



East Tennessee Natural Gas, LLC
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December 31, 2020

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

Re: *East Tennessee Natural Gas, LLC*
Motion to Place Suspended Tariff Records into Effect
Docket No. RP20-980-___

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act (“NGA”)¹ and Part 154 of the regulations of the Federal Energy Regulatory Commission (“FERC” or “Commission”),² specifically 18 C.F.R. Section 154.206(b), East Tennessee Natural Gas, LLC (“East Tennessee”) provides herein a motion to place the tariff records listed in Appendix A to this filing (“Motion Tariff Records”) into effect, subject to refund, as described more fully herein.

STATEMENT OF NATURE, REASONS AND BASIS (18 C.F.R. § 154.7(a)(6))

On June 30, 2020, in Docket No. RP20-980-000, East Tennessee filed revised tariff records, proposed to be effective on August 1, 2020, to reflect a general NGA Section 4 rate increase (“June 30 Filing”). On July 31, 2020, the Commission issued an “Order Accepting and Suspending Tariff Records, Subject to Refund, Condition, and Hearing Procedures” in the referenced docket (“July 31 Order”).³ Ordering Paragraph (A) of the July 31 Order accepted and suspended the tariff records filed in the June 30 Filing, to be effective January 1, 2021, subject to refund and to the outcome of the hearing procedures established by the July 31 Order.

In Ordering Paragraph (C) of the July 31 Order, the Commission ordered East Tennessee to remove costs related to facilities not placed into service before the effective date from the rates put into effect following suspension. Accordingly, concurrent with the instant filing and pursuant to Section 154.206(a) of the Commission’s regulations, East Tennessee is filing a motion to place into effect, on January 1, 2021, a revised tariff record to replace the tariff record suspended in the July 31 Order (“Concurrent Motion Filing”). The revised tariff record in the Concurrent Motion Filing has been adjusted to eliminate the costs associated with facilities that were not placed in service by November 30, 2020, the end of the Docket No. RP20-980 test period. The Concurrent

¹ 15 U.S.C. § 717c.

² 18 C.F.R. Part 154 (2020).

³ *East Tennessee Natural Gas, LLC*, 172 FERC ¶ 61,114 (2020).

Motion Filing explains all of the updates made to the tariff record filed therein. The purpose of this filing is to place into effect on January 1, 2021, the tariff records suspended in the July 31 Order for which no changes are required.

PROPOSED EFFECTIVE DATE AND MOTION TO PLACE SUSPENDED TARIFF RECORDS INTO EFFECT (18 C.F.R. §§ 154.7(a)(3), 154.7(a)(9))

Pursuant to Section 4(e) of the NGA, and Section 154.206(b) of the Commission's regulations, East Tennessee hereby moves to place into effect on January 1, 2021, the Motion Tariff Records listed in Appendix A hereto, that were initially filed in the June 30 Filing, and were thereafter accepted and suspended in the July 31 Order.

LIST OF TARIFF RECORDS (18 C.F.R. § 154.7(a)(5))

A list of the tariff records to which this motion filing applies is set forth in Appendix A to this transmittal letter. Clean and redlined versions of the Appendix A tariff records are included behind the tabs entitled "Clean Tariff Records" and "Redlined Tariff Records." The redlined version of the Appendix A tariff records reflects the changes from the currently effective tariff records.

LIST OF MATERIALS ENCLOSED (18 C.F.R. § 154.7(a)(1))

The following materials are submitted herewith in an XML package filed as a zip (compressed) file in accordance with the requirements of the eTariff program set forth in Order No. 714:⁴

1. This transmittal letter, including Appendix A;
2. The tariff records being revised, in RTF format with metadata attached, and a marked (redlined) version of the tariff records being superseded, showing all additions and deletions (in compliance with 18 C.F.R. § 154.201(a)), and utilizing the format obtained from the Commission's Public Information and Reference Branch (in compliance with 18 C.F.R. § 154.4); and
3. A certificate of service certifying that all materials listed in this "List of Materials Enclosed" section have been served on all affected customers, parties on the Commission's service list in Docket No. RP20-980-000, and interested state commissions in compliance with 18 C.F.R. § 154.208.

⁴ *Electronic Tariff Filings*, Order No. 714, III FERC Stats. & Regs., Regs. Preambles ¶ 31,276 (2008), *order establishing procedures*, 130 FERC ¶ 61,047, *order establishing baseline filing schedule*, 130 FERC ¶ 61,228 (2010), *final rule*, Order No. 714-A, III FERC Stats. & Regs. ¶ 31,356 (2014).

COMMUNICATIONS AND SERVICE (18 C.F.R. § 154.7(a)(2) and § 385.2010(c))

All correspondence and communications regarding this filing should be addressed to the following:

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* Persons designated to receive service pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure. East Tennessee respectfully requests that the Commission waive Rule 203(b)(3) in order to allow all designated representatives to be included on the Commission's official service list.

WAIVERS (18 C.F.R. § 154.7(a)(7))

While East Tennessee knows of no waivers that are necessary to permit this filing to become effective as requested, East Tennessee respectfully requests that, should the Commission determine that any such waivers are required, the Commission grant such waivers as are necessary to make this tariff filing effective as requested.

Ms. Kimberly D. Bose

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CERTIFICATE AND ELECTRONIC FILING (18 C.F.R. § 154.4, § 385.2011, and § 385.2005)

The undersigned certifies that she has read the filing and knows its contents; the contents are true as stated to the best knowledge and belief of the signer; and the signer possesses full power and authority to sign the filing.

POSTING AND SERVICE (18 C.F.R. §§ 154.2(d), §154.207 and § 154.208)

Copies of this filing are being posted in accordance with Section 154.207 of the Commission's regulations, 18 C.F.R. § 154.207. In accordance with Section 154.208 of the Commission's regulations, 18 C.F.R. § 154.208, copies of this filing are being served electronically on East Tennessee's customers and interested state commissions.

Respectfully submitted,

/s/ Lisa A. Connolly

Lisa A. Connolly

Director, Regulatory

East Tennessee Natural Gas, LLC

Attachments

cc: Marsha K. Palazzi

**APPENDIX A
TARIFF RECORDS**

Effective January 1, 2021

Fourth Revised Volume No. 1

<u>Version</u>	<u>Section (Description & Title, Narrative Name)</u>
	<i>Part 1 – Table of Contents</i>
4.0.0	Table of Contents
	<i>Part 5 – Rate Schedules</i>
2.0.0	6. IT-L Interruptible Lateral Transportation Service
5.0.0	8. LMS-MA Market Area Load Management Service
5.0.0	9. LMS-PA Pooling Area Load Management Service
	<i>Part 6 – General Terms and Conditions</i>
3.0.0	Index
1.0.0	25. Fuel and Loss Retention Percentage Adjustment
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CLEAN TARIFF RECORDS

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IT-L RATE SCHEDULE INTERRUPTIBLE LATERAL TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule is available for the transportation of natural gas on an interruptible basis by East Tennessee Natural Gas, LLC (hereinafter called Transporter) on any portion of Transporter's pipeline system designated as an Incremental Lateral for any Shipper:

- (a) that completes a valid request for interruptible service and executes an Interruptible Lateral Transportation Agreement ("IT-L Agreement") in the form set forth in this FERC Gas Tariff; and
- (b) to the extent that capacity is available on Transporter's system from time to time for the receipt of gas by Transporter and the redelivery by Transporter for the account of Shipper.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 The service rendered shall be the transportation of natural gas up to the Maximum Interruptible Quantity ("MIQ") specified in the IT-L Agreement performed under Sub-part G of Part 284 of the Commission's Regulations subject to the availability of capacity sufficient to provide the service without detriment or disadvantage to Transporter's firm lateral transportation customers.
- 2.2 Service shall be on an interruptible basis. Interruption of service includes decreasing, suspending, or discontinuing either the receipt or delivery of gas. Availability and interruption of interruptible lateral capacity shall be in accordance with Section 15 of the General Terms and Conditions.
- 2.3 Transporter may, but shall not be required to, install, operate or maintain any additional facilities in order to provide transportation service under this Rate Schedule.

3. DELIVERIES AND RECEIPTS

- 3.1 Receipt Points: All receipt points on the applicable Incremental Lateral covered by an OBA shall be available as receipt points for gas transported under this Rate Schedule. Transporter shall not be required under any circumstances to receive gas at any Receipt Point where (1) the total quantity of gas scheduled for receipt on any Day is less than that required for the accurate measurement of quantities to be received or (2) the total quantity of gas scheduled for receipt at that point is less than that required to operate compression facilities necessary to receive gas at such point.

- 3.2 Delivery Points: All delivery points on the applicable Incremental Lateral shall be available as delivery points for gas transported under this Rate Schedule. Transporter shall not be required under any circumstances to deliver gas at any Delivery Point where (1) the total quantity of gas scheduled for delivery on any Day is less than that required for the accurate measurement of quantities to be delivered or (2) the total quantity of gas scheduled for delivery at such point is less than that required to operate compression facilities necessary to deliver gas to such point.

4. RATES AND CHARGES

- 4.1 Transportation Rates: The Transportation Rate is the maximum IT-L rate shown on the effective Notice of Rates and Other Tariff Rate Changes, unless otherwise mutually agreed; provided, however, Transporter has the right at any time and from time to time to adjust the rate applicable to any transportation service upon notice to Shipper to any level not less than the minimum nor more than the maximum rates established for this Rate Schedule and set forth on the effective Notice of Rates and Other Tariff Rate Changes. By mutual agreement between Transporter and Shipper, discounts may be limited consistent with the provisions of Section 41 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

In the event Transporter and Shipper agree to establish a discounted rate pursuant to Section 41 of the General Terms and Conditions of Transporter's FERC Gas Tariff, said rate will be set forth in the Discount Confirmation sent to Shipper. Transporter shall file with the Commission the required reports of any adjustment below the maximum rate(s) for service under this Rate Schedule.

- 4.2 New Facilities: In addition to the charges pursuant to Section 4.1 of this Rate Schedule, Transporter shall charge Shipper an amount to reimburse 100% of the cost (including a gross up for the income tax effects of reimbursement) of facilities constructed at Shipper's request in order to provide transportation service under this Rate Schedule. Further, Transporter shall charge Shipper an amount to reimburse 100% of the cost (including a gross-up for the income tax effects of reimbursement) of all electronic custody transfer equipment, metering facilities, gravimeters, calorimeters, flow controllers and other measurement or metering facilities.
- 4.3 Incidental Charges: In addition to the charges pursuant to Section 4.1 and 4.2 of this Rate Schedule, Transporter shall charge Shipper an amount to reimburse Transporter 100% for any filing or similar fees and, if applicable, sales or use tax that have not been previously paid by Shipper, that Transporter incurs in establishing or rendering service. Transporter shall not use the amounts of incidental charges so collected as either costs or revenues in establishing its

general system rates. The applicable incidental charges shall be reflected on the IT-L Agreement.

4.4 [Reserved for Future Use]

4.5 Negotiated Rates: Notwithstanding any provision of Transporter's effective FERC Gas Tariff to the contrary, Transporter and Shipper may mutually agree in writing to rates, rate components, charges or credits for service under this Rate Schedule that differ from those rates, rate components, charges or credits that are otherwise prescribed, required, established or imposed by this Rate Schedule or by any other applicable provision of Transporter's effective FERC Gas Tariff. If Transporter agrees to such differing rates, rate components, charges or credits ("Negotiated Rates"), then the Negotiated Rate(s) shall be effective only for the period agreed upon by Transporter. During such period, the Negotiated Rate shall govern and apply to Shipper's service and the otherwise applicable rate, rate component, charge or credit, which the parties have agreed to replace with the Negotiated Rate, shall not apply to, or be available to, Shipper. At the end of such period, the otherwise applicable maximum rates or charges shall govern the service provided to Shipper. Only those rates, rate components, charges or credits identified by Transporter and Shipper in writing as being superseded by a Negotiated Rate shall be ineffective during the period that the Negotiated Rate is effective; all other rates, rate components, charges or credits prescribed, required, established or imposed by this Rate Schedule or Transporter's FERC Gas Tariff shall remain in effect. Transporter shall make any filings with the Commission necessary to effectuate a Negotiated Rate.

5. SCHEDULING AND CURTAILMENT

Transporter shall schedule interruptible transportation according to Section 15.3 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

6. FUEL AND LOSSES

Shipper shall furnish the quantity of gas required for fuel and losses associated with rendering transportation service pursuant to this Rate Schedule. NAESB WGQ Standard 1.3.16 states: Where fuel reimbursement is in kind, the standard fuel calculation mechanism, as this is related to the nomination process, should be $(1 - \text{fuel}\% / 100)$ multiplied by receipt quantity = delivery quantity. In accordance with this NAESB WGQ Standard, the quantity of gas retained by Transporter for fuel and losses shall equal the quantity of gas tendered at the receipt point multiplied by the applicable fuel and loss retention percentage shown on the effective Notice of Rates and Other Tariff Rate Changes of Transporter's effective FERC Gas Tariff. Once each calendar year, Transporter shall have the right to file with the Commission to change the quantity of gas required for fuel and losses for the facilities designated as an Incremental Lateral.

7. MONTHLY BILL

The Monthly Bill for service shall equal

- (a) The applicable IT-L Rate multiplied by the Dekatherms of natural gas transported and delivered by Transporter for Shipper during the Month pursuant to this Rate Schedule; and
- (b) If applicable, any other charges pursuant to Section 4 of this Rate Schedule.

