

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE**

|                                  |   |                   |
|----------------------------------|---|-------------------|
| <b>In RE:</b>                    | ) |                   |
|                                  | ) | <b>Docket No.</b> |
| <b>CHATTANOOGA GAS COMPANY</b>   | ) |                   |
| <b>PETITION FOR APPROVAL OF</b>  | ) | <b>22-00004</b>   |
| <b>TARIFF AMENDMENTS TO ITS</b>  | ) |                   |
| <b>T-1, T-2, AND T-3 TARIFFS</b> | ) |                   |

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**CHATTANOOGA GAS COMPANY’S  
RESPONSES AND OBJECTIONS TO THE CONSUMER ADVOCATE’S  
FIRST DISCOVERY REQUESTS**

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Chattanooga Gas Company (“CGC” or “Company”) files these Responses and Objections to the First Round Discovery Requests of the Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (“Consumer Advocate”) filed April 8, 2022.

To assist the Hearing Officer in evaluating this matter, CGC is setting forth its objections and responses in two parts. Part I sets forth general objections applicable to CGC’s discovery responses. Part II sets forth objections to specific discovery requests propounded by the Consumer Advocate.

**I. GENERAL OBJECTIONS**

CGC objects generally to any definitions or instructions to the extent that they are inconsistent with and request information that is beyond the scope of the Tennessee Rules of Civil Procedure. CGC’s responses will comply with the requirements of the Tennessee of Rules of Civil Procedure.

Any requests for production of documents are interpreted to describe each item or category of items requested with reasonable particularity as required by Tenn. R. Civ. P. 34.02, and the

terms used in the requests are not interpreted “broadly.” CGC will produce items and/or data in its possession, custody or control as required by Tennessee Rules of Civil Procedure.

CGC further objects to these discovery requests to the extent they seek information that is beyond the scope of legitimate discovery in this case or that is subject to any privilege, including the attorney-client privilege and/or attorney work product doctrine. However, without waiving any of these General Objections, the Company will respond to the Consumer Advocate’s discovery requests by providing responsive, non-privileged information.

These General Objections are continuing and are incorporated by reference in CGC’s responses to all discovery requests to the extent applicable. The statement of the following additional objections to specific discovery requests shall not constitute a waiver of these General Objections.

Additionally, CGC objects to the scope of the terms “identity” and “identify” as used by the Consumer Advocate. In particular, CGC objects to providing the date of birth, the current residential address, and the current residential telephone number of persons to be identified on the grounds that the scope of information requested is overly broad and not calculated to lead to the discovery of admissible evidence. CGC further objects to the Consumer Advocate’s instructions to produce the “original” of “each copy” of each document requested on the grounds that the request is unduly burdensome and overly broad. CGC intends to provide copies of original documents as available.

Further, CGC is proceeding in the traditional course of providing information that it deems to be confidential pursuant to the terms of the TPUC’s Protective Order issued on April 27, 2022, by marking the information as confidential. CGC is acting in good faith reliance on the Consumer Advocate’s compliance with the Protective Order.

## **II. SPECIFIC RESPONSES AND OBJECTIONS**

- 1-1. What is the implication of operational flow orders on the needs of CGC to daily balance?

### **CGC RESPONSE:**

As the delivery point operator under the Operational Balancing Agreement, CGC is responsible for compliance with an Operational Flow Order (OFO) that are issued by a transporting pipeline. If the OFO requires balancing, CGC is required to ensure that the total volume of gas delivered to CGC by the pipeline is equal to (in balance with) the volume of gas consumed by both CGC's sales Customers and by CGC's Transportation Customers who purchase gas from a third-party supplier and have gas delivered to CGC on their behalf. Since CGC does not have control of the gas volumes nominated (scheduled) for delivery by the Transportation Customers, CGC will issues a balancing order directing the Transportation Customers balance their consumption with the volume they have delivered on their behalf. Failure of CGC and its Transportation Customers to balance the volume of gas delivered with the volume of gas consumed may result in the pipeline assessing penalties to CGC.

- 1-2. Identify the marketers acting on behalf of CGC's end-use transportation customers. If known by CGC, provide a listing of its transport customers associated with each marketer. Further identify the 2021 throughput managed by each of these marketers.

### **CGC RESPONSE:**

CGC objects to this request as it is overly broad, unduly burdensome, oppressive, and excessively time consuming. This request is asking CGC to create a new analysis of throughput by marketer, which is something that CGC does not normally track by marketer but by customer. Subject to and without waiving the foregoing objections, CGC states as follows: Please see CONFIDENTIAL CA DR 1-02 Attachment. The first tab is a list of the marketers and the customers they serve. The second tab (Gas volume per Marketer) captures the annual volume of gas provided by each of these marketers to CGC transportation customers during 2021. The third tab (Other Marketers) reflects Marketers not currently providing gas to CGC transport customers that made such sales during 2021.

- 1-3. Identify the number of Operational Flow Orders ("OFO") by interstate pipeline by year for each of the past five years.

### **CGC RESPONSE:**

The Company only has access to Operational Flow Order (OFO) information from January 1, 2019 to March 31, 2022. In that period, Southern Natural Gas had 183 OFO days and East Tennessee Natural Gas had 153 OFO days.

- 1-4. Identify the marketers acting on behalf of CGC transport customers that are not nominating gas deliveries on a daily basis.

**CGC RESPONSE:**

See the CONFIDENTIAL CA DR 1-04 Exhibit.

- 1-5. Identify the marketers acting on behalf of CGC transport customers that are materially under or over scheduling their volumes.

**CGC RESPONSE:**

See the CONFIDENTIAL CA DR 1-05 Exhibit.

- 1-6. Confirm that scheduling occurs between the end-use customer (or marketer acting on the customer's behalf) and the applicable interstate pipeline. If this is not confirmed, please discuss the entity receiving and acting upon the scheduling order.

**CGC RESPONSE:**

Confirmed.

- 1-7. Define "Balancing Order" as is used in Mr. Hickerson's testimony on page 9, lines 4 and 5.

**CGC RESPONSE:**

A Balancing Order is a directive issued by the Company to its Customer who purchase gas from a third party and have the gas delivered, on their behalf, to the Company's citygate for the Company to transport to their premise, that the volume of gas that they have delivered to the citygate is to be equal (balance) to the volume of gas that they consume during a specific or specific Gas Day(s).

- 1-8. Provide a comprehensive discussion of the relationship between the interstate pipeline issuing an OFO and the Company issuing a "daily balancing order" as the terms are used on page 9, lines 4 and 5 of Mr. Hickerson's Direct Testimony. Are there instances where the Company may issue a daily balancing order in the absence of an OFO issued by a pipeline company? If so, describe those instances.



**CGC RESPONSE:**

The Company issues daily balancing orders for over-supply when a pipeline that serves the Company issues an operational flow order (OFO) directing the Company not to under burn the gas scheduled to its citygate. The Company may find it necessary to issue a daily balancing order without a corresponding pipeline OFO if it has an operational reason that prevents it from being able to burn excess gas delivered to its citygate due to a construction project, remediation of a section of pipeline within the distribution system, or if the Company does not have the space in its storage facilities to inject excess gas.

- 1-9. How is “daily index” price defined as is used in the proposed T-1 tariff?

**CGC RESPONSE:**

The daily index is defined on Chattanooga Gas Company, Gas Tariff, TPUC No. 1, Fourth Revised Sheet 30 C.

The Daily Index Cost of Gas shall be derived from the prices published in *Gas Daily* in the Daily Price Survey.

|                        |   |     |
|------------------------|---|-----|
| Southern Natural, La   | X | 43% |
|                        | + |     |
| Tennessee, Zone 0      | X | 17% |
|                        | + |     |
| Tennessee, La, 500 Leg | X | 20% |
|                        | + |     |
| Tennessee, La, 800 Leg | X | 20% |

- 1-10. Discuss the economic and operational challenges to CGC if a customer’s transport deliveries made into the CGC system are in excess of the customer’s daily consumption, which support the proposed tariff changes for over-deliveries.

