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December 5, 2017

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

Re: Northwest Pipeline LLC
Docket No. RP18-
Available Capacity Revisions Filing

Dear Ms. Bose:

Northwest Pipeline LLC (Northwest) hereby submits for filing with the Federal Energy Regulatory Commission (Commission) pursuant to Part 154 of the Commission's Regulations,¹ the following revised tariff records as part of its FERC Gas Tariff, Fifth Revised Volume No. 1 (Tariff):

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|--------------------------------|----------------------------------|
| Third Revised Sheet No. 24 | Second Revised Sheet No. 275 |
| Third Revised Sheet No. 104 | Third Revised Sheet No. 275-A |
| Third Revised Sheet No. 108 | Second Revised Sheet No. 276 |
| Third Revised Sheet No. 141 | Third Revised Sheet No. 277 |
| Second Revised Sheet No. 142 | Fifth Revised Sheet No. 278 |
| Eighth Revised Sheet No. 200 | Third Revised Sheet No. 278-A |
| Third Revised Sheet No. 219 | Third Revised Sheet No. 278-B |
| Third Revised Sheet No. 244 | Third Revised Sheet No. 278-C |
| Third Revised Sheet No. 245 | Second Revised Sheet No. 278-D |
| Second Revised Sheet No. 274 | Third Revised Sheet No. 278-E |
| Second Revised Sheet No. 274-A | Original Revised Sheet No. 278-F |

Statement of Nature, Reasons and Basis for the Filing

The purpose of this filing is to make changes to Northwest's Tariff by reorganizing and updating General Terms and Conditions (GT&C) Section 25 regarding acquiring available capacity on Northwest's system. For presentation purposes and due to the redlined changes related to the

¹ 18 C.F.R. Part 154 (2017).

repagination of the proposed tariff language, Northwest has elected to delete in its entirety the current tariff language related to Section 25 and has rewritten and reordered the provisions therein.

Northwest has had numerous discussions with its customers regarding this filing and believes this collaborative effort has resolved its customer's concerns.

Background

Section 25 of the GT&C of Northwest's Tariff includes procedures for both Northwest to market capacity as well as for shippers to acquire capacity. With the exception of a few modifications in the first three provisions below, Northwest is not proposing to modify its current business practices; it is simply proposing changes to provide clarity. Section 25 has been rewritten and reordered to remove ambiguity in the current tariff language and to provide clear descriptions of what available capacity is, how it is marketed, and how it is requested and ultimately obtained by shippers.

Proposed Changes

First-come First-served Capacity Limitation

Northwest is a bi-directional system that relies on displacement in order to meet its primary firm contractual obligations.² The Commission has recognized that "Northwest's system operations are such that displacement is of paramount importance to the system."³ In recognition of Northwest's displacement dependency, the Commission has approved different means for Northwest to protect its ability to continue to meet its contractual obligations to its primary firm shippers. For example, Operational Flow Order (OFO) provisions pursuant to Section 14.15 of the GT&C of Northwest's Tariff provide the mechanisms that Northwest can utilize to meet its primary firm contractual obligations when primary firm nomination requests through a constraint point exceed that point's physical design capacity. Under the OFO provisions, Northwest can require shippers to change their nominations to either realign their receipts to the opposite side of the constraint point, or flow gas through the constraint point in the opposite direction of the flow constraint.⁴

From time to time, Northwest has found the need to make additional tariff changes to protect the displacement needed to operationally meet contractual obligations. One such tariff change was included in a tariff filing in Docket No. RP98-248 that allows Northwest to require Contract-Specific OFOs if a shipper's requested point amendments or segmentations would result in

² For a general discussion of Northwest's system and reliance on displacement, see the Commission's discussion in *Northwest Pipeline Corp.*, 78 FERC ¶ 63,010, at ¶ 65,143 – 65,146 (1997).

³ *Northwest Pipeline Corp.*, 85 FERC ¶ 61,335 (1998).

⁴ See Section 14.15 (d) of the GT&C of the Tariff.

operational problems inhibiting Northwest's ability to meet its firm contractual obligations.⁵ Later, another tariff change was included in a tariff filing in Docket No. RP04-176, giving Northwest the right to require certain capacity release agreements to include OFO recall provisions in order to restore a releasing shipper's pre-release ability to respond to OFO requirements.⁶

The above-mentioned mechanisms can only assist Northwest in meeting its primary firm contractual obligations if Northwest has sufficient subscribed capacity. Therefore, Northwest proposes to add a limitation on capacity that is available on a first-come, first-served basis to provide added protection to its existing shippers against Northwest's inability to meet its primary firm contractual obligations in the future.

This new provision in GT&C Section 25.6 (c) only applies when the requested capacity through an amendment or segmentation would leave unsubscribed mainline capacity unavailable to be re-contracted,⁷ thus eliminating Northwest's ability to maintain current displacement design requirements to prevent operational problems. This limitation will only apply to the point capacity that is needed to preserve the displacement requirements, and not the entire available capacity at a given point or all receipt and delivery points within a given corridor. Northwest will identify capacity that is needed to prevent the stranding of mainline capacity that would result in operational problems on its Unsubscribed Capacity and TSP Capacity reports. Retaining sufficient point capacity to enter into new service agreements that would provide the needed displacement for the continued design and operation of Northwest's system is critical to both Northwest and its shippers. The loss of this required point capacity due to point amendments or segmentations would lead to an increase of OFO burdens on the remaining shippers on Northwest's system. This could ultimately lead to expensive capital investments or de-contracting that would increase the general system transmission rates for all base shippers in Northwest's next NGA Section 4 rate case filing. This could be avoided if the displacement capacity is preserved.

