



East Tennessee Natural Gas, LLC
5400 Westheimer Court
Houston, TX 77056-5310
(713) 627-5400

May 21, 2021

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

Re: *East Tennessee Natural Gas, LLC*
Stipulation and Agreement
Docket No. RP20-980-___

Dear Ms. Bose:

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”),¹ East Tennessee Natural Gas, LLC (“East Tennessee”) hereby submits for filing a Stipulation and Agreement (“Settlement”) and related materials that would resolve the issues set for hearing by the Commission’s July 31, 2020 order² in the above-referenced proceeding involving a general Section 4 rate case filing made by East Tennessee on June 30, 2020. Each of the parties listed on Schedule 1 to the Settlement has affirmatively agreed that such party either supports this Settlement in full or does not oppose this Settlement.

This Settlement is the result of extensive negotiations among the parties in this proceeding and should be considered an indivisible, fully integrated package. Any modification to, or condition placed upon, the Settlement would jeopardize the careful balance of various interests that is reflected in the Settlement, resulting in further litigation and the expenditure of Commission and participant resources.

In accordance with Rule 602(b)(2)(i),³ East Tennessee respectfully requests that the Settlement and accompanying documents be transmitted to the Presiding Administrative Law Judge, the Honorable Suzanne Krolkowski. East Tennessee also respectfully requests that the Presiding Administrative Law Judge promptly certify the Settlement to the Commission and that the Commission expeditiously approve the Settlement. Prompt certification and approval of this Settlement will ensure that East Tennessee’s customers receive the benefits of the Settlement, including rate refunds and lower rates, at the earliest possible time.

¹ 18 C.F.R. § 385.602 (2020).

² *East Tennessee Natural Gas, LLC*, 172 FERC ¶ 61,114 (2020).

³ 18 C.F.R. § 385.602(b)(i) (2020).

In accordance with Rule 602(c),⁴ included with this filing are the following materials:

1. This Transmittal Letter;
2. Explanatory Statement of the Stipulation and Agreement;
3. Stipulation and Agreement, including the Schedules; and
 - a. Schedule 1: Parties Supporting or Not Opposing the Settlement;
 - b. Schedule 2: *Pro Forma* Tariff Records (Settlement Rates);
 - c. Schedule 3: *Pro Forma* Tariff Records (Text Updates); and
 - d. Schedule 4: Depreciation and Negative Salvage Rates.
4. Certificate of Service.

In accordance with Rule 602(f)(2),⁵ comments regarding the Settlement are due no later than twenty (20) days after this filing, *i.e.* by June 10, 2021, and reply comments are due no later than thirty (30) days after this filing, however, because the thirtieth (30th) day after this filing is a Sunday, East Tennessee understands that reply comments are due on the next business day, *i.e.*, by June 21, 2021.

If you have any questions regarding this filing, please contact the undersigned at (713) 627-4522.

Respectfully submitted,

/s/ Estela D. Lozano
Estela D. Lozano
Director, Regulatory
East Tennessee Natural Gas, LLC

Attachments

cc: Honorable Suzanne Krolikowski, Presiding Judge
Honorable David H. Coffman, Settlement Judge
All Parties (Docket No. RP20-980)

⁴ 18 C.F.R. § 385.602(c) (2020).

⁵ 18 C.F.R. § 385.602(f)(2) (2020).

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Tennessee Natural Gas, LLC)
)
) Docket No. RP20-980-___

**EXPLANATORY STATEMENT OF
STIPULATION AND AGREEMENT**

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“**FERC**” or “**Commission**”),¹ East Tennessee Natural Gas, LLC (“**East Tennessee**”) hereby files this Explanatory Statement relating to the Stipulation and Agreement filed herewith, including the Schedules appended thereto (the “**Settlement**”). Each of the parties listed on Schedule 1 of the Settlement has affirmatively agreed that such party either supports the Settlement in full or does not oppose the Settlement (“**Party**” individually, or “**Parties**” collectively). For purposes of the Settlement, the term “**Participant**” individually, or “**Participants**” collectively, shall have the meaning provided in 18 C.F.R. § 385.102(b) (2020).

**ARTICLE I
BACKGROUND**

On June 30, 2020, East Tennessee filed revised tariff records, pursuant to Section 4 of the Natural Gas Act (“**NGA**”)² and Part 154 of the Commission’s regulations, to be effective August 1, 2020, to effectuate changes in the rates applicable to East Tennessee’s transportation and liquefied natural gas storage services and in other tariff provisions.³ On July 31, 2020, the Commission accepted and suspended East Tennessee’s revised tariff

¹ 18 C.F.R. § 385.602 (2020).

² 15 U.S.C. §717c (2018).

³ 18 C.F.R. pt. 154 (2020).

records to be effective January 1, 2021, subject to refund pending the outcome of a hearing.⁴ In addition to designating the Honorable Suzanne Krolikowski as the Presiding Judge, the Chief Administrative Law Judge designated a Settlement Judge for this proceeding, the Honorable David H. Coffman, to oversee settlement negotiations among the Participants. East Tennessee and the Participants engaged in discovery and numerous settlement conferences and exchanged multiple settlement offers.⁵ A settlement in principle was reached on April 2, 2021. The Settlement memorializes the specific terms of the agreement reached by the Parties.

ARTICLE II SUMMARY OF SETTLEMENT

The Settlement is an integrated and comprehensive settlement of the issues set for hearing in Docket No. RP20-980-000. The Settlement, if approved, will benefit all Parties by saving valuable time and resources through the avoidance of further litigation, will lead to rate and tariff certainty for the Parties at an earlier date, and will remove the uncertainty involved in obtaining a Commission order on the merits. The following is a brief description of the terms of the Settlement.

Section 2.1(A) describes the “**Settlement Effective Date**” of the Settlement, which shall be the first (1st) day of the first (1st) calendar month following the date on which a Commission order approving the Settlement becomes an “**Acceptable Order**”, as such term is defined in Sections 2.1(B).

Section 2.2 provides that all Settlement discussions and any responses or

⁴ *East Tennessee Natural Gas, LLC*, 172 FERC ¶ 61,114 (2020).

⁵ The Participants met for settlement conferences on August 19, November 19, and December 16, 2020, as well as January 6, January 14, January 25, February 11, March 3, March 15, and March 19, 2021.

information covered by the settlement privilege and provided and exchanged to facilitate the Settlement negotiations shall be treated as privileged and confidential.

Section 3.1 provides that the rates established pursuant to the Settlement will be set out in the *pro forma* tariff record in Schedule 2 and effective as of January 1, 2021. Section 3.1 further provides that the rates established pursuant to the Settlement include rolled-in rate treatment for the Rocky Top Expansion Project, Murray Project, Patriot Project, and Northeastern Tennessee Project, and rolled-in treatment for fuel and loss for the Rocky Top Expansion Project, Patriot Project, and Northeastern Tennessee Project.

