC ¶ 61,234 (2007); *Texas Eastern*, 133 FERC ¶ 61,174 at P 6 (2010).

<sup>8</sup> *Gulf South*, 161 FERC ¶ 61,274 at P 32 (2017)

<sup>9</sup> *GTN*, 109 FERC ¶ 61,141 at P 8.

## IMPLEMENTATION

Pursuant to Section 154.7(a)(9) of the Commission's regulations, Trunkline requests that the proposed tariff records submitted herewith be accepted effective June 1, 2020. Trunkline respectfully requests that the Commission grant any and all waivers of its regulations it deems necessary in order to accept the tariff records effective June 1, 2020, as proposed.

## CONTENTS OF THE FILING

This filing is made in electronic format in compliance with Section 154.4 of the Commission's Regulations. The proposed tariff records in RTF format with metadata attached are being submitted as part of an XML filing package containing the following:

- . A transmittal letter in PDF format
- . A clean copy of the proposed tariff records in PDF format
- . A marked version of the proposed tariff changes in PDF format
- . A copy of the complete filing in PDF format for publishing in eLibrary

## COMMUNICATIONS, PLEADINGS AND ORDERS

Trunkline requests that all Commission orders and correspondence as well as pleadings and correspondence from other parties concerning this filing be served on each of the following:

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<sup>10</sup> Designated to receive service pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure. Trunkline respectfully requests that the Commission waive Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3), in order to allow Trunkline to include additional representatives on the official service list.

<sup>11</sup> Designated as responsible Company official under Section 154.7(a)(2) of the Commission's Regulations.

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In accordance with Section 154.2(d) of the Commission's Regulations, a copy of this filing is available for public inspection during regular business hours at Trunkline's office at 1300 Main Street, Houston, Texas 77002. In addition, copies of this filing are being served electronically on jurisdictional customers and interested state regulatory agencies. Trunkline has posted a copy of this filing on its Internet web site accessible via <http://tgcmessage.energytransfer.com> under Informational Postings, Regulatory.

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

Respectfully submitted,

TRUNKLINE GAS COMPANY, LLC

***/s/ Deborah A. Bradbury***

Deborah A. Bradbury  
Sr. Director, Regulatory Tariffs & Reporting

## GENERAL TERMS AND CONDITIONS

### 10. CONTRACTING FOR UNSUBSCRIBED CAPACITY

This Section 10 governs the order in which requests for Transportation service shall be accommodated when unsubscribed firm capacity, other than released capacity, becomes available. It does not govern scheduling, which is governed by Section 3 herein. Requests for firm capacity shall be accommodated in the following manner and subject to the following conditions and limitations:

- 10.1 In order to be eligible for firm capacity, a party requesting service (requestor) must submit a valid request in accordance with the provisions of Section 2 herein.
- 10.2 Trunkline will post available capacity on the Web Site. A requestor that submits a valid request may submit in writing a bid for the available capacity at any time. In the event of multiple bids, Trunkline will evaluate the bids and determine the bid having the greatest economic value as determined in Section 10.3.
- 10.3 Trunkline shall tender a Service Agreement for execution to the requestor submitting the bid having the greatest economic value for the capacity available, subject to the provisions of Section 10.5. The criteria for determining which requestor has submitted the bid with the greatest economic value shall be the Net Present Value (NPV) of the reservation charge that requestor would pay at the rates requestor has bid, which shall not be less than the Minimum Rate nor greater than the Maximum Rate, as stated on the Currently Effective Rates for the applicable Rate Schedule, over the term of service specified in the request, utilizing as the annual discount factor the prime interest rate in accordance with Section 154.501(d) of the Commission's Regulations as posted on the Commission's website. The prime interest rate utilized for an open season posting shall be the rate in effect on the date the open season notice is posted. The net present value for capacity awarded in an open season pursuant to Section 10.9 or 10.10 below, may be calculated on a per Dt. basis or on an aggregate basis as stated in the open season notice. Only revenues generated from the reservation charge component will be used to calculate the NPV. For purposes of determining the economic value of request(s) for service rights under Rate Schedule SST, the net present value will be determined using the applicable reservation rate per Dt. under Rate Schedule EFT at a load factor of 100%. Shippers requesting service at a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of determining the bid with the greatest economic value. If the economic values of separate service requests are equal, then service shall be offered in sequence starting with the request with the earliest date. If separate service requests have equal economic values and the same date of request, service shall be offered to such requestors on a pro rata basis.

- 10.4 If Trunkline accepts a requestor's bid and tenders a Service Agreement, requestor shall complete and return the Service Agreement within fifteen (15) days; provided, however, Trunkline and Shipper may mutually agree to extend the foregoing deadline.
- 10.5 Trunkline shall not be obligated to tender or execute a Service Agreement for service at any rate less than the Maximum Rate set forth in the Currently Effective Rates for the applicable Rate Schedule. It shall be in Trunkline's sole discretion to tender or execute a Service Agreement at any rate less than the applicable Maximum Rate for the service requested. Trunkline and requestor both shall agree to any rate requested at less than the applicable Maximum Rate before Trunkline becomes obligated to tender or execute a Service Agreement for firm service at any rate less than the applicable Maximum Rate.
- 10.6 Once a Service Agreement for firm Transportation or Storage is executed, the economic value of the Service Agreement shall be determined in accordance with Section 10.3. During the term of the Service Agreement, any change Shipper may make in the terms of the Service Agreement shall not reduce such economic value of the Service Agreement to Trunkline, or Shipper's Reservation Charge or Capacity and Deliverability Charges, without Trunkline's written consent to such reduction.
- 10.7 Request for Future Service

A request for future service may be received and processed if the request is: associated with an open season; new supply being attached to Trunkline's system; termination of an existing contract on another pipeline; a direct-served customer, defined below, who now desires to contract for firm service directly with Trunkline at the direct-served primary delivery point; construction of new facilities required to serve a new receipt or delivery point; or the construction and/or modification of facilities that will result in a material increase in gas usage or production. A direct-served customer shall mean an end-use entity that is directly connected to Trunkline's system at the time of shipper's applicable request for service and is served on a firm basis under a Service Agreement on Trunkline held by a third-party, non-affiliated Trunkline Shipper other than the direct-served customer. A prospective shipper requesting future service must submit written evidence that one of these conditions applies.