For years, Northwest and its shippers have worked collectively to minimize the risks associated with the loss of displacement,⁸ and this limitation is just one more collaborative effort to achieve this goal. Starting in January 2019, Northwest is faced with substantial capacity turn-back risk flowing off the south-end of its system. As this southbound capacity terminates, existing southbound shippers' OFO obligations increase, since there is less subscribed capacity to distribute the OFO burden across. If capacity turn-back continues, by October 2023, existing southbound shippers' OFO obligations will increase from 28 to 100 percent. Under this scenario

⁵ See *Northwest Pipeline Corp.*, 85 FERC ¶ 61,335 (1998).

⁶ See *Northwest Pipeline Corp.*, 107 FERC ¶ 61,307, 62,451 (2004).

⁷ In order for Northwest to have marketable capacity, it must have equivalent mainline, receipt point(s) and delivery point(s) capacities. See GT&C Section 25.1.

⁸ See *Northwest Pipeline Corp.*, 100 FERC ¶ 61,289, at 62,292 (2002) (The Rockies Expansion Project was necessary to help replace displacement capacity that was lost due to the expiration of an existing contract-specific OFO obligation).

and without the protection sought in this filing, Northwest may not have the ability to support its northbound primary firm contractual obligations.⁹

By allowing Northwest to preserve the necessary point capacity to prevent the stranding of mainline capacity, Northwest will be in a better position to maintain its current displacement design requirements.

Northwest has discussed the issues surrounding the loss of displacement capacity on the south-end of its system with its customers on numerous occasions, including in its recent rate case settlement meetings in Docket No. RP17-346.¹⁰ Several customers have voiced their support of this new provision in order to provide an additional mechanism to protect the displacement design of Northwest's system.

Competitive Bid Posting Timelines

In the current Section 25.2, the minimum duration for which capacity must be posted for competitive bid is either not specified or is governed by the existing agreement's termination notice. From a practical standpoint, the termination rights of the shipper who previously held the capacity should not play a role in determining the duration of the competitive bid period for re-contracting the capacity. As part of this filing and consistent with its historical competitive bid posting practice, Northwest is proposing that all competitive bid periods be governed by either the primary term being requested by the prearranged shipper, or the primary term stated in the open season for competitive bid postings that do not include a prearranged shipper. The proposed minimum competitive bid periods for all available capacity, outlined in Section 25.6 (b) of the GT&C, will be as follows:

- No less than seventy-two hours for requests with a primary term equal to or greater than one year.
- No less than twenty-four hours for requests with a primary term less than one year and greater than thirty-one days.
- No less than one hour, and on a business day for requests with a primary term of 31 days or less.

As stated in Northwest's tariff, the one hour competitive bid periods must begin at one of three specific times on a business day. This filing proposes to revise two of these three specific times to better align with the current nomination scheduling timeline. Currently, the one hour competitive bid periods must begin at either 8:45 am, 10:00 am or 3:30 pm Central Clock Time.

⁹ Northwest's average contract life is currently in excess of nine years. In addition, Northwest has several contracts that extend for thirty years or more. Northwest's segmentation policy allows customers to segment their agreements through their primary term end date. As a result, Northwest's inability to re-contract displacement-preserving capacity could extend well into the future.

¹⁰ *Northwest Pipeline LLC*, 160 FERC ¶ 61,008 (2017).

The proposed one hour times for the competitive bid periods to begin are 8:45 am, 11:45 am or 4:45 pm Central Clock Time.

Today, the one hour competitive bid postings can only occur after Northwest has accepted a prearranged shipper request for the capacity. This filing proposes to eliminate the requirement that these one hour postings include a prearranged shipper request in order to have more flexibility in posting capacity that will be contracted for a short period.

Optional Bid Evaluation Criteria

Section 25.4 of the GT&C of Northwest's current tariff, which was added to Northwest's tariff in Docket No. RP98-248, states that "Bids will be evaluated based on the net present value of the bid for all bid periods of 72 hours or less."¹¹ In GT&C Section 25.8 (a), Northwest proposes to add the option to evaluate bids based on highest rate for bid periods of 72 hours or less. This change will provide Northwest with more flexibility to market capacity, regardless of the length of the competitive bid period. To alleviate concerns that had been raised in the RP98-248 proceeding, in which the main concern of the interested parties was the discretion that Northwest had to choose the alternative criteria and a shipper's ability to respond in a short time period, Northwest is proposing to specify that the criteria will be limited to evaluations based on net present value or highest rate for competitive bid periods of less than 72 hours. Shippers will be notified which of the two bid evaluation criteria will be used when the capacity is posted for competitive bid. Allowing alternative bid criteria in competitive bid postings is consistent with Commission policy,¹² and limiting the criteria to two options for short bid periods should address the concerns raised by the parties in RP98-248.

Competitive Bid Period Clarification

The current Section 25 of the GT&C contains some ambiguity relating to the "Bid Period" and the "Posting Period." In order to avoid any confusion as to whether a posting is simply an informational posting versus the start of the actual bid period, Northwest proposes to use the term "competitive bid period" for actual bidding timeframes, and the reference to "posting" will refer to informational postings.

¹¹ In Docket No. RP98-248, Northwest filed to have all bids evaluated based on the incremental economic value of the bid, or "based on alternative criteria specified by Transporter in its posting." After a technical conference, Northwest offered a compromise to not allow alternative bidding criteria for bid periods of 72 hours or less, reasoning that the use of alternative criteria might pose problems for shippers seeking capacity in short bidding periods. *See Northwest Pipeline Corp.*, 84 FERC ¶ 61,012 (1998).

¹² *See Texas Eastern Transmission Corp.*, 79 FERC ¶ 61,258, at 62,019 (1997).

Updated References to Firm Storage Rate Schedules

Northwest has included references in the proposed edits to Section 25 to include Northwest's Firm Storage Rate Schedules. Section 25 applies to Northwest's firm transportation and storage rate schedules and sets forth the procedures for Northwest to post and offer available capacity, and for shippers to acquire such capacity for firm service. Updates have been made to the competitive bidding sections to include references to storage demand and storage capacity where applicable.