Section 3.2 provides that the Fuel and Loss Retention Percentage Adjustment mechanism in Section 25 of the General Terms and Conditions of East Tennessee's FERC Gas Tariff, shall be replaced with a fuel and loss tracker with an in-kind true-up mechanism, which will be set out in the *pro forma* tariff record in Schedule 3 and effective as of the Settlement Effective Date. The fuel and loss tracker will reflect an annual reporting period of January 1 through December 31. Assuming the Settlement Effective Date occurs prior to March 31, 2022, East Tennessee will make the initial fuel and loss retention percentages filing that includes an in-kind true-up mechanism no later than that date, with annual fuel and loss retention percentages filings to be made annually thereafter. The annual filing to be submitted in 2022 will address any over- or under-collections for the annual reporting period of January 1, 2021 through December 31, 2021.

Section 3.3 requires that East Tennessee file a settlement compliance filing to implement the Settlement as soon as reasonably practicable, but no later than twenty (20) days following the Settlement Effective Date, with the tariff records being in substance identical to those in Schedule 2 and Schedule 3.

Section 3.4 provides that East Tennessee will issue refunds to eligible customers and that refund amounts shall include interest calculated pursuant to 18 C.F.R. § 154.501(d) (2020). Section 3.4 also provides that East Tennessee will file a refund report with the Commission within thirty (30) days after the date on which the refunds are made.

Section 4.1 provides that the depreciation and negative salvage rates established pursuant to the Settlement will be set out in Schedule 4 and effective on the Settlement Effective Date. The depreciation and negative salvage rates included in Schedule 4 pertain to transmission plant, storage plant, general plant and intangible plant. There are two different amortization rates for miscellaneous intangible plant to reflect that different types of software are amortized at different rates.

Section 4.2 provides that (i) East Tennessee's balances of accumulated deferred income taxes ("**ADIT**") and excess deferred income taxes ("**EDIT**") as of December 1, 2018, have been eliminated, (ii) any claims raised by a Party in this proceeding or any prior rate proceeding regarding such ADIT and EDIT balances accumulated prior to December 1, 2018, shall be considered resolved, and (iii) no Party may raise in any future proceeding any argument or claim regarding East Tennessee's ADIT and EDIT balances accumulated prior to December 1, 2018. Section 4.2 also provides that, with regard to East Tennessee's ADIT and EDIT balances as of December 1, 2018, the Settlement shall be controlling amongst the Parties and such rate treatment shall not be impacted by any accounting treatment resulting from the proceeding in Docket No. AC18-220-000.

Section 4.3 states that East Tennessee shall establish a deficient deferred income taxes regulatory asset with an initial balance of \$32,697,408, with an amortization period

of 5.25 years (“**DDIT Regulatory Asset**”). Section 4.3 also provides that the amortization of the DDIT Regulatory Asset shall commence on January 1, 2021.

Section 4.4 states that East Tennessee shall establish a rate case regulatory liability with an initial balance of \$44,560,616, which East Tennessee will amortize and flowback one hundred percent (100%) to customers over a twenty (20)-year amortization period (“**Rate Case Regulatory Liability**”). Section 4.4 also provides that the amortization of the Rate Case Regulatory Liability shall commence on January 1, 2021, and that Section 4.4 shall survive the termination of the Settlement to the extent necessary to amortize and flow back one hundred percent (100%) of the Rate Case Regulatory Liability.

Section 4.5 provides that East Tennessee shall not propose a modernization tracker to be effective, following a five (5)-month suspension period, any earlier than April 1, 2024.

Section 4.6 provides that East Tennessee’s aggregate deferred loss balance as a result of its cashout mechanism as of February 29, 2020, shall be considered resolved and eliminated. Any deferred loss or gain balance accruing after February 29, 2020, shall be subject to East Tennessee’s revised cashout mechanism reflected in its currently effective tariff provisions, providing for the annual resolution of any deferred loss balance or deferred gain balance. Section 4.6 also provides that East Tennessee shall not collect the aggregate deferred loss balance as of February 29, 2020, as a component of its surcharge plan included in its 2019-2020 cashout report filed with the Commission on March 31, 2021, in Docket No. RP21-697-000.

Section 4.7 provides that East Tennessee, its customers, and affected state regulatory agencies shall meet promptly after the Settlement Effective Date to discuss East

Tennessee's deferred accounting methodology for calculating cashout gains and losses, and states several conditions which, if satisfied, would require East Tennessee to file by December 31, 2021, to change such methodology. Section 4.7 also provides with respect to East Tennessee's cashout mechanism that all Parties shall retain their rights under Section 4 and Section 5 of the NGA.

Section 4.8 provides that East Tennessee shall conduct meetings with its customers, as well as affected state regulatory agencies, on an annual basis and specifies East Tennessee's obligations related to transparency regarding its maintenance management program. Specifically, no later than August 31 of the first calendar year following the Settlement Effective Date and at least once annually thereafter, East Tennessee shall present its planned maintenance activities for the calendar year, and engage in discussions with its customers and affected state regulatory agencies regarding such presentation. Section 4.8 also provides that, during such presentation, East Tennessee shall provide a reconciliation of actual to estimated costs of the maintenance activities undertaken in the previous calendar year, explaining any material variances. As designed, the discussion on variances would commence on the second of such annual meetings, which is the first opportunity for such cost data to be reconciled. Finally, Section 4.8 provides that East Tennessee shall begin to track reliability metrics and present the results in the subsequent year's presentation, with such presentation on reliability metrics beginning in 2022.

Section 4.9 requires that East Tennessee establish a dedicated folder on LINK[®] containing each Operational Flow Order notification posted by East Tennessee during the previous three (3) years on a rolling basis.

Section 4.10 states that the Settlement’s moratorium period shall extend until April 1, 2024. The Settlement also includes a comeback provision stating that East Tennessee shall file an NGA general Section 4 rate case with rates to be effective no later than April 1, 2026.

Section 4.11 provides that East Tennessee shall apply a 12.50 percent (12.50%) return on equity component in the calculation of Allowance for Funds Used During Construction and initial rates in certificate applications for new projects.

Article V contains a number of “Miscellaneous” provisions.

Article VI contains the representations, warranties, and covenants of each of the Parties to the Settlement.

Article VII describes the effect of final Commission approval of the Settlement, including the fact that such approval terminates the proceeding, and sets forth rights reserved by the Parties.

ARTICLE III INFORMATION TO BE PROVIDED WITH SETTLEMENT AGREEMENTS

On December 15, 2016, the Chief Administrative Law Judge issued an Amended Notice to the Public requiring that each settlement filed with the Commission address the following four questions:

- (A) whether the settlement affects other pending cases;
- (B) whether the settlement involves issues of first impression;
- (C) whether the settlement departs from Commission precedent; and
- (D) whether the settlement seeks to impose a standard of review other than the ordinary just and reasonable standard with respect to any changes to the settlement that might be sought by either a third party or the Commission acting *sua sponte*.