10.8 Posting

From time to time, Trunkline may post capacity prior to an open season for current or future unsubscribed capacity or capacity that becomes available due to expiration of a Service Agreement(s) in which any right of first refusal, rollover or other extension rights are expired. The specified future capacity shall be posted on the Web Site for a minimum of five (5) Business Days prior to commencement of an open season.

#### 10.9 Open Season Procedures

Trunkline shall have the right to conduct an open season for particular segments of capacity, whether currently available capacity or future capacity pursuant to GT&C Sections 10.7 and 10.8. The open season will be conducted for a minimum of five (5) Business Days. The description of the capacity and instructions for bidding will be included in the open season posting.

Any party who desires to participate in the open season must meet the requirements of GT&C Section 2 prior to participation in the open season. All bids must be submitted on the binding bid form attached to the open season posting and must indicate whether a bidder is willing to accept a partial award. A bid may be withdrawn or changed during the bidding period; however, any changed bid cannot have a lesser net present value than the bidder's previous bid. All bids shall be binding on the bidder upon the conclusion of the bidding period. Trunkline reserves the right to reject any and all bids, including bids that detrimentally impact the operational integrity of Trunkline's system, bids that do not satisfy the terms of the open season posting and bids that are incomplete or contain terms and conditions other than those set forth in Trunkline's Tariff. Trunkline may, but shall not be required to, accept bids that are not for continuous service at a constant MDQ for the entire term of the service. Trunkline's discretion to accept or reject a bid shall be exercised on a not unduly discriminatory basis. Trunkline will promptly notify bidder via electronic communication of its reason(s) for such rejection.

Bids will be evaluated based on the net present value of Shipper's bid calculated pursuant to GT&C Section 10.3 above. For the purposes of determining the best bid and allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying maximum tariff rate. Bids will be awarded, subject to Section 10.10, in order based on the highest net present value calculated pursuant to GT&C Section 10.3 above. Bids with an equal net present value will be awarded on a pro rata basis. Following the completion of the open season, if capacity is awarded, Trunkline will post the winning bidder(s) and the methodology used to determine the winning bid(s).

Awards of capacity will be subject to Trunkline's receipt of necessary regulatory approvals. Regulatory approvals pertaining to potential system modifications must be acceptable to Trunkline, at its sole discretion.

#### 10.10 Procedures for Prearranged Deals

Trunkline may individually negotiate a Service Agreement with a prospective shipper for service to commence at some time in the future. Trunkline shall post such prearranged deal for open season bidding to allow other parties an opportunity to purchase the capacity, whether for service to commence immediately or in the future. Trunkline shall include the terms of the prearranged transaction, if any, in the open season posting. In the event a competing bid for service to commence immediately or in the future provides a greater net present value than a prearranged deal, Trunkline shall give the prearranged shipper a one-

time right to match the higher bid. If matched, the prearranged shipper will obtain the capacity. Otherwise, Trunkline will award the capacity in order based on the highest net present value calculated pursuant to GT&C Section 10.3 above. Bids with an equal net present value will be awarded on a pro rata basis.

#### 10.11 Reserved Capacity

Trunkline may reserve capacity for a future expansion project for which an open season has been held or will be held. Capacity may be reserved for up to twelve (12) months prior to Trunkline filing for certificate approval for construction of proposed expansion project and thereafter until all expansion facilities are placed into service.

#### 10.12 Interim Capacity

Capacity that is awarded pursuant to GT&C Sections 10.9 and 10.10, as well as capacity that is reserved pursuant to GT&C Section 10.11, will be made available for transportation service on an interim basis up to the commencement date of the Service Agreement for such capacity. For such interim Service Agreements, Trunkline reserves the right to limit Shipper's extension rights, including the right of first refusal, within the interim Service Agreement.

## GENERAL TERMS AND CONDITIONS

### 11. CONTRACT EXTENSION, REDUCTION AND CONSOLIDATION

- 11.1 Trunkline shall continue to provide firm service pursuant to a Long-Term Agreement beyond the term specified in such Agreement if:
- (A) The Long-Term Agreement is extended pursuant to Section 11.8 herein;
  - (B) Shipper elects to rollover the Long-Term Agreement pursuant to Section 11.2 herein; or
  - (C) Shipper exercises its Right of First Refusal pursuant to Section 11.3.
- 11.2 Shipper may rollover all or a portion of the MDQ stated in its Long-Term Agreement in effect on September 1, 1993 and extend the term thereof once if:
- (A) The term of the extension is at least one year;
  - (B) Shipper is currently paying the Maximum Rate or a Negotiated Rate which equals or exceeds the Maximum Rate applicable to the service provided under the Long-Term Agreement and agrees to pay such Maximum Rate or a Negotiated Rate which equals or exceeds the Maximum Rate during the term of the extension;
  - (C) Shipper provides Trunkline notice of its election to rollover all or a portion of the MDQ stated in its Long-Term Agreement by certified mail at least six months prior to the end of the primary term of the Long-Term Agreement; and
  - (D) Shipper executes the amendment to extend the term of the Long-Term Agreement for all or a portion of the MDQ and returns the amendment to Trunkline within thirty (30) days of Trunkline tendering the amendment to Shipper.
- 11.3 The Right of First Refusal process shall apply to a Long-Term Agreement for firm service that (1) is in effect prior to August 1, 2000 or (2) commences on or after August 1, 2000 and Shipper has agreed to pay the Maximum Rate applicable for the service, or, if the service is not available for twelve (12) consecutive months, the Long-Term Agreement is for more than one year and provides for service at the Maximum Rate applicable to the service unless such right has been limited pursuant to GT&C Section 10.12. If a Shipper's Service Agreement does not qualify for the right of first refusal under this Section 11.3, then Trunkline in a not unduly discriminatory manner may agree otherwise with any such Shipper.