8. WAIVER

Transporter may waive any rights hereunder or any obligations of Shipper hereunder on a basis that is not unduly discriminatory; provided that no waiver shall operate or be construed as a waiver of other or future rights or obligations, whether of a like or different character.

9. GENERAL TERMS AND CONDITIONS

- 9.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.
- 9.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.

**RATE SCHEDULE LMS-MA
LOAD MANAGEMENT (MARKET AREA) SERVICE**

1. AVAILABILITY

1.1 Transporter shall provide a monthly balancing service to persons (herein referred to as "Balancing Parties") who have executed a balancing agreement ("OBA" or "Balancing Agreement"). An OBA will be available to:

- (a) the operator of connecting facilities at a delivery point(s) on Transporter's system;
- (b) a pipeline operator whose facilities interconnect with Transporter's system;
- (c) a market aggregator ("Aggregator") who has obtained written consent from one or more delivery point operators authorizing Aggregator to operate the delivery points, which authorization shall include, but not be limited to, changing physical flows at stated delivery points; provided, however, the sum of the MDDOs at all points covered by an Aggregator's OBA may not exceed 25% of Transporter's maximum daily firm delivery obligation under Rate Schedules FT-A, FT-GS, and FT-L for all Shippers. A list of Shippers on whose behalf an Aggregator is acting shall be attached to the Aggregator's OBA as Exhibit A.

1.2 [Reserved for Future Use]

2. APPLICABILITY

The terms, conditions, and charges set forth in this Rate Schedule governing daily variances and monthly balancing shall apply to all gas flowing through meters covered by an OBA. A delivery point OBA may cover an unlimited number of points designated as Primary Delivery Points under an FT-GS Agreement(s), or an unlimited number of points designated as Primary Delivery Points under an FT-A Agreement, or an unlimited number of points designated as Primary Delivery Points under an FT-L Agreement. A single OBA may not cover points designated as Primary Delivery Points on Agreements under more than one firm rate schedule.

3. SCHEDULING AND CONFIRMATION BY BALANCING PARTY

The Balancing Party will submit Confirmations to Transporter via LINK® by Transporter's confirmation deadline(s) set forth in Section 15 of Transporter's General Terms and Conditions. The Balancing Party's Confirmation shall specify the quantity to be transported by each Shipper to Balancing Party's delivery point(s).

4. DAILY VARIANCES

The daily variance shall be the aggregate of the differences between the Scheduled Quantities at all delivery points covered by the OBA and the actual quantity of gas delivered by Transporter at all such points within the time period that the Scheduled Quantities were in effect during any Day.

5. BALANCING OBLIGATION

Based upon the best information available, a Balancing Party shall take action to correct any imbalances occurring during the Month by making adjustments in nominations or deliveries. If Balancing Party fails to take such corrective action, then Transporter may, upon 48 hours notice, adjust Balancing Party's scheduled deliveries over the remainder of the calendar month in order to maintain a balance of deliveries and nominations, provided Transporter determines that such action is necessary to maintain the operational integrity of the system or to enable Transporter to meet its firm obligation to its other Shippers.

6. MAD SERVICE CHARGE

6.1 On any day, Transporter may, based on a good faith belief that such action is necessary and appropriate to protect system integrity and ensure firm deliveries, upon 8 hours prior notice via LINK®, invoke its right to assess a MAD Service Charge in accordance herewith. Transporter shall also provide notification of its intent to invoke its right to assess a MAD Service Charge via e-mail communication to all customers who have provided e-mail address information for at least one contact person, via Transporter's Web site to receive e-mail notification of critical notices issued by Transporter, or in the event of known failure of Internet notification, Transporter will notify affected customers by telefacsimile. Transporter shall have the right to assess a MAD Service Charge of fifteen dollars (\$15) per DTH on quantities taken in excess of a Balancing Party's Maximum Allowed Deliveries ("MAD") plus a 2% allowable variation or 50 Dth, whichever is greater. A Balancing Party's MAD shall be calculated as follows:

$$[A+B] - C = \text{Balancing Party's MAD}$$

where A = the sum of the MDDOs at all Primary Delivery Points for all firm contracts covered by the Balancing Party's Balancing Agreements (excluding any firm rights from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability)

B = any other quantities not included in A above scheduled by Transporter at a point covered by the Balancing Party's Balancing Agreement (including any firm quantities scheduled for delivery

from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability, but excluding any firm quantities scheduled at the interconnection between Transporter's mainline system and any lateral for which service is provided pursuant to Rate Schedules FT-L and/or IT-L)

C = quantities scheduled at Secondary Delivery Points under firm contracts that name a point covered by the Balancing Party's Balancing Agreement as a Primary Delivery Point (excluding any firm rights from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability)

Transporter shall post on LINK® the sum of the MDDOs at all Primary Delivery Points for all firm contracts covered by each Balancing Party's Balancing Agreement (excluding any firm rights from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability and/or at the interconnection between Transporter's mainline system and any lateral for which service is provided pursuant to Rate Schedules FT-L and/or IT-L).

- 6.2 Balancing Party shall not be subject to MAD Service Charges under this Section 6 where Balancing Party is able to demonstrate that it is prevented from compliance with this Section 6 due to an event excusing performance as defined in Section 24 of Transporter's General Terms and Conditions. Balancing Party shall notify Transporter immediately if it believes that it is excused from compliance, and shall provide Transporter with documentation sufficient to support its basis for non-compliance.
- 6.3 In addition to the remedy set forth in Section 6.1 above, in the event a Balancing Party takes gas in excess of the MAD, and Transporter believes it is necessary to take actions (i.e., buying or selling gas, etc.) to maintain system integrity or to prevent interrupting firm service, Transporter shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If Transporter takes these actions, it shall be made whole by the Balancing Party that failed to observe the MAD for all costs that Transporter incurs.
- 6.4 In addition to Balancing Party's rights set forth in Section 6.2 above, Balancing Party may elect the Storage Delivery Option ("SDO"). SDO enables Balancing Party to resolve quantities taken in excess of Balancing Party's MAD MDTQ by allocating those excess quantities to Balancing Party's storage account up to the lesser of Balancing Party's MDTQ on a designated FT-A transportation agreement(s) or Balancing Party's storage maximum daily withdrawal quantity on a designated storage agreement(s). If Balancing Party nominates and Transporter

schedules any volumes on the designated FT-A Agreement(s) and/or designated storage agreement(s), Balancing Party's MDTQ and/or storage maximum daily withdrawal quantity available for SDO shall be reduced accordingly to reflect those scheduled volumes. Under SDO, once Transporter has allocated quantities to Balancing Party's storage account up to the lesser of Balancing Party's MDTQ, storage maximum daily withdrawal quantity or storage balance, any excess quantities will be subject to MAD Service Charges. SDO will be available at all delivery points covered by an OBA, and for receipts from Transporter's LNG facilities and/or Third Party Provider ("TPP") storage points which are attached to Transporter's system and are covered by a Balancing Agreement under Rate Schedule LMS-PA and a TPP amendment.

- (a) Requirements: Balancing Party must provide at least eight (8) hours prior notice to Transporter of its election of SDO, to be effective the next Gas Day or concurrent with Transporter's notification of its intent, pursuant to Section 6.1 above, to invoke its right to assess MAD Service Charges. Balancing Party must hold contracts for transportation under Transporter's Rate Schedule FT-A and contracts for storage attached to Transporter's system. At the time of its notice of its election, Balancing Party must rank consecutively the storage contracts designated for SDO if more than one contract is to be used. Balancing Party's election of SDO shall remain in effect until termination of SDO pursuant to Section 6.4(c) of this Rate Schedule, or Balancing Party has exceeded its storage balance available for SDO whichever is earlier.
- (b) Nominations for SDO:
 - (i) Under SDO, Transporter will nominate Balancing Party's designated FT-A Agreement(s) from the storage receipt(s) to the delivery points(s) covered by Balancing Party's OBA and at which the excess takes occurred.
 - (ii) Transporter will nominate a quantity up to the lesser of Balancing Party's MDTQ or storage maximum daily withdrawal quantity. Any volumes nominated by Balancing Party and scheduled by Transporter on the designated FT-A Agreement(s) and/or the designated storage agreements will reduce the MDTQ and/or storage maximum daily withdrawal quantity available for SDO.
 - (iii) Balancing Party must verify the quantity of gas scheduled for delivery at the delivery point(s) within two (2) Business Days from the Day the gas was delivered. Transporter will nominate the quantities to be withdrawn from the storage account for SDO after Balancing Party has verified the quantities delivered, but no later than five days after the last Day of the Month. Balancing Party's

failure to provide accurate verifications of quantities of gas delivered may result in termination of SDO after eight (8) hours' prior notice from Transporter.

- (iv) Any Balancing Party electing SDO and utilizing Transporter's LNG facilities shall pay to Transporter the applicable LNGS rate(s) as set forth in the LNGS Rate Schedule and the Notice of Rates and Other Tariff Rate Changes of this Tariff for the withdrawals from storage. In addition, any Balancing Party electing SDO shall pay to Transporter a "Transportation Component." The Transportation Component for SDO shall be equal to the applicable commodity rate, plus fuel, under Transporter's FT-A Rate Schedule, multiplied by the volumes in excess of the MAD MDTQ.
- (c) Upon eight (8) hours' prior notice to Balancing Party, Transporter has the right to terminate SDO for Balancing Party's violation of any provisions of this Section 6.4. Balancing Party has the right, at its sole discretion, to terminate SDO with eight (8) hours prior notice to Transporter, effective at the beginning of the next Gas Day.
- (d) Balancing Party may only utilize a TPP storage point(s) for SDO upon the TPP's execution of both a Balancing Agreement under Rate Schedule LMS-PA and a TPP Amendment.

7. IMBALANCE RESOLUTION PROCEDURES AND CASHOUT

- 7.1 MAD Service Charge: A Balancing Party subject to cashout may also be subject to a MAD Service Charge as set forth in Section 6.
- 7.2 Resolution of Monthly Imbalances: During the Month, an LMS-MA Balancing Party that has elected the Cash-out Option may use any or all of Transporter's Imbalance Management Services, as defined in Section 1 of the General Terms and Conditions, to reduce or eliminate the monthly cash-out liability. An LMS-MA Balancing Party may trade an imbalance with other LMS-MA or LMS-PA Balancing Parties, in accordance with Section 7.4 below, until the close of the seventeenth Business Day after the end of the Month during which the imbalances occurred. Any imbalance(s) not resolved via any of the Imbalance Management Services will be resolved pursuant to Section 7.5 herein.
- 7.3 Imbalance Management Services: The Imbalance Management Services offered by Transporter are identified in Section 1 of the General Terms and Conditions. Details of each service are included in the applicable Rate Schedule and Form of Service Agreement contained in this tariff, or in Section 7.4 below.

- 7.4 **Imbalance Trading:** LMS-MA Balancing Parties subject to cashout will be allowed to trade imbalances occurring during the Month with other LMS-MA or LMS-PA Balancing Parties. Supply aggregators under Rate Schedule SA will be allowed to trade imbalances occurring during the Month with other supply aggregators within the same Pooling Area that are subject to this Rate Schedule.

Transporter shall allow LMS-MA Balancing Parties to trade imbalances with other LMS-MA or LMS-PA Balancing Parties within the same Operational Impact Area, as defined in Section 1 of the General Terms and Conditions, if the two Balancing Parties' imbalances are offsetting balancing for the Month, such that the net imbalance for each Balancing Party after the completion of the trade would be reduced to a quantity closer to zero.

When imbalances are traded, a Transportation Trade Component shall be determined for each of the imbalances to be traded. For each LMS-PA imbalance to be traded, the Transportation Trade Component shall be deemed to be zero. For each LMS-MA imbalance to be traded, the Transportation Trade Component shall be equal to (1) Transporter's commodity rate under Rate Schedule FT-A, FT-GS, or FT-L, as applicable, multiplied by the traded quantity, plus (2) an additional amount to cover Transporter's cost of gas for the system fuel and use and lost and unaccounted for gas. The additional amount shall be calculated by multiplying the amount of fuel necessary to transport the traded quantity on Transporter's system by the Average Price as defined in Section 7.5(c)(i) below.

For a Balancing Party with a due pipeline imbalance, Transporter shall assess a charge equal to the calculated Transportation Trade Component by including the charge in the Balancing Party's invoice for the Month in which the trade was finalized. For a Balancing Party with a due Shipper imbalance, Transporter shall reflect a credit equal to the calculated Transportation Trade Component on the Balancing Party's invoice for the Month in which the trade was finalized.

Transporter will provide the ability to post and trade imbalances at any time during the Month, and until the seventeenth Business Day after the end of the Month during which the imbalances occurred. To facilitate the trading process, Transporter will, upon receipt of LMS-MA Balancing Party's authorization, post an LMS-MA Balancing Party's imbalance quantity on its Web site. An authorization to Post Imbalances (pursuant to NAESB WGQ Standard No. 2.4.9) that is received by Transporter by 11:45 a.m. will be effective by 8:00 a.m. the next Business Day. An Authorization to Post Imbalances will remain in effect until cancelled by the LMS-MA Balancing Party. An imbalance that is previously authorized for posting shall be posted on or before the ninth Business Day of the Month; however, Transporter will not be required to post zero imbalances. The information posted will identify the LMS-MA Balancing Party, the contract number, the Operational Impact Area and the Month applicable to the posted

imbalance quantity. Transporter will provide to all Customers the ability to view, and upon request, download posted imbalance information.