**CGC RESPONSE:**

CGC does not plan for transport customers to deliver more gas than they intend to burn on a given day and when they do it creates operational challenges. When transport customers over-deliver gas it forces CGC make changes to its daily supply plan and use its storage assets in a way that it did not plan for on that day to reduce the excess gas and/or it forces CGC create long imbalances on the pipeline’s that delivered the excess gas. If a delivering

pipeline has an operational flow order in effect CGC makes every effort not to incur a penalty and may take actions that economically harm the firm customers such as selling firm gas intraday at a loss to ensure CGC does not under-burn if it did not have the resources to inject the excess gas into storage. Another economic challenge the firm customers are subjected to when the transport customers over-deliver gas is cashout. When CGC creates a long imbalance on a delivering pipeline at the end of the month the imbalance is cashed out and CGC is paid a price for the gas not consumed at a lower cost than it paid for the gas.

- 1-11. Provide a copy of the language within applicable interstate pipeline company tariffs that directly or indirectly support the need for CGC's tariff revisions. This request is limited to those interstate pipeline companies with which CGC conducts business. A hyperlink with a reference to the area of the tariff containing the applicable tariff provisions may be provided in place of the text.

**CGC RESPONSE:**

See CA DR 1-11 Attachment A for East Tennessee Natural Gas OFO tariff provision.  
See CA DR 1-11 Attachment B for Southern Natural Gas OFO tariff provision.  
See CA DR 1-11 Attachment C for Tennessee Gas Pipeline OFO tariff provision.

**RESPECTFULLY SUBMITTED** this 29<sup>th</sup> day of April, 2022,

/s/ J.W. Luna

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*Attorneys for Chattanooga Gas Company*

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing Responses and Objections to the Consumer Advocate's Discovery Requests were forwarded via electronic mail on Friday, April 29, 2022, to the following:

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Dated: May 2, 2022



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## 14. OPERATIONAL FLOW ORDERS

- 14.1 **Circumstances Warranting Issuance:** Transporter shall have the right to issue Operational Flow Orders (OFOs) as specified in this Section that require actions by Shippers/Balancing Parties in order (1) to alleviate conditions that threaten to impair reliable service, (2) to maintain pipeline operations at the pressures required to provide efficient and reliable transportation services, (3) to have adequate gas supplies in the system to deliver on demand, (4) to maintain service to all firm Shippers and for all firm services, (5) to accommodate LNG storage injection, (6) to accommodate compressor operation requirements at Transporter's compressor Station 3401 (Nora), (7) to ensure adequate nominations at the Roanoke Interconnect in order for Transporter to make properly nominated deliveries to all Shippers at other points on the system, (8) to maintain the system in balance for the foregoing purposes, or (9) to alleviate Transporter's operational problems, either on Transporter's system, including its interconnects, or in connection with its liquefaction facility, that relate to the quality of the gas received into Transporter's system, irrespective of whether this gas meets the specifications in Section 2 of these General Terms and Conditions. Transporter shall lift any effective OFO, promptly upon the cessation of operating conditions that caused the relevant system problem.
- 14.2 **Actions to be Taken to Avoid Issuance:** Transporter shall, to the extent reasonably practicable, take all reasonable actions necessary to avoid issuing an OFO. Such actions shall include, in order of priority (1) working with Balancing Parties to temporarily adjust receipts and/or deliveries at relevant Point(s) of Receipt or Point(s) of Delivery, (2) working with Shippers/Balancing Parties to adjust scheduled flows on the system, or (3) taking any other reasonable action designed to mitigate the system problem. After taking all such reasonable actions to avoid issuing an OFO, Transporter will have the right to issue OFOs, if necessary, in the circumstances described in Section 14.1.
- 14.3 **Preliminary Notifications:** Transporter shall provide, via posting on LINK<sup>®</sup> and to affected parties through the affected party's choice of Electronic Notice Delivery mechanism(s), prior notice to all Shippers and Balancing Parties of upcoming system events such as anticipated weather patterns and operational problems that may necessitate the issuance of an OFO.
- 14.4 **Applicability of OFO:** Transporter shall make an OFO as localized as is reasonably practicable based on Transporter's good faith and reasonable judgment concerning the situations requiring remediation such that an OFO will be directed (1) first to Shippers/Balancing Parties causing the problem necessitating the OFO or transporting gas in the area of the system in which there is an operational problem, and (2) second to those Shippers/Balancing Parties transporting gas in the area of the system where action is required to correct the problem

necessitating the OFO. Transporter will tailor the OFO to match the severity of the known or anticipated operational problem requiring remediation as more fully set forth in subsections 14.6 and 14.7.

- 14.5 Notice: All OFO's will be issued via posting on LINK<sup>®</sup> and notification to the affected parties through the affected party's choice of Electronic Notice Delivery mechanism(s) or, in the event of known failure of Internet notification, Transporter will notify affected parties by telefacsimile. The OFO will set forth (1) the time and date of issuance, (2) the actions Shipper/Balancing Party is required to take, (3) the time by which Shipper/Balancing Party must be in compliance with the OFO, (4) the anticipated duration of the OFO, and (5) any other terms that Transporter may reasonably require to ensure the effectiveness of the OFO. Each Shipper and Balancing Party must designate one or more persons, but not more than three persons, for Transporter to contact on operating matters at any time, on a 24-hour a day, 365-day a year basis. Such contact persons must have adequate authority and expertise to deal with such operating matters. If Transporter cannot contact any Shipper/Balancing Party because that Shipper/Balancing Party has failed to designate a contact person or Shipper's/Balancing Party's contact person is unavailable, Transporter shall not be responsible for any consequences that could have been prevented by communication. Transporter, however, will make reasonable continuing efforts to notify the affected Shipper/Balancing Party. In addition to the other information contemplated by this Section 14.5, such notice shall also include information about the status of operational variables that determine when an OFO will begin and end, and Transporter shall post periodic updates of such information, promptly upon occurrence of any material change in the information. Transporter will post a notice on LINK<sup>®</sup> informing the Shipper/Balancing Party when any OFO in effect will be cancelled and specifying the factors that caused the OFO to be issued and then lifted, to the extent such factors are known.
- 14.6 Action Alerts: In the event that Transporter determines that due to (1) an ongoing or anticipated weather event, (2) a known equipment problem, or (3) the anticipated continuation of a current system operational problem, action is necessary to avoid a situation in which the system integrity is jeopardized or Transporter's ability to render firm service is threatened, Transporter may issue an Action Alert as set out herein to forestall the development of the situation.
- (a) Issuance of Alerts: Action Alerts will be noticed in accord with the procedures set forth in Section 14.4 and will be issued a minimum of eight hours prior to the time that a Shipper/Balancing Party must take the actions specified in the Alert. Transporter's notice will inform the Shipper/Balancing Party of the known or anticipated problem on the system, the actions it will be required to take, and the anticipated time at which it will be required to take such actions. Shipper/Balancing Party will be expected to take preliminary actions to assist Transporter in

avoiding a system problem. Conformance with these instructions will be mandatory. Transporter, to the greatest extent feasible, will issue the action instructions such that the time of mandatory conformance will correspond with the beginning of the Gas Day.

(b) Requested Actions: Upon issuance of an Action Alert, Transporter can request that a Shipper/Balancing Party take any of the following actions, or other similar actions, to the extent that such actions would alleviate the situation:

(i) increase or decrease deliveries of gas into the system at specified receipt points;

(ii) bring the nominations across all delivery points or, if necessary, at specified delivery points within designated balancing tolerances.

14.7 Balancing Alerts: In the event that, in Transporter's judgment, the Action Alerts under Section 14.6 are not sufficient to address the situation fully or under circumstances in which the operational integrity of the system is more severely threatened, Transporter may issue Balancing Alerts.

(a) Issuance of Alerts: Balancing Alerts will be noticed in accord with the procedures set forth in Section 14.4 and will be issued a minimum of eight hours prior to the required action by the Shipper/Balancing Party.

(b) Required Actions: Balancing Alerts can be issued to effect any of the following:

(i) curtailment of interruptible services;

(ii) restrictions of deliveries to a specific point or points covered by a Balancing Agreement to the sum of the Maximum Daily Delivery Obligations under the firm transportation agreements with primary delivery points at the affected locations; and/or

(iii) forced balancing such that Balancing Parties will be required to assure that nominations equal flows or that receipts and deliveries fall within the tolerance level designated in the Balancing Alert.