- (A) Shipper must give timely notice that it wants to continue service beyond the term of the Long-Term Agreement. For the notice to be timely, Shipper must notify Trunkline within the following periods:

<u>Stated Contract Term</u>	<u>Months Prior To Contract Expiration</u>
2 years or longer	Not earlier than 18 Months and not later than 12 Months
Less than 2 years	Not earlier than 9 Months and not later than 6 Months

- (B) Shipper shall be permitted to designate a Quantity of Gas less than its existing MDQ which Shipper wishes to retain under the Right of First Refusal.
- (C) Upon receipt of the Shipper's notice, Trunkline shall post on the Web Site for a period of 45 days ("Posting Period") the Maximum Daily Quantity under the Shipper's Long-Term Agreement and the primary Point(s) of Receipt and Point(s) of Delivery thereunder.
- (D) During the Posting Period Trunkline shall accept requests for all or a portion of the Shipper's service rights under the Long-Term Agreement from any prospective Shipper that has submitted a valid request for service rights in accordance with the provisions of Section 2 hereof.
- (E) If, during the Posting Period, Trunkline receives an acceptable offer for all or a portion of the service rights under Shipper's Long-Term Agreement, Trunkline shall notify Shipper in writing of the offer having the greatest economic value, as defined in Section 10.3 herein; provided, that for purposes of value comparisons under this section the rate utilized shall be limited to the Maximum Rate that can be charged to the existing Shipper. If Shipper elects to match the offer, Shipper shall notify Trunkline of such election in writing within 30 days after receiving notice from Trunkline and shall execute a new Service Agreement matching the offer within 30 days after Trunkline has tendered the Service Agreement. If Shipper elects not to match the offer or does not execute the Service Agreement within 30 days, Trunkline will tender a Service Agreement to the prospective Shipper submitting the offer having the greatest economic value. If the Service Agreement is not executed within 30 days, the request for service rights shall expire without prejudice to the prospective Shipper's right to submit a new request for service rights. Trunkline shall then notify the Shipper in writing of the acceptable offer, if any, having the next greatest economic

value. If there is no other acceptable offer, the Shipper may continue service in accordance with the following section.

(F) If no acceptable offers are received, Trunkline shall so notify Shipper within 15 days after the close of the Posting Period. In such event, Shipper may continue to receive service under a new Long-Term Agreement with any term Shipper chooses, at the applicable Maximum Rate or at a rate agreed to by Trunkline and Shipper. Shipper must notify Trunkline of its intent and indicate the term of the new Long-Term Agreement within 15 days of having been notified in writing by Trunkline that no acceptable offer was received. Trunkline will then be obligated to tender the new Long-Term Agreement to Shipper within 15 days of Shipper's notification. If Shipper (1) fails to provide Trunkline the term of the requested new Long-Term Agreement within the required 15 day period, or (2) does not return an executed Service Agreement reflecting such term to Trunkline within 30 days of the date such contract is tendered, then Shipper shall be deemed to have elected not to continue service under a Long-Term Agreement.

(G) Trunkline shall post the winning bid and bidder on the Web Site for ninety (90) days whether or not the bidder executes a Service Agreement.

11.4 Trunkline shall not be obligated to tender, execute or extend a Service Agreement for service at any rate less than the Maximum Rate set forth on the Currently Effective Rates for the applicable Rate Schedule. It shall be within Trunkline's sole discretion to tender, execute or extend a Service Agreement at any rate and economic value less than the applicable Maximum Rate and economic value for the service requested.

11.5 A party desiring to bid on capacity that is subject to a right of first refusal must first meet all of the requirements for a request for service set forth in Section 2 herein, including submission of the applicable payment under Section 2.6 herein.

11.6 The provisions of this Section 11 shall not apply to firm Transportation service initiated pursuant to the exercise of conversion rights under Title 18 of the Code of Federal Regulations, Section 284.10, and which took effect between February 13, 1991 and May 18, 1992.

#### 11.7 Contract Reduction Rights

Shipper may elect one or more of the following options to reduce its contract Quantity (Maximum Daily Quantity, MCSC, MDIQ, MDWQ or MDVQ, as applicable) during the term of its Service Agreement. Shipper's eligibility for a contract Quantity reduction option and Shipper's ability to exercise such option is subject to the terms, conditions and procedures specified below including those in Section 11.7(E).

(A) Regulatory Unbundling

(1) Eligibility

Shipper is a local distribution company or its agent under the direct regulation of a state regulatory or legislative body and Shipper is required by a final order of that state body to unbundle its merchant and transportation functions. Such state body does not approve a mechanism to provide Shipper the opportunity to recover fully all costs incurred by Shipper under Shipper's Service Agreement(s).

(2) Notice and Certification

Shipper shall give Trunkline sixty (60) days prior written notice of the anticipated effective date of the requested contract Quantity reduction. The notice shall state the reduction sought, the date or anticipated date of a final order requiring unbundling, and the anticipated effective date of the unbundling order. At the time of such notice, Shipper must certify with supporting data that:

- (a) The contract Quantity reduction requested is equal to the level of stranded capacity on Trunkline resulting from (1) Shipper unbundling its distribution/transportation functions from its merchant functions and (2) a net decrease in Shipper's system sales requirements.
- (b) Shipper has used reasonable efforts to seek state body approval of a mechanism that allows Shipper to recover the costs incurred under Shipper's Service Agreements and that such recovery efforts were unsuccessful prior to requesting its contract Quantity reduction.
- (c) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger<sup>®</sup> system for thirty (30) days at the rate provided for under the relevant Service Agreement(s). Additionally, Shipper has used reasonable efforts to assign its capacity to the new merchants of retail service in its service territory and to request that its state body require new merchants to accept assignment of such capacity for the remaining term of the Service Agreement.