Disclosure of a Winning Bidder

Northwest proposes to add a clarification regarding the identity of a bidder that is awarded capacity. Current Section 25.4 (e) states that "Transporter will not disclose the identity of the bidder making the best bid." Read literally, the tariff implies that Northwest will never disclose the identity of the winning bidder, which would conflict with its reporting obligations to post information on its transactional report. Therefore, proposed language added to GT&C Section 25.7 will now state that competitive bids will include the identity of a bidder, but has the clarification that the identity of the bidder will not be publicly viewable unless and until the capacity is awarded to such bidder. Once the capacity has been awarded, the identity of the bidder will be disclosed in accordance with Northwest's reporting obligations.

Timing of Requests for First-come, First-served Capacity

Northwest proposes to memorialize in GT&C Section 25.6 (c) of the tariff its posted historical business practice relating to when first-come, first-served capacity may be requested.

Right of First Refusal

Northwest has not proposed any material changes to the Right of First Refusal provisions in the tariff which are now included in GT&C Section 25.10. Although the language appears as redlined text in the marked version of the attached tariff sheets due to pagination changes, the provisions have only been updated to include appropriate section cross references due to the reorganization of GT&C Section 25.

Conclusion

The primary reason for this filing is to provide added displacement protection on Northwest's system and to make necessary cleanup items to the tariff language in GT&C Section 25. An appendix has been included which contains a chart that provides a cross-reference of concepts and/or tariff language from its current location to the new location in the proposed tariff.

Waiver Requests and Effective Date

Northwest requests that the Commission grant any waivers it may deem necessary for the acceptance of this filing. Northwest requests an effective date of February 1, 2018, for the proposed tariff records included in this filing.

Procedural Matters

Pursuant to the applicable provisions in Section 154 of the Commission's regulations, Northwest submits an eTariff.xml filing package that contains the following items:

- proposed tariff records;
- marked tariff records;
- appendix; and
- transmittal letter.

Service and Communications

In compliance with 18 C.F.R. § 154.7(b), Northwest certifies that copies of this filing have been served electronically upon Northwest's customers and upon interested state regulatory commissions.

All communications regarding this filing should be served by e-mail to:

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The undersigned certifies that the contents of this filing are true and correct to the best of his knowledge and belief; that the electronic versions of the submitted tariff records contain the same information; and that he possesses full power and authority to sign this filing.

Respectfully submitted,

Northwest Pipeline LLC

Laren Gertsch
Director, Rates & Tariffs

Enclosures

RATE SCHEDULE TF-1
Firm Transportation
(Continued)

11. RECEIPT AND DELIVERY POINT FLEXIBILITY (Continued)

by 1:00 p.m. Central Clock Time (12:00 noon Mountain Clock Time) four (4) business days prior to the first of the month for which the change is desired, or for changes to occur during a month, after the first of the month, two (2) business days prior to the commencement of service, unless otherwise agreed to by the parties. If Transporter determines that a receipt or delivery point change request can be honored, the amendment to the Service Agreement will be executed by Transporter. The change will become effective on the later of the requested effective date or the date executed by Transporter, provided that such date shall not exceed fifteen days from the date of receipt of the amendment by Transporter. Notice of the resulting changes in available receipt or delivery point capacity will be posted to Transporter's Designated Site at least one (1) business day prior to implementation of such change.

Firm receipt and delivery point and associated mainline capacity will be posted to Transporter's Designated Site pursuant to Section 25.42 of the General Terms and Conditions and will be available for permanent receipt and/or delivery point changes only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

11.4 Transporter's Maximum Service Obligation. The total volumes nominated for service on any day for all receipt or delivery points must not exceed Transportation Contract Demand under a Shipper's firm Service Agreement, except as otherwise provided in Section 6 of this Rate Schedule.

12. CONTRACT TERM EXTENSIONS

12.1 Standard Unilateral Evergreen Provision. If Transporter and Shipper agree to include a standard unilateral evergreen provision as indicated on Exhibit A of a long-term Service Agreement, the following conditions will apply:

- (a) The established rollover period will be one year.

RATE SCHEDULE TF-2
Firm Redelivery Transportation (Continued)

5. TRANSPORTATION CONTRACT DEMAND

The Transportation Contract Demand is the maximum quantity of Gas, expressed in Dth, that Transporter is obligated to receive (exclusive of fuel reimbursement furnished in-kind pursuant to Section 14 of the General Terms and Conditions), transport and deliver for Shipper on a firm basis on any one Gas Day, as specified in an executed Service Agreement for service under this Rate Schedule. Transporter's service obligation is limited to Shipper's Transportation Contract Demand as adjusted for any released capacity pursuant to Section 22 of the General Terms and Conditions.

Transportation Contract Demand initially may not exceed the quantity of gas Shipper is entitled to withdraw on a daily basis under the related firm storage agreement, or ownership rights to firm withdrawal capacity, and, in the aggregate for any twelve-month period ending September 30, may not exceed Annual Contract Quantity. However, subsequent reductions in such Shipper's firm withdrawal rights will not require corresponding changes to the related Transportation Contract Demand.

As long as the Transportation Contract Demand and Annual Contract Quantity, as adjusted for any capacity releases, are not exceeded, Transporter shall be obligated to receive up to Shipper's Maximum Daily Quantity (MDQ) at the Primary Receipt Point and to deliver up to Transporter's Maximum Daily Delivery Obligation (MDDO) at each Primary Delivery Point at pressures at least as great as the pressures specified in Shipper's TF-2 Service Agreement, on a firm basis, as such MDQ and MDDO are adjusted for any released capacity pursuant to Section 22 of the General Terms and Conditions. Capacity that is posted pursuant to Section 25.42 of the General Terms and Conditions will be available for increases in Transportation Contract Demand only pursuant to Section 25 of the General Terms and Conditions.