14.8 Shipper/Balancing Party Compliance: A Shipper/Balancing Party must comply with an Action Alert and/or Balancing Alert (referred to collectively as OFOs) within the time period set forth therein unless the Shipper/Balancing Party is able to demonstrate that such compliance (1) is not within the Shipper's/Balancing Party's physical control or capability; (2) is prevented by operating conditions on a third party system that are beyond the Shipper's/Balancing Party's control; (3) is

precluded by contractual restrictions with persons other than Transporter; and/or (4) is prevented due to a force majeure event as defined in Section 24 of Transporter's General Terms and Conditions. Provided that the Shipper/Balancing Party shall make a good faith effort to comply with any such OFO, including seeking waivers of any contractual limits with third parties or modifications of operating conditions on third party systems. Shipper/Balancing Party shall notify Transporter immediately if it believes that it is excused from compliance with the OFO for any of the above stated reasons, and shall provide Transporter with documentation sufficient to support its basis for non-compliance.

- 14.9 Penalties: If a Shipper/Balancing Party fails to comply with an Action Alert or a Balancing Alert, it shall be subject to an OFO penalty as set forth in Section 47.5 of the General Terms and Conditions of this FERC Gas Tariff. These penalties will be imposed only to the extent necessary to prevent the impairment of reliable firm service on Transporter's system. A Shipper/Balancing Party shall not incur any charges or penalties if such charges or penalties would not have been incurred but for Shipper's/Balancing Party's compliance with an Action Alert or Balancing Alert, including any preliminary action taken by Shipper/Balancing Party in response to a warning issued by Transporter as a precondition to an Action Alert. A Shipper/Balancing Party shall not incur any penalties if the Action or Balancing Alert was necessitated exclusively by Transporter's negligence or willful misconduct.
- 14.10 Liability of Transporter: Transporter shall not be liable for any costs incurred by any Shipper/Balancing Party in complying with an OFO. Transporter shall not be responsible for any damages that result from any interruption in Shipper's/Balancing Party's service that is a result of a Shipper's/Balancing Party's failure to comply promptly and fully with an OFO, and the non-complying Shipper/Balancing Party shall indemnify Transporter against any claims of responsibility. However, Transporter shall use reasonable efforts to minimize any such costs or damages.
- 14.11 Unilateral Action: In the event that (1) Shipper(s)/Balancing Party(s) does not respond to an OFO, or (2) the actions taken thereunder are insufficient to correct the system problem for which the OFO was issued, or (3) there is insufficient time to carry out the procedures with respect to Action Alerts or Balancing Alerts, Transporter may periodically take unilateral action, including the curtailment of firm service, to maintain the operational integrity of Transporter's system (or any portion thereof). For purposes of this section, the operational integrity of Transporter's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance, the overall operating performance of the entire physical system as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of gas delivered.



#### 47. PENALTIES AND PENALTY CREDITING MECHANISM

##### 47.1 [Reserved for Future Use]

##### 47.2 Balances Remaining Upon LNGS Contract Termination

In the event that an LNGS Shipper fails to dispose of its entire Storage Balance on or before the termination date of its storage contract and Transporter retains such Storage Balance pursuant to the provisions of Section 12 of Rate Schedule LNGS, Transporter shall dispose of such remaining Storage Balance by auction pursuant to Section 48 of the General Terms and Conditions of this FERC Gas Tariff. Transporter shall credit the net proceeds received from such auction to all other Shippers holding an LNGS storage agreement ("Qualifying LNGS Shipper") based on the ratio of the total charges paid by each Qualifying LNGS Shipper for storage service to the total amount of such charges paid by all Qualifying LNGS Shippers during the Month in which the auction of the Storage Balance occurred. For the purposes of this section, the term "net proceeds" shall mean the total proceeds received from the auction less the accumulated storage charges applicable pursuant to Rate Schedule LNGS.

Any credits required by this Section 47.2 shall be made within 90 days following each anniversary of the Implementation Date.

##### 47.3 Balances Remaining Upon PAL Contract Termination

In the event that Shipper's PAL service transaction expires or is terminated and Shipper does not eliminate the quantities of gas in Shipper's PAL account utilizing any of the options specified in Section 11 of Rate Schedule PAL, Shipper shall pay Transporter a PAL Service Charge equal to the daily PAL maximum rate, set forth on the Notice of Rates and Other Tariff Rate Changes multiplied by the quantities of gas in Shipper's PAL account (inclusive of quantities subject to Park Service and quantities subject to Loan Service) for each Day that quantities of gas remain in Shipper's PAL account, beginning on the Day after the expiration or termination and ending on the earlier of (i) the resolution of the imbalance, or (ii) the last Day of the Month in which the expiration or termination occurred. Transporter shall credit the service charge revenue received pursuant to this Section 47.3, net of costs, to all other Shippers holding a PAL service agreement ("Qualifying PAL Shipper") based on the ratio of the total charges paid by each Qualifying PAL Shipper for PAL service to the total amount of such charges paid by all Qualifying PAL Shippers during the Month in which the service charge revenues were received.

Any credits required by this Section 47.3 shall be made within 90 days following each anniversary of the Implementation Date.

#### 47.4 Deliveries in Excess of Daily Limit

In the event that Transporter receives penalty revenue from an LMS-PA Balancing Party pursuant to Section 5 of Rate Schedule LMS-PA, such penalty revenue will be credited, net of costs, to any Balancing Party under Rate Schedule LMS-PA that did not incur penalties pursuant to Section 5 of Rate Schedule LMS-PA in the Month for which penalty revenues were received ("Non-Offending LMS-PA Balancing Party") based on the ratio of the actual quantities delivered by the Non-Offending LMS-PA Balancing Party to the actual quantities delivered by all Non-Offending LMS-PA Balancing Parties.

Any credits required by this Section 47.4 shall be made within 90 days following each anniversary of the Implementation Date.

#### 47.5 Operational Flow Order Penalties

##### (a) Action Alert Penalty

If a Shipper/Balancing Party fails to comply with an Action Alert pursuant to Section 14.8 of the General Terms and Conditions of this FERC Gas Tariff, it shall be subject to an Action Alert penalty of \$0.98, plus an index price based on the arithmetic average of the High Common prices published in Gas Daily's "Daily Price Survey" for "Transco, zone 5 del." and "Tennessee, 500 Leg" for the day the violation occurred for each Dekatherm of gas by which it deviated from the requirements of the Action Alert.

##### (b) Balancing Alert Penalty

If a Shipper/Balancing Party fails to comply with a Balancing Alert pursuant to Section 14.8 of the General Terms and Conditions of this FERC Gas Tariff, it will be subject to a Balancing Alert Penalty of \$15.00, plus an index price based on the High Common price published in Gas Daily's "Daily Price Survey" for "Transco, zone 5 del." or "Tennessee, 500 Leg", whichever is higher, for the day the violation occurred for each Dekatherm of gas by which it deviated from the requirements of the Balancing Alert.

##### (c) To the extent that Action Alert Penalty or Balancing Alert Penalty revenues are collected from LMS-MA Balancing Parties and LMS-PA Balancing Parties pursuant to this Section 47.5, Transporter will maintain separate accounts for such penalty revenues and will credit those revenues, net of costs, as follows:

- (1) Penalty revenues collected pursuant to this Section 47.5 from LMS-MA Balancing Parties will be credited, net of costs, to any LMS-MA Balancing Party that did not incur a penalty pursuant to this Section 47.5 in the Month for which revenues were received ("Non-Offending LMS-MA Balancing Party"), based on the ratio of the actual quantities taken by the Non-Offending LMS-MA Balancing Party to the actual quantities taken by all Non-Offending LMS-MA Balancing Parties.
- (2) Penalty revenues collected pursuant to this Section 47.5 from LMS-PA Balancing Parties will be credited, net of costs, to any LMS-PA Balancing Party that did not incur a penalty pursuant to this Section 47.5 in the Month for which revenues were received ("Non-Offending LMS-PA Balancing Party"), based on the ratio of the actual quantities delivered by the Non-Offending LMS-PA Balancing Party to the actual quantities delivered by all Non-Offending LMS-PA Balancing Parties.

Any credits required by this Section 47.5(c) shall be made within 90 days following each anniversary of the Implementation Date.