When trading imbalances, the quantity to be traded must be specified. An imbalance trade can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. An imbalance trade is considered final when confirmed by the confirming trader and effectuated by Transporter. Transporter shall update the LMS-MA Balancing Party's imbalance data to reflect any final trades of imbalance quantities no later than 9:00 a.m. CT on the next Business Day after the trade is finalized.

- 7.5 Monthly Imbalances: The LMS-MA Balancing Party's monthly imbalance shall be the net total of daily variances from all points covered by the LMS-MA Balancing Party's OBA(s) adjusted for make-up quantities and imbalance trades, with the exception that monthly imbalances created on that portion of Transporter's system not designated as an Incremental Lateral shall not be netted against monthly imbalances created on that portion of Transporter's system designated as an Incremental Lateral. For supply aggregators under Rate Schedule SA, the daily variance shall be the difference, by Pooling Area, between actual deliveries under the Supply Aggregation Service Agreement and the actual quantities received at all points covered by such Agreement. In addition, unless Transporter and the Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each Month Transporter and the Balancing Party shall "cashout" any imbalance between Scheduled Quantities and actual deliveries. Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled volumes for the Month for all applicable points, then multiply by 100, to determine the % monthly imbalance.
- (a) If the monthly imbalance is due to an excess of Scheduled Quantities relative to actual deliveries, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party shall sell to Transporter, and Transporter shall buy from the Balancing Party, in accordance with the formula listed in Section 7.5(c) below. If the monthly imbalance is due to an excess of actual deliveries relative to Scheduled Quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party, and Balancing Party shall buy from Transporter, in accordance with the formula listed in Section 7.5(c) below. In addition to the cash out of the monthly imbalance: (A) Balancing Party shall pay to Transporter the "Transportation Component" if total actual quantities delivered are greater than Scheduled Quantities, or (B) Transporter shall pay to the Balancing Party the "Transportation Component" if total actual quantities delivered are less than Scheduled Quantities. The "Transportation Component" shall be equal to (1) Transporter's commodity rate under Rate Schedule

FT-A, FT-GS, or FT-L, as applicable, multiplied by the monthly imbalance, plus (2) an additional amount to cover Transporter's cost of gas for the system fuel and use and lost and unaccounted for gas. The additional amount shall be calculated by multiplying (1) the amount of fuel necessary to transport the imbalance on Transporter's system by (2) the Average Price as defined in Section 7.5(c)(i) below.

- (b) The amounts due hereunder shall be paid in accordance with Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.
- (c) (i) The Balancing Party (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable market area prices described below.

For each Month, the monthly "Low Price" or "LP" for the Market Area shall be established by taking the lowest of the Low Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

For each Month, the monthly "High Price" or "HP" for the Market Area shall be established by taking the highest of the High Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

For each Month, the monthly "Average Price" or "AP" for the Market Area shall be determined by taking the simple arithmetic average of the Midpoint prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

In the event that these prices are no longer available or valid, Transporter will file to change its tariff and may, at its discretion, select a representative price in the interim period, subject to refund. In the event that a more representative posting is established, Transporter will file to change its tariff.

- (ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as calculated according to Section 7.5 of this Rate Schedule) or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' actual imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7.5(c)(ii) of this Rate Schedule LMS-MA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7.5(c)(ii) of this Rate Schedule LMS-MA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances (I=P-N).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the Month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(A) If $I \geq 0$ then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances =
$$\frac{(\text{abv}(I) \times LP)}{P} + \frac{(N \times AP)}{P}$$

(B) If $I < 0$ then:

- Price for negative imbalances =
$$\frac{(\text{abv}(I) \times HP)}{N} + \frac{(P \times AP)}{N}$$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP

(iii) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.5 of this Rate Schedule) and greater than 1,000 Dth, the actual negative imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier	Price
0 - 5%	100% of HP

>	5%	-	10%	115% of HP
>	10%	-	15%	130% of HP
>	15%	-	20%	140% of HP
>	20%	-		150% of HP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the HP. Volumes making up the remaining 2% of the imbalance are priced at 115% of the HP.

- (iv) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.5 of this Rate Schedule) and greater than 1,000 Dth, the actual positive imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier				Price
	0	-	5%	100% of LP
>	5%	-	10%	85% of LP
>	10%	-	15%	70% of LP
>	15%	-	20%	60% of LP
>	20%	-		50% of LP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the LP. Volumes making up the remaining 2% of the imbalance are priced at 85% of the LP.

- (d) Access to Information - Transporter will make available within one Business Day following the Gas Day the best information it has concerning the total physical deliveries. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated deliveries at all delivery points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the Gas Day, the information regarding the scheduled and allocated deliveries shall become "Operational Data" and operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the Month. Imbalances will be cashed out on the basis of actual deliveries and

Scheduled Quantities; provided that the Imbalance Tier and tiered pricing associated with imbalances will be based upon the lesser of (1) the monthly operational imbalance reported by Transporter based upon the Operational Data or (2) the monthly imbalance based upon actual receipts and deliveries at such locations; provided that, if the monthly imbalance reported by Transporter as of the 20th day of the calendar month based upon Electronic Data is subsequently adjusted during the remainder of the Month and (1) such adjustments materially increase the level of the imbalance and (2) the Balancing Party did not have adequate time to correct the imbalance by adjusting nominations, or deliveries, then the Imbalance Tier associated with imbalances at points where Electronic Data is available will be based upon the lesser of (a) the imbalance reported as of the 20th day of the calendar month plus the imbalance reported for each subsequent Day in the calendar month or (b) the monthly imbalance based upon actual delivery at such points to the extent the Balancing Party documents the situation. Notwithstanding anything to the contrary, if the Electronic Data at any point is inaccurate, through no fault of Transporter, but rather as the result of the action or inaction of third parties, then the Imbalance Tier associated with monthly imbalances occurring at such points will be based upon actual deliveries.

- (e) Limitation on Tiered Pricing - Any imbalances caused by an event of force majeure as set forth in Section 24 of the General Terms and Conditions of Transporter's FERC Gas Tariff or caused by Transporter's actions (1) will not be included in the calculation of the total monthly imbalance for purposes of determining the appropriate cash-out level and (2) will be cashed out at the 0-5% tolerance level, as set forth in Section 7.5.
- (f) Disposition of Charges: At the conclusion of each annual period, Transporter will determine the net cashout activity under its LMS Rate Schedules and Section 8 of Rate Schedule PAL. In the event that charges collected by Transporter under its cashout provisions exceed the actual cost of providing service under this Rate Schedule, Transporter shall credit such excess revenues to all eligible Balancing Parties. In the event that charges collected by Transporter under its cashout provisions are less than the actual cost of providing service under this Rate Schedule, Transporter shall charge such deficient revenues to all eligible Balancing Parties. Credits or charges, as applicable, shall be applied based on volumes transported during each Month during the past year. Such proration shall be based on the imbalances cashed out versus imbalances swung to storage. Any credits due hereunder shall be made, and any charges hereunder shall be invoiced, within 45 days following approval by the Federal Energy Regulatory Commission of Transporter's report and refund/collection plan concerning such credits. Within 150 days after

each anniversary of the Implementation Date, Transporter will file a report and refund/collection plan with the Commission.

- 7.6 Operational Integrity - Nothing in this Section 7 shall limit Transporter's right to take action as may be required to adjust deliveries of gas in order to alleviate conditions that threaten the integrity of its system.

8. GENERAL TERMS AND CONDITIONS

- 8.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.
- 8.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.

**RATE SCHEDULE LMS-PA
LOAD MANAGEMENT (POOLING AREA) SERVICE**

1. AVAILABILITY

1.1 Transporter shall provide a monthly balancing service to parties (herein referred to as "Balancing Parties") who have executed an Operational Balancing Agreement ("OBA") for use at receipt points. A Receipt Point OBA will be available to:

- (a) the operator of connecting facilities at a receipt point(s) on Transporter's system;
- (b) a pipeline operator whose facilities interconnect with Transporter's system;
- (c) A supply aggregator ("Aggregator") who has obtained consent from two or more receipt point operators authorizing the Aggregator to operate such points, which authorization shall include, but not be limited to, changing physical flow at receipt points; provided however that the sum of all the MDROs at all points covered by one Aggregator's Balancing Agreement shall not exceed 5,000 Dth.

2. APPLICABILITY

The terms, conditions, and charges set forth in this Rate Schedule governing daily variances and monthly balancing shall apply to all gas flowing through meters covered by a Receipt Point OBA. A Receipt Point OBA may cover an unlimited number of points designated as Primary Receipt Points under FT-A and/or FT-GS Agreement(s), or an unlimited number of points designated as Primary Receipt Points under an FT-L Agreement, subject to the limitation in Section 1.1(c) above. A single Receipt Point OBA may not cover points on that portion of Transporter's system designated as an Incremental Lateral and points on that portion of Transporter's system not designated as an Incremental Lateral.

3. SCHEDULING AND CONFIRMATION BY BALANCING PARTY

The Balancing Party will submit Confirmations to Transporter via LINK® by Transporter's confirmation deadline(s) set forth in Section 15 of Transporter's General Terms and Conditions. The Balancing Party's Confirmation shall specify the quantity to be transported by each Shipper to or from Balancing Party's receipt point.

4. DAILY VARIANCES

- 4.1 The daily variance shall be the difference between the total Scheduled Quantity at that point and the actual quantity delivered into Transporter's system at that point on any Day.
- 4.2 A Balancing Party may be subject to an Action Alert Penalty or a Balancing Alert Penalty for quantities delivered above the Daily Limit as set forth in Section 5.
- 4.3 Based upon the best information available, a Balancing Party shall take action to correct any imbalances occurring during the Month by making adjustments in nominations or receipts. If Balancing Party fails to take such corrective action, then Transporter may, upon 48 hours notice, adjust Balancing Party's scheduled receipts over the remainder of the calendar month in order to maintain a balance of receipts and nominations.

5. DELIVERIES IN EXCESS OF DAILY LIMIT

- 5.1 On any Day on which Transporter has issued an Operational Flow Order ("OFO") affecting Balancing Party's point pursuant to Section 14 of Transporter's General Terms and Conditions, and Balancing Party delivers gas in excess of the Daily Limit applicable to the receipt point, such Balancing Party shall be subject to an Action Alert Penalty or a Balancing Alert Penalty, as applicable, as set forth in Section 14.9 of Transporter's General Terms and Conditions for each Dth of excess quantities delivered beyond a two percent allowable variation. The Daily Limit shall be stated in the OFO.
- 5.2 In addition to the remedy set forth in 5.1 above, in the event Balancing Party delivers gas in excess of the Daily Limit applicable to the receipt point and Transporter believes it is necessary to take actions (i.e., buying or selling gas, etc.) to maintain system integrity or to prevent interrupting firm service, Transporter shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If Transporter takes these actions, it shall be made whole by the Balancing Party that failed to observe the Daily Limit for all costs that Transporter incurs.
- 5.3 Any penalty revenue collected by Transporter pursuant to this Section 5 will be credited to Non-offending LMS-PA Balancing Parties pursuant to Section 47.4 of the General Terms and Conditions of this FERC Gas Tariff.

6. IMBALANCE TRADING

LMS-PA Balancing Parties will be allowed to trade imbalances occurring during the Month. Transporter shall allow LMS-PA Balancing Parties to trade imbalances with other LMS-MA or LMS-PA Balancing Parties within the same Operational Impact Area, as defined in Section 1 of the General Terms and Conditions, if the two Balancing Parties' imbalances are offsetting balances for the Month, such that the net imbalance for each

Balancing Party after the completion of the trade would be reduced to a quantity closer to zero.

A Transportation Component for each imbalance to be traded will be calculated and applied pursuant to Section 7.4 of Rate Schedule LMS-MA.

Transporter will provide the ability to post and trade imbalances at any time during the Month, and until the seventeenth Business Day after the end of the Month during which the imbalances occurred. To facilitate the trading process, Transporter will, upon receipt of an LMS-PA Balancing Party's authorization, post an LMS-PA Balancing Party's imbalance quantity on its Web site. An authorization to Post Imbalances (pursuant to NAESB WGQ Standard No. 2.4.9) that is received by Transporter by 11:45 a.m. will be effective by 8:00 a.m. the next Business Day. An Authorization to Post Imbalances will remain in effect until cancelled by the LMS-PA Balancing Party. An imbalance that is previously authorized for posting shall be posted on or before the ninth Business Day of the Month; however, Transporter will not be required to post zero imbalances. The information posted will identify the LMS-PA Balancing Party, the contract number, the Operational Impact Area and the Month applicable to the posted imbalance quantity. Transporter will provide to all Customers the ability to view, and upon request, download posted imbalance information.

When trading imbalances, the quantity to be traded must be specified. An imbalance trade can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. An imbalance trade is considered final when confirmed by the confirming trader and effectuated by Transporter. Transporter shall update the LMS-PA Balancing Party's imbalance data to reflect any final trades of imbalance quantities no later than 9:00 a.m. CT on the next Business Day after the trade is finalized.

7. MONTHLY IMBALANCES

7.1 The LMS-PA Balancing Party's monthly imbalance shall be the net total of daily variances from all points covered by the LMS-PA Balancing Party's OBA(s) adjusted for make-up quantities and imbalance trading transactions, with the exception that monthly imbalances created on that portion of Transporter's system not designated as an Incremental Lateral shall not be netted against monthly imbalances created on that portion of Transporter's system designated as an Incremental Lateral. Unless Transporter and the Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each Month Transporter and the Balancing Party shall "cash out" any imbalance between Scheduled Quantities and actual receipts. To determine the % monthly imbalance, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total Scheduled Quantities for all Days of the Month for all points covered by the Balancing Agreement, then multiply by 100.