A. **Impact on Other Pending Cases**

The Settlement does not impact other pending cases.

B. **Issues of First Impression**

The Settlement addresses no issues of first impression. There have been no known previous reversals on the issues involved in the Settlement.

C. **Departures from Commission Precedent**

The Settlement is not contrary to Commission precedent.

D. **Standard of Review**

The applicable standard of review for changes to the terms of the Settlement sought by the Commission acting *sua sponte* or third parties during the term of the Settlement shall be the ordinary just and reasonable standard and not the public interest standard.

* * *

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Tennessee Natural Gas, LLC

Docket No. RP20-980-____

STIPULATION AND AGREEMENT

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Tennessee Natural Gas, LLC) Docket No. RP20-980-____
) ____
)

STIPULATION AND AGREEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“**FERC**” or “**Commission**”),¹ East Tennessee Natural Gas, LLC (“**East Tennessee**”) hereby submits for approval this Stipulation and Agreement (“**Settlement**”) as an integrated and comprehensive settlement of the issues set for hearing in the above-captioned docket and, upon receipt of an Acceptable Order (defined in Section 2.1(B)), the proceeding in this docket shall terminate. Each of the parties listed on Schedule 1 has affirmatively agreed that such party either supports this Settlement in full or does not oppose this Settlement (“**Party**” individually, or “**Parties**” collectively).² For purposes of this Settlement, the term “**Participant**” individually, or “**Participants**” collectively, shall have the meaning provided in 18 C.F.R. § 385.102(b) (2020). East Tennessee respectfully requests that the Commission (i) approve the Settlement in its entirety without modification or condition, and (ii) grant any necessary authorizations under the Natural Gas Act (“**NGA**”),³ and any waivers of its regulations, rules, or orders, or any currently-effective East Tennessee tariff record that may be necessary to effectuate the Settlement set forth herein.

¹ 18 C.F.R. § 385.602 (2020).

² East Tennessee expects that the Settlement will be an uncontested settlement.

³ 15 U.S.C. § 717, *et seq.* (2018).

ARTICLE I BACKGROUND

1.1 Background

On June 30, 2020, East Tennessee filed revised tariff records, pursuant to Section 4 of the NGA⁴ and Part 154 of the Commission’s regulations.⁵ On July 31, 2020, the Commission accepted and suspended East Tennessee’s revised tariff records to be effective January 1, 2021, subject to refund pending the outcome of a hearing.⁶ In addition to designating the Honorable Suzanne Krolikowski as the Presiding Judge, the Chief Administrative Law Judge designated a Settlement Judge for this proceeding, the Honorable David H. Coffman, to oversee settlement negotiations among the Participants. East Tennessee and the Participants exchanged multiple settlement offers and engaged in discovery and numerous settlement conferences.⁷ A settlement in principle was reached on April 2, 2021. This Settlement memorializes the specific terms of the agreement reached by the Parties.

ARTICLE II SETTLEMENT EFFECTIVENESS

2.1 Settlement Effective Date

A. This Settlement shall become effective on the Settlement Effective Date. The “**Settlement Effective Date**” of this Settlement shall be the first (1st) day of the first (1st) calendar month following the date

⁴ 15 U.S.C. §717c.

⁵ 18 C.F.R. pt. 154 (2020).

⁶ *East Tennessee Natural Gas, LLC*, 172 FERC ¶ 61,114 (2020).

⁷ The Participants met for settlement conferences on August 19, November 19, and December 16, 2020, as well as January 6, January 14, January 25, February 11, March 3, March 15, and March 19, 2021.

on which a Commission order approving the Settlement becomes an Acceptable Order.

- B. For purposes of this Settlement, an “**Acceptable Order**” shall mean a final Commission order, no longer subject to rehearing or appeal, approving the Settlement as filed and without modification or condition, with the exception of ministerial conditions necessary to implement the Settlement (referred to herein as “**without modification or condition**”). For purposes of the preceding sentence an order shall be considered final and no longer subject to rehearing or appeal if: (i) after thirty (30) days elapse from the issuance date of the order, no request(s) for rehearing of the order has been filed; or (ii) in the event a request for rehearing has been filed, then the order shall be considered final and no longer subject to rehearing or appeal if, after sixty (60) days elapse from the issuance date of the order on rehearing, no petition(s) for review in an appropriate circuit court of appeals of the relevant order(s) has been filed. In the event that a petition for review in the appropriate circuit court of appeals is filed, this Settlement shall terminate and become null and void. The foregoing assumes that the thirtieth (30th) and the sixtieth (60th) day, as applicable, is a business day; if it is not, then the order shall be final and no longer subject to rehearing or appeal at the end of the first business day after the thirtieth (30th) or the sixtieth (60th) day, as applicable, if no

request(s) for rehearing or petition(s) for review, as applicable, has been filed.

2.2 Privileged Status of Settlement

All Settlement discussions and any responses or information covered by the settlement privilege and provided to facilitate the settlement negotiations shall be treated as privileged and confidential and as if they were an offer of settlement that is not approved by the Commission for purposes of Rule 602 and shall not be (i) utilized as evidence in any other case or proceeding, or (ii) deemed an admission by any Party of any principle contained herein. For the avoidance of doubt, discovery requests and responses made pursuant to the litigation procedural schedule are not subject to this provision; *provided*, responses made pursuant to the litigation procedural schedule that were provided subject to the Presiding Judge’s September 25, 2020 Order Adopting Protective Order in this proceeding, remain subject such protective order.⁸

ARTICLE III SETTLEMENT RATES, TARIFF RECORDS, AND REFUNDS

3.1 Settlement Rates

The “**Settlement Rates**” for service on East Tennessee shall be the rates reflected in the *pro forma* tariff record included in Schedule 2 hereto. The Settlement Rates include rolled-in rate treatment for the Rocky Top Expansion Project, Murray Project, Patriot Project, and Northeastern Tennessee Project, and rolled-in treatment for fuel and loss for

⁸ Order Adopting Protective Order, *East Tennessee Natural Gas, LLC*, Docket No. RP20-980-000 (issued Sept. 25, 2020).

the Rocky Top Expansion Project, Patriot Project, and Northeastern Tennessee Project. The Settlement Rates shall be effective as of January 1, 2021.

3.2 Other Tariff Record Change

Section 25 of the General Terms and Conditions (“**GT&C**”) of East Tennessee’s FERC Gas Tariff (“**Tariff**”)—Fuel and Loss Retention Percentage Adjustment—shall be replaced with a fuel and loss tracker with an in-kind true-up mechanism, as provided in the *pro forma* tariff record in Schedule 3 hereto, to be effective as of the Settlement Effective Date.