#### 47.6 Unauthorized Delivery Imbalance Charge

- (a) In the event that unauthorized deliveries as defined in Section 15.8 of the General Terms and Conditions of this FERC Gas Tariff are made to Transporter, Transporter shall assess a charge equal to three times the daily demand rate pursuant to Transporter's FT-A Rate Schedule per Dekatherm for any unauthorized delivery quantity, to the extent necessary to prevent the impairment of reliable service; provided, however, that the charge applicable to such quantities on any portion of Transporter's system where service is provided pursuant to Rate Schedules FT-L or IT-L shall be three times the daily demand rate pursuant to Transporter's FT-L Rate Schedule. Transporter shall have the right to retain unauthorized deliveries at Receipt Point(s) that have not been cured after 30 days notice to the responsible party.
- (b) Transporter shall dispose of any retained quantities by auction pursuant to Section 48 of the General Terms and Conditions of this FERC Gas Tariff. Transporter shall credit the net proceeds received from such auction in accordance with the provisions of Section 47.6(c) below.
- (c) To the extent that Unauthorized Delivery Imbalance Charge revenues are collected from LMS-PA Balancing Parties or Transporter disposes of retained quantities by auction, Transporter will credit penalty revenues or auction proceeds, net of costs, to any LMS-PA Balancing Party that did

not incur a penalty pursuant to this Section 47.6 in the Month for which revenues were received ("Non-Offending LMS-PA Balancing Party"), based on the ratio of the actual quantities delivered by the Non-Offending LMS-PA Balancing Party to the actual quantities delivered by all Non-Offending LMS-PA Balancing Parties.

Any credits required by this Section 47.6(c) shall be made within 90 days following each anniversary of the Implementation Date.

- (x) Operational Flow Orders (OFO) - An order issued to alleviate conditions, inter alia, which threaten the safe operations or system integrity of COMPANY'S system or to maintain operations required to provide efficient and reliable firm service. Whenever COMPANY experiences these conditions, any pertinent order shall be referred to as an OFO. A list of COMPANY'S current types of OFOs are set forth in Section 41 of these General Terms and Conditions.
- (y) Operator Provided Value (OPV) PDA - the predetermined allocation methodology used to allocate gas flow among scheduled line item nominations at a point where a quantity in Dth is provided for each scheduled line item nomination such that the sum of the quantities equals the metered flow at the point. If the sum of the Dth quantities allocated to the scheduled line item

41. OPERATIONAL FLOW ORDERS (OFOs)

41.1 Implementation of OFOs:

- (a) COMPANY shall attempt to minimize the use of OFOs and the declaration of critical periods and, when possible, to direct an OFO to the specific party(s) creating the operating condition and to the specific location of the system where the operating condition exists. Whenever COMPANY notifies affected parties that an OFO or critical period exists on its pipeline system under one of the provisions referenced below, such notice shall describe the condition and the specific responses required from the affected parties. COMPANY will release an OFO as soon as system conditions make such release feasible and COMPANY will not wait until the start of a gas day if release of the OFO is possible on an intraday basis. Each potential OFO condition set forth below contains the amount of notice COMPANY is required to give prior to implementing the OFO, if applicable, through its Interactive Website. COMPANY will not assess any penalties under the provisions set forth below on an intraday basis, even if the applicable notice becomes effective during the gas day.
- (b) The following provisions in COMPANY'S FERC Gas Tariff constitute OFOs or critical periods on COMPANY'S system:

| <u>OFO Type</u> | <u>Short Description</u>                                 | <u>Does a Penalty Apply?</u>          | <u>Tariff Cite</u>             |
|-----------------|--|---------------------------------------|--------------------------------|
| 2               | Hourly Market Demand Exceeds Capacity                    | No, but flow control can be installed | Sec. 10.3 – GT&C               |
| 3               | Daily Market Demand Exceeds Capacity                     | Yes                                   | Sec. 41.2 – GT&C               |
| 4               | Daily Deliveries Create Imbalance That Threaten Capacity | Yes                                   | Sec. 41.3 (a), (c), (d) - GT&C |
| 5               | Daily Receipts Create Imbalance That Threaten Capacity   | Yes                                   | Sec. 41.3 (a), (b), (d) – GT&C |
| 6               | Daily Shipper Imbalances Threaten System Integrity       | Yes                                   | Sec. 41.4 – GT&C               |

41.2 Daily Market Demand Exceeds Capacity:

- (a) Whenever COMPANY determines in its reasonable judgment that system operations must be maintained within SHIPPERS' Daily Entitlements, consistent with the criteria set forth in Section 41.2(b) below, COMPANY shall notify SHIPPER that gas taken in excess of either (i) its Daily Entitlement for all of its Delivery Points, or (ii) the quantity of gas allocated for delivery to SHIPPER at a specific Delivery Point or group of Delivery Points at which it is a SHIPPER or a nomination agent or an operator will be subject to this Section 41.2. All SHIPPERS shall comply at any time of day with a notice to limit the taking of gas to the maximum quantity of gas permitted to be taken pursuant to the several provisions of this Section 41.2. The notices under this section shall be designated as being under one of three operating conditions: Level 1, Level 2 or Level 3 as further described below. When COMPANY implements an operational flow order under this Section or when COMPANY changes the level of the operating condition, COMPANY shall provide notice to its SHIPPERS by e-mail pursuant to Section 18 of these General Terms and Conditions and by posting such changes on its Interactive Website. Notices shall be given as soon as practicable but no shorter than the notice periods set forth below. The notice will clearly specify the Delivery Point or group of Delivery Points affected by the OFO ("OFO Group"); and, except as provided under Section 41.2(c)

below, any Delivery Points to be grouped will be grouped based on the current operating conditions on the System at the time the notice is issued.

An operational flow order under this Section 41.2 will not go into effect, however, until a notice is given as follows: (i) For Level 1 OFO notices: at least 24 hours prior to the beginning of the gas day in which the notice goes into effect; (ii) For Level 2 OFO notices: at least 20 hours prior to the beginning of the gas day in which the notice goes into effect; (iii) For Level 3 OFO notices: at least 4 hours prior to the beginning of the Gas Day in which the notice goes into effect. Such notice shall specify the beginning time of the operational flow order and such operational flow order shall remain in effect until cancelled by COMPANY. In the notice COMPANY shall specify the reason for the operational order and the expected conditions that would cause release of the order.

- (b) In order to determine an event which may give rise to an operational flow order under this Section, COMPANY shall evaluate the current status of the system, including, but not limited to, the line inventory, line pressures, equipment availability and outages, the level of inventory at the storage fields, the current imbalance status of the system, including no-notice nominations, the month to date imbalance status of the system, and the direction of change for any of these criteria. COMPANY shall then evaluate the forecasted demand and available capacity on the system based on these factors and the weather forecast for areas across the system and any other factors which could influence the level of usage or flow on the system, such as potential loss of supply, economic conditions relating to gas or oil prices and the status of competing pipelines. Based on an evaluation of current and forecasted system conditions, COMPANY shall post by 1:00 p.m. (CCT) each gas day the operating condition for the current gas day and the projected operating conditions, the likelihood of implementing an OFO under this section, and, if a likelihood exists, the criteria that will be monitored for the succeeding four gas days. Such operating conditions will be posted to be Normal, Level 1, Level 2, or Level 3. The operating conditions may be different for Delivery Points or groups of Delivery Points within the various geographic areas of Company's System. Normal Mode shall be implemented when system conditions do not warrant a correction in flow, and when no known threat to system conditions exists. A Level 1 OFO shall be implemented when system conditions warrant a correction in flow because a threat to system conditions exists such that daily entitlements may be impaired. A Level 2 OFO shall be implemented when system conditions warrant a prompt correction in flow because an imminent threat to system conditions exists such that daily entitlements may be impaired. A Level 3 OFO shall be implemented when system conditions warrant an immediate correction to flow because an event has occurred or is occurring that jeopardizes system conditions such that daily entitlements may be impaired. Under a Level 3 OFO, an event that jeopardizes system conditions shall be considered to be either (i) any mechanical or pipeline failure on the System upstream of a Delivery Point; or (ii) when a Level 2 OFO has been in a place and System conditions continue to deteriorate.
- (c) When giving a notice pursuant to Section 41.2 (a) that the quantity of gas taken in excess of the quantity of gas allocated for delivery at a specific Delivery Point or group of Delivery Points will be subject to Section 41.2(d), COMPANY shall recognize the right of a SHIPPER which owns and operates a system having multiple Delivery Points with COMPANY to take all or any portion of its Daily Entitlement at any Delivery Point or group of Delivery Points listed on the Exhibit B to its Service Agreement with COMPANY (up to the maximum meter capacity of the existing facilities and the capacity of the pipeline and laterals upstream of the meter).
- (d) All gas taken by a SHIPPER after receipt of a notice given pursuant to Section 41.2(a) under a Level 1 OFO, to the extent that the quantity of gas exceeds by both 500 dth/day and 105 percent either (i) its Daily Entitlement for all of its Delivery Points, as established either by an allocation order or orders given by the COMPANY pursuant to Section 16.2 above and/or through COMPANY'S confirmation of SHIPPER'S nominations in accordance with the provisions of Section 12 of these General Terms and Conditions, or (ii) the quantity of gas allocated for delivery to SHIPPER at a specific Delivery Point or group of Delivery Points pursuant to such procedures, shall be deemed to be Unauthorized Overrun Gas, and COMPANY shall bill and SHIPPER shall pay for such