- 7.2 (a) If the monthly imbalance is due to an excess of actual receipts relative to Scheduled Quantities, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party/Shipper shall sell to Transporter, and Transporter shall buy from the Balancing Party/Shipper, in accordance with the formula listed in Section 7.2(a) of this Rate Schedule. If the monthly imbalance is due to a deficiency in actual receipts relative to Scheduled Quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party/Shipper, and Balancing Party/Shipper shall buy from Transporter, in accordance with the formula listed in Section 7.2(a)(ii).

The amounts due hereunder shall be paid in accordance with Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

- (i) The Balancing Party or Shipper (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable prices described below.
- (A) For each Month, the monthly "Low Price" or "LP" for each Market Area shall be established by taking the lowest of the Low Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.
- (B) For each Month, the monthly "High Price" or "HP" for each Market Area shall be established by taking the highest of the High Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.
- (C) For each Month, the monthly "Average Price" or "AP" for each Market Area shall be determined by taking the simple arithmetic average of the Midpoint prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

In the event that these prices are no longer available or valid, Transporter will file to change its tariff and may, at its discretion, select a representative price in the interim period, subject to refund. In the event that a more representative posting is established, Transporter will file to change its tariff.

- (ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as calculated according to Section 7.1 of this Rate Schedule)

or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances (I=P-N).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the Month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(A) If $I \geq 0$ then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances =
$$\frac{(\text{abv}(I) \times LP)}{P} + \frac{(N \times AP)}{P}$$

(B) If $I < 0$ then:

- Price for negative imbalances =
$$\frac{(\text{abv}(I) \times HP)}{N} + \frac{(P \times AP)}{N}$$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP

(iii) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual negative imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier				Price
	0	-	5%	100% of HP
>	5%	-	10%	115% of HP
>	10%	-	15%	130% of HP
>	15%	-	20%	140% of HP
>	20%	-		150% of HP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the HP. Volumes making up the remaining 2% of the imbalance are priced at 115% of the HP.

- (iv) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual positive imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier				Price
	0	-	5%	100% of LP
>	5%	-	10%	85% of LP
>	10%	-	15%	70% of LP
>	15%	-	20%	60% of LP
>	20%	-		50% of LP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the LP. Volumes making up the remaining 2% of the imbalance are priced at 85% of the LP.

- (b) Access to Information - Transporter will make available within one Business Day following the Gas Day the best information it has concerning the total physical receipts. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated receipts at all receipt points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the Gas Day, the information

regarding the scheduled and allocated receipts shall become "Operational Data" and operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the Month. Imbalances will be cashed out on the basis of actual receipts and Scheduled Quantities; provided that the Imbalance Tier and tiered pricing associated with imbalances will be based upon the lesser of (1) the monthly operational imbalance reported by Transporter based upon the Operational Data or (2) the monthly imbalance based upon actual receipts and receipts at such locations; provided that, if the monthly imbalance reported by Transporter as of the 20th day of the calendar month based upon Electronic Data is subsequently adjusted during the remainder of the Month and (1) such adjustments materially increase the level of the imbalance and (2) the Balancing Party did not have adequate time to correct the imbalance by adjusting nominations or receipts, then the Imbalance Tier associated with imbalances at points where Electronic Data is available will be based upon the lesser of (a) the imbalance reported as of the 20th day of the calendar month plus the imbalance reported for each subsequent Day in the calendar month or (b) the monthly imbalance based upon actual receipts at such points to the extent the Balancing Party documents the situation. Notwithstanding anything to the contrary, if the Electronic Data at any point is inaccurate, through no fault of Transporter, but rather as the result of the action or inaction of third parties, then the Imbalance Tier associated with monthly imbalances occurring at such points will be based upon actual receipts.

- (c) Limitation on Tiered Pricing - Any imbalances caused by an event of force majeure as set forth in Section 24 of the General Terms and Conditions of Transporter's FERC Gas Tariff or caused by Transporter's actions (1) will not be included in the calculation of the total monthly imbalance for purposes of determining the appropriate cash-out level and (2) will be cashed out at the 0-5% tolerance level, as set forth in 7.2 above.
- (d) Operational Integrity - Nothing in this Section 7 shall limit Transporter's right to take action as may be required to adjust receipts and deliveries of gas in order to alleviate conditions that threaten the integrity of its system.

8. DISPOSITION OF CHARGES

At the conclusion of each annual period, Transporter will determine the net cashout activity under its LMS Rate Schedules and Section 8 of Rate Schedule PAL. In the event that charges collected by Transporter under its cashout provisions exceed the actual cost of providing service under this Rate Schedule, Transporter shall credit such excess revenues to all eligible Balancing Parties. In the event that charges collected by Transporter under its cashout provisions are less than the actual cost of providing service under this Rate Schedule, Transporter shall charge such deficient revenues to all eligible

Balancing Parties. Credits or charges, as applicable, shall be applied based on volumes transported during the past year. Any credits due hereunder shall be made, and any charges hereunder shall be invoiced, within 45 days following approval by the Federal Energy Regulatory Commission of Transporter's report and refund/collection plan concerning such credits. Within 150 days after each anniversary of the Implementation Date, Transporter will file a report and refund/collection plan with the Commission.

9. GENERAL TERMS AND CONDITIONS

- 9.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.
- 9.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.

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25. FUEL AND LOSS RETENTION PERCENTAGE ADJUSTMENT

25.1 Fuel and Loss Retention Percentage Adjustment

The Fuel and Loss Retention Percentage will be established by calculating a percentage for compressor fuel, other company use and lost and unaccounted for Gas for Transporter's facilities based upon appropriate engineering principles. On each May 1, the Fuel and Loss Retention Percentage will be redetermined by dividing Transporter's projection for the next 12 Months beginning May 1 of fuel usage and any lost and unaccounted for Gas for Transporter's facilities, by Transporter's projection of applicable deliveries for the account of Shippers for the next 12 Months beginning May 1. The resulting percentage will go into effect on May 1. Transporter may file interim proposals between annual filings subject to approval by the Commission.

25.2 Fuel Adjustment Account

- (a) Transporter shall maintain a separate Fuel Adjustment Account. This account shall be credited for all sales of excess fuel collected under Fuel and Loss Retention Percentage, debited for all purchases for fuel and loss and further adjusted for any under- or over-realization of compressor fuel, other company use and lost and unaccounted for Gas.
- (b) Each Month the Fuel Adjustment Account shall be debited (if the balance in said account is a debit balance) or shall be credited (if the balance in said account is a credit balance) for a carrying charge, which shall be determined by the product of (1) and (2) below:
 - (1) The cash balance in the Fuel Adjustment Account, exclusive of carrying charges accrued pursuant to this subsection (b), net of the related deferred tax amounts, if any, as of the end of the immediately preceding Month.
 - (2) The annual interest rate as set forth from time to time in Section 154.501 of the Commission's regulations divided by 365, or 366 in a leap year, and then multiplied by the number of days in the applicable Month.

25.3 Fuel Adjustment Account Refund or Surcharge

- (a) The net balance of the Fuel Adjustment Account determined in Section 25.2, for the twelve-month accumulation period through each October 31 will be refunded or recovered from Shippers pursuant to the procedures in this Section 25.3. Upon determining the net balance of the Fuel Adjustment Account at the end of the accumulation period, Transporter

shall calculate surcharges or refunds designed to allocate such balance to Shippers based upon each Shipper's actual throughput during the twelve-month accumulation period. A Shipper's net debit or credit for the accumulation period shall be due and payable sixty (60) days after the Commission's acceptance of the filing pursuant to Section 25.3(b). Notwithstanding the immediately preceding sentence, if the net balance of the Fuel Adjustment Account results in a surcharge/debit, each Shipper who is allocated a surcharge/debit shall have the right by providing notice to Transporter within the sixty (60)-day period to elect to pay the surcharge/debit ratably over the twelve (12)-Month period, commencing with the first day of the first calendar month following the last day of the sixty (60)-day period, with interest calculated for each payment from the end of the sixty (60)-day period until the payment is made (at the rate set forth in Section 154.501(d) of the Commission's regulations).

- (b) Transporter shall file within 150 days after each anniversary of the Implementation Date, to establish the Fuel and Loss Retention Percentage Adjustment pursuant to the procedures in Section 25.1 and the Fuel Adjustment Account refund or surcharge determined pursuant to the procedures in this Section 25.3.

41. DISCOUNTING POLICY

41.1 Any Shipper desiring a discount of the maximum recourse rates for service under Transporter's rate schedules must submit a valid request for such discount pursuant to the procedures of this Section 41. To be considered a valid request, Shipper must complete and submit a request for discount via the LINK® System, specifically including the information for all mandatory fields. Upon receipt of a valid request for a discount, Transporter will log such request and either deny or grant such request.

41.2 Order of Discounts. Transporter may, from time to time, selectively adjust any or all of the rates charged to any individual Shipper for service under Part 284 of the Commission's regulations for which maximum and minimum rates are stated in this FERC Gas Tariff. Discounting of rates and charges shall, however, be done in the following order:

Demand	Commodity*
1. Base Rate	1. Base Rate

* ACA surcharge is non-discountable.

41.3 In the event that Transporter agrees to discount its maximum rates under any of its rate schedules, Transporter and Shipper may agree to the types of discounts specified herein without such discounts constituting a material deviation from Transporter's pro forma service agreement. Transporter and Shipper may agree that a specified discounted rate will apply: (i) only to specified quantities under the service agreement; (ii) only if specified quantities are achieved or only with respect to quantities below a specified level; (iii) only during specified periods of the Year or for a specifically defined period; (iv) only to specified points, combination of points, markets, transportation paths or other defined geographic area(s); (v) only in a specified relationship to the quantities actually delivered (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually delivered); (vi) so that the applicable rate may be adjusted in the following manner: when one rate component, which was equal to or within the applicable maximum and minimum recourse rates at the time Shipper received the Discount Confirmation pursuant to Section 41.5 below specifying the terms of the discount, subsequently exceeds the applicable maximum recourse rate or is below the applicable minimum recourse rate, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum recourse rate, then other rate components may be adjusted upward or downward to achieve the agreed-upon overall rate, so long as none of the resulting rate components exceed the maximum recourse rate or are below the minimum recourse rate applicable to the rate component (such changes to rate components

shall be applied prospectively, commencing with the date a Commission order accepts a revised Notice of Rates and Other Tariff Rate Changes; however, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable); and/or (vii) based upon published index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points for price determination (such discounted rate may be based upon a single published index price or the differential between published index prices or arrived at by formula; provided that the discounted rate shall not change the underlying rate design, shall not include any minimum bill or minimum take obligation, and shall define the rate component to be discounted). Notwithstanding the foregoing, no discounted rate shall be less than the applicable minimum rate.

- 41.4 In the event that Transporter rejects Shipper's request for a discounted rate, Transporter shall notify Shipper via e-mail of the reason for such rejection.
- 41.5 The terms of any discount request granted by Transporter pursuant to this Section 41 shall be transmitted by e-mail to Shipper in the form of a Discount Confirmation. The Discount Confirmation shall identify the applicable Shipper's name, contract number, rate schedule, term of the discount, discount rate, applicable quantities, point(s) of receipt and delivery, and/or the segment being discounted. The Discount Confirmation may also include other information required for posting under the Commission's regulations and other conditions consistent with Section 41.3. No particular discount transaction shall be contractually binding on either Transporter or Shipper until Transporter has confirmed the terms of the discount upon Transporter's e-mail to Shipper of the Discount Confirmation for the transaction, subject to the underlying Service Agreement being fully executed. All discounts granted shall be effective no sooner than the beginning of the next Gas Day following the Gas Day on which the request is granted by Transporter. Once the Discount Confirmation is contractually binding, the Discount Confirmation will constitute an addendum to the underlying service agreement. Each such addendum is an integral part of the underlying service agreement as if executed by both parties and fully copied and set forth at length therein.
- 41.6 If Transporter's recourse rates are subject to refund at any time during the effectiveness of a Discount Confirmation, with respect to the applicable discounted rate, Shipper shall be entitled to refunds of payments made by Shipper only in the event that the final, non-appealable maximum recourse rate, whether usage-based or reservation-based, as determined by the Commission for a given time period is lower than the rate actually paid by Shipper during such time period. Subject to the condition precedent set forth in the immediately preceding sentence, Shipper's principal refund amount shall be equal to (i) with respect to usage-based rates, the product of (aa) the positive difference between the final,

non-appealable maximum recourse rate and the discounted rate, and (bb) the quantities of gas delivered to Shipper, or for Shipper's account, during the refund period; and (ii) with respect to reservation-based rates, the product of (cc) the positive difference between the final, non-appealable maximum recourse rate and the discounted rate, (dd) the MDTQ covered by the discounted rate, and (ee) the number of Months in the refund period (partial Months shall be prorated for the number of Days in the Month that fall within the refund period and a discounted rate that is not a monthly rate shall be adjusted for purposes of this calculation to reflect the monthly equivalent of the rate).

42. PERIODIC REPORTS

The following is a list of periodic reports that Transporter must make pursuant to Commission order or to a settlement initiated under Parts 154 or 284 of the Commission's regulations:

1. **Cashout Report:** This report reflects the details of cashout activity during each annual period beginning on November 1 of each calendar year. For more information, see Section 8 of Rate Schedule LMS-PA and Section 7.5(f) of Rate Schedule LMS-MA, both of which are a part of Transporter's FERC Gas Tariff.