The MDQ at the Primary Receipt Point specified in a Service Agreement for service under this Rate Schedule, must equal the specified Transportation Contract Demand. The aggregate MDDO at the Primary Delivery Points, as specified in a Service Agreement for service under this Rate Schedule, must equal the specified Transportation Contract Demand, except for Service Agreements subject to Section 11 and Service Agreements that have aggregate MDDOs in excess of Transportation Contract Demand as a result of the grandfathering of pre-existing conjunctive nomination rights under the bundled storage restructuring approved in Docket No. RP93-5-011.

RATE SCHEDULE TF-2
Firm Redelivery Transportation (Continued)

9. RECEIPT AND DELIVERY POINT FLEXIBILITY (Continued)

9.4 Procedures for Requesting Permanent Delivery Point Changes. Any Shipper who wishes to amend only the primary delivery points or the associated Maximum Daily Delivery Obligation named in Exhibit A of its Service Agreement will electronically request and execute on Transporter's Designated Site an amendment to the applicable Service Agreement by 1:00 pm Central Clock Time (noon Mountain Clock Time) four (4) business days prior to the first of the month for which the change is desired, or for changes to occur during a month, after the first of the month, two (2) business days prior to the commencement of service, unless otherwise agreed to by the parties. If Transporter determines that a delivery point change request can be honored, the amendment to the Service Agreement will be executed by Transporter. The change will become effective on the later of the requested service date or the date executed by Transporter, provided that such date shall not exceed fifteen days from receipt of the amendment by Transporter. Notice of the resulting changes in available delivery point capacity will be posted to Transporter's Designated Site at least one (1) business day prior to implementation of such change.

Firm delivery point and mainline capacity will be posted pursuant to Section 25.42 of the General Terms and Conditions and will be available for permanent delivery point changes only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

9.5 Transporter's Maximum Service Obligation. The total volumes nominated for service on any day for all receipt or delivery points must not exceed Transportation Contract Demand under a Shipper's firm Service Agreement, except as otherwise provided in Section 7 of this Rate Schedule.

10. ELIGIBLE STORAGE FACILITY RECEIPT POINTS AND SERVICE REQUESTS

10.1 Eligible Storage Facility Receipt Points. Transportation service provided under this Rate Schedule shall be only for transportation from an Eligible Storage Facility Receipt Point to the delivery point(s) specified in the Service Agreement. An Eligible Storage Facility Receipt Point is a mainline receipt point at which any storage facility is connected to Transporter's system by a pipeline or other facilities installed solely to make that connection or at which any storage facility located in the service area of any of Transporter's on-system local distribution customers accesses Transporter's system.

RATE SCHEDULE TFL-1
Firm Lateral Transportation (Continued)

6. RECEIPT AND DELIVERY POINT FLEXIBILITY (Continued)

Capacity posted on Transporter's Designated Site pursuant to Section 25.42 of the General Terms and Conditions will be available for permanent receipt and/or delivery point changes only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

6.3 Transporter's Maximum Service Obligation. The total volumes nominated for service on any day for all receipt or delivery points must not exceed Transportation Contract Demand under a Shipper's firm Service Agreement, except as otherwise provided in Section 5 of this Rate Schedule.

7. CONTRACT TERM EXTENSIONS

7.1 Standard Unilateral Evergreen Provision. If Transporter and Shipper agree to include a standard unilateral evergreen provision as indicated on Exhibit A of a long-term Service Agreement, the following conditions will apply:

(a) The established rollover period will be one year.

(b) Shipper may terminate the Service Agreement in its entirety upon the primary term end date or upon the conclusion of any evergreen rollover period thereafter by giving written notice to Transporter so stating at least five years before the termination date.

(c) The termination notice required under Section 7.1(b) will be deemed given when posted on Transporter's Designated Site.

7.2 Standard Bi-Lateral Evergreen Provision. If Transporter and Shipper agree to include a standard bi-lateral evergreen provision as indicated on Exhibit A of the Service Agreement, the following conditions will apply:

(a) The established rollover period will be:

(i) one day for Service Agreements with a primary term of one day;

(ii) one month for Service Agreements with a primary term of at least two days but less than one year; or

RATE SCHEDULE TFL-1
Firm Lateral Transportation (Continued)

7. CONTRACT TERM EXTENSIONS (continued)

(iii) one year for Service Agreements with a primary term of one year or more.

(b) Either Transporter or Shipper may terminate the Service Agreement in its entirety upon the primary term end date or upon the conclusion of any evergreen rollover period thereafter by giving the other party termination notice at least:

(i) one Business Day before the termination date if Section 7.2(a)(i) applies;

(ii) ten Business Days before the termination date if Section 7.2(a)(ii) applies; or

(iii) one year before the termination date if Section 7.2(a)(iii) applies.

(c) The termination notice required under Section 7.2(b) will be deemed given when posted on Transporter's Designated Site. If Transporter gives termination notice, such termination notice also will be given via Internet E-mail or fax if specified by Shipper on the Business Associate Information form.

8. SEGMENTATION

8.1 To the extent operationally feasible, a Shipper may temporarily segment its capacity on a Designated Lateral into separate parts for its own use or for the purpose of releasing capacity to a Replacement Shipper. Shipper may submit a segmentation request no more than sixty days prior to the requested effective date. Transporter will respond to a Shipper's segmentation request within two business days following the request; and if the segmentation request is approved, Transporter will issue new Service Agreements for each of the segments within one hour of notification to the Shipper that the request is approved. Capacity posted on Transporter's Designated Site pursuant to Section 25.42 of the General Terms and Conditions will be available for capacity release segmentation requests only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

On a not unduly discriminatory basis, Transporter may allow Shipper to submit a segmentation request more than sixty days prior to the requested effective date if such request (i) is associated with an

GENERAL TERMS AND CONDITIONS
(Continued)

11. SERVICE AGREEMENT AND SERVICE CONDITIONS (Continued)

11.6 Post-Termination Obligations. Upon termination, a Service Agreement will cease to have any force or effect, save as to any unsatisfied obligations or liabilities of either party arising under the Service Agreement prior to the date of such termination, or arising thereafter as a result of such termination. Provided, however that this provision will not supersede any abandonment authorization which may be required.