Unauthorized Overrun Gas, in addition to the charges applicable under the respective rate schedules, a penalty of \$10.00 per Dth for quantities taken in excess of the tolerances set forth in this sentence above. All gas taken by a SHIPPER after receipt of a notice given pursuant to Section 41.2(a) under a Level 2 OFO, to the extent that the quantity of gas exceeds by both 200 dth/day and 102 percent either (i) its Daily Entitlement for all of its Delivery Points, as established either by an allocation order or orders given by the COMPANY pursuant to Section 16.2 above and/or through COMPANY'S confirmation of SHIPPER'S nominations in accordance with the provisions of Section 12 of these General Terms and Conditions, or (ii) the quantity of gas allocated for delivery to SHIPPER at a specific Delivery Point or group of Delivery Points pursuant to such procedures, shall be deemed to be Unauthorized Overrun Gas, and COMPANY shall bill and SHIPPER shall pay for such Unauthorized Overrun Gas, in addition to the charges applicable under the respective rate schedules, a penalty of \$15.00 plus the highest price published for the applicable flow date in the Natural Gas Intelligence Daily Gas Price Index in the AVG column for the following price points: (i) South Louisiana, Southern Natural, or (ii) Southeast, Transco Zone 4, or (iii) Southeast, Transco Zone 5 South ("Highest Regional Daily Price") per Dth for quantities taken in excess of the tolerances set forth in this sentence above. All gas taken by a SHIPPER after receipt of a notice given pursuant to Section 41.2(a) under a Level 3 OFO, to the extent that the quantity of gas exceeds by both 200 dth/day and 102 percent either (i) its Daily Entitlement for all of its Delivery Points, as established either by an allocation order or orders given by the COMPANY pursuant to Section 16.2 above and/or through COMPANY'S confirmation of SHIPPER'S nominations in accordance with the provisions of Section 12 of these General Terms and Conditions, or (ii) the quantity of gas allocated for delivery to SHIPPER at a specific Delivery Point or group of Delivery Points pursuant to such procedures, shall be deemed to be Unauthorized Overrun Gas, and COMPANY shall bill and SHIPPER shall pay for such Unauthorized Overrun Gas, in addition to the charges applicable under the respective rate schedules, a penalty of \$25.00 plus two times the Highest Regional Daily Price per Dth for quantities taken in excess of the tolerances set forth in this sentence above. The penalties set forth herein shall apply for any day in which the operational flow order is in effect.

It is provided, however, that if COMPANY has issued a penalty notice pursuant to Section 41.2(a) for (i) a Delivery Point where electronic measurement has not been installed or has not been installed to meter at least 75% of the volumes where the Delivery Point is comprised of more than one measurement station, or (ii) a group of Delivery Points where electronic measurement has not been installed to meter at least 75% of the volume from the Delivery Points, then the penalty assessed under this Section 41.2(d) shall be \$5.00 per Dth. For purposes of determining the 75% threshold, COMPANY shall use the volumes metered at each measurement station during the twelve-month period ending annually on March 31. Payments pursuant to this Section 41.2 shall not, under any circumstances, be considered as giving SHIPPER the right to take Unauthorized Overrun Gas; nor shall such payment exclude or limit any other remedies available to COMPANY or to another SHIPPER against SHIPPER for failure to limit its taking of gas to its Daily Entitlement.

- (e) Prior to application of the penalty set forth above in Section 41.2(d), if the total gas taken (i) at the group of Delivery Points described in Section 41.2(a) above, or (ii) by a SHIPPER or nomination agent or operator receiving service within the group of Delivery Points described in Section 41.2(a) above does not exceed the applicable tolerance set forth above, then COMPANY shall not assess the penalty for that group of Delivery Points or to that SHIPPER, respectively. Notwithstanding the above or Section 41.2(c) above, COMPANY may apply the penalty to any SHIPPER which takes gas in excess of the tolerance set forth in Section 41.2(d) above if such unauthorized takes prevent or limit another SHIPPER from receiving its scheduled and no-notice deliveries at any Delivery Point on COMPANY's system. In addition, COMPANY shall be entitled to separate any single Delivery Point from a group of Delivery Points under the notice hereunder if deliveries at the Delivery Point either (i) are consistently and materially in excess of daily entitlements after issuance of an OFO notice under this Section 41.2; or (ii) have repeatedly taken action which is contrary to the direction of an OFO issued under this Section.



41.3 Daily Receipts/Deliveries Exceed Capacity Due To Imbalances

- (a) If COMPANY is experiencing capacity constraints at certain Receipt or Delivery Points or operational difficulties because of the variance between SHIPPERS' scheduled nominations and actual receipts and/or deliveries for SHIPPERS' accounts or because the gas quality at the Receipt Point is not in conformance with the terms of Section 3.1(g) of these General Terms and Conditions, COMPANY will give SHIPPERS twenty-four (24) hours' notice prior to the start of the gas day to which the notice applies that it will assess the scheduling penalties set forth below in Sections 41.3(b) and/or 41.3(c). In such notice, COMPANY shall specify the direction in which the variance is prohibited as a result of the operational difficulty. It is provided, however that variances between SHIPPER'S nominations and actual receipts and/or deliveries which are attributable to no-notice service under Rate Schedule FT-NN shall not be subject to penalty under this Section 41.3. The notice shall list all Receipt and/or Delivery Points where the scheduling penalties will be assessed and will remain in effect until SHIPPERS are notified to the contrary.
- (b) If during any day of the month SHIPPER'S total scheduled quantities at a Receipt Point set forth in a notice given under (a) above vary by more than four (4) percent of the actual daily quantities received by COMPANY for SHIPPER'S account at the Receipt Point on that day, and such variance is in the direction prohibited in such notice, then a scheduling penalty shall be assessed; provided, however, that said scheduling penalty shall not be assessed if said variance occurs solely because of COMPANY'S inability to accept gas delivered to COMPANY for SHIPPER'S account and such inability to accept gas is not because the quality of the gas at the Receipt Point fails to meet the standards set forth in Section 3 of these General Terms and Conditions.

Notwithstanding the fact that SHIPPER's scheduled quantities and SHIPPER's actual receipts vary by more than the four (4) percent tolerance described above, if the total scheduled quantities (i) at the Receipt Point identified in the notice or (ii) at a group of Receipt Points identified in the notice set forth in Section 41.3(a) above, if applicable; or (iii) at those Receipt Points within the group of Receipt Points in (ii) above, having the same Point Operator as the Receipt Point at which SHIPPER has scheduled quantities, if applicable, do not vary by more than four (4) percent of the daily quantities received by COMPANY at the Receipt Point, the group level, or the operator level, respectively, then the scheduling penalty shall not be assessed hereunder. Subject to the provisions of Section 41.3(d) below, the scheduling penalty shall be equal to the maximum Transportation Charge under the IT Rate Schedule multiplied by the quantities in excess of the allowed variance, provided, however, that such penalty shall be waived for an interruptible SHIPPER whose scheduled quantities are bumped by a firm intra-day nomination but shall be waived only for the day that such bumping occurs.