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IT-L RATE SCHEDULE
INTERRUPTIBLE LATERAL TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule is available for the transportation of natural gas on an interruptible basis by East Tennessee Natural Gas, LLC (hereinafter called Transporter) on any portion of Transporter's pipeline system designated as an Incremental Lateral for any Shipper:

- (a) that completes a valid request for interruptible service and executes an Interruptible Lateral Transportation Agreement ("IT-L Agreement") in the form set forth in this FERC Gas Tariff; and
- (b) to the extent that capacity is available on Transporter's system from time to time for the receipt of gas by Transporter and the redelivery by Transporter for the account of Shipper.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 The service rendered shall be the transportation of natural gas up to the Maximum Interruptible Quantity ("MIQ") specified in the IT-L Agreement performed under Sub-part G of Part 284 of the Commission's Regulations subject to the availability of capacity sufficient to provide the service without detriment or disadvantage to Transporter's firm lateral transportation customers.
- 2.2 Service shall be on an interruptible basis. Interruption of service includes decreasing, suspending, or discontinuing either the receipt or delivery of gas. Availability and interruption of interruptible lateral capacity shall be in accordance with Section 15 of the General Terms and Conditions.
- 2.3 Transporter may, but shall not be required to, install, operate or maintain any additional facilities in order to provide transportation service under this Rate Schedule.

3. DELIVERIES AND RECEIPTS

- 3.1 Receipt Points: All receipt points on the applicable Incremental Lateral covered by an OBA shall be available as receipt points for gas transported under this Rate Schedule. Transporter shall not be required under any circumstances to receive gas at any Receipt Point where (1) the total quantity of gas scheduled for receipt on any Day is less than that required for the accurate measurement of quantities to be received or (2) the total quantity of gas scheduled for receipt at that point is less than that required to operate compression facilities necessary to receive gas at such point.

- 3.2 Delivery Points: All delivery points on the applicable Incremental Lateral shall be available as delivery points for gas transported under this Rate Schedule. Transporter shall not be required under any circumstances to deliver gas at any Delivery Point where (1) the total quantity of gas scheduled for delivery on any Day is less than that required for the accurate measurement of quantities to be delivered or (2) the total quantity of gas scheduled for delivery at such point is less than that required to operate compression facilities necessary to deliver gas to such point.

4. RATES AND CHARGES

- 4.1 Transportation Rates: The Transportation Rate is the maximum IT-L rate shown on the effective Notice of Rates and Other Tariff Rate Changes, unless otherwise mutually agreed; provided, however, Transporter has the right at any time and from time to time to adjust the rate applicable to any transportation service upon notice to Shipper to any level not less than the minimum nor more than the maximum rates established for this Rate Schedule and set forth on the effective Notice of Rates and Other Tariff Rate Changes. By mutual agreement between Transporter and Shipper, discounts may be limited consistent with the provisions of Section 41 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

In the event Transporter and Shipper agree to establish a discounted rate pursuant to Section 41 of the General Terms and Conditions of Transporter's FERC Gas Tariff, said rate will be set forth in the Discount Confirmation sent to Shipper. Transporter shall file with the Commission the required reports of any adjustment below the maximum rate(s) for service under this Rate Schedule.

- 4.2 New Facilities: In addition to the charges pursuant to Section 4.1 of this Rate Schedule, Transporter shall charge Shipper an amount to reimburse 100% of the cost (including a gross up for the income tax effects of reimbursement) of facilities constructed at Shipper's request in order to provide transportation service under this Rate Schedule. Further, Transporter shall charge Shipper an amount to reimburse 100% of the cost (including a gross-up for the income tax effects of reimbursement) of all electronic custody transfer equipment, metering facilities, gravimeters, calorimeters, flow controllers and other measurement or metering facilities.
- 4.3 Incidental Charges: In addition to the charges pursuant to Section 4.1 and 4.2 of this Rate Schedule, Transporter shall charge Shipper an amount to reimburse Transporter 100% for any filing or similar fees and, if applicable, sales or use tax that have not been previously paid by Shipper, that Transporter incurs in establishing or rendering service. Transporter shall not use the amounts of incidental charges so collected as either costs or revenues in establishing its

general system rates. The applicable incidental charges shall be reflected on the IT-L Agreement.

4.4 ~~[Reserved for Future Use]Crediting of Revenues: For each annual period ending October 31 of each year, or partial annual period ending October 31 for the initial period hereunder, subsequent to Transporter's recovery of all transmission costs allocated to this service under this Rate Schedule, 100% of all net revenues received by Transporter under this Rate Schedule shall be subject to being credited to all firm and interruptible Shippers under Transporter's Rate Schedules FT-L and IT-L. Credit amounts shall be allocated to each Shipper based on each Shipper's contribution to fixed costs during the year under its service agreement. For the purpose of this section, "net revenues" shall mean all revenues received by Transporter for interruptible transportation service, less variable costs and applicable surcharges. Transporter and a negotiated rate Shipper may agree upon a sharing of such allocated credits. Any credits due hereunder shall be made within 90 days following each anniversary of the Implementation Date and shall include interest at the Commission approved rate.~~

4.5 Negotiated Rates: Notwithstanding any provision of Transporter's effective FERC Gas Tariff to the contrary, Transporter and Shipper may mutually agree in writing to rates, rate components, charges or credits for service under this Rate Schedule that differ from those rates, rate components, charges or credits that are otherwise prescribed, required, established or imposed by this Rate Schedule or by any other applicable provision of Transporter's effective FERC Gas Tariff. If Transporter agrees to such differing rates, rate components, charges or credits ("Negotiated Rates"), then the Negotiated Rate(s) shall be effective only for the period agreed upon by Transporter. During such period, the Negotiated Rate shall govern and apply to Shipper's service and the otherwise applicable rate, rate component, charge or credit, which the parties have agreed to replace with the Negotiated Rate, shall not apply to, or be available to, Shipper. At the end of such period, the otherwise applicable maximum rates or charges shall govern the service provided to Shipper. Only those rates, rate components, charges or credits identified by Transporter and Shipper in writing as being superseded by a Negotiated Rate shall be ineffective during the period that the Negotiated Rate is effective; all other rates, rate components, charges or credits prescribed, required, established or imposed by this Rate Schedule or Transporter's FERC Gas Tariff shall remain in effect. Transporter shall make any filings with the Commission necessary to effectuate a Negotiated Rate.

5. SCHEDULING AND CURTAILMENT

Transporter shall schedule interruptible transportation according to Section 15.3 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

6. FUEL AND LOSSES

Shipper shall furnish the quantity of gas required for fuel and losses associated with rendering transportation service pursuant to this Rate Schedule. NAESB WGQ Standard 1.3.16 states: Where fuel reimbursement is in kind, the standard fuel calculation mechanism, as this is related to the nomination process, should be $(1 - \text{fuel}\% / 100)$ multiplied by receipt quantity = delivery quantity. In accordance with this NAESB WGQ Standard, the quantity of gas retained by Transporter for fuel and losses shall equal the quantity of gas tendered at the receipt point multiplied by the applicable fuel and loss retention percentage shown on the effective Notice of Rates and Other Tariff Rate Changes of Transporter's effective FERC Gas Tariff. Once each calendar year, Transporter shall have the right to file with the Commission to change the quantity of gas required for fuel and losses for the facilities designated as an Incremental Lateral.

7. MONTHLY BILL

The Monthly Bill for service shall equal

- (a) The applicable IT-L Rate multiplied by the Dekatherms of natural gas transported and delivered by Transporter for Shipper during the Month pursuant to this Rate Schedule; and
- (b) If applicable, any other charges pursuant to Section 4 of this Rate Schedule.

8. WAIVER

Transporter may waive any rights hereunder or any obligations of Shipper hereunder on a basis that is not unduly discriminatory; provided that no waiver shall operate or be construed as a waiver of other or future rights or obligations, whether of a like or different character.

9. GENERAL TERMS AND CONDITIONS

9.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.

9.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.

RATE SCHEDULE LMS-MA
LOAD MANAGEMENT (MARKET AREA) SERVICE

1. AVAILABILITY

1.1 Transporter shall provide a monthly balancing service to persons (herein referred to as "Balancing Parties") who have executed a balancing agreement ("OBA" or "Balancing Agreement"). An OBA will be available to:

- (a) the operator of connecting facilities at a delivery point(s) on Transporter's system;
- (b) a pipeline operator whose facilities interconnect with Transporter's system;
- (c) a market aggregator ("Aggregator") who has obtained written consent from one or more delivery point operators authorizing Aggregator to operate the delivery points, which authorization shall include, but not be limited to, changing physical flows at stated delivery points; provided, however, the sum of the MDDOs at all points covered by an Aggregator's OBA may not exceed 25% of Transporter's maximum daily firm delivery obligation under Rate Schedules FT-A, FT-GS, and FT-L for all Shippers. A list of Shippers on whose behalf an Aggregator is acting shall be attached to the Aggregator's OBA as Exhibit A.

1.2 [Reserved for Future Use]

2. APPLICABILITY

The terms, conditions, and charges set forth in this Rate Schedule governing daily variances and monthly balancing shall apply to all gas flowing through meters covered by an OBA. A delivery point OBA may cover an unlimited number of points designated as Primary Delivery Points under an FT-GS Agreement(s), or an unlimited number of points designated as Primary Delivery Points under an FT-A Agreement, or an unlimited number of points designated as Primary Delivery Points under an FT-L Agreement. A single OBA may not cover points designated as Primary Delivery Points on Agreements under more than one firm rate schedule.

3. SCHEDULING AND CONFIRMATION BY BALANCING PARTY

The Balancing Party will submit Confirmations to Transporter via LINK® by Transporter's confirmation deadline(s) set forth in Section 15 of Transporter's General Terms and Conditions. The Balancing Party's Confirmation shall specify the quantity to be transported by each Shipper to Balancing Party's delivery point(s).

4. DAILY VARIANCES

The daily variance shall be the aggregate of the differences between the Scheduled Quantities at all delivery points covered by the OBA and the actual quantity of gas delivered by Transporter at all such points within the time period that the Scheduled Quantities were in effect during any Day.

5. BALANCING OBLIGATION

Based upon the best information available, a Balancing Party shall take action to correct any imbalances occurring during the Month by making adjustments in nominations or deliveries. If Balancing Party fails to take such corrective action, then Transporter may, upon 48 hours notice, adjust Balancing Party's scheduled deliveries over the remainder of the calendar month in order to maintain a balance of deliveries and nominations, provided Transporter determines that such action is necessary to maintain the operational integrity of the system or to enable Transporter to meet its firm obligation to its other Shippers.

6. MAD SERVICE CHARGE

6.1 On any day, Transporter may, based on a good faith belief that such action is necessary and appropriate to protect system integrity and ensure firm deliveries, upon 8 hours prior notice via LINK®, invoke its right to assess a MAD Service Charge in accordance herewith. Transporter shall also provide notification of its intent to invoke its right to assess a MAD Service Charge via e-mail communication to all customers who have provided e-mail address information for at least one contact person, via Transporter's Web site to receive e-mail notification of critical notices issued by Transporter, or in the event of known failure of Internet notification, Transporter will notify affected customers by telefacsimile. Transporter shall have the right to assess a MAD Service Charge of fifteen dollars (\$15) per DTH on quantities taken in excess of a Balancing Party's Maximum Allowed Deliveries ("MAD") plus a 2% allowable variation or 50 Dth, whichever is greater. A Balancing Party's MAD shall be calculated as follows:

$$[A+B] - C = \text{Balancing Party's MAD}$$

where A = the sum of the MDDOs at all Primary Delivery Points for all firm contracts covered by the Balancing Party's Balancing Agreements (excluding any firm rights from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability)

B = any other quantities not included in A above scheduled by Transporter at a point covered by the Balancing Party's Balancing Agreement (including any firm quantities scheduled for delivery

from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability, but excluding any firm quantities scheduled at the interconnection between Transporter's mainline system and any lateral for which service is provided pursuant to Rate Schedules FT-L and/or IT-L)

C = quantities scheduled at Secondary Delivery Points under firm contracts that name a point covered by the Balancing Party's Balancing Agreement as a Primary Delivery Point (excluding any firm rights from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability)

Transporter shall post on LINK® the sum of the MDDOs at all Primary Delivery Points for all firm contracts covered by each Balancing Party's Balancing Agreement (excluding any firm rights from Transporter's LNG facility at Kingsport, Tennessee and/or from Primary Receipt Points on Transporter's system at which Transporter does not have swing capability and/or at the interconnection between Transporter's mainline system and any lateral for which service is provided pursuant to Rate Schedules FT-L and/or IT-L).