3.3 Compliance Filing to Implement Settlement Rates

East Tennessee shall file revised tariff records to implement this Settlement as soon as reasonably practicable, but no later than twenty (20) days following the Settlement Effective Date, with such tariff records being in substance identical to the tariff records included in Schedule 2 and Schedule 3 (“**Settlement Compliance Filing**”).

3.4 Refunds

- A. With respect to the filed recourse rates being charged subject to refund in this proceeding (“**Motion Rates**”) East Tennessee shall issue refunds to each customer paying Motion Rates pursuant to the terms of this Section 3.4. These refunds shall be issued as a credit on the invoice that is issued during the second (2nd) billing cycle after the Settlement Effective Date for the period extending from January 1, 2021, through the last calendar day of the last month that the Motion Rates are charged (“**Refund Period**”).
- B. Refunds pursuant to this Section 3.4 shall be provided to customers paying Motion Rates in accordance with Section 16 of the GT&C of

East Tennessee's Tariff and any other applicable provisions of the Tariff.

- C. For the time period from January 1, 2021, through the Settlement Effective Date, refund amounts pursuant to this Section 3.4 shall be calculated for each such customer by service agreement and by rate component charged thereunder, and shall be the difference between (i) the revenues actually collected by service agreement and by rate component from the customer during the Refund Period from the Motion Rates, and (ii) the revenues that would have been collected by service agreement and by rate component from the customer during the Refund Period from the Settlement Rates.
- D. Refund amounts shall include interest calculated pursuant to 18 C.F.R. § 154.501(d) (2020) from January 1, 2021, until the date the invoice is issued or the refund is made, as applicable.
- E. Refunds will be reported on a refund report filed with the Commission within thirty (30) days after the date the refunds are made.

ARTICLE IV ADDITIONAL MATTERS SETTLED

4.1 Depreciation and Negative Salvage Rates

The “**Depreciation Rates**” and “**Negative Salvage Rates**” to which the Parties have agreed as part of this Settlement are reflected on Schedule 4 attached hereto. The Depreciation Rates and the Negative Salvage Rates shall become effective on the Settlement Effective Date.

4.2 Accumulated Deferred Income Taxes (“ADIT”) and Excess Deferred Income Taxes (“EDIT”)

- A. East Tennessee’s ADIT and EDIT balances as of December 1, 2018, have been eliminated. Any claims raised by a Party regarding East Tennessee’s ADIT and EDIT balances accumulated prior to December 1, 2018, in this proceeding or in any prior rate proceeding shall be considered resolved. No Party may raise any argument or claim regarding East Tennessee’s ADIT and EDIT balances accumulated prior to December 1, 2018, in any future proceeding.
- B. The rate treatment herein of East Tennessee’s ADIT and EDIT balances as of December 1, 2018, is controlling amongst the Parties and such rate treatment, as a result of this Settlement, shall not be modified, amended, or otherwise impacted by any accounting treatment provided by the Commission or its Chief Accountant resulting from the proceeding in Docket No. AC18-220-000.

4.3 Deficient Deferred Income Taxes (“DDIT”) Regulatory Asset

- A. East Tennessee shall establish a DDIT regulatory asset with an initial balance of \$32,697,408 (“**DDIT Regulatory Asset**”). East Tennessee shall amortize the DDIT Regulatory Asset over an amortization period equal to 5.25 years. The total annual amortization amount of the DDIT Regulatory Asset shall be \$6,228,078.
- B. The amortization of the DDIT Regulatory Asset shall commence on January 1, 2021.

4.4 Rate Case Regulatory Liability

- A. East Tennessee shall establish a rate case regulatory liability as of the Settlement Effective Date, with an initial balance of \$44,560,616 (“**Rate Case Regulatory Liability**”).
- B. East Tennessee shall amortize and flowback one hundred percent (100%) of the Rate Case Regulatory Liability to its customers over an amortization period equal to twenty (20) years. The total annual amortization amount of the Rate Case Regulatory Liability shall be \$2,228,031.
- C. The amortization of the Rate Case Regulatory Liability shall commence on January 1, 2021.
- D. This Section 4.4 shall survive the termination of the Settlement to the extent necessary to amortize and flowback one hundred percent (100%) of the Rate Case Regulatory Liability.

4.5 Modernization

East Tennessee shall not propose a modernization tracker to be effective, following a five (5)-month suspension period, any earlier than April 1, 2024. All Parties reserve their right to challenge any modernization tracker filing on any grounds.

4.6 Aggregate Deferred Loss Balance Recovery

The aggregate deferred loss balance equal to \$19,974,178 resulting from East Tennessee’s cashout mechanism under Section 7.5(f) of Rate Schedule LMS-MA and Section 8 of Rate Schedule LMS-PA as of February 29, 2020 (“**Aggregate Deferred Loss Balance**”) shall be considered resolved and eliminated. East Tennessee shall not collect the Aggregate Deferred Loss Balance from the Balancing Parties (as defined in East

Tennessee's Tariff) as a component of East Tennessee's surcharge plan included in its 2019-2020 cashout report filed with the Commission on March 31, 2021.⁹

4.7 Aggregate Deferred Balance Future Recovery Mechanism

- A. East Tennessee, its customers, and affected state regulatory agencies shall meet promptly following the filing of this Stipulation and Agreement to discuss East Tennessee's deferred accounting methodology for calculating cashout gains and losses, and to consider whether the customers and affected state regulatory agencies can agree upon changes to such methodology. East Tennessee shall submit a filing with the Commission to change its methodology for calculating cashout gains and losses no later than December 31, 2021, provided that: (i) any such changes are not opposed by any customers or affected state regulatory agencies participating in such discussions; (ii) any such changes can reasonably be implemented and administered by East Tennessee; and (iii) East Tennessee is kept whole for costs incurred related to the cashout of imbalances as a result of the proposed methodology.
- B. Notwithstanding anything to the contrary in Section 4.7(A), with respect to East Tennessee's cashout mechanism, all Parties retain their rights under Section 4 and Section 5 of the NGA.

⁹ 2019-2020 Cashout Report of East Tennessee Natural Gas, LLC, Docket No. RP21-697-000 (Mar. 31, 2021).

4.8 Maintenance Management Program

East Tennessee shall conduct meetings with its customers and affected state regulatory agencies (“**Meeting Participants**”) on an annual basis for the purpose of increasing the transparency of East Tennessee’s maintenance management program. East Tennessee’s maintenance management program discussions shall initially include the following, which may be updated from time to time as the annual process evolves:

- A. By August 31 of the first calendar year subsequent to the Settlement Effective Date and at least once annually thereafter, East Tennessee shall present by meeting, webcast, or conference call with Meeting Participants, its planned maintenance activities by purpose, type, and estimated costs, for the calendar year of such meeting. If the Settlement Effective Date occurs prior to June 30, 2021, East Tennessee shall hold the first such meeting, webcast, or conference call with Meeting Participants prior to the end of calendar year 2021.
- B. East Tennessee shall engage in discussions with Meeting Participants related to the presentation described in Section 4.8(A).
- C. During the presentation described in Section 4.8(A), East Tennessee shall provide Meeting Participants with a reconciliation of actual to estimated costs of the maintenance activities undertaken in the previous calendar year, explaining any material variances.
- D. East Tennessee shall begin to track reliability metrics for firm service availability, compressor availability/rate, force majeure outages, and outage time associated with unplanned incidents, with the results reported annually to Meeting Participants in the

subsequent year's presentation beginning in 2022. East Tennessee is willing to discuss tracking of any proposed additional appropriate metrics on a prospective basis to be presented in a subsequent annual presentation.