11.7 Extension of Firm Service Agreement(s) Prior to Expiration. Prior to the expiration of the term of a firm Service Agreement(s) and prior to Transporter posting the availability of such capacity for competitive bid subject to a Shipper's right of first refusal, if any, Transporter and Shipper may mutually agree to negotiate the terms of Shipper's Service Agreement(s) in exchange for Shipper's extension of all or a part of its existing service(s) under its Service Agreement(s). Extensions of such Service Agreement(s) will be negotiated on a case-by-case basis in a not unduly discriminatory manner. To the extent that Transporter and Shipper have mutually agreed to extend such service, the posting and bidding requirements of Section ~~25.2(b)~~ of the General Terms and Conditions of the Tariff will not apply.

11.8 Shipper Buy-Out of Firm Service Agreement.

- (a) General. When Transporter is negotiating with a Shipper that is willing to subscribe to posted unsubscribed capacity or capacity offered in an open season, Transporter may agree to allow such Shipper the right to buy out of the resulting Service Agreement in its entirety.
- (b) Eligibility. Transporter, on a not unduly discriminatory basis, will only agree to a buy-out if, in Transporter's reasonable judgment, it is financially beneficial to Transporter.

To determine if the buy-out is financially beneficial, Transporter may take into account the term of the agreement, the rates, and the value, demand for, and alternative uses of, the capacity under the firm Service Agreement and any exit fee agreed to by Shipper as part of the negotiations to buy out of a firm Service Agreement.

- (c) Negotiable Terms of Buy-out. Transporter will use its reasonable judgment to establish: 1) the time period in which Shipper must provide written notification to Transporter to implement its right to buy out of a firm Service Agreement; and 2) the payment schedule for Shipper to remit the negotiated exit fees to Transporter. All components of such exit fee will be negotiated between

GENERAL TERMS AND CONDITIONS
(Continued)

19. NEGOTIATED RATES

19.1 Availability. Shipper and Transporter may agree to Negotiated Rates for a specific term of service under any open-access rate schedule contained in this tariff, provided that Shipper has not acquired its capacity through a temporary capacity release transaction pursuant to Section 22 of the General Terms and Conditions of this tariff. The rates shown on Transporter's Statement of Rates are available as Recourse Rates for any Shipper that does not negotiate a rate with Transporter.

19.2 Applicability.

(a) Existing Service. Notwithstanding anything to the contrary contained in this tariff, Transporter and Shipper may mutually agree to Negotiated Rates and contract term for all or any portion of the capacity under any existing open-access ~~Service~~ ~~Agreement~~, provided that Shipper has not acquired its capacity through a temporary capacity release. If only a portion of the capacity under any existing open-access ~~Service~~ ~~Agreement~~ will be priced at Negotiated Rates, the original ~~Service~~ ~~Agreement~~ must first be bifurcated, and Recourse Rates will continue to apply to the ~~Service~~ ~~Agreement~~ not subject to the Negotiated Rates.

(b) New Service.

(1) Requests for Service. Transporter and Shipper may mutually agree to Negotiated Rates and contract term for any available capacity that is requested by Shipper, provided that such capacity has been posted for informational purposes, but is not posted for bid at the time of Shipper's request. If Shipper and Transporter mutually agree on a Negotiated Rate for the capacity, Transporter will post the terms of any such pre-arranged agreement in accordance with Section 25.5~~2~~ of the General Terms and Conditions of Transporter's tariff, and other parties will have an opportunity to bid on the capacity. The pre-arranged Shipper will have a one-time right to match any higher bid in order to retain the capacity.

GENERAL TERMS AND CONDITIONS
(Continued)

19. NEGOTIATED RATES (Continued)

(2) Bids on Posted Capacity. If available capacity, including capacity under expiring or terminating ~~s~~Service ~~a~~Agreements, is posted for bid pursuant to Section 25.5~~2~~ of the General Terms and Conditions and Transporter has determined that it is willing to consider bids at Negotiated Rates, Transporter must specify in its posting that it will consider Negotiated Rate bids in addition to Recourse Rate and discounted Recourse Rate bids.

19.3 Evaluation of Negotiated Rate Bids. If Transporter determines that it is willing to consider Negotiated Rate bids for available capacity that is posted pursuant to Section 25.2 of the General Terms and Conditions or deferred exchange service that is posted pursuant to Section 2.2 of Rate Schedule DEX-1, Transporter will state in its posting the specific basis on which Negotiated Rate bids will be considered and one of the following evaluation methods for determining the winning bid:

- (a) Net Present Value (reservation rate x quantity x term, discounted using the discount rate(s) shown in the posting);
- (b) Revenue (reservation rate x quantity); or
- (c) Reservation Rate/Deferred Exchange Rate.

If Transporter specifies in its posting that it will accept Negotiated Rate bids tied to an index or indices, Transporter will post an assumed value for such index or indices, where such assumed value is based on both historical and projected index prices. This assumed value will be used to compare Negotiated Rate bids with Recourse Rate and discounted Recourse Rate bids; provided, however, that if a Shipper with a Negotiated Rate bid tied to an index or indices has submitted the bid with the highest value and is awarded the capacity, such Shipper will pay according to the actual value of the index or indices at the time service is rendered.

Negotiated Rate bids in excess of Transporter's Maximum Base Tariff Rate for the applicable rate schedule will be treated as Maximum Base Tariff Rate offers for bid evaluation purposes.