- 6.2 Balancing Party shall not be subject to MAD Service Charges under this Section 6 where Balancing Party is able to demonstrate that it is prevented from compliance with this Section 6 due to an event excusing performance as defined in Section 24 of Transporter's General Terms and Conditions. Balancing Party shall notify Transporter immediately if it believes that it is excused from compliance, and shall provide Transporter with documentation sufficient to support its basis for non-compliance.
- 6.3 In addition to the remedy set forth in Section 6.1 above, in the event a Balancing Party takes gas in excess of the MAD, and Transporter believes it is necessary to take actions (i.e., buying or selling gas, etc.) to maintain system integrity or to prevent interrupting firm service, Transporter shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If Transporter takes these actions, it shall be made whole by the Balancing Party that failed to observe the MAD for all costs that Transporter incurs.
- 6.4 In addition to Balancing Party's rights set forth in Section 6.2 above, Balancing Party may elect the Storage Delivery Option ("SDO"). SDO enables Balancing Party to resolve quantities taken in excess of Balancing Party's MAD MDTQ by allocating those excess quantities to Balancing Party's storage account up to the lesser of Balancing Party's MDTQ on a designated FT-A transportation agreement(s) or Balancing Party's storage maximum daily withdrawal quantity on a designated storage agreement(s). If Balancing Party nominates and Transporter

schedules any volumes on the designated FT-A Agreement(s) and/or designated storage agreement(s), Balancing Party's MDTQ and/or storage maximum daily withdrawal quantity available for SDO shall be reduced accordingly to reflect those scheduled volumes. Under SDO, once Transporter has allocated quantities to Balancing Party's storage account up to the lesser of Balancing Party's MDTQ, storage maximum daily withdrawal quantity or storage balance, any excess quantities will be subject to MAD Service Charges. SDO will be available at all delivery points covered by an OBA, and for receipts from Transporter's LNG facilities and/or Third Party Provider ("TPP") storage points which are attached to Transporter's system and are covered by a Balancing Agreement under Rate Schedule LMS-PA and a TPP amendment.

- (a) Requirements: Balancing Party must provide at least eight (8) hours prior notice to Transporter of its election of SDO, to be effective the next Gas Day or concurrent with Transporter's notification of its intent, pursuant to Section 6.1 above, to invoke its right to assess MAD Service Charges. Balancing Party must hold contracts for transportation under Transporter's Rate Schedule FT-A and contracts for storage attached to Transporter's system. At the time of its notice of its election, Balancing Party must rank consecutively the storage contracts designated for SDO if more than one contract is to be used. Balancing Party's election of SDO shall remain in effect until termination of SDO pursuant to Section 6.4(c) of this Rate Schedule, or Balancing Party has exceeded its storage balance available for SDO whichever is earlier.
- (b) Nominations for SDO:
 - (i) Under SDO, Transporter will nominate Balancing Party's designated FT-A Agreement(s) from the storage receipt(s) to the delivery points(s) covered by Balancing Party's OBA and at which the excess takes occurred.
 - (ii) Transporter will nominate a quantity up to the lesser of Balancing Party's MDTQ or storage maximum daily withdrawal quantity. Any volumes nominated by Balancing Party and scheduled by Transporter on the designated FT-A Agreement(s) and/or the designated storage agreements will reduce the MDTQ and/or storage maximum daily withdrawal quantity available for SDO.
 - (iii) Balancing Party must verify the quantity of gas scheduled for delivery at the delivery point(s) within two (2) Business Days from the Day the gas was delivered. Transporter will nominate the quantities to be withdrawn from the storage account for SDO after Balancing Party has verified the quantities delivered, but no later than five days after the last Day of the Month. Balancing Party's

failure to provide accurate verifications of quantities of gas delivered may result in termination of SDO after eight (8) hours' prior notice from Transporter.

- (iv) Any Balancing Party electing SDO and utilizing Transporter's LNG facilities shall pay to Transporter the applicable LNGS rate(s) as set forth in the LNGS Rate Schedule and the Notice of Rates and Other Tariff Rate Changes of this Tariff for the withdrawals from storage. In addition, any Balancing Party electing SDO shall pay to Transporter a "Transportation Component." The Transportation Component for SDO shall be equal to the applicable commodity rate, plus fuel, under Transporter's FT-A Rate Schedule, multiplied by the volumes in excess of the MAD MDTQ.
- (c) Upon eight (8) hours' prior notice to Balancing Party, Transporter has the right to terminate SDO for Balancing Party's violation of any provisions of this Section 6.4. Balancing Party has the right, at its sole discretion, to terminate SDO with eight (8) hours prior notice to Transporter, effective at the beginning of the next Gas Day.
- (d) Balancing Party may only utilize a TPP storage point(s) for SDO upon the TPP's execution of both a Balancing Agreement under Rate Schedule LMS-PA and a TPP Amendment.

7. IMBALANCE RESOLUTION PROCEDURES AND CASHOUT

- 7.1 MAD Service Charge: A Balancing Party subject to cashout may also be subject to a MAD Service Charge as set forth in Section 6.
- 7.2 Resolution of Monthly Imbalances: During the Month, an LMS-MA Balancing Party that has elected the Cash-out Option may use any or all of Transporter's Imbalance Management Services, as defined in Section 1 of the General Terms and Conditions, to reduce or eliminate the monthly cash-out liability. An LMS-MA Balancing Party may trade an imbalance with other LMS-MA or LMS-PA Balancing Parties, in accordance with Section 7.4 below, until the close of the seventeenth Business Day after the end of the Month during which the imbalances occurred. Any imbalance(s) not resolved via any of the Imbalance Management Services will be resolved pursuant to Section 7.5 herein.
- 7.3 Imbalance Management Services: The Imbalance Management Services offered by Transporter are identified in Section 1 of the General Terms and Conditions. Details of each service are included in the applicable Rate Schedule and Form of Service Agreement contained in this tariff, or in Section 7.4 below.

- 7.4 **Imbalance Trading:** LMS-MA Balancing Parties subject to cashout will be allowed to trade imbalances occurring during the Month with other LMS-MA or LMS-PA Balancing Parties. Supply aggregators under Rate Schedule SA will be allowed to trade imbalances occurring during the Month with other supply aggregators within the same Pooling Area that are subject to this Rate Schedule.

Transporter shall allow LMS-MA Balancing Parties to trade imbalances with other LMS-MA or LMS-PA Balancing Parties within the same Operational Impact Area, as defined in Section 1 of the General Terms and Conditions, if the two Balancing Parties' imbalances are offsetting balancing for the Month, such that the net imbalance for each Balancing Party after the completion of the trade would be reduced to a quantity closer to zero.

When imbalances are traded, a Transportation Trade Component shall be determined for each of the imbalances to be traded. For each LMS-PA imbalance to be traded, the Transportation Trade Component shall be deemed to be zero. For each LMS-MA imbalance to be traded, the Transportation Trade Component shall be equal to (1) Transporter's commodity rate under Rate Schedule FT-A, FT-GS, or FT-L, as applicable, multiplied by the traded quantity, plus (2) an additional amount to cover Transporter's cost of gas for the system fuel and use and lost and unaccounted for gas. The additional amount shall be calculated by multiplying the amount of fuel necessary to transport the traded quantity on Transporter's system by the Average Price as defined in Section 7.5(c)(i) below.

For a Balancing Party with a due pipeline imbalance, Transporter shall assess a charge equal to the calculated Transportation Trade Component by including the charge in the Balancing Party's invoice for the Month in which the trade was finalized. For a Balancing Party with a due Shipper imbalance, Transporter shall reflect a credit equal to the calculated Transportation Trade Component on the Balancing Party's invoice for the Month in which the trade was finalized.

Transporter will provide the ability to post and trade imbalances at any time during the Month, and until the seventeenth Business Day after the end of the Month during which the imbalances occurred. To facilitate the trading process, Transporter will, upon receipt of LMS-MA Balancing Party's authorization, post an LMS-MA Balancing Party's imbalance quantity on its Web site. An authorization to Post Imbalances (pursuant to NAESB WGQ Standard No. 2.4.9) that is received by Transporter by 11:45 a.m. will be effective by 8:00 a.m. the next Business Day. An Authorization to Post Imbalances will remain in effect until cancelled by the LMS-MA Balancing Party. An imbalance that is previously authorized for posting shall be posted on or before the ninth Business Day of the Month; however, Transporter will not be required to post zero imbalances. The information posted will identify the LMS-MA Balancing Party, the contract number, the Operational Impact Area and the Month applicable to the posted

imbalance quantity. Transporter will provide to all Customers the ability to view, and upon request, download posted imbalance information.

When trading imbalances, the quantity to be traded must be specified. An imbalance trade can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. An imbalance trade is considered final when confirmed by the confirming trader and effectuated by Transporter. Transporter shall update the LMS-MA Balancing Party's imbalance data to reflect any final trades of imbalance quantities no later than 9:00 a.m. CT on the next Business Day after the trade is finalized.

- 7.5 Monthly Imbalances: The LMS-MA Balancing Party's monthly imbalance shall be the net total of daily variances from all points covered by the LMS-MA Balancing Party's OBA(s) adjusted for make-up quantities and imbalance trades, with the exception that monthly imbalances created on that portion of Transporter's system not designated as an Incremental Lateral shall not be netted against monthly imbalances created on that portion of Transporter's system designated as an Incremental Lateral. For supply aggregators under Rate Schedule SA, the daily variance shall be the difference, by Pooling Area, between actual deliveries under the Supply Aggregation Service Agreement and the actual quantities received at all points covered by such Agreement. In addition, unless Transporter and the Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each Month Transporter and the Balancing Party shall "cashout" any imbalance between Scheduled Quantities and actual deliveries. Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled volumes for the Month for all applicable points, then multiply by 100, to determine the % monthly imbalance.
- (a) If the monthly imbalance is due to an excess of Scheduled Quantities relative to actual deliveries, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party shall sell to Transporter, and Transporter shall buy from the Balancing Party, in accordance with the formula listed in Section 7.5(c) below. If the monthly imbalance is due to an excess of actual deliveries relative to Scheduled Quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party, and Balancing Party shall buy from Transporter, in accordance with the formula listed in Section 7.5(c) below. In addition to the cash out of the monthly imbalance: (A) Balancing Party shall pay to Transporter the "Transportation Component" if total actual quantities delivered are greater than Scheduled Quantities, or (B) Transporter shall pay to the Balancing Party the "Transportation Component" if total actual quantities delivered are less than Scheduled Quantities. The "Transportation Component" shall be equal to (1) Transporter's commodity rate under Rate Schedule

FT-A, FT-GS, or FT-L, as applicable, multiplied by the monthly imbalance, plus (2) an additional amount to cover Transporter's cost of gas for the system fuel and use and lost and unaccounted for gas. The additional amount shall be calculated by multiplying (1) the amount of fuel necessary to transport the imbalance on Transporter's system by (2) the Average Price as defined in Section 7.5(c)(i) below.

- (b) The amounts due hereunder shall be paid in accordance with Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.
- (c) (i) The Balancing Party (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable market area prices described below.

For each Month, the monthly "Low Price" or "LP" for the Market Area shall be established by taking the lowest of the Low Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

For each Month, the monthly "High Price" or "HP" for the Market Area shall be established by taking the highest of the High Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

For each Month, the monthly "Average Price" or "AP" for the Market Area shall be determined by taking the simple arithmetic average of the Midpoint prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

In the event that these prices are no longer available or valid, Transporter will file to change its tariff and may, at its discretion, select a representative price in the interim period, subject to refund. In the event that a more representative posting is established, Transporter will file to change its tariff.

- (ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as calculated according to Section 7.5 of this Rate Schedule) or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' actual imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7.5(c)(ii) of this Rate Schedule LMS-MA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7.5(c)(ii) of this Rate Schedule LMS-MA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances (I=P-N).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the Month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(A) If $I \geq 0$ then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances =
$$\frac{(\text{abv}(I) \times LP)}{P} + \frac{(N \times AP)}{P}$$

(B) If $I < 0$ then:

- Price for negative imbalances =
$$\frac{(\text{abv}(I) \times HP)}{N} + \frac{(P \times AP)}{N}$$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP

(iii) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.5 of this Rate Schedule) and greater than 1,000 Dth, the actual negative imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier	Price
0 - 5%	100% of HP

>	5%	-	10%	115% of HP
>	10%	-	15%	130% of HP
>	15%	-	20%	140% of HP
>	20%	-		150% of HP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the HP. Volumes making up the remaining 2% of the imbalance are priced at 115% of the HP.

- (iv) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.5 of this Rate Schedule) and greater than 1,000 Dth, the actual positive imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier				Price
	0	-	5%	100% of LP
>	5%	-	10%	85% of LP
>	10%	-	15%	70% of LP
>	15%	-	20%	60% of LP
>	20%	-		50% of LP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the LP. Volumes making up the remaining 2% of the imbalance are priced at 85% of the LP.

- (d) Access to Information - Transporter will make available within one Business Day following the Gas Day the best information it has concerning the total physical deliveries. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated deliveries at all delivery points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the Gas Day, the information regarding the scheduled and allocated deliveries shall become "Operational Data" and operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the Month. Imbalances will be cashed out on the basis of actual deliveries and

Scheduled Quantities; provided that the Imbalance Tier and tiered pricing associated with imbalances will be based upon the lesser of (1) the monthly operational imbalance reported by Transporter based upon the Operational Data or (2) the monthly imbalance based upon actual receipts and deliveries at such locations; provided that, if the monthly imbalance reported by Transporter as of the 20th day of the calendar month based upon Electronic Data is subsequently adjusted during the remainder of the Month and (1) such adjustments materially increase the level of the imbalance and (2) the Balancing Party did not have adequate time to correct the imbalance by adjusting nominations, or deliveries, then the Imbalance Tier associated with imbalances at points where Electronic Data is available will be based upon the lesser of (a) the imbalance reported as of the 20th day of the calendar month plus the imbalance reported for each subsequent Day in the calendar month or (b) the monthly imbalance based upon actual delivery at such points to the extent the Balancing Party documents the situation. Notwithstanding anything to the contrary, if the Electronic Data at any point is inaccurate, through no fault of Transporter, but rather as the result of the action or inaction of third parties, then the Imbalance Tier associated with monthly imbalances occurring at such points will be based upon actual deliveries.