4.9 Retention of Operational Flow Order (“OFO”) Notifications

East Tennessee shall establish a dedicated folder on LINK[®] containing each OFO notification posted by East Tennessee during the previous three (3) years on a rolling basis.

4.10 Moratorium and Rate Case Comeback

- A. East Tennessee may not make a filing under Section 4 of the NGA that would result in new rates with an effective date, following a five (5)-month suspension period, that occurs before April 1, 2024 (“**Moratorium Period**”).
- B. Following the Moratorium Period and provided that an NGA Section 5 proceeding has not been initiated, East Tennessee shall file a new NGA Section 4 rate case with rates to be effective no later than April 1, 2026.

4.11 Return on Equity for Allowance for Funds Used During Construction (“AFUDC”) and New Projects

East Tennessee shall apply a 12.50 percent return on equity component in the calculation of AFUDC and initial rates in certificate applications for new projects.

ARTICLE V MISCELLANEOUS

5.1 Non-Severability

This Settlement is the result of extensive negotiations and embodies numerous compromises of complex, interrelated issues among the Parties. This Settlement is an

indivisible package that cannot be altered in part without jeopardizing the whole. No particular issue or provision of this Settlement can be severed from, or modifications made to, this Settlement without disturbing the balance of interests represented herein.

5.2 Schedules

This Settlement includes the information contained in each of the Schedules attached hereto and referred to herein, all of which are incorporated herein by reference. In the event of a conflict or inconsistency between the main body of this Settlement and any Schedule hereto, then the provisions of the main body of this Settlement shall control.

5.3 Entireties Clause

This Settlement represents a negotiated resolution of only the specific matters addressed herein, and except as specifically provided in this Settlement, no Party shall be deemed to have waived any claim or right in a future proceeding that it otherwise may have with respect to any matters not expressly provided for in this Settlement. There are no other agreements or understandings among the Parties related to this Settlement except as stated herein. This Settlement represents the entire agreement of the Parties with respect to the matters resolved in this proceeding. This Settlement is not intended to resolve or affect any other proceeding pending before the Commission, courts, or any other governmental authority, nor does Commission approval of this Settlement constitute approval of, or precedent regarding, any principle or issue in this proceeding (recognizing that the terms of this Settlement are intended to remain in effect for the duration of this Settlement). Likewise, in consideration of all elements of this negotiated Settlement, no Party intends that any provision of this Settlement constitutes precedent or should be deemed “settled practice,” as the term “settled practice” was interpreted in *Public Service Comm’n of N.Y. v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), *cert. denied*, 454 U.S. 880

(1981), or a “long standing practice” as that term was used in *Columbia Gas Transmission Corp. v. FERC*, 628 F.2d 578 (D.C. Cir. 1979).

5.4 Term of Settlement

This Settlement shall become effective on the Settlement Effective Date and shall terminate on the date on which East Tennessee first places new recourse rates into effect in a subsequent rate proceeding (whether or not such rates are placed into effect subject to refund and/or hearing), *provided that* Section 4.4 will survive the termination of this Settlement as set forth therein.

5.5 Nature of Settlement

The terms of this Settlement are contractual, not a mere recital, and this Settlement is the result of negotiations among the Parties, each of which has participated in the drafting of this Settlement through its respective attorneys. No Party shall be deemed the drafter of this Settlement, and this Settlement shall not be construed against any Party as the drafter. In the event of a conflict between the terms of this Settlement and the “Explanatory Statement of Stipulation and Agreement,” this Settlement shall control. Nothing contained in this Settlement shall be deemed an admission of any kind, whether of guilt, liability, or fact, by or against any Party to this Settlement, or their directors, officers, shareholders, agents, employees, representatives, principals, successors, predecessors, assigns, and heirs.

5.6 Interpretation

Each capitalized term not otherwise defined herein shall have the definition provided for such term in East Tennessee’s GT&C as of the date of this Settlement.

5.7 Successors and Assigns

The provisions of this Settlement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

**ARTICLE VI
REPRESENTATIONS, WARRANTIES, AND COVENANTS**

Each of the Parties to the Settlement represents and warrants to the other Parties as follows:

6.1 Authority to Enter Settlement

It has the power and authority to enter into and adhere to this Settlement.

6.2 Efforts to Obtain Commission Approval

To the extent reasonably requested by the Commission or East Tennessee, it shall use due diligence and reasonable efforts, and shall work cooperatively and in good faith to satisfy such request, or to take other efforts that may be ordered by the Commission to obtain prompt Commission approval of the Settlement and the Settlement Compliance Filing, provided that Parties other than East Tennessee are not by this Section 6.2 affirmatively required to make any filing with the Commission.

6.3 No Action to Impede Settlement or Settlement Compliance Filing

While the Settlement and Settlement Compliance Filing are pending at the Commission, it shall not take any action, including making any filings with the Commission addressing the subject matter of this Settlement as it applies to East Tennessee, which action is designed to impede Commission approval and East Tennessee's implementation of this Settlement or the Settlement Compliance Filing, provided that the implementation of this Settlement and/or the Settlement Compliance Filing, as applicable, is consistent with, and does not deviate from or extend beyond the scope of, the Settlement as filed.

ARTICLE VII EFFECT OF APPROVAL

7.1 Settlement Rates in Public Interest

It is specifically understood and agreed that this Settlement represents a negotiated settlement of all of the issues set for hearing in Docket No. RP20-980-000, and that it produces an overall result that is just and reasonable, and in the public interest.

7.2 Termination of Proceeding and Waivers

Receipt of an Acceptable Order in the above-captioned docket shall constitute termination of the proceeding effective immediately. Even if not specifically stated, Commission approval of this Settlement shall constitute granting the request contained in this Settlement for any and all waivers of the Commission's rules and regulations that may be necessary to effectuate the Settlement in accordance with its terms, including a waiver of Section 154.207 of the Commission's regulations,¹⁰ to the extent necessary to implement the terms and provisions agreed to in this Settlement.

7.3 Rights Reserved

Nothing in this Settlement shall preclude East Tennessee from filing changes in its Tariff that are consistent with its specific obligations under this Settlement, or preclude any Party from responding thereto or seeking changes in East Tennessee's Tariff pursuant to NGA Section 5 that are consistent with its specific obligations under this Settlement.