19.4 Filing Requirement. Transporter will submit to the Commission a tariff sheet stating the name of the Shipper, the Negotiated Rate, the rate schedule, the receipt and delivery points, and the contract quantities applicable to any Negotiated Rate ~~s~~Service ~~a~~Agreement. Unless

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY

25.1 General

This Section 25 sets forth procedures for Transporter to post and offer, and for Shippers to acquire, available capacity for firm service under Rate Schedule TF-1, TF-2, TFL-1, SGS-2F, LS-2F, or LS-3F. New Service Agreement requests for mainline capacity under Rate Schedule TF-1, TF-2 or TFL-1 must include available MDQs at receipt point(s) and MDDOs at delivery point(s). New capacity is requested on Transporter's Designated Site. Modifications to Service Agreement requests utilizing available capacity must be submitted in accordance with Section 11.4 of the General Terms and Conditions.

25.2 Availability of Capacity

Available capacity includes:

- (a) capacity currently available for any period;
- (b) capacity currently available for an interim period, but is reserved for a future period pursuant to Section 25.8 or has been sold for a future period;
- (c) capacity that will become available on a date certain due to the expiration of a firm Service Agreement that does not have an evergreen provision;
- (d) capacity that will become available on a date certain because either Transporter or Shipper has provided termination notice under a firm Service Agreement with an evergreen provision; or
- (e) capacity that will become available as a result of Shipper's request to amend a Service Agreement in such a manner that it creates additional available capacity that otherwise would not be available.

~~25.1 Applicability. Transporter will post available unsubscribed capacity and capacity that becomes available due to expiring or terminating agreements on a nondiscriminatory basis. When used in this Section 25, capacity available under Rate Schedule TF-1 or TF-2 means firm capacity at a primary receipt point and a primary delivery point and the mainline capacity between those points.~~

~~25.2 Posting.~~

- ~~(a) Unsubscribed Capacity. Transporter will post unsubscribed capacity (capacity that becomes available for reasons other than expiring or terminating agreements) for a bid period(s) of no less than 24 hours and, in aggregate, no more than six months.~~

~~If Transporter elects to reserve unsubscribed capacity for future service as provided in either Sections 25.2(c) or 25.2(d) below, Transporter will post such capacity as provided in this Section 25.2(a) for use on an interim basis, but Transporter will indicate in its posting that such capacity is reserved for future use.~~

~~(b) Capacity under Expiring or Terminating Agreements. Transporter will post capacity under expiring or terminating service agreements (including capacity that becomes available at the expiration of a Capacity Release service agreement when such capacity is not committed to the Releasing Shipper) for a bid period commencing at least six (6) months before the expiration or termination of any such service agreement and ending at least thirty (30) days prior to said expiration or termination date. If the termination notice required under any such service agreement is less than six (6) months, Transporter will post the availability of such capacity within five (5) business days of receiving or giving such notice, as applicable, for an aggregate bid period of no more than six (6) months, and~~

~~(i) for termination notices of 30 days or more, a bid period of no less than 72 hours;~~

~~(ii) for termination notices of less than 30 days, but more than 10 days, a bid period no less than 48 hours; and~~

~~(iii) for termination notices of 10 days or less, a bid period no less than 24 hours.~~

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25. AVAILABLE CAPACITY (Continued)

25.3 Expansion or New Construction Capacity

Expansion or new construction capacity is capacity made available through:

(a) an expansion of the existing Transportation System, but only pursuant to the non-discriminatory procedures and conditions that will be set forth in Transporter's open season postings for an expansion project; or

(b) construction of new or upgraded facilities under Section 21 or 29 of the General Terms and Conditions, provided however that prior to the in-service date for such facilities only the party obligated to reimburse Transporter for such facilities may submit a request to acquire firm service rights to any resulting new firm capacity. After the in-service date for the facilities, any associated uncontracted firm capacity will be available to any Shipper pursuant to this Section 25.

If the reimbursing party has an existing transportation Service Agreement that could potentially be amended or segmented in order to use any resulting new or upgraded capacity then the reimbursing party may submit a request to (1) amend Primary Receipt Points or Primary Delivery Points under its existing Service Agreement; or (2) temporarily segment capacity under its existing Service Agreement in accordance with Section 13 of Rate Schedule TF-1 and Section 8 of Rate Schedule TFL-1. If Transporter determines it can accommodate such request, it will execute the requested amendment or segmentation for implementation effective the later of the requested effective date or the in-service date for the associated facilities.

25.4 Informational Postings

Transporter will post information regarding available capacity to its Designated Site utilizing the following reports:

(a) Unsubscribed Capacity Report

Transporter's Unsubscribed Capacity Report will identify all Receipt Points, Delivery Points, mainline capacity, or storage capacity, as applicable, which is available for new firm service, amendment or Capacity Release segmentation requests. Transporter will post capacity as available within two business days of becoming aware of such availability.~~25.2 Posting (Continued)~~

~~Regardless of the termination notice, if no acceptable bids have been received by Transporter at least 10 days prior to the date~~

~~capacity will become available, Transporter may post such capacity for a subsequent bid period(s) of 24 hours.~~

~~If Transporter elects to reserve capacity for future service under an expiring or terminating agreement as provided in either Sections 25.2(c) or 25.2(d) below, Transporter will post such capacity as provided in this Section 25.2(b) for use on an interim basis, but Transporter will indicate in its posting that such capacity is reserved for future use.~~

~~(c) — Reserved Capacity. — Transporter may elect to reserve for future expansion projects any unsubscribed capacity or capacity under expiring or terminating service agreements where such agreements do not have a right of first refusal. If Transporter elects to reserve capacity, it will notify Shippers of its intent on the earlier of the following dates: (1) the date on which expiring or terminating capacity is required to be posted in accordance with Section 25.2(b) above, (2) the date on which Transporter executes a Letter of Intent with a prospective Shipper which requires the reservation of capacity or (3) the date on which Transporter begins an open season for a related expansion project.~~

~~Capacity may be reserved for up to one year prior to Transporter filing for certificate approval for construction of the proposed expansion and thereafter until such expansion project is placed into service. Reserved capacity will be made available on an interim basis and will be posted for competitive bid. If certificate approval is not granted or if Transporter determines that an expansion project should not or cannot be completed, Transporter will post the reserved capacity for a bid period(s) of no less than 24 hours and, in aggregate, no more than six (6) months, subject to prior interim commitments of such capacity.~~

~~(d) — Pre Arranged Capacity. — After available unsubscribed capacity or capacity that will become available under an expiring or terminating agreement is posted on Transporter's Designated~~

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

(b) TSP Capacity Offering Report

Transporter's TSP Capacity Offering Report will identify Receipt Points, Delivery Points, and/or mainline capacity packages, or storage capacity that Transporter has pre-defined as available for firm service.