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Trunkline by an amount that qualifies under the above

specifications. If Shipper is served by other natural gas pipelines in addition to Trunkline, Shipper may only reduce its contract quantity on Trunkline by an amount that is prorated based on the respective levels of firm transportation service that Shipper holds on Trunkline and such other natural gas pipelines. Unless otherwise agreed, if more than one Service Agreement with Trunkline is used to serve the system sales requirements no longer served by Shipper as a result of unbundling, Shipper shall reduce its contract quantity on the Trunkline Service Agreements pro rata based on the contract quantity of each Service Agreement. Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the later of (i) the effective date of unbundling or the date of a final order requiring unbundling; and (2) the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice of the anticipated effective date of the reduction.

(B) Loss of Load

(1) Eligibility

Shipper is a local distribution company or its agent or a municipality that experiences a loss of load. Loss of load occurs when any of Shipper's firm customers with daily requirements on facilities owned or operated by Shipper exceeding 100 Dth/day either permanently cease gas consuming operations or reduce such operations to plant protection levels, or by-pass Shipper by directly connecting to Trunkline. Shipper may elect to take the contract Quantity reduction described in this paragraph or Shipper may elect to reduce its contract Quantity pursuant to FERC's bypass policies in effect at the time the bypass occurs, but not both.

(2) Notice and Certification

Shipper must give Trunkline written notice no more than thirty (30) days after Shipper receives notice from its customer of a loss of load, which notice shall state the contract Quantity reduction sought and the date that Shipper anticipates it will lose the load. At the time of such notice, Shipper must certify with supporting data that:

- (a) The load lost was actually served by the Shipper with gas transported by Trunkline on a firm basis as of the date that Shipper's Service Agreement with Trunkline became effective.

- (b) The reduction requested is equal to or less than the actual load lost.
- (c) Shipper has used reasonable efforts to release and assign its capacity to Replacement Shippers, by posting the capacity on the Messenger® system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Trunkline by an amount up to the firm daily contract quantity that was used to serve the lost load. If the lost load is served by other natural gas pipelines in addition to Trunkline, Shipper may only reduce its contract quantity on Trunkline by an amount that is prorated based on the respective levels of firm transportation service used to serve the lost load that Shipper holds on Trunkline and such other natural gas pipelines. If more than one Service Agreement on Trunkline serves the lost load, any contract Quantity reduction shall be applied first to the Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro-rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the effective date of the lost load or the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice.

(C) Plant Outage

(1) Eligibility

Shipper, an industrial customer of Trunkline, closes its plant or implements a permanent and material reduction in its production output.

(2) Notice and Certification

Shipper must give Trunkline written notice no more than thirty (30) days following a public announcement that its plant will be closed or will permanently and materially reduce its production output. The notice shall state the contract Quantity reduction sought and the date that Shipper anticipates that the plant will be closed or permanently and materially

reduce plant output. At the time of such notice, Shipper must certify with supporting data that:

- (a) The plant was actually served by the Shipper with gas transported by Trunkline on a firm basis as of the date that Shipper's Service Agreement with Trunkline became effective.
- (b) The plant closing or reduction of operations has been publicly announced and the Quantity of any such permanent reduction in plant output.
- (c) The delivery point at which Trunkline makes deliveries to the plant is listed as a primary Point of Delivery on Shipper's Service Agreement.
- (d) Shipper has used reasonable efforts to release and assign its capacity to Replacement Shippers, by posting the capacity on the Messenger® system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

In the event of a permanent and material reduction in the plant's output, Shipper may only reduce its contract quantity by a percentage equal to the percentage that the production decrease represents to the total plant output. In the event of a plant closing, Shipper may reduce its aggregate contract quantity under all of its Service Agreements that serve the plant by an amount up to the daily contract quantity delivered to the plant. If Shipper's plant is served by other natural gas pipelines in addition to Trunkline, Shipper may only reduce its contract quantity on Trunkline by an amount that is prorated based on the respective levels of firm transportation service used to serve the plant that Shipper holds on Trunkline and such other natural gas pipelines. If more than one Service Agreement on Trunkline serves such plant, any contract Quantity reduction shall be applied first to the Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice or the effective date of the plant's permanent and material output reduction or closing.

(D) Buyouts

(1) Eligibility

Shipper may elect to reduce some or all of the contract quantity on its firm Service Agreement by making one or more of the following cash payments to Trunkline.

The total amount of the cash payment that Shipper must pay Trunkline shall be 100 percent of the net present value of the reservation charge payments applicable to the reduced quantities that Trunkline would have otherwise received had Shipper continued to pay Trunkline under the remaining term of the Service Agreement. The economic value shall be calculated in accordance with Section 10.3 hereof.

(2) Notice

Shipper shall give Trunkline sixty (60) days prior written notice of the date it elects to exercise this contract Quantity reduction option.

(3) Level of Reduction

Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the requested date following the sixty (60) days notice period. The payment required under Section 11.7(D)(1) must be received by Trunkline prior to the effective date of the reduction.

(E) To be eligible for any contract Quantity reduction option under this Section 11.7, Shipper's Service Agreement must have a term of five (5) years or more and a remaining term of two (2) years or less, unless otherwise agreed.

(F) To be eligible for any contract Quantity reduction option, any costs that Shipper has agreed to reimburse Trunkline for facilities constructed or installed by Trunkline to provide service under Shipper's Service Agreement(s) shall have been fully reimbursed.

(G) Shipper must pay all its outstanding invoices before Shipper is eligible for any contract quantity reduction.

- (H) Shipper's Service Agreement(s) shall have a zero imbalance before Shipper is eligible for any contract quantity reduction.
- (I) If Shipper has Storage and related Transportation contracts that are eligible for contract reduction options under this Section 11.7, Quantities under the Storage and related firm Transportation services shall be proportionally reduced so that Storage service Quantities, including Storage capacity and deliverability Quantities, and related Transportation service Quantities remain proportionately the same.
- (J) The provisions of Section 11.3 of these General Terms and Conditions shall not apply to the Quantity reduced pursuant to this Section 11.7.