7.4 No Modification Without Written Agreement

No modification of the terms and provisions of this Settlement shall be made except by the execution of a written agreement by all of the Parties to this Settlement, as approved by the Commission.

¹⁰ 18 C.F.R. § 154.207 (2020).

7.5 Standard of Review

The applicable standard of review for any changes to the terms of this Settlement proposed by any Party during the term of this Settlement shall be the “public interest” standard as set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956). The standard of review for changes to this Settlement proposed by the Commission acting *sua sponte* or any person that is not a Party shall be the “just and reasonable” standard.

7.6 No Effect Before Settlement Effective Date

This Settlement is made pursuant to Rule 602 of the Commission’s Rules of Practice and Procedure,¹¹ and until the Settlement Effective Date, this Settlement, including the *pro forma* tariff records in Schedule 2 and Schedule 3, and the Depreciation and Negative Salvage Rates in Schedule 4 shall be privileged and of no effect, and nothing contained in this Settlement or in the *pro forma* tariff records shall be admissible in evidence in any Commission, court, or other regulatory proceeding or deemed an admission by any Party of any principle contained herein.

¹¹ 18 C.F.R. § 385.602 (2020).

WHEREFORE, East Tennessee respectfully requests that the Commission approve this Settlement in its entirety, without modification or condition.

Respectfully submitted,

/s/ Emery J. Biro, III

Emery J. Biro, III

Associate General Counsel - SE

Grace O'Malley

Sr. Legal Counsel

East Tennessee Natural Gas, LLC

5400 Westheimer Court

P.O. Box 1642

Houston, Texas 77251-1642

(713) 627-4740

Anita R. Wilson

Andrew N. Beach

Vinson & Elkins L.L.P.

2200 Pennsylvania Avenue NW

Suite 500

Washington, D.C. 20037

(202) 639-6776

Attorneys for

East Tennessee Natural Gas, LLC

May 21, 2021

SCHEDULE 1

PARTIES SUPPORTING OR NOT OPPOSING THE SETTLEMENT

American Forest & Paper Association
Appalachian Natural Gas Distribution Company
Athens Utilities Board
Atmos Energy Corporation
Bridgeport Utilities
Chattanooga Gas Company
Columbia Gas of Virginia, Inc.
Cookeville Gas Department
Dalton Utilities
Duke Energy Carolinas, LLC
Duke Energy Progress, LLC
East Tennessee Natural Gas, LLC
Elk River Public Utility District
Etowah Utilities Gas Department
Exelon Corporation
Fayetteville Public Utilities
Gallatin Natural Gas System
Harriman Utility Board
Hawkins County Gas Utility District
Industrial Energy Consumers of America
Jamestown Gas System
Jefferson-Cocke County Utility District
Knoxville Utilities Board
Lenoir City Utilities Board
Lewisburg Gas Department
Livingston Gas Department
Loudon Utility Gas Department
Madisonville Gas System
Marion Natural Gas System
Middle Tennessee Natural Gas Utility District
Mt. Pleasant Gas System
North Carolina Utilities Commission
Northwest Pipeline LLC
Oak Ridge Utility District
Oglethorpe Power Corporation
Piedmont Natural Gas Company, Inc.
Powell Clinch Utility District
Process Gas Consumers Group
Public Service Company of North Carolina, Incorporated
Rockwood Water & Gas
Sequent Energy Management, L.P.
Sevier County Utility District
Spotlight Energy, LLC

Sweetwater Utilities Board
Symmetry Energy Solutions, LLC
Tenaska Marketing Ventures
Tennessee Valley Authority
Unicoi County Gas Utility District

SCHEDULE 2
***PRO FORMA* TARIFF RECORDS**
(SETTLEMENT RATES)

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
 (Rates Per Dekatherm)

Rate Schedule -----	Tariff Rate -----
Monthly Demand Rates -----	
FT-A	
- Max (High)	\$ 8.350
- Max (Low)	\$ 8.350
- Min	\$ 0.000
FT-A (Gateway)	
- Max (High)	\$13.530
- Max (Low)	\$13.530
- Min	\$ 0.000
FT-A (Wacker)	
- Max (High)	\$13.964
- Max (Low)	\$13.964
- Min	\$ 0.000
FT-A (Kingsport)	
- Max (High)	\$13.664
- Max (Low)	\$13.664
- Min	\$ 0.000
FT-A (Loudon)	
- Max (High)	\$10.504
- Max (Low)	\$10.504
- Min	\$ 0.000
LNGS	\$0.5250
Daily Demand Rates 1/ -----	
FT-A	\$ 0.2745
FT-A (Gateway)	\$ 0.4448
FT-A (Wacker)	\$ 0.4591
FT-A (Kingsport)	\$ 0.4492
FT-A (Loudon)	\$ 0.3453

1/ The maximum Volumetric Firm Rates for Capacity Release are as follows:
 FT-A \$ 0.2825; FT-A (Gateway) \$ 0.4448; FT-A (Wacker) \$ 0.4591; FT-A (Kingsport) \$ 0.4492;
 FT-A (Loudon) \$ 0.3453.
 Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions.

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
 (Rates Per Dekatherm)

Rate Schedule -----	Tariff Rate -----
	1/
Commodity Rates -----	
FT-A	
- Max	\$0.0080
- Min	\$0.0080
FT-A (Gateway)	
- Max	\$0.0000
- Min	\$0.0000
FT-A (Wacker)	
- Max	\$0.0000
- Min	\$0.0000
FT-A (Kingsport)	
- Max	\$0.0000
- Min	\$0.0000
FT-A (Loudon)	
- Max	\$0.0000
- Min	\$0.0000
FT-GS	
- Max	\$0.7923
- Min	\$0.0080
IT	
- Max	\$0.2825
- Min	\$0.0080
PAL	
- Max	\$0.2825
- Min	\$0.0080

1/ Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions.

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
 (Rates Per Dekatherm)

Rate Schedule	Fuel and Loss Retention Percentages		
	1/		
FT-A	1.54%	2/	
FT-A (Gateway)	2.57%	2/	
FT-A (Murray)	3.70%	2/	
FT-A (Wacker)	3.49%	2/	
FT-A (Kingsport)	0.73%	2/	
FT-A (Loudon)	1.29%	2/	
FT-GS	1.54%	2/	
IT	1.54%	2/	
LNGS	16.41%	1.06%	3/

- 1/ Fuel and Losses Retention Percentages shall be applicable to all transportation rate schedules.
- 2/ Transportation entirely by Backhaul will incur only the 0.25% Lost and Unaccounted For Gas factor.
- 3/ Liquefaction and Vaporization Fuel and Loss Retention Percentages of 16.41% and 1.06%, respectively, shall be applicable to the LNGS Service.