(c) Index of Customers Report

Transporter's Index of Customers Report will identify capacity that could become available as a result of Transporter's option to provide termination notice under firm Service Agreements with a bi-lateral evergreen provision.

Transporter has the option to establish a reserve rate for any available capacity before such capacity is posted for competitive bid. Transporter is not required to disclose the reserve rate at the time of the competitive bid posting, but a record of the reserve rate must be maintained for a period of three years for validation purposes.

25.5 Available Capacity Acquisition Methods

Other than acquiring capacity pursuant to Section 25.3, Shippers may acquire capacity utilizing any of the methods identified below:

(a) Prearranged Transactions

On a nondiscriminatory basis, Transporter may enter into a prearranged transaction with any creditworthy Shipper for any available capacity posted pursuant to this Section 25. To request to be the prearranged Shipper in such transactions, a Shipper must submit a prearranged offer request electronically on Transporter's Designated Site, unless otherwise specified by Transporter that the terms and conditions of the prearranged transaction are too complex to be administered on Transporter's Designated Site.

A prearranged offer request must include the bid information specified herein. Such request will be deemed a binding bid which cannot be withdrawn by Shipper once accepted by Transporter. However, Transporter has the discretion to reject any prearranged offer request:

(i) for available capacity requested with contingencies or conditions,

~~25.2 Posting (Continued)~~

~~Site, Transporter may enter into a pre-arranged transaction for such capacity with any party. Concurrently with reserving~~

~~available capacity for a pre-arranged transaction, Transporter will post the terms of the pre-arranged transaction for competitive bids by other parties in accordance with Section 25.2(e). Notwithstanding the otherwise applicable minimum bid periods referenced in Sections 25.2(a), (b) or (c), the minimum bid period will be only one hour for any posted pre-arranged capacity transaction that has a primary term of thirty one days or less. Any such posted bid period will commence at either 8:45 am, 10:00 am or 3:30 pm Central Clock Time (7:45 am, 9:00 am or 2:30 pm Mountain Clock Time) on a Business Day.~~

~~If the posted pre-arranged transaction is for service commencing at a future date, competing bids will be allowed for service to start either on such future date or on any date between the earliest time the capacity is available and such future date. If another party submits a bid with a higher incremental economic value, the pre-arranged Shipper will have a one time right to match the higher bid in order to retain the capacity. If the pre-arranged Shipper elects not to match a higher competing bid, the capacity will be awarded to the highest creditworthy bidder in accordance with Section 25.4.~~

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

(ii) for available capacity requested at less than the Maximum Base Tariff Rate, and

(iii) for available capacity at the Maximum Base Tariff Rate prior to thirty days of its availability.

For any available capacity, the prearranged offer request that is acceptable to Transporter will be posted as a prearranged transaction and will be subject to competitive bid.

(b) Competitive Bid Transactions

Transporter will hold a competitive bid process for capacity that: (1) has been requested by a prearranged Shipper; or (2) Transporter has elected to post for competitive bid without a prearranged Shipper. Unless otherwise specified, all competitive bid postings will be posted on Transporter's Designated Site.

Each competitive bid posting will include all information outlined below that is pertinent to the offered capacity:

1. Contract Demand, Storage Demand and/or Storage Capacity;

2. Receipt Point(s), Delivery Point(s), and/or mainline capacity or Storage Facility;

3. Date capacity is available, and any availability duration limits, e.g., due to reservation of the capacity for a future period pursuant to Section 25.8;

4. Bid open and close dates;

5. Minimum acceptable reservation rate, which may be a stated rate or a non-disclosed reserve rate;

6. Whether Transporter is willing to entertain Negotiated Rate bids and the specific basis for such bids;

~~25.2 Posting (Continued)~~

~~(c) Available Capacity. All available capacity, and pre-arranged capacity pursuant to Section 25.2(d), will be posted to Transporter's Designated Site. Transporter may post available capacity for more than one bid period during the posting periods described above, provided that prior bids are submitted at less than Transporter's reserve rate (if applicable) or Transporter's Maximum Base Tariff Rate or prior bids contain unacceptable contingencies.~~

~~Each posting will set forth the following, if applicable:~~

- ~~1. Available mainline capacity;~~
- ~~2. Receipt point(s), delivery point(s) and associated mainline capacity;~~
- ~~3. Volume of vaporization or withdrawal rights and storage capacity rights;~~
- ~~4. Date capacity is available;~~
- ~~5. Date capacity is committed to an expansion project or pre-arranged transaction;~~
- ~~6. Bid open and close dates;~~
- ~~7. Term and reservation rate to be paid by pre-arranged Shipper and all other terms of the pre-arranged transaction; and~~
- ~~8. Special conditions, including bid evaluation criteria.~~

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

7. Reservation rate and term offered by a prearranged Shipper, if any;

8. Transporter's bid evaluation criteria;

9. Whether capacity is subject to a Right of First Refusal option; and

10. Other non-discriminatory conditions that Transporter may elect to specify for the offered capacity.

Competitive Bid Timelines

Transporter's competitive bid postings will be subject to the following bid period timelines:

(i) Transactions for a term of thirty-one days or less will be posted for a competitive bid period of no less than one hour. Any one hour posted bid period will commence at either 8:45 A.M., 11:45 A.M. or 4:45 P.M. Central Clock Time (7:45 A.M., 10:45 A.M. or 3:45 P.M. Mountain Clock Time) on a Business Day.