#### 11.8 Contract Extension

Prior to the expiration of the term of any existing Maximum Rate, discounted rate or Negotiated Rate Service Agreement(s) and prior to posting the availability of the capacity under Section 11.3 above, if applicable, Trunkline and the existing Shipper may mutually agree to renegotiate the terms of such Service Agreement(s) in exchange for Shipper's agreement to extend the term of at least a portion of its obligations under a restructured Service Agreement(s) (the exact terms, including the length and rate (maximum, discounted or negotiated), of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

#### 11.9 Contract Consolidation

Shipper and Trunkline may mutually agree to consolidate (and terminate, as necessary) multiple existing Service Agreements into one or more new Service Agreement(s). The amended or new Service Agreement shall reflect the consolidated rights of the combined Service Agreements. The exact terms of the consolidated Service Agreement, including the length and rate (discounted, negotiated or recourse), are to be negotiated on a case-by-case basis in a not unduly discriminatory manner.

- (A) The consolidated Service Agreement shall have a single termination date and shall be eligible for the right of first refusal pursuant to Section 11.3 herein, if applicable.
- (B) The consolidated Service Agreement shall contain the aggregate quantity of the combined Service Agreements.
- (C) Termination of Service Agreements, if required as part of the consolidation process, shall not initiate right of first refusal procedures or posting of available capacity.
- (D) Capacity Release Service Agreements are not eligible for consolidation.

MARKED VERSION

## GENERAL TERMS AND CONDITIONS

### 10. CONTRACTING FOR UNSUBSCRIBED CAPACITY

This Section 10 governs the order in which requests for Transportation service shall be accommodated when unsubscribed firm capacity, other than released capacity, becomes available. It does not govern scheduling, which is governed by Section 3 herein. Requests for firm capacity shall be accommodated in the following manner and subject to the following conditions and limitations:

- 10.1 In order to be eligible for firm capacity, a party requesting service (requestor) must submit a valid request in accordance with the provisions of Section 2 herein.
- 10.2 Trunkline will post available capacity on ~~the Messenger® system and~~ the Web Site ~~available capacity~~. A requestor that submits a valid request may submit in writing a bid for the available capacity at any time. In the event of multiple bids, Trunkline will evaluate the bids and determine the bid having the greatest economic value as determined in Section 10.3.
- 10.3 Trunkline shall tender a Service Agreement for execution to the requestor submitting the bid having the greatest economic value for the capacity available, subject to the provisions of Section 10.5. The criteria for determining which requestor has submitted the bid with the greatest economic value shall be the Net Present Value (NPV) of the reservation charge that requestor would pay at the rates requestor has bid, which shall not be less than the Minimum Rate nor greater than the Maximum Rate, as stated on the Currently Effective Rates for the applicable Rate Schedule, over the term of service specified in the request, utilizing ~~a ten percent (10%)~~ as the annual discount factor the prime interest rate in accordance with Section 154.501(d) of the Commission's Regulations as posted on the Commission's website. The prime interest rate utilized for an open season posting shall be the rate in effect on the date the open season notice is posted. The net present value for capacity awarded in an open season pursuant to Section 10.9 or 10.10 below, may be calculated on a per Dt. basis or on an aggregate basis as stated in the open season notice. Only revenues generated from the reservation charge component will be used to calculate the NPV. For purposes of determining the economic value of request(s) for service rights under Rate Schedule SST, the net present value will be determined using the applicable reservation rate per Dt. under Rate Schedule EFT at a load factor of 100%. Shippers requesting service at a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of determining the bid with the greatest economic value. If the economic values of separate service requests are equal, then service shall be offered in sequence starting with the request with the earliest date. If separate service requests have equal economic values and the same date of request, service shall be offered to such requestors on a pro rata basis.

- 10.4 If Trunkline accepts ~~the winning a requestor's~~ bid and tenders a Service Agreement, requestor shall complete and return the Service Agreement within ~~thirty-five~~ (3015) days; provided, however, Trunkline and Shipper may mutually agree to extend the foregoing deadline.
- 10.5 Trunkline shall not be obligated to tender or execute a Service Agreement for service at any rate less than the Maximum Rate set forth in the Currently Effective Rates for the applicable Rate Schedule. It shall be in Trunkline's sole discretion to tender or execute a Service Agreement at any rate less than the applicable Maximum Rate for the service requested. Trunkline and requestor both shall agree to any rate requested at less than the applicable Maximum Rate before Trunkline becomes obligated to tender or execute a Service Agreement for firm service at any rate less than the applicable Maximum Rate.
- 10.6 Once a Service Agreement for firm Transportation or Storage is executed, the economic value of the Service Agreement shall be determined in accordance with Section 10.3. During the term of the Service Agreement, any change Shipper may make in the terms of the Service Agreement shall not reduce such economic value of the Service Agreement to Trunkline, or Shipper's Reservation Charge or Capacity and Deliverability Charges, without Trunkline's written consent to such reduction.

#### 10.7 Request for Future Service

A request for future service may be received and processed if the request is: associated with an open season; new supply being attached to Trunkline's system; termination of an existing contract on another pipeline; a direct-served customer, defined below, who now desires to contract for firm service directly with Trunkline at the direct-served primary delivery point; construction of new facilities required to serve a new receipt or delivery point; or the construction and/or modification of facilities that will result in a material increase in gas usage or production. A direct-served customer shall mean an end-use entity that is directly connected to Trunkline's system at the time of shipper's applicable request for service and is served on a firm basis under a Service Agreement on Trunkline held by a third-party, non-affiliated Trunkline Shipper other than the direct-served customer. A prospective shipper requesting future service must submit written evidence that one of these conditions applies.

#### 10.8 Posting

From time to time, Trunkline may post capacity prior to an open season for current or future unsubscribed capacity or capacity that becomes available due to expiration of a Service Agreement(s) in which any right of first refusal, rollover or other extension rights are expired. The specified future capacity shall be posted on the Web Site for a minimum of five (5) Business Days prior to commencement of an open season.

#### 10.9 Open Season Procedures

Trunkline shall have the right to conduct an open season for particular segments of capacity, whether currently available capacity or future capacity pursuant to GT&C Sections 10.7 and 10.8. The open season will be conducted for a minimum of five (5) Business Days. The description of the capacity and instructions for bidding will be included in the open season posting.