- (e) Limitation on Tiered Pricing - Any imbalances caused by an event of force majeure as set forth in Section 24 of the General Terms and Conditions of Transporter's FERC Gas Tariff or caused by Transporter's actions (1) will not be included in the calculation of the total monthly imbalance for purposes of determining the appropriate cash-out level and (2) will be cashed out at the 0-5% tolerance level, as set forth in Section 7.5.
- (f) Disposition of Charges: At the conclusion of each annual period, Transporter will determine the net cashout activity under its LMS Rate Schedules and Section 8 of Rate Schedule PAL. In the event that charges collected by Transporter under its cashout provisions exceed the actual cost of providing service under this Rate Schedule, Transporter shall credit such excess revenues to all eligible Balancing Parties. Credits-In the event that charges collected by Transporter under its cashout provisions are less than the actual cost of providing service under this Rate Schedule, Transporter shall charge such deficient revenues to all eligible Balancing Parties. Credits or charges, as applicable, shall be applied based on volumes transported during each Month during the past year. Such proration shall be based on the imbalances cashed out versus imbalances swung to storage. Any credits due hereunder shall be made, and any charges hereunder shall be invoiced, within 45 days following approval by the Federal Energy Regulatory Commission of Transporter's report and refund plan concerning such credits. To the extent that the cashout activity in any annual period results in a negative balance, such balance

~~will be carried forward and applied to the next annual determination of cashout activity./collection plan concerning such credits.~~ Within 150 days after each anniversary of the Implementation Date, Transporter will file a report and refund/collection plan with the Commission.

7.6 Operational Integrity - Nothing in this Section 7 shall limit Transporter's right to take action as may be required to adjust deliveries of gas in order to alleviate conditions that threaten the integrity of its system.

8. GENERAL TERMS AND CONDITIONS

8.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.

8.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.

RATE SCHEDULE LMS-PA
LOAD MANAGEMENT (POOLING AREA) SERVICE

1. AVAILABILITY

1.1 Transporter shall provide a monthly balancing service to parties (herein referred to as "Balancing Parties") who have executed an Operational Balancing Agreement ("OBA") for use at receipt points. A Receipt Point OBA will be available to:

- (a) the operator of connecting facilities at a receipt point(s) on Transporter's system;
- (b) a pipeline operator whose facilities interconnect with Transporter's system;
- (c) A supply aggregator ("Aggregator") who has obtained consent from two or more receipt point operators authorizing the Aggregator to operate such points, which authorization shall include, but not be limited to, changing physical flow at receipt points; provided however that the sum of all the MDROs at all points covered by one Aggregator's Balancing Agreement shall not exceed 5,000 Dth.

2. APPLICABILITY

The terms, conditions, and charges set forth in this Rate Schedule governing daily variances and monthly balancing shall apply to all gas flowing through meters covered by a Receipt Point OBA. A Receipt Point OBA may cover an unlimited number of points designated as Primary Receipt Points under FT-A and/or FT-GS Agreement(s), or an unlimited number of points designated as Primary Receipt Points under an FT-L Agreement, subject to the limitation in Section 1.1(c) above. A single Receipt Point OBA may not cover points on that portion of Transporter's system designated as an Incremental Lateral and points on that portion of Transporter's system not designated as an Incremental Lateral.

3. SCHEDULING AND CONFIRMATION BY BALANCING PARTY

The Balancing Party will submit Confirmations to Transporter via LINK® by Transporter's confirmation deadline(s) set forth in Section 15 of Transporter's General Terms and Conditions. The Balancing Party's Confirmation shall specify the quantity to be transported by each Shipper to or from Balancing Party's receipt point.

4. DAILY VARIANCES

- 4.1 The daily variance shall be the difference between the total Scheduled Quantity at that point and the actual quantity delivered into Transporter's system at that point on any Day.
- 4.2 A Balancing Party may be subject to an Action Alert Penalty or a Balancing Alert Penalty for quantities delivered above the Daily Limit as set forth in Section 5.
- 4.3 Based upon the best information available, a Balancing Party shall take action to correct any imbalances occurring during the Month by making adjustments in nominations or receipts. If Balancing Party fails to take such corrective action, then Transporter may, upon 48 hours notice, adjust Balancing Party's scheduled receipts over the remainder of the calendar month in order to maintain a balance of receipts and nominations.

5. DELIVERIES IN EXCESS OF DAILY LIMIT

- 5.1 On any Day on which Transporter has issued an Operational Flow Order ("OFO") affecting Balancing Party's point pursuant to Section 14 of Transporter's General Terms and Conditions, and Balancing Party delivers gas in excess of the Daily Limit applicable to the receipt point, such Balancing Party shall be subject to an Action Alert Penalty or a Balancing Alert Penalty, as applicable, as set forth in Section 14.9 of Transporter's General Terms and Conditions for each Dth of excess quantities delivered beyond a two percent allowable variation. The Daily Limit shall be stated in the OFO.
- 5.2 In addition to the remedy set forth in 5.1 above, in the event Balancing Party delivers gas in excess of the Daily Limit applicable to the receipt point and Transporter believes it is necessary to take actions (i.e., buying or selling gas, etc.) to maintain system integrity or to prevent interrupting firm service, Transporter shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If Transporter takes these actions, it shall be made whole by the Balancing Party that failed to observe the Daily Limit for all costs that Transporter incurs.
- 5.3 Any penalty revenue collected by Transporter pursuant to this Section 5 will be credited to Non-offending LMS-PA Balancing Parties pursuant to Section 47.4 of the General Terms and Conditions of this FERC Gas Tariff.

6. IMBALANCE TRADING

LMS-PA Balancing Parties will be allowed to trade imbalances occurring during the Month. Transporter shall allow LMS-PA Balancing Parties to trade imbalances with other LMS-MA or LMS-PA Balancing Parties within the same Operational Impact Area, as defined in Section 1 of the General Terms and Conditions, if the two Balancing Parties' imbalances are offsetting balances for the Month, such that the net imbalance for each

Balancing Party after the completion of the trade would be reduced to a quantity closer to zero.

A Transportation Component for each imbalance to be traded will be calculated and applied pursuant to Section 7.4 of Rate Schedule LMS-MA.

Transporter will provide the ability to post and trade imbalances at any time during the Month, and until the seventeenth Business Day after the end of the Month during which the imbalances occurred. To facilitate the trading process, Transporter will, upon receipt of an LMS-PA Balancing Party's authorization, post an LMS-PA Balancing Party's imbalance quantity on its Web site. An authorization to Post Imbalances (pursuant to NAESB WGQ Standard No. 2.4.9) that is received by Transporter by 11:45 a.m. will be effective by 8:00 a.m. the next Business Day. An Authorization to Post Imbalances will remain in effect until cancelled by the LMS-PA Balancing Party. An imbalance that is previously authorized for posting shall be posted on or before the ninth Business Day of the Month; however, Transporter will not be required to post zero imbalances. The information posted will identify the LMS-PA Balancing Party, the contract number, the Operational Impact Area and the Month applicable to the posted imbalance quantity. Transporter will provide to all Customers the ability to view, and upon request, download posted imbalance information.

When trading imbalances, the quantity to be traded must be specified. An imbalance trade can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. An imbalance trade is considered final when confirmed by the confirming trader and effectuated by Transporter. Transporter shall update the LMS-PA Balancing Party's imbalance data to reflect any final trades of imbalance quantities no later than 9:00 a.m. CT on the next Business Day after the trade is finalized.

7. MONTHLY IMBALANCES

7.1 The LMS-PA Balancing Party's monthly imbalance shall be the net total of daily variances from all points covered by the LMS-PA Balancing Party's OBA(s) adjusted for make-up quantities and imbalance trading transactions, with the exception that monthly imbalances created on that portion of Transporter's system not designated as an Incremental Lateral shall not be netted against monthly imbalances created on that portion of Transporter's system designated as an Incremental Lateral. Unless Transporter and the Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each Month Transporter and the Balancing Party shall "cash out" any imbalance between Scheduled Quantities and actual receipts. To determine the % monthly imbalance, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total Scheduled Quantities for all Days of the Month for all points covered by the Balancing Agreement, then multiply by 100.

- 7.2 (a) If the monthly imbalance is due to an excess of actual receipts relative to Scheduled Quantities, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party/Shipper shall sell to Transporter, and Transporter shall buy from the Balancing Party/Shipper, in accordance with the formula listed in Section 7.2(a) of this Rate Schedule. If the monthly imbalance is due to a deficiency in actual receipts relative to Scheduled Quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party/Shipper, and Balancing Party/Shipper shall buy from Transporter, in accordance with the formula listed in Section 7.2(a)(ii).

The amounts due hereunder shall be paid in accordance with Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

- (i) The Balancing Party or Shipper (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable prices described below.
- (A) For each Month, the monthly "Low Price" or "LP" for each Market Area shall be established by taking the lowest of the Low Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.
- (B) For each Month, the monthly "High Price" or "HP" for each Market Area shall be established by taking the highest of the High Common prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.
- (C) For each Month, the monthly "Average Price" or "AP" for each Market Area shall be determined by taking the simple arithmetic average of the Midpoint prices published in Gas Daily's "Daily Price Survey" for "Tennessee, 500 Leg" for each day of the relevant Month.

In the event that these prices are no longer available or valid, Transporter will file to change its tariff and may, at its discretion, select a representative price in the interim period, subject to refund. In the event that a more representative posting is established, Transporter will file to change its tariff.

- (ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as calculated according to Section 7.1 of this Rate Schedule)

or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances (I=P-N).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the Month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(A) If $I \geq 0$ then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances =
$$\frac{(\text{abv}(I) \times LP)}{P} + \frac{(N \times AP)}{P}$$

(B) If $I < 0$ then:

- Price for negative imbalances =
$$\frac{(\text{abv}(I) \times HP)}{N} + \frac{(P \times AP)}{N}$$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP

(iii) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual negative imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier				Price
	0	-	5%	100% of HP
>	5%	-	10%	115% of HP
>	10%	-	15%	130% of HP
>	15%	-	20%	140% of HP
>	20%	-		150% of HP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the HP. Volumes making up the remaining 2% of the imbalance are priced at 115% of the HP.

- (iv) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual positive imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier				Price
	0	-	5%	100% of LP
>	5%	-	10%	85% of LP
>	10%	-	15%	70% of LP
>	15%	-	20%	60% of LP
>	20%	-		50% of LP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the LP. Volumes making up the remaining 2% of the imbalance are priced at 85% of the LP.

- (b) Access to Information - Transporter will make available within one Business Day following the Gas Day the best information it has concerning the total physical receipts. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated receipts at all receipt points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the Gas Day, the information

regarding the scheduled and allocated receipts shall become "Operational Data" and operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the Month. Imbalances will be cashed out on the basis of actual receipts and Scheduled Quantities; provided that the Imbalance Tier and tiered pricing associated with imbalances will be based upon the lesser of (1) the monthly operational imbalance reported by Transporter based upon the Operational Data or (2) the monthly imbalance based upon actual receipts and receipts at such locations; provided that, if the monthly imbalance reported by Transporter as of the 20th day of the calendar month based upon Electronic Data is subsequently adjusted during the remainder of the Month and (1) such adjustments materially increase the level of the imbalance and (2) the Balancing Party did not have adequate time to correct the imbalance by adjusting nominations or receipts, then the Imbalance Tier associated with imbalances at points where Electronic Data is available will be based upon the lesser of (a) the imbalance reported as of the 20th day of the calendar month plus the imbalance reported for each subsequent Day in the calendar month or (b) the monthly imbalance based upon actual receipts at such points to the extent the Balancing Party documents the situation. Notwithstanding anything to the contrary, if the Electronic Data at any point is inaccurate, through no fault of Transporter, but rather as the result of the action or inaction of third parties, then the Imbalance Tier associated with monthly imbalances occurring at such points will be based upon actual receipts.

- (c) Limitation on Tiered Pricing - Any imbalances caused by an event of force majeure as set forth in Section 24 of the General Terms and Conditions of Transporter's FERC Gas Tariff or caused by Transporter's actions (1) will not be included in the calculation of the total monthly imbalance for purposes of determining the appropriate cash-out level and (2) will be cashed out at the 0-5% tolerance level, as set forth in 7.2 above.
- (d) Operational Integrity - Nothing in this Section 7 shall limit Transporter's right to take action as may be required to adjust receipts and deliveries of gas in order to alleviate conditions that threaten the integrity of its system.

8. DISPOSITION OF CHARGES

At the conclusion of each annual period, Transporter will determine the net cashout activity under its LMS Rate Schedules and Section 8 of Rate Schedule PAL. In the event that charges collected by Transporter under its cashout provisions exceed the actual cost of providing service under this Rate Schedule, Transporter shall credit such excess revenues to all eligible Balancing Parties. Credits-In the event that charges collected by Transporter under its cashout provisions are less than the actual cost of providing service under this Rate Schedule, Transporter shall charge such deficient revenues to all eligible

Balancing Parties. Credits or charges, as applicable, shall be applied based on volumes transported during the past year. Any credits due hereunder shall be made, and any charges hereunder shall be invoiced, within 45 days following approval by the Federal Energy Regulatory Commission of Transporter's report and refund ~~plan concerning such credits. To the extent that the cashout activity in any annual period results in a negative balance, such balance will be carried forward and applied to the next annual determination of cashout activity/~~collection plan concerning such credits. Within 150 days after each anniversary of the Implementation Date, Transporter will file a report and refund/collection plan with the Commission.

9. GENERAL TERMS AND CONDITIONS

- 9.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.
- 9.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.