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
 (Rates Per Dekatherm)

Rate Schedule	Tariff Rate	Fuel and Loss Retention Percentage

	1/	

Monthly Demand Rates		

FT-L (Jewell Ridge)		
- Max	\$3.2530	
- Min	\$0.0000	

Daily Demand Rates 2/		

FT-L (Jewell Ridge)	\$0.1069	

Commodity Rates		

FT-L (Jewell Ridge)		
- Max	\$0.0000	0.06% 3/
- Min	\$0.0000	

IT-L (Jewell Ridge)		
- Max	\$0.1069	0.06% 3/
- Min	\$0.0000	

Authorized Overrun Rates		

Jewell Ridge		
- Max	\$0.1069	0.06% 3/
- Min	\$0.0000	

- 1/ Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions, with the exception that the ACA Surcharge shall not apply to deliveries under Rate Schedules FT-L and IT-L to the extent that such quantities are delivered for further transportation on Transporter's system under one or more of Transporter's other Rate Schedules.
- 2/ The maximum Volumetric Firm Rates for Capacity Release are as follows:
 FT-L (Jewell Ridge) \$0.1069.
 Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions.
- 3/ Transportation Fuel and Loss Retention Percentages for service on the Jewell Ridge Lateral are inclusive of a 0.06% Gas Lost and Unaccounted For factor. Transportation entirely by Backhaul on the Jewell Ridge Lateral will incur only the 0.06% Gas Lost and Unaccounted For factor

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
 (Rates Per Dekatherm)

Rate Schedule -----	Tariff Rate -----
Monthly Demand Rates -----	
FT-A	
- Max (High)	\$ 10.903 <u>13.350</u>
- Max (Low)	\$ 10.903 <u>13.350</u>
- Min	\$ 0.000
FT-A (Gateway)	
- Max (High)	\$ 17.115 <u>13.530</u>
- Max (Low)	\$ 17.115 <u>13.530</u>
- Min	\$ 0.000
FT-A (Wacker)	
- Max (High)	\$ 17.842 <u>13.964</u>
- Max (Low)	\$ 17.842 <u>13.964</u>
- Min	\$ 0.000
FT-A (Kingsport)	
- Max (High)	\$ 16.927 <u>13.664</u>
- Max (Low)	\$ 16.927 <u>13.664</u>
- Min	\$ 0.000
FT-A (Loudon)	
- Max (High)	\$ 12.998 <u>10.504</u>
- Max (Low)	\$ 12.998 <u>10.504</u>
- Min	\$ 0.000
LNGS	\$ 0.8150 <u>5250</u>
Daily Demand Rates 1/ -----	
FT-A	\$ 0. 3585 <u>2745</u>
FT-A (Gateway)	\$ 0. 5627 <u>4448</u>
FT-A (Wacker)	\$ 0. 5866 <u>4591</u>
FT-A (Kingsport)	\$ 0. 5565 <u>4492</u>
FT-A (Loudon)	\$ 0. 4273 <u>3453</u>

1/ The maximum Volumetric Firm Rates for Capacity Release are as follows:
 FT-A \$ 0. ~~3757~~2825; FT-A (Gateway) \$ 0. ~~5627~~4448; FT-A (Wacker) \$ 0. ~~5866~~4591; FT-A (Kingsport) \$ 0.55654492;
 FT-A (Loudon) \$ 0. ~~4273~~3453.
 Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions.

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
(Rates Per Dekatherm)

Rate Schedule	Tariff Rate

	1/
Commodity Rates	

FT-A	
- Max	\$0. 0172 <u>0080</u>
- Min	\$0. 0172 <u>0080</u>
FT-A (Gateway)	
- Max	\$0.0000
- Min	\$0.0000
FT-A (Wacker)	
- Max	\$0.0000
- Min	\$0.0000
FT-A (Kingsport)	
- Max	\$0.0000
- Min	\$0.0000
FT-A (Loudon)	
- Max	\$0.0000
- Min	\$0.0000
FT-GS	
- Max	\$1.0414 <u>0.7923</u>
- Min	\$0. 0172 <u>0080</u>
IT	
- Max	\$0. 3757 <u>2825</u>
- Min	\$0. 0172 <u>0080</u>
PAL	
- Max	\$0. 3757 <u>2825</u>
- Min	\$0. 0172 <u>0080</u>

1/ Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions.

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
(Rates Per Dekatherm)

Rate Schedule	Fuel and Loss Retention Percentages		
-----	-----		
	1/		
FT-A	1.54%	2/	
FT-A (Gateway)	2.57%	2/	
FT-A (Murray)	3.70%	2/	
FT-A (Wacker)	3.49%	2/	
FT-A (Kingsport)	0.73%	2/	
FT-A (Loudon)	1.29%	2/	
FT-GS	1.54%	2/	
IT	1.54%	2/	
LNGS	16.41%	1.06%	3/

- 1/ Fuel and Losses Retention Percentages shall be applicable to all transportation rate schedules.
- 2/ Transportation entirely by Backhaul will incur only the 0.25% Lost and Unaccounted For Gas factor.
- 3/ Liquefaction and Vaporization Fuel and Loss Retention Percentages of 16.41% and 1.06%, respectively, shall be applicable to the LNGS Service.

NOTICE OF RATES AND OTHER TARIFF RATE CHANGES
 (Rates Per Dekatherm)

Rate Schedule	Tariff Rate	Fuel and Loss Retention Percentage
----- 1/		
Monthly Demand Rates		

FT-L (Jewell Ridge)		
- Max	\$3. 8590	<u>2530</u>
- Min	\$0.0000	
Daily Demand Rates 2/		

FT-L (Jewell Ridge)	\$0. 1269	<u>1069</u>
Commodity Rates		

FT-L (Jewell Ridge)		
- Max	\$0.0000	0.06% 3/
- Min	\$0.0000	
IT-L (Jewell Ridge)		
- Max	\$0. 1269	<u>1069</u> 0.06% 3/
- Min	\$0.0000	
Authorized Overrun Rates		

Jewell Ridge		
- Max	\$0. 1269	<u>1069</u> 0.06% 3/
- Min	\$0.0000	

- 1/ Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions, with the exception that the ACA Surcharge shall not apply to deliveries under Rate Schedules FT-L and IT-L to the extent that such quantities are delivered for further transportation on Transporter's system under one or more of Transporter's other Rate Schedules.
- 2/ The maximum Volumetric Firm Rates for Capacity Release are as follows:
 FT-L (Jewell Ridge) \$0.~~1269~~1069.
 Rate excludes the Annual Charge Adjustment (ACA) Surcharge. The ACA Commodity Surcharge per Dekatherm to applicable customers, pursuant to Section 34 of the General Terms and Conditions.
- 3/ Transportation Fuel and Loss Retention Percentages for service on the Jewell Ridge Lateral are inclusive of a 0.06% Gas Lost and Unaccounted For factor. Transportation entirely by Backhaul on the Jewell Ridge Lateral will incur only the 0.06% Gas Lost and Unaccounted For factor