Any party who desires to participate in the open season must meet the requirements of GT&C Section 2 prior to participation in the open season. All bids must be submitted on the binding bid form attached to the open season posting and must indicate whether a bidder is willing to accept a partial award. A bid may be withdrawn or changed during the bidding period; however, any changed bid cannot have a lesser net present value than the bidder's previous bid. All bids shall be binding on the bidder upon the conclusion of the bidding period. Trunkline reserves the right to reject any and all bids, including bids that detrimentally impact the operational integrity of Trunkline's system, bids that do not satisfy the terms of the open season posting and bids that are incomplete or contain terms and conditions other than those set forth in Trunkline's Tariff. Trunkline may, but shall not be required to, accept bids that are not for continuous service at a constant MDQ for the entire term of the service. Trunkline's discretion to accept or reject a bid shall be exercised on a not unduly discriminatory basis. Trunkline will promptly notify bidder via electronic communication of its reason(s) for such rejection.

Bids will be evaluated based on the net present value of Shipper's bid calculated pursuant to GT&C Section 10.3 above. For the purposes of determining the best bid and allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying maximum tariff rate. Bids will be awarded, subject to Section 10.10, in order based on the highest net present value calculated pursuant to GT&C Section 10.3 above. Bids with an equal net present value will be awarded on a pro rata basis. Following the completion of the open season, if capacity is awarded, Trunkline will post the winning bidder(s) and the methodology used to determine the winning bid(s).

Awards of capacity will be subject to Trunkline's receipt of necessary regulatory approvals. Regulatory approvals pertaining to potential system modifications must be acceptable to Trunkline, at its sole discretion.

#### 10.10 Procedures for Prearranged Deals

Trunkline may individually negotiate a Service Agreement with a prospective shipper for service to commence at some time in the future. Trunkline shall post such prearranged deal for open season bidding to allow other parties an opportunity to purchase the capacity, whether for service to commence immediately or in the future. Trunkline shall include the terms of the prearranged transaction, if any, in the open season posting. In the event a competing bid for service to commence immediately or in the future provides a greater net present value than a prearranged deal, Trunkline shall give the prearranged shipper a one-

time right to match the higher bid. If matched, the prearranged shipper will obtain the capacity. Otherwise, Trunkline will award the capacity in order based on the highest net present value calculated pursuant to GT&C Section 10.3 above. Bids with an equal net present value will be awarded on a pro rata basis.

#### 10.11 Reserved Capacity

Trunkline may reserve capacity for a future expansion project for which an open season has been held or will be held. Capacity may be reserved for up to twelve (12) months prior to Trunkline filing for certificate approval for construction of proposed expansion project and thereafter until all expansion facilities are placed into service.

#### 10.12 Interim Capacity

Capacity that is awarded pursuant to GT&C Sections 10.9 and 10.10, as well as capacity that is reserved pursuant to GT&C Section 10.11, will be made available for transportation service on an interim basis up to the commencement date of the Service Agreement for such capacity. For such interim Service Agreements, Trunkline reserves the right to limit Shipper's extension rights, including the right of first refusal, within the interim Service Agreement.

## GENERAL TERMS AND CONDITIONS

### 11. CONTRACT EXTENSION, REDUCTION AND CONSOLIDATION

11.1 Trunkline shall continue to provide firm service pursuant to a Long-Term Agreement beyond the term specified in such Agreement if:

- (A) The Long-Term Agreement is extended pursuant to Section 11.8 herein;
- (B) Shipper elects to rollover the Long-Term Agreement pursuant to Section 11.2 herein; or
- (C) Shipper exercises its Right of First Refusal pursuant to Section 11.3.

11.2 Shipper may rollover all or a portion of the MDQ stated in its Long-Term Agreement in effect on September 1, 1993 and extend the term thereof once if:

- (A) The term of the extension is at least one year;
- (B) Shipper is currently paying the Maximum Rate or a Negotiated Rate which equals or exceeds the Maximum Rate applicable to the service provided under the Long-Term Agreement and agrees to pay such Maximum Rate or a Negotiated Rate which equals or exceeds the Maximum Rate during the term of the extension;
- (C) Shipper provides Trunkline notice of its election to rollover all or a portion of the MDQ stated in its Long-Term Agreement by certified mail at least six months prior to the end of the primary term of the Long-Term Agreement; and
- (D) Shipper executes the amendment to extend the term of the Long-Term Agreement for all or a portion of the MDQ and returns the amendment to Trunkline within thirty (30) days of Trunkline tendering the amendment to Shipper.

11.3 The Right of First Refusal process shall apply to a Long-Term Agreement for firm service that (1) is in effect prior to August 1, 2000 or (2) commences on or after August 1, 2000 and Shipper has agreed to pay the Maximum Rate applicable for the service, or, if the service is not available for twelve (12) consecutive months, the Long-Term Agreement is for more than one year and provides for service at the Maximum Rate applicable to the service unless such right has been limited pursuant to GT&C Section 10.12. If a Shipper's Service Agreement does not qualify for the right of first refusal under this Section 11.3, then Trunkline in a not unduly discriminatory manner may agree otherwise with any such Shipper.

- (A) Shipper must give timely notice that it wants to continue service beyond the term of the Long-Term Agreement. For the notice to be timely, Shipper must notify Trunkline within the following periods:

<u>Stated Contract Term</u>	<u>Months Prior To Contract Expiration</u>
2 years or longer	Not earlier than 18 Months and not later than 12 Months
Less than 2 years	Not earlier than 9 Months and not later than 6 Months