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48. Disposition of Retained Quantities
49. Negotiated Rates

25. TRANSPORTATION COST RATE FUEL AND LOSS RETENTION PERCENTAGE ADJUSTMENT

~~25.1 The rates and charges for the Affected Rate Schedule (as defined in Section 25.2 below) are subject to adjustments following the effective date of the rates filed by Transporter on January 31, 1992 in Docket No. RP91-204; provided, however, that these rates and charges may be adjusted no more frequently than on a quarterly basis to reflect changes in Transportation Costs. "Transportation Costs" are costs for the transmission and compression of Transporter's gas by others (Account No. 858). These costs include, among other charges, any non-gas commodity charges or any other related charges billed to Transporter for transportation within contract demand on an upstream pipeline system. Transporter shall also file with the Commission a Transportation Cost Filing (the "Annual Transportation Cost Filing") to provide for the reconciliation under Section 25.6(d) hereof. The annual Transportation Cost Filing shall include a Transportation Cost Rate Adjustment (TCRA).~~
Fuel and Loss Retention Percentage Adjustment

The Fuel and Loss Retention Percentage will be established by calculating a percentage for compressor fuel, other company use and lost and unaccounted for Gas for Transporter's facilities based upon appropriate engineering principles. On each May 1, the Fuel and Loss Retention Percentage will be redetermined by dividing Transporter's projection for the next 12 Months beginning May 1 of fuel usage and any lost and unaccounted for Gas for Transporter's facilities, by Transporter's projection of applicable deliveries for the account of Shippers for the next 12 Months beginning May 1. The resulting percentage will go into effect on May 1. Transporter may file interim proposals between annual filings subject to approval by the Commission.

~~25.2 Affected Rate Schedules~~ Affected Rate Schedules shall be Rate Schedules FT-A and FT-GS.
Fuel Adjustment Account

(a) Transporter shall maintain a separate Fuel Adjustment Account. This account shall be credited for all sales of excess fuel collected under Fuel and Loss Retention Percentage, debited for all purchases for fuel and loss and further adjusted for any under- or over-realization of compressor fuel, other company use and lost and unaccounted for Gas.

(b) Each Month the Fuel Adjustment Account shall be debited (if the balance in said account is a debit balance) or shall be credited (if the balance in said account is a credit balance) for a carrying charge, which shall be determined by the product of (1) and (2) below:

(1) The cash balance in the Fuel Adjustment Account, exclusive of carrying charges accrued pursuant to this subsection (b), net of the related deferred tax amounts, if any, as of the end of the immediately preceding Month.

(2) The annual interest rate as set forth from time to time in Section 154.501 of the Commission's regulations divided by 365, or 366 in a leap year, and then multiplied by the number of days in the applicable Month.

25.3 Fuel Adjustment Account Refund or Surcharge

- (a) The net balance of the Fuel Adjustment Account determined in Section 25.2, for the twelve-month accumulation period through each October 31 will be refunded or recovered from Shippers pursuant to the procedures in this Section 25.3. Upon determining the net balance of the Fuel Adjustment Account at the end of the accumulation period, Transporter shall calculate surcharges or refunds designed to allocate such balance to Shippers based upon each Shipper's actual throughput during the twelve-month accumulation period. A Shipper's net debit or credit for the accumulation period shall be due and payable sixty (60) days after the Commission's acceptance of the filing pursuant to Section 25.3(b). Notwithstanding the immediately preceding sentence, if the net balance of the Fuel Adjustment Account results in a surcharge/debit, each Shipper who is allocated a surcharge/debit shall have the right by providing notice to Transporter within the sixty (60)-day period to elect to pay the surcharge/debit ratably over the twelve (12)-Month period, commencing with the first day of the first calendar month following the last day of the sixty (60)-day period, with interest calculated for each payment from the end of the sixty (60)-day period until the payment is made (at the rate set forth in Section 154.501(d) of the Commission's regulations).
- (b) Transporter shall file within 150 days after each anniversary of the Implementation Date, to establish the Fuel and Loss Retention Percentage Adjustment pursuant to the procedures in Section 25.1 and the Fuel Adjustment Account refund or surcharge determined pursuant to the procedures in this Section 25.3.

~~Filing of Transportation Cost Rate Adjustment—The effective TCRA under the Affected Rate Schedules shall be shown on the Notice of Rates and Other Tariff Rate Changes. Each TCRA shall be effective on 30 days notice, unless shortened by the Commission for good cause shown. Concurrent with each Annual Transportation Cost Filing, Transporter shall include computations showing the derivation of the TCRA.~~

~~25.4 Calculation Period and Rate Determinants—The TCRA Calculation Period for each TCRA Filing shall be the twelve month period commencing with the effective date of that filing. The term Billing Determinants, is used herein, shall~~

~~refer to the projected Demand and Commodity billing units for the Affected Rate Schedules for the TCRA Calculation Period.~~

~~25.5 Determination of Transportation Cost Rate Adjustment — The Current Transportation Cost shall be the estimated Demand and Commodity Account No. 858 amounts attributable to the Affected Rate Schedules for the Calculation Period.~~

~~(a) — The Current Transportation Cost Rate shall be determined by dividing the Current Transportation Costs by the Billing Determinants under the Affected Rate Schedules for the Calculation Period; provided that the Initial Transportation Cost Rate shall be determined on the basis of the applicable costs and billing determinants reflected in Transporter's Section 4(e) rate filing to Docket No. RP91-204.~~

~~(b) — The Current Transportation Cost Rate Adjustment reflected on the Notice of Rates and Other Tariff Rate Changes shall be determined (1) in the first TCRA filing by subtracting the Initial Transportation Cost Rates from the Current Transportation Cost Rate, (2) in succeeding filings by subtracting the Transportation Cost Rate in Transporter's preceding TCRA filing hereunder from the Current Transportation Cost Rate. Such Transportation Cost Rate Adjustments shall be applied to all of Transporter's rates under the appropriate Affected Rate Schedules in a manner that maintains Transporter's then effective cost allocation and rate design.~~

~~25.6 Unrecovered Transportation Cost Account — Transporter shall establish and maintain an Unrecovered Transportation Cost Account for the collection of the Transportation Costs under the Affected Rate Schedules as a sub-account of FERC Account No. 186. The account shall be segregated between Demand and Commodity.~~

~~(a) — Each Month the Unrecovered Transportation Cost Account shall be (i) debited by Transporter's actual Transportation Costs, and (ii) credited by the actual revenues received attributable to the Transportation Costs reflected in Transporter's Rates. Such credits shall be determined by multiplying (a) the actual Demand and Commodity billing units under the Affected Rate Schedules for the billing month by (b) the effective Current Transportation Cost Rate.~~

~~(b) — Commencing with the effective date of this provision, all transportation refunds received by Transporter, applicable to transportation services recoverable pursuant to this Article 25 shall be credited to the Account.~~

~~(c) — Each Month the Account shall be debited (in the event of a debit balance) or credited (in the event of a credit balance) with interest, calculated in~~

~~accordance with the procedures set forth in Section 154.403(e)(7) of the Commission's regulations, on the prior Month's ending balance.~~

- ~~(d) In each Annual Transportation Cost filing, Transporter shall adjust its rates either positively or negatively to recover or return the balances in the applicable FERC Account No. 186 sub-account, Unrecovered Transportation Costs at the end of the Month ending four (4) Months prior to the effective date of the adjustments.~~

~~25.7 Termination of Provision — This Section 25 shall remain in effect until the effective date of Transporter's next Section 4(e) general rate filing subsequent to Docket No. RP91-204.~~

- ~~(a) At such time as the provisions of this Section 25 are terminated, any net credit balance in the applicable Account No. 186 sub-account Unrecovered Transportation Costs, shall be refunded to Shippers under the Affected Rate Schedules, or (b) any net debit balance shall be due and payable by Shippers under the Affected Rate Schedules.~~

41. DISCOUNTING POLICY

- 41.1 Any Shipper desiring a discount of the maximum recourse rates for service under Transporter's rate schedules must submit a valid request for such discount pursuant to the procedures of this Section 41. To be considered a valid request, Shipper must complete and submit a request for discount via the LINK® System, specifically including the information for all mandatory fields. Upon receipt of a valid request for a discount, Transporter will log such request and either deny or grant such request.
- 41.2 Order of Discounts. Transporter may, from time to time, selectively adjust any or all of the rates charged to any individual Shipper for service under Part 284 of the Commission's regulations for which maximum and minimum rates are stated in this FERC Gas Tariff. Discounting of rates and charges shall, however, be done in the following order:

Demand	Commodity*
1. Base Rate	1. Base Rate
2. TCRA Surcharge	2. TCRA Surcharge

* ACA surcharge is non-discountable.

- 41.3 In the event that Transporter agrees to discount its maximum rates under any of its rate schedules, Transporter and Shipper may agree to the types of discounts specified herein without such discounts constituting a material deviation from Transporter's pro forma service agreement. Transporter and Shipper may agree that a specified discounted rate will apply: (i) only to specified quantities under the service agreement; (ii) only if specified quantities are achieved or only with respect to quantities below a specified level; (iii) only during specified periods of the Year or for a specifically defined period; (iv) only to specified points, combination of points, markets, transportation paths or other defined geographic area(s); (v) only in a specified relationship to the quantities actually delivered (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually delivered); (vi) so that the applicable rate may be adjusted in the following manner: when one rate component, which was equal to or within the applicable maximum and minimum recourse rates at the time Shipper received the Discount Confirmation pursuant to Section 41.5 below specifying the terms of the discount, subsequently exceeds the applicable maximum recourse rate or is below the applicable minimum recourse rate, so that such rate component must be adjusted downward or upward to equal the new applicable maximum or minimum recourse rate, then other rate components may be adjusted upward or downward to achieve the agreed-upon overall rate, so long as none of the resulting rate components exceed the maximum recourse rate or are below the minimum

recourse rate applicable to the rate component (such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts a revised Notice of Rates and Other Tariff Rate Changes; however, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a discount agreement exceeded rates which ultimately are found to be just and reasonable); and/or (vii) based upon published index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points for price determination (such discounted rate may be based upon a single published index price or the differential between published index prices or arrived at by formula; provided that the discounted rate shall not change the underlying rate design, shall not include any minimum bill or minimum take obligation, and shall define the rate component to be discounted). Notwithstanding the foregoing, no discounted rate shall be less than the applicable minimum rate.

- 41.4 In the event that Transporter rejects Shipper's request for a discounted rate, Transporter shall notify Shipper via e-mail of the reason for such rejection.
- 41.5 The terms of any discount request granted by Transporter pursuant to this Section 41 shall be transmitted by e-mail to Shipper in the form of a Discount Confirmation. The Discount Confirmation shall identify the applicable Shipper's name, contract number, rate schedule, term of the discount, discount rate, applicable quantities, point(s) of receipt and delivery, and/or the segment being discounted. The Discount Confirmation may also include other information required for posting under the Commission's regulations and other conditions consistent with Section 41.3. No particular discount transaction shall be contractually binding on either Transporter or Shipper until Transporter has confirmed the terms of the discount upon Transporter's e-mail to Shipper of the Discount Confirmation for the transaction, subject to the underlying Service Agreement being fully executed. All discounts granted shall be effective no sooner than the beginning of the next Gas Day following the Gas Day on which the request is granted by Transporter. Once the Discount Confirmation is contractually binding, the Discount Confirmation will constitute an addendum to the underlying service agreement. Each such addendum is an integral part of the underlying service agreement as if executed by both parties and fully copied and set forth at length therein.
- 41.6 If Transporter's recourse rates are subject to refund at any time during the effectiveness of a Discount Confirmation, with respect to the applicable discounted rate, Shipper shall be entitled to refunds of payments made by Shipper only in the event that the final, non-appealable maximum recourse rate, whether usage-based or reservation-based, as determined by the Commission for a given time period is lower than the rate actually paid by Shipper during such time period. Subject to the condition precedent set forth in the immediately preceding sentence, Shipper's principal refund amount shall be equal to (i) with respect to

usage-based rates, the product of (aa) the positive difference between the final, non-appealable maximum recourse rate and the discounted rate, and (bb) the quantities of gas delivered to Shipper, or for Shipper's account, during the refund period; and (ii) with respect to reservation-based rates, the product of (cc) the positive difference between the final, non-appealable maximum recourse rate and the discounted rate, (dd) the MDTQ covered by the discounted rate, and (ee) the number of Months in the refund period (partial Months shall be prorated for the number of Days in the Month that fall within the refund period and a discounted rate that is not a monthly rate shall be adjusted for purposes of this calculation to reflect the monthly equivalent of the rate).

42. PERIODIC REPORTS

The following is a list of periodic reports that Transporter must make pursuant to Commission order or to a settlement initiated under Parts 154 or 284 of the Commission's regulations:

- ~~1. TCRA Report: This report reflects the cost of maintaining Commission approved transportation agreements on other interstate pipelines and must be filed with the Commission annually. For more information, see Section 25 of the General Terms and Conditions of Transporter's FERC Gas Tariff.~~
12. Cashout Report: This report reflects the details of cashout activity during each annual period beginning on November 1 of each calendar year. For more information, see Section 8 of Rate Schedule LMS-PA and Section 7.5(f) of Rate Schedule LMS-MA, both of which are a part of Transporter's FERC Gas Tariff.

CERTIFICATE OF SERVICE

I hereby certify that I have served all materials listed in the “List of Materials Enclosed” section of the foregoing transmittal letter upon all affected customers of East Tennessee Natural Gas, LLC and interested state commissions.

Dated at Houston, Texas, this 31st day of December, 2020.

/s/ Estela D. Lozano

Estela D. Lozano

On behalf of

East Tennessee Natural Gas, LLC