- (c) If during any day of the month the actual quantities of gas delivered at each Delivery Point set forth in a notice given under (a) above by COMPANY for SHIPPER'S account vary by more than four (4) percent of SHIPPER's scheduled quantities, including any applicable no-notice entitlements for each Delivery Point, and such variance is in the direction prohibited in such notice, then a scheduling penalty shall be assessed. Notwithstanding the fact that SHIPPER's scheduled quantities and SHIPPER's actual deliveries vary by more than the four (4) percent tolerance described above, if the total scheduled quantities (i) at the Delivery Point identified in the notice or (ii) at a group of Delivery Points identified in the notice set forth in Section 41.3(a) above, if applicable; or (iii) at those Delivery Points within the group of Delivery Points in (ii) above, having the same Point Operator as the Delivery Point at which SHIPPER has scheduled quantities, if applicable, do not vary by more than four (4) percent of the daily quantities delivered by COMPANY at the Delivery Point, the group level, or the operator level, respectively, then the scheduling penalty shall not be assessed hereunder. Subject to the provisions of Section 41.3(d) below, the scheduling penalty shall be equal to the maximum Transportation Charge under the IT Rate Schedule multiplied by the quantities in excess of the allowed variance, provided, however, that such penalty shall be waived for an interruptible SHIPPER whose scheduled quantities are bumped by a firm intra-day nomination but shall be waived only for the day that such bumping occurs.

- (d) If COMPANY has given notice that it is assessing one of the foregoing scheduling penalties under Section 41.3(b) or (c) at a Receipt or Delivery Point on a day when it is also limiting receipts or deliveries at such point, then COMPANY shall so specify in its notice. The scheduling penalty assessed on any such day shall be equal to \$15.00 per Dth multiplied by the quantities in excess of the allowed variance under the applicable provision above.

#### 41.4 DAILY IMBALANCE PENALTIES

- (a) For Rate Schedules IT, FT-NN, FT, and Supply Pool Balancing Agreements, if COMPANY determines in its reasonable judgment that any imbalance between the gas received by COMPANY for SHIPPER'S account and delivered by COMPANY for SHIPPER'S account threatens the physical or operational integrity of its pipeline system, which includes the ability to deliver to any other SHIPPER its Daily Entitlement, COMPANY shall have the right to interrupt or limit at any time, and from time to time, the quantities of gas it will receive for transportation or deliver for SHIPPER'S account to the extent COMPANY in its reasonable judgment deems necessary in order to maintain the physical or operational integrity of its pipeline system. Any notice to interrupt or limit the quantity of gas to be received or delivered by COMPANY shall be given four (4) hours in advance, or such shorter period of time as is required to prevent physical damage to or to maintain the operational integrity of COMPANY'S pipeline system, and shall be limited to an amount COMPANY reasonably estimates does not exceed the amount of the imbalance threatening the operational integrity of COMPANY'S pipeline system. Further, to the maximum extent practicable, COMPANY shall limit the scope and duration of any action or order to interrupt or limit the receipt and/or delivery of gas so that service to SHIPPER is maintained at the highest level consistent with maintaining the physical or operational integrity of COMPANY'S pipeline system.

If SHIPPER accrues an imbalance in violation of said limitation notice given by COMPANY, SHIPPER shall pay the following applicable penalty charges. Penalties on SHIPPER's imbalance shall be based on the following percentages of SHIPPER's allocated deliveries. SHIPPER's imbalance shall be defined as the difference of SHIPPER's allocated receipts and SHIPPER's allocated deliveries. Notwithstanding the above, the following activity by SHIPPER shall not cause SHIPPER to incur a penalty under this Section: (a)no-notice storage withdrawals made under Rate Schedule FT-NN where the notice above limits receipts (supply long imbalances); or (b)no-notice storage injections where the notice above limits deliveries(supply short imbalances).

| Imbalance<br>(Percentage of Allocated Deliveries) | Penalty<br>(Per Dth) |
|---|----------------------|
| -----   | -----                |
| 0 - 2% or < 200 Dth                               | No Penalty           |
| >2 - 5%   | \$1.00               |
| >5 - 8%   | \$5.00               |
| > 8%  | \$15.00              |

Notwithstanding the above, in the event that the COMPANY has in effect such limitation notice and the actual overall system imbalance is opposite to the direction of the said notice, SHIPPER shall not be penalized.

- (b) Insofar as practicable, when COMPANY detects the development of a system imbalance that threatens the physical or operational integrity of its pipeline system as described in 41.4(a) above, COMPANY shall endeavor to identify those SHIPPERS making a significant contribution to the imbalance and to contact such SHIPPERS in an effort to reduce the system imbalance and avoid the necessity of imposing penalties as set forth in 41.4(a)above. It is recognized, however, that such prior notification may not be possible under all circumstances, e.g., when COMPANY must act quickly in order to protect the integrity of its system.
- (c) Based on an evaluation of current and forecasted system conditions, COMPANY shall post by 2:00 p.m. (CCT) each Friday, or, if Thursday or Friday is a recognized COMPANY

holiday, then on the day before such recognized COMPANY holiday, the probability of implementing an OFO under this Section 41.4 for the succeeding Saturday, Sunday, and Monday and the Thursday and/or Friday during a recognized COMPANY holiday. If system conditions change, COMPANY shall update such posting periodically throughout the weekend.

GENERAL TERMS AND CONDITIONS (continued)

- X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS
1. Pressure of Deliveries: With respect to all deliveries by Transporter, Transporter shall make deliveries at Shipper's designated delivery points as nearly as practicable at Transporter's line pressure; provided that the minimum pressure shall be as stated in Shipper's Transportation Service agreement and shall not be less than 100 pounds per square inch gauge.
  2. Operational Flow Orders: Transporter shall have the right to issue Operational Flow Orders (OFOs) as specified in this Section to Shippers, Shippers' Agents, point operators, and/or Balancing Agreement Holders (referred to collectively as "OFO Recipients"). As stated in NAESB Standard 1.2.6, an Operational Flow Order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service provider's system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order.

GENERAL TERMS AND CONDITIONS (continued)

X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS

2. Operational Flow Orders  
(continued)

- 2.1 Preliminary Notifications/Follow-up Reports: Transporter shall provide, via posting on its Interactive Website, prior notice to all OFO Recipients of upcoming system events such as anticipated weather patterns and operational problems which may necessitate the issuance of an OFO. On a quarterly basis, Transporter will provide every OFO Recipient that was affected by an OFO during the previous quarter, and will file with the FERC, a written report which details the underlying causes which warranted the issuance of the OFOs during the quarter and explains why the actions required by the OFO were necessary to alleviate the identified problems.
- 2.2 Applicability of OFO: Transporter shall make an OFO as localized as is reasonably practicable based on Transporter's good faith and reasonable judgment concerning the situations requiring remediation such that an OFO will be directed (a) first to OFO Recipients causing the problem necessitating the OFO or transporting gas in the area of the system in which there is an operational problem, and (b) second to those OFO Recipients transporting gas in the area of the system where action is required to correct the problem necessitating the OFO. Prior to the issuance of an OFO, Transporter will attempt, if sufficient time exists, to alleviate the situation necessitating the OFO through the application of the scheduling and curtailment provisions in Article IV of these General Terms and Conditions. Transporter will tailor the OFO to match the severity of the known or anticipated operational problem requiring remediation as more fully set forth in Sections 3, 4 and 5.
- 2.3 Notice: As stated in NAESB Standard 5.3.34, Transportation Service Providers should provide affected parties with notification of intraday bumps, operational flow orders and other critical notices through the affected party's choice of Electronic Notice Delivery mechanism(s). As stated in NAESB Standard 5.2.2, "Electronic Notice Delivery" is the term used to describe the delivery of notices via Internet E-mail and/or EDI/EDM. Pursuant to NAESB Standards 5.3.34 and 5.2.2, Transporter shall issue notice of all OFOs to the affected OFO Recipient via Transporter's Interactive Website, e-mail or EDI/EDM, at the OFO Recipient's election. Concurrent with notice to the OFO Recipient, all OFOs shall be posted on Transporter's Interactive Website. The OFO will set forth (a) the time and date of issuance, (b) the actions the OFO Recipient, is required to take, (c) the time by which the OFO Recipient must be in compliance with the OFO, (d) the anticipated duration of the OFO, and (e) any other terms which Transporter may reasonably require to ensure the effectiveness of the OFO. Each OFO Recipient must designate one or more persons, but not more than three persons, for Transporter to contact on operating matters at any time, on a 24-hour a day, 365-day a year basis. Such contact persons must have adequate authority and expertise to deal with such operating matters. If Transporter cannot contact any OFO Recipient due to its failure to designate a contact person or because such contact person is unavailable, such OFO Recipient shall be solely responsible for any consequences which could have been prevented by communication.