- (B) Shipper shall be permitted to designate a Quantity of Gas less than its existing MDQ which Shipper wishes to retain under the Right of First Refusal.
- (C) Upon receipt of the Shipper's notice, Trunkline shall post on the Web Site for a period of 45 days ("Posting Period") the Maximum Daily Quantity under the Shipper's Long-Term Agreement and the primary Point(s) of Receipt and Point(s) of Delivery thereunder.
- (D) During the Posting Period Trunkline shall accept requests for all or a portion of the Shipper's service rights under the Long-Term Agreement from any prospective Shipper that has submitted a valid request for service rights in accordance with the provisions of Section 2 hereof.
- (E) If, during the Posting Period, Trunkline receives an acceptable offer for all or a portion of the service rights under Shipper's Long-Term Agreement, Trunkline shall notify Shipper in writing of the offer having the greatest economic value, as defined in Section 10.3 herein; provided, that for purposes of value comparisons under this section the rate utilized shall be limited to the Maximum Rate that can be charged to the existing Shipper. If Shipper elects to match the offer, Shipper shall notify Trunkline of such election in writing within 30 days after receiving notice from Trunkline and shall execute a new Service Agreement matching the offer within 30 days after Trunkline has tendered the Service Agreement. If Shipper elects not to match the offer or does not execute the Service Agreement within 30 days, Trunkline will tender a Service Agreement to the prospective Shipper submitting the offer having the greatest economic value. If the Service Agreement is not executed within 30 days, the request for service rights shall expire without prejudice to the prospective Shipper's right to submit a new request for service rights. Trunkline shall then notify the Shipper in writing of the acceptable offer, if any, having the next greatest economic

value. If there is no other acceptable offer, the Shipper may continue service in accordance with the following section.

(F) If no acceptable offers are received, Trunkline shall so notify Shipper within 15 days after the close of the Posting Period. In such event, Shipper may continue to receive service under a new Long-Term Agreement with any term Shipper chooses, at the applicable Maximum Rate or at a rate agreed to by Trunkline and Shipper. Shipper must notify Trunkline of its intent and indicate the term of the new Long-Term Agreement within 15 days of having been notified in writing by Trunkline that no acceptable offer was received. Trunkline will then be obligated to tender the new Long-Term Agreement to Shipper within 15 days of Shipper's notification. If Shipper (1) fails to provide Trunkline the term of the requested new Long-Term Agreement within the required 15 day period, or (2) does not return an executed Service Agreement reflecting such term to Trunkline within 30 days of the date such contract is tendered, then Shipper shall be deemed to have elected not to continue service under a Long-Term Agreement.

(G) Trunkline shall post the winning bid and bidder on the Web Site for ninety (90) days whether or not the bidder executes a Service Agreement.

11.4 Trunkline shall not be obligated to tender, execute or extend a Service Agreement for service at any rate less than the Maximum Rate set forth on the Currently Effective Rates for the applicable Rate Schedule. It shall be within Trunkline's sole discretion to tender, execute or extend a Service Agreement at any rate and economic value less than the applicable Maximum Rate and economic value for the service requested.

11.5 A party desiring to bid on capacity that is subject to a right of first refusal must first meet all of the requirements for a request for service set forth in Section 2 herein, including submission of the applicable payment under Section 2.6 herein.

11.6 The provisions of this Section 11 shall not apply to firm Transportation service initiated pursuant to the exercise of conversion rights under Title 18 of the Code of Federal Regulations, Section 284.10, and which took effect between February 13, 1991 and May 18, 1992.

#### 11.7 Contract Reduction Rights

Shipper may elect one or more of the following options to reduce its contract Quantity (Maximum Daily Quantity, MCSC, MDIQ, MDWQ or MDVQ, as applicable) during the term of its Service Agreement. Shipper's eligibility for a contract Quantity reduction option and Shipper's ability to exercise such option is subject to the terms, conditions and procedures specified below including those in Section 11.7(E).

(A) Regulatory Unbundling

(1) Eligibility

Shipper is a local distribution company or its agent under the direct regulation of a state regulatory or legislative body and Shipper is required by a final order of that state body to unbundle its merchant and transportation functions. Such state body does not approve a mechanism to provide Shipper the opportunity to recover fully all costs incurred by Shipper under Shipper's Service Agreement(s).

(2) Notice and Certification

Shipper shall give Trunkline sixty (60) days prior written notice of the anticipated effective date of the requested contract Quantity reduction. The notice shall state the reduction sought, the date or anticipated date of a final order requiring unbundling, and the anticipated effective date of the unbundling order. At the time of such notice, Shipper must certify with supporting data that:

- (a) The contract Quantity reduction requested is equal to the level of stranded capacity on Trunkline resulting from (1) Shipper unbundling its distribution/transportation functions from its merchant functions and (2) a net decrease in Shipper's system sales requirements.
- (b) Shipper has used reasonable efforts to seek state body approval of a mechanism that allows Shipper to recover the costs incurred under Shipper's Service Agreements and that such recovery efforts were unsuccessful prior to requesting its contract Quantity reduction.
- (c) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger<sup>®</sup> system for thirty (30) days at the rate provided for under the relevant Service Agreement(s). Additionally, Shipper has used reasonable efforts to assign its capacity to the new merchants of retail service in its service territory and to request that its state body require new merchants to accept assignment of such capacity for the remaining term of the Service Agreement.

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Trunkline by an amount that qualifies under the above

specifications. If Shipper is served by other natural gas pipelines in addition to Trunkline, Shipper may only reduce its contract quantity on Trunkline by an amount that is prorated based on the respective levels of firm transportation service that Shipper holds on Trunkline and such other natural gas pipelines. Unless otherwise agreed, if more than one Service Agreement with Trunkline is used to serve the system sales requirements no longer served by Shipper as a result of unbundling, Shipper shall reduce its contract quantity on the Trunkline Service Agreements pro rata based on the contract quantity of each Service Agreement. Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the later of (i) the effective date of unbundling or the date of a final order requiring unbundling; and (2) the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice of the anticipated effective date of the reduction.

(B) Loss of Load

(1) Eligibility

Shipper is a local distribution company or its agent or a municipality that experiences a loss of load. Loss of load occurs when any of Shipper's firm customers with daily requirements on facilities owned or operated by Shipper exceeding 100 Dth/day either permanently cease gas consuming operations or reduce such operations to plant protection levels, or by-pass Shipper by directly connecting to Trunkline. Shipper may elect to take the contract Quantity reduction described in this paragraph or Shipper may elect to reduce its contract Quantity pursuant to FERC's bypass policies in effect at the time the bypass occurs, but not both.