SCHEDULE 3
***PRO FORMA* TARIFF RECORDS**
(TEXT UPDATES)

25. FUEL AND LOSS RETENTION PERCENTAGE ADJUSTMENT

- 25.1 Transporter shall determine fuel and loss retention percentages for each annual reporting period in accordance with this Section 25 to allow Transporter to retain quantities of Gas in-kind for compressor fuel, other company use, and lost and unaccounted for Gas for Transporter's facilities (collectively, the "Fuel and Loss Requirement"). Applicable fuel and loss retention percentages are reflected on the Notice of Rates and Other Tariff Rate Changes for the Rate Schedules that provide for the retention of fuel and loss quantities.
- 25.2 The fuel and loss retention percentages under the applicable Rate Schedules shall be subject to adjustment on an annual basis pursuant to this Section 25 and shall reflect both prospective changes in Transporter's projected Fuel and Loss Requirement as well as actual over- or under-recovered fuel and loss retention quantities from the preceding reporting period. Adjustment of the fuel and loss retention percentages shall be reflected in an annual fuel and loss retention percentages filing, which shall be submitted to the Commission each year on or before March 31 to become effective the following May 1 ("Annual FLRP Filing"). The reporting period for the Annual FLRP Filing shall be the annual period from January 1 through December 31 immediately preceding the Annual FLRP Filing.
- 25.3 Transporter's fuel and loss retention percentages to be effective on each May 1 will be determined, separately for service under each applicable Rate Schedule and project with incremental fuel, by dividing (A) the sum of (i) the projected Fuel and Loss Requirement for the 12-Month period commencing on May 1 of the year in which the Annual FLRP Filing is made, and (ii) the true-up for any over- or under-recoveries determined pursuant to Section 25.4, by (B) Transporter's projected throughput volumes for each transportation Rate Schedule, or projected injection volumes and projected withdrawal volumes for Rate Schedule LNGS, as applicable, for such 12-Month period commencing on May 1 of the year in which the Annual FLRP Filing is made.
- 25.4 For service under each applicable Rate Schedule, Transporter shall determine the true-up quantity for any over- or under-recoveries for the preceding reporting period by taking the difference between (A) the actual fuel and loss quantities retained by Transporter during such reporting period, and (B) the sum of (i) the actual Fuel and Loss Requirement for such reporting period, and (ii) any over- or under-recoveries to be reflected from such preceding reporting period.
- 25.5 Transporter may file interim proposals between annual filings subject to approval by the Commission.

25. FUEL AND LOSS RETENTION PERCENTAGE ADJUSTMENT

25.1 Transporter shall determine fuel and loss retention percentages for each annual reporting period in accordance with this Section 25 to allow Transporter to retain quantities of Gas in-kind~~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 (collectively based upon appropriate engineering principles. On each May 1, the "Fuel and Loss Requirement").~~ Applicable fuel and loss retention percentages are reflected on the Notice of Rates and Other Tariff Rate Changes for the Rate Schedules that provide for the retention of fuel and loss quantities.

~~Fuel and Loss Retention Percentage will be redetermined by dividing~~

25.2 The fuel and loss retention percentages under the applicable Rate Schedules shall be subject to adjustment on an annual basis pursuant to this Section 25 and shall reflect both prospective changes in Transporter's projected Fuel and Loss Requirement as well as actual over- or under-recovered fuel and loss retention quantities from the preceding reporting period. Adjustment of the fuel and loss retention percentages shall be reflected in an annual fuel and loss retention percentages filing, which shall be submitted to the Commission each year on or before March 31 to become effective the following May 1 ("Annual FLRP Filing"). The reporting period for the Annual FLRP Filing shall be the annual period from January 1 through December 31 immediately preceding the Annual FLRP Filing.

25.3 Transporter's fuel and loss retention percentages to be effective on each~~projection for the next 12 Months beginning~~May 1 will be determined, separately for service under each applicable Rate Schedule and project with incremental fuel, by dividing (A) the sum of (i) the projected Fuel and Loss Requirement for the 12-Month period commencing on May 1 of the year in which the Annual FLRP Filing is made, and (ii) the true-up for any over- or under-recoveries determined pursuant to Section 25.4, by (B) of fuel usage and any lost and unaccounted for Gas for Transporter's facilities, by Transporter's projected throughput volumes for each transportation Rate Schedule, or projected injection volumes and projected withdrawal volumes for Rate Schedule LNGS, as applicable, for such~~projection of applicable deliveries for the account of Shippers for the next 12-~~Month period commencing on May 1 of the year in which the Annual FLRP Filing is made.

25.4 For service under each applicable Rate Schedule, Transporter shall determine the true-up quantity for any over- or under-recoveries for the preceding reporting period by taking the difference between (A) the actual fuel and loss quantities retained by Transporter during such reporting period, and (B) the sum of (i) the

actual Fuel and Loss Requirement for such reporting period, and (ii) any over- or under-recoveries to be reflected from such preceding reporting period.

~~25.5~~ ~~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.~~

~~(a) 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).~~

- ~~(a) 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.~~

SCHEDULE 4
DEPRECIATION AND NEGATIVE SALVAGE RATES

DESCRIPTION	ANNUAL DEPRECIATION RATE	ANNUAL NEGATIVE SALVAGE RATE
Account 403 – Depreciation		
Transmission Plant		
Onshore – Transmission	2.00%	0.27%
Onshore – Jewell Ridge	1.15%	0.09%
Other Storage Plant		
Onshore – Kingsport LNG	1.00%	0.35%
General Plant		
Structures & Improvements – Fully Depreciated	4.00%	N/A
Structures & Improvements	16.00%	N/A
Office Furniture & Equipment – Fully Depreciated	8.33%	N/A
Transportation Equipment – Fully Depreciated	14.29%	N/A
Transportation Equipment (Corporate Jet)	10.00%	N/A
Transportation Equipment (Patrol Planes)	6.67%	N/A
Tools, Shop, and Garage Equipment – Fully Depreciated	14.29%	N/A
Power Operated Equipment – Fully Depreciated	6.67%	N/A
Communication Equipment – Fully Depreciated	14.29%	N/A
Miscellaneous Equipment – Fully Depreciated	6.67%	N/A
Account 404 – Amortization		
Intangible Plant – Organization Costs – Fully Depreciated	9.80%	N/A
Intangible Plant – Franchise and Consents – Fully Depreciated	9.80%	N/A
Intangible Plant – Miscellaneous	10.00%	N/A
Intangible Plant – Miscellaneous	20.00%	N/A

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon each person designated on the Official Service List compiled by the Secretary in this proceeding and upon all affected customers of East Tennessee Natural Gas, LLC and interested state commissions.

Dated at Washington, D.C. this 21st day of May, 2021.

/s/ Andrew D. DeVore

Andrew D. DeVore

On behalf of

East Tennessee Natural Gas, LLC