GENERAL TERMS AND CONDITIONS (continued)

X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS  
(continued)

3. Action Alerts: In the event that Transporter determines that due to (1) an ongoing or anticipated weather event, (ii) a known equipment problem, or (iii) the anticipated continuation of a current system operational problem, action is necessary to avoid a situation in which the system integrity is jeopardized or Transporter's ability to render firm service is threatened, Transporter may issue an Action Alert as set out herein to forestall the development of the situation.
  - 3.1 Issuance of Alert: Action Alerts will be noticed in accord with the procedures set forth in Section 2.3 above. A minimum of 27 hours prior to the time that the OFO Recipient must take the action specified in the Alert, Transporter will issue a notice which informs the OFO Recipient of the known or anticipated problem on the system, the specified action instructions, and the anticipated time at which it will be required to conform with the specified instructions. The OFO Recipient will be expected to take preliminary actions to assist Transporter in avoiding a system problem. Conformance with these instructions will be mandatory. Transporter, when practicable, will issue the action instructions such that the time of mandatory conformance will correspond with the beginning of the Gas Day.
  - 3.2 Requested Actions: Upon issuance of an Action Alert, Transporter can request that an OFO Recipient take any of the following actions, or other similar actions, to the extent that such actions would alleviate the situation:
    - (a) increase or decrease injections into the system at specified receipt areas;
    - (b) begin withdrawals from system storage or decrease injections into system storage; and/or
    - (c) bring the nominations at specified delivery areas within designated balancing tolerances.
  - 3.3 Compliance: An OFO Recipient must comply with an Action Alert within the time period set forth therein unless the OFO Recipient is able to demonstrate that such compliance (a) is not within its physical control or capability; (b) is prevented by operating conditions on a third party system which are beyond its control; (c) is precluded by contractual restrictions with persons other than Transporter; and/or (d) is prevented due to a force majeure event as defined in Article XII of Transporter's General Terms and Conditions. Provided that the OFO Recipient shall make a good faith effort to comply with any such OFO, including seeking waivers of any contractual limits with third parties or modifications of operating conditions on third party systems. OFO Recipient shall notify Transporter immediately if it believes that it is excused from compliance with the OFO for any of the above stated reasons, and shall provide Transporter with documentation sufficient to support its basis for non-compliance.
  - 3.4 Penalties: If a customer fails to comply with an Action Alert, it shall be subject to a charge equal to \$0.2198 each dekatherm of gas by which it deviates from the requirements of the Action Alert. A customer will not incur any Action Alert charges if (a) such charges would not have been incurred but for its compliance with an Action Alert notice, (b) it can demonstrate to Transporter's satisfaction that its noncompliance with the Action Alert notice resulted in a benefit to the system, or (c) the volumes subject to the Action Alert charges were traded with an offsetting imbalance pursuant to the provisions of Rate Schedules LMS-MA and LMS-PA and the customer can demonstrate to Transporter's satisfaction that such trade resulted in a benefit to the system and that such trade did not result in the customer transporting gas through the Action Alert area.

## GENERAL TERMS AND CONDITIONS (continued)

## X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS

3. Action Alerts  
(continued)

3.5 Liability of Transporter: Transporter shall not be liable for interruption or curtailment of firm services in connection with an OFO unless the interruption or curtailment was the direct result of Transporter's negligence or willful misconduct. Otherwise, Transporter shall not be liable for any costs incurred by an OFO Recipient in complying with an OFO including any damages that result from any party failing to comply promptly and fully with an OFO. A noncomplying party shall indemnify Transporter against any claims of liability.

3.6 Unilateral Action: In the event (a) of non-response to an OFO, or (b) the actions taken thereunder are insufficient to correct the system problem for which it was issued, or (c) there is insufficient time to carry out the procedures with respect to Action Alerts, Transporter may periodically take unilateral action, including the curtailment of firm service, to maintain the operational integrity of Transporter's system (or any portion thereof). For purposes of this section, the operational integrity of Transporter's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance (including the capability and performance of storage fields), the overall operating performance of the entire physical system as an entity (or any portion thereof) and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of gas delivered.

4. Critical Days: Transporter may call a Critical Day for all or part of its system provided that the conditions specified in this Section are met. The Critical Day shall be as localized as is reasonably practicable based on Transporter's good faith and reasonable judgment, beginning with individual points, followed by contracts, segments, zones and up to the entire system.

4.1 Critical Day One: In the event that Transporter determines, in its sole discretion, that due to the existence of one or more of the conditions set forth below, action is necessary to forestall the deterioration of operational conditions on its system, Transporter may call a Critical Day One. The conditions are:

- (a) Transporter has allocated limited capacity or curtailed scheduled quantities pursuant to Article IV, Sections 3 and 4 of the General Terms and Conditions and Shippers are in contravention of such capacity allocation or curtailment;
- (b) Transporter's operational storage levels are below 10% or above 90% of the total operational storage balance; and
- (c) Transporter is experiencing loss or an inability to maintain line pack.

4.2 Critical Day Two: In the event that Transporter determines, in its sole discretion, that two or more of the conditions set forth in Section 4.1 above exist, or that issuance of a Critical Day One has failed to cure the conditions that necessitated Transporter calling a Critical Day One, Transporter may call a Critical Day Two.

GENERAL TERMS AND CONDITIONS (continued)

X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS

4. Critical Days  
(continued)

- 4.3 Notice/Follow-up Reports: Transporter may call a Critical Day by posting notice of the Critical Day on its Interactive Website no later than 10:00 p.m. CCT to be effective by 9:00 a.m. CCT for the following Gas Day. In the event that Transporter determines that it must call a Critical Day Two due to failure of a Critical Day One to cure the conditions, Transporter shall call a Critical Day Two to be effective no earlier than 9:00 a.m. CCT for the Gas Day following the Gas Day that Critical Day One was in effect. Issuance of a Critical Day will be noticed in accord with the procedures set forth in Section 2.3 above. The Critical Day Notice will set forth (a) the time and date of issuance, (b) the time and date of its effectiveness, (c) whether it is a Critical Day One or Critical Day Two, (d) the affected area, (e) the actions that Transporter's customers are required to take in that area, (f) the anticipated duration, and (g) any other terms which Transporter may reasonably require to ensure the effectiveness of the Critical Day. For purposes of this Section 4, Transporter's customers are defined as any party who has executed a service agreement on Transporter's system, including transportation agreements, storage agreements, supply aggregation agreements, park and loan agreements, and balancing agreements, or their respective agents. On a quarterly basis, Transporter will provide a written report for Critical Days in the same manner as the reports required in Section 2.1.
- 4.4 Required Action: Upon issuance of a Critical Day, Transporter can request that customers adjust their nominations and receipt and/or delivery flow to equal a stated tolerance which shall be no less than their scheduled quantities, plus or minus the greater of 2% or 500 dth. Transporter can further require customers to adjust its hourly quantities such that the customer will deliver and receive gas in uniform hourly quantities during the day.
- 4.5 Compliance: An OFO Recipient must comply with a Critical Day within the time period set forth therein unless the OFO Recipient is able to demonstrate that such compliance (a) is not within its physical control or capability; (b) is prevented by operating conditions on a third party system which are beyond its control; (c) is precluded by contractual restrictions with persons other than Transporter; and/or (d) is prevented due to a force majeure event as defined in Article XII of Transporter's General Terms and Conditions. Provided that the OFO Recipient shall make a good faith effort to comply with any such OFO, including seeking waivers of any contractual limits with third parties or modifications of operating conditions on third party systems. OFO Recipient shall notify Transporter immediately if it believes that it is excused from compliance with the OFO for any of the above stated reasons, and shall provide Transporter with documentation sufficient to support its basis for non-compliance.