(2) Notice and Certification

Shipper must give Trunkline written notice no more than thirty (30) days after Shipper receives notice from its customer of a loss of load, which notice shall state the contract Quantity reduction sought and the date that Shipper anticipates it will lose the load. At the time of such notice, Shipper must certify with supporting data that:

- (a) The load lost was actually served by the Shipper with gas transported by Trunkline on a firm basis as of the date that Shipper's Service Agreement with Trunkline became effective.

- (b) The reduction requested is equal to or less than the actual load lost.
- (c) Shipper has used reasonable efforts to release and assign its capacity to Replacement Shippers, by posting the capacity on the Messenger® system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Trunkline by an amount up to the firm daily contract quantity that was used to serve the lost load. If the lost load is served by other natural gas pipelines in addition to Trunkline, Shipper may only reduce its contract quantity on Trunkline by an amount that is prorated based on the respective levels of firm transportation service used to serve the lost load that Shipper holds on Trunkline and such other natural gas pipelines. If more than one Service Agreement on Trunkline serves the lost load, any contract Quantity reduction shall be applied first to the Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro-rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the effective date of the lost load or the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice.

(C) Plant Outage

(1) Eligibility

Shipper, an industrial customer of Trunkline, closes its plant or implements a permanent and material reduction in its production output.

(2) Notice and Certification

Shipper must give Trunkline written notice no more than thirty (30) days following a public announcement that its plant will be closed or will permanently and materially reduce its production output. The notice shall state the contract Quantity reduction sought and the date that Shipper anticipates that the plant will be closed or permanently and materially

reduce plant output. At the time of such notice, Shipper must certify with supporting data that:

- (a) The plant was actually served by the Shipper with gas transported by Trunkline on a firm basis as of the date that Shipper's Service Agreement with Trunkline became effective.
- (b) The plant closing or reduction of operations has been publicly announced and the Quantity of any such permanent reduction in plant output.
- (c) The delivery point at which Trunkline makes deliveries to the plant is listed as a primary Point of Delivery on Shipper's Service Agreement.
- (d) Shipper has used reasonable efforts to release and assign its capacity to Replacement Shippers, by posting the capacity on the Messenger® system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

In the event of a permanent and material reduction in the plant's output, Shipper may only reduce its contract quantity by a percentage equal to the percentage that the production decrease represents to the total plant output. In the event of a plant closing, Shipper may reduce its aggregate contract quantity under all of its Service Agreements that serve the plant by an amount up to the daily contract quantity delivered to the plant. If Shipper's plant is served by other natural gas pipelines in addition to Trunkline, Shipper may only reduce its contract quantity on Trunkline by an amount that is prorated based on the respective levels of firm transportation service used to serve the plant that Shipper holds on Trunkline and such other natural gas pipelines. If more than one Service Agreement on Trunkline serves such plant, any contract Quantity reduction shall be applied first to the Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice or the effective date of the plant's permanent and material output reduction or closing.

(D) Buyouts

(1) Eligibility

Shipper may elect to reduce some or all of the contract quantity on its firm Service Agreement by making one or more of the following cash payments to Trunkline.

The total amount of the cash payment that Shipper must pay Trunkline shall be 100 percent of the net present value of the reservation charge payments applicable to the reduced quantities that Trunkline would have otherwise received had Shipper continued to pay Trunkline under the remaining term of the Service Agreement. The economic value shall be calculated in accordance with Section 10.3 hereof.

(2) Notice

Shipper shall give Trunkline sixty (60) days prior written notice of the date it elects to exercise this contract Quantity reduction option.

(3) Level of Reduction

Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's Quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the requested date following the sixty (60) days notice period. The payment required under Section 11.7(D)(1) must be received by Trunkline prior to the effective date of the reduction.

(E) To be eligible for any contract Quantity reduction option under this Section 11.7, Shipper's Service Agreement must have a term of five (5) years or more and a remaining term of two (2) years or less, unless otherwise agreed.

(F) To be eligible for any contract Quantity reduction option, any costs that Shipper has agreed to reimburse Trunkline for facilities constructed or installed by Trunkline to provide service under Shipper's Service Agreement(s) shall have been fully reimbursed.

(G) Shipper must pay all its outstanding invoices before Shipper is eligible for any contract quantity reduction.

- (H) Shipper's Service Agreement(s) shall have a zero imbalance before Shipper is eligible for any contract quantity reduction.
- (I) If Shipper has Storage and related Transportation contracts that are eligible for contract reduction options under this Section 11.7, Quantities under the Storage and related firm Transportation services shall be proportionally reduced so that Storage service Quantities, including Storage capacity and deliverability Quantities, and related Transportation service Quantities remain proportionately the same.
- (J) The provisions of Section 11.3 of these General Terms and Conditions shall not apply to the Quantity reduced pursuant to this Section 11.7.

#### 11.8 Contract Extension

Prior to the expiration of the term of any existing Maximum Rate, discounted rate or Negotiated Rate Service Agreement(s) and prior to posting the availability of the capacity under Section 11.3 above, if applicable, Trunkline and the existing Shipper may mutually agree to renegotiate the terms of such Service Agreement(s) in exchange for Shipper's agreement to extend the term of at least a portion of its obligations under a restructured Service Agreement(s) (the exact terms, including the length and rate (maximum, discounted or negotiated), of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

#### 11.9 Contract Consolidation

Shipper and Trunkline may mutually agree to consolidate (and terminate, as necessary) multiple existing Service Agreements into one or more new Service Agreement(s). The amended or new Service Agreement shall reflect the consolidated rights of the combined Service Agreements. The exact terms of the consolidated Service Agreement, including the length and rate (discounted, negotiated or recourse), are to be negotiated on a case-by-case basis in a not unduly discriminatory manner.

- (A) The consolidated Service Agreement shall have a single termination date and shall be eligible for the right of first refusal pursuant to Section 11.3 herein, if applicable.
- (B) The consolidated Service Agreement shall contain the aggregate quantity of the combined Service Agreements.
- (C) Termination of Service Agreements, if required as part of the consolidation process, shall not initiate right of first refusal procedures or posting of available capacity.
- (D) Capacity Release Service Agreements are not eligible for consolidation.