GENERAL TERMS AND CONDITIONS (continued)

X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS

4. Critical Days  
(continued)

4.6 Penalties: If a customer fails to comply with a Critical Day One, it shall be subject to a charge equal to \$5.00 plus the applicable Regional Daily Spot Price for each dekatherm of gas by which it deviates from the requirements of the Critical Day. Regional Spot Price means the highest spot price published in Natural Gas Intelligence for the day(s) on which, and for the region(s) in which, the Critical Day is in effect; provided that if the Critical Day is in effect on days on which no Natural Gas Intelligence is published, the applicable price(s) reflected in the most recently published Natural Gas Intelligence shall be used in assessing the charge. If a customer fails to comply with a Critical Day Two, it shall be subject to a charge equal to \$10.00 plus the applicable Regional Daily Spot Price for each dekatherm of gas by which it deviates from the requirements of the Critical Day. A customer will not incur any Critical Day charges if (a) such charges would not have been incurred but for its compliance with a Critical Day notice, (b) it can demonstrate to Transporter's satisfaction that its noncompliance with the Critical Day notice resulted in a benefit to the system, or (c) the volumes subject to the Critical Day charges were traded with an offsetting imbalance pursuant to the provisions of Rate Schedules LMS-MA and LMS-PA and the customer can demonstrate to Transporter's satisfaction that such trade resulted in a benefit to the system and that such trade did not result in the customer transporting gas through the Critical Day area.

5. Balancing Alerts: In the event that, in Transporter's judgment, the Action Alerts under Section 3 and Critical Days under Section 4 are not sufficient to address the situation fully or under circumstances in which the operational integrity of the system is more severely threatened, Transporter may issue Balancing Alerts.

5.1 Issuance of Alert: Balancing Alerts will be noticed in accord with the procedures set forth in Section 2.3 above and will be issued a minimum of eight hours prior to the required action.

5.2 Required Actions: Balancing Alerts can be issued to effect any of the following:

- (a) adjustments of transportation nominations such that their receipt and/or delivery flow equals their scheduled quantities;
- (b) restrictions on Balancing Agreements such that balancing parties will be required to assure that their scheduled quantities equal their flows or that receipts and deliveries fall within the tolerance level designated in the Alert ("OFO daily tolerance");
- (c) restrictions of deliveries to a specific point or points covered by a balancing agreement to the aggregate Transportation Quantity under the firm transportation agreements with primary delivery points at the effected locations ("OFO daily tolerance"); or
- (d) adjustments of hourly quantities such that the OFO Recipient must deliver and receive gas in uniform hourly quantities.

## GENERAL TERMS AND CONDITIONS (continued)

## X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS

5. Balancing Alerts  
(continued)

- 5.3 Compliance: An OFO Recipient must comply with a Balancing Alert within the time period set forth therein unless the OFO Recipient is able to demonstrate that such compliance (a) is not within its physical control or capability; (b) is prevented by operating conditions on a third party system which are beyond its control; (c) is precluded by contractual restrictions with persons other than Transporter; and/or (d) is prevented due to a force majeure event as defined in Article XII of Transporter's General Terms and Conditions. Provided that the OFO Recipient shall make a good faith effort to comply with any such OFO, including seeking waivers of any contractual limits with third parties or modifications of operating conditions on third party systems. OFO Recipient shall notify Transporter immediately if it believes that it is excused from compliance with the OFO for any of the above stated reasons, and shall provide Transporter with documentation sufficient to support its basis for non-compliance.
- 5.4 Penalties: If a Shipper, point operator, and/or OBA Holder fails to comply with a Balancing Alert it will be subject to a charge equal to \$15.00 plus the applicable Regional Daily Spot Price for each dekatherm of gas by which it deviates from the requirements of the Balancing Alert; provided that an OFO Recipient at a point at which flows are not subject to electronic flow monitoring will not be assessed the \$15.00/dth charge for any volumes by which it exceeds the requirements of the OFO during the first day the OFO is in effect; provided further that an OFO Recipient shall not incur any charges or penalties if (a) such charges or penalties would not have been incurred but for its compliance with a Balancing Alert, including any preliminary action taken in response to a warning issued by Transporter as a precondition to a Balancing Alert, or (b) it can demonstrate to Transporter's satisfaction that its noncompliance with the OFO resulted in a benefit to the system. "Regional Daily Spot Price" means the highest spot price published in Natural Gas Intelligence for the day(s) on which, and for the region(s) in which, the Balancing Alert is in effect; provided that if the Balancing Alert is in effect on days on which no Natural Gas Intelligence is published, the applicable price(s) reflected in the most recently published Natural Gas Intelligence shall be used in assessing the charge.
- 5.5 Liability of Transporter: Transporter shall not be liable for interruption or curtailment of firm services in connection with an OFO unless the interruption or curtailment was the direct result of Transporter's negligence or willful misconduct. Otherwise, Transporter shall not be liable for any costs incurred by an OFO Recipient in complying with an OFO including any damages that result from any party failing to comply promptly and fully with an OFO. A noncomplying party shall indemnify Transporter against any claims of liability.
- 5.6 Unilateral Action: In the event (a) of non-response to an OFO, or (b) the actions taken thereunder are insufficient to correct the system problem for which it was issued, or (c) there is insufficient time to carry out the procedures with respect to Balancing Alerts, Transporter may periodically take unilateral action, including the curtailment of firm service, to maintain the operational integrity of Transporter's system (or any portion thereof). For purposes of this section, the operational integrity of Transporter's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance (including the capability and performance of storage fields), the overall operating performance of the entire physical system as an entity (or any portion thereof) and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of gas delivered.

GENERAL TERMS AND CONDITIONS (continued)

X. PRESSURE OF GAS DELIVERY AND OPERATIONAL FLOW ORDERS: ACTION ALERTS, CRITICAL DAYS, BALANCING ALERTS, AND HYDROCARBON DEWPOINT LIMITATIONS  
(continued)

6. Hydrocarbon Dewpoint Operational Flow Orders (HDP OFO):

- 6.1 Transporter shall impose a Hydrocarbon Dewpoint limitation below the Hydrocarbon Dewpoint Safe Harbor (by issuing an HDP OFO) at a receipt point or Monitoring Point if Transporter determines that such HDP OFO is necessary to avoid an event that threatens the operational integrity of Transporter's System.
- 6.2 Issuance of an HDP OFO: An HDP OFO will be noticed in accord with the procedures set forth in Section 2.3 above and will be issued a minimum of eight hours prior to the required action.
- 6.3 Notwithstanding the above, an HDP OFO that reduces Transporter's Hydrocarbon Dewpoint Safe Harbor shall be applied in a manner consistent with the procedures set forth in Article II, Section 3.1(a).
- 6.4 With respect to an HDP OFO that sets a Hydrocarbon Dewpoint limit below Transporter's Hydrocarbon Dewpoint Safe Harbor, Transporter shall post on its Interactive Website within three Business Days a notice identifying the operational event giving rise to the HDP OFO with specificity, identifying the point(s) where the operational event threatened Transporter's operational integrity, identifying specific points upstream of the operational event and HDP Segments of Transporter's System affected by the HDP OFO. Transporter shall update this information as updates become available.
- 6.5 Failure to comply with an HDP OFO: An OFO Recipient must comply with an HDP OFO within the time period set forth in the HDP OFO Notice. An OFO Recipient shall notify Transporter immediately if it believes that it is excused from compliance with the HDP OFO, and shall provide Transporter with documentation sufficient to support its basis for non-compliance. Failure of an OFO Recipient to comply with an HDP OFO or provide Transporter with support for non-compliance may subject an OFO Recipient to a charge equal to \$15.00 plus the applicable Regional Daily Spot Price for each dekatherm of gas it delivers to Transporter that deviates from the requirements of an HDP OFO.
- 6.6 Unilateral Action: In the event (a) of non-response to an HDP OFO, or (b) the actions taken thereunder are insufficient to correct the HDP Problem for which it was issued, or (c) there is insufficient time to carry out the procedures with respect to an HDP OFO, Transporter may take unilateral action, including curtailment of pipeline services in accordance with these General Terms and Conditions, to maintain the operational integrity of Transporter's system (or any portion thereof). For purposes of this section, the operational integrity of Transporter's system shall encompass the preservation of physical assets and their performance and the ability to provide services at contracted levels.