(ii) Transactions for a term greater than thirty-one days but less than a year will be posted for a competitive bid period of no less than twenty-four hours.

(iii) Transactions for a term of one year or more will be posted for a competitive bid period of no less than seventy-two hours (not including weekends and holidays).

For non-prearranged competitive bid postings, if no acceptable bids are received, Transporter may hold subsequent competitive bid posting(s) for the same capacity.

If Transporter determines that it is willing to accept Negotiated Rate bids for available capacity that is posted for competitive bid pursuant to this Section 25, the evaluation methods set forth in Section 19.3 of the General Terms and Conditions will apply.

(c) First-Come, First-Served Transactions

First-come, first-served requests for point amendments pursuant to Section 11.3 of Rate Schedule TF-1, Section 9.4 of Rate Schedule TF-2 or Section 6.2 of Rate Schedule TFL-1 or for segmentation purposes pursuant to Section 13 of Rate Schedule TF-1 and Section 8 of Rate Schedule TFL-1 may be submitted for capacity that is posted as
25.2 Posting (Continued)

~~(f) — Transporter has the option to establish a reserve rate for any available capacity before such capacity is posted. Transporter is not required to disclose the reserve rate at the time of posting, but a record of the reserve rate must be maintained for a period of three years for validation purposes.~~

~~(g) — If Transporter determines that it is willing to accept Negotiated Rate offers for available capacity that is posted for bid pursuant to this Section, it will state in its posting the specific basis on which Negotiated Rate offers will be considered and one of the following evaluation methods for determining the winning bid:~~

- ~~(1) — Net Present Value (reservation rate \times quantity \times term, discounted using the discount rate(s) shown in the posting);~~
- ~~(2) — Revenue (reservation rate \times quantity); or~~
- ~~(3) — Reservation Rate.~~

~~(h) — If Transporter's posting specifies that it will accept Negotiated Rate bids tied to an index or indices, Transporter will post an assumed value for such index or indices, where such assumed value is based on both historical and projected index prices. This assumed value will be used to compare Negotiated Rate bids with Recourse Rate and discounted Recourse Rate bids; provided, however, that if a Shipper with a Negotiated Rate bid tied to an index or indices has submitted the bid with the highest value and is awarded the capacity, such Shipper will pay according to the actual value of the index or indices at the time service is rendered.~~

~~25.3 Bidding~~

~~(a) — New Agreements. All bids for available capacity will be made through Transporter's Designated Site, or as specified in Transporter's posting, setting forth the following, if applicable:~~

- ~~1. Bidder's name (which will not be reflected on the Designated Site) and posted offer number;~~

GENERAL TERMS AND CONDITIONS
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25. AVAILABLE CAPACITY (Continued)

available on the Unsubscribed Capacity Report. The Receipt and Delivery Point capacity shown as available on the Unsubscribed Capacity Report for first-come, first-served requests will include: (1) capacity that has been posted on Transporter's TSP Capacity Offering Report without being sold for a minimum period of six months from the date the capacity was posted pursuant to Section 25.4(a); or (2) capacity that is not required to preserve mainline capacity rights to prevent the stranding of mainline capacity and/or the loss of mainline capacity which may create operational problems, unless Transporter, on a non-discriminatory basis, agrees otherwise.

Requests for first-come, first-served point capacity cannot be submitted earlier than thirty days prior to Shipper's proposed effective date unless the request is associated with: (1) a facility modification pursuant to Sections 21 or 29 of the General Terms and Conditions; (2) a Service Agreement term extension pursuant to Section 11.7 of the General Terms and Conditions; or (3) a FERC abandonment of Transporter's facilities. If Transporter determines it can accommodate Shipper's request, then within two Business Days after the date of receiving such request, Transporter will execute the requested amendment and make the requested point change effective on the later of such execution date or Shipper's proposed effective date.

Requests for changes only to receipt and/or delivery points under existing Service Agreements which do not require additional mainline capacity are not subject to the competitive bid procedures described in this Section 25. Amendment requests under existing Service Agreements that do require additional available mainline capacity will be subject to the competitive bid process described herein, unless otherwise agreed to by Transporter.

If Transporter has determined that the requested receipt and/or delivery point change may create operational problems, such Shipper will be subject to a contract-specific flow requirement on its requested segment or must be willing to take other action that is acceptable to Transporter.

25.6 Competitive Bidding Requirements

Prior to submitting a bid, the bidder must first comply with the service request procedures set forth in Section 28 of the General Terms and Conditions and the creditworthiness requirements in Section 5.10 of the General Terms and Conditions.

~~25.3 Bidding (Continued)~~

~~2. Receipt point(s), delivery point(s), mainline capacity and associated rate(s);~~

~~3. The volume and rates for both the storage vaporization or withdrawal rights and the storage capacity rights;~~

~~4. Term of bid (including, if applicable, offered term extensions of existing agreements);~~

~~5. Minimum capacity or minimum percentage of the total posted capacity which bidder is willing to accept;~~

~~6. Identity of any affiliate of Transporter involved in the transaction; and~~

~~7. Contingencies.~~

~~(b) Amendments to Existing Agreements. Requests for changes only to receipt and/or delivery points under existing service agreements which do not require additional mainline capacity are not subject to the bidding procedures described in this section. However, if Transporter has determined that the requested receipt and/or delivery point change may create operational problems, such Shipper will be subject to a contract specific flow requirement on its requested segment or must be willing to take other action that is acceptable to Transporter. Such requests will be processed on a first come, first served basis and should be submitted to Transporter in accordance with Section 11.3 of Rate Schedule TF-1, Section 9.4 of Rate Schedule TF-2 or Section 6.3 of Rate Schedule TFL-1.~~

~~(c) Bids for Portion of Posted Capacity. Bids may be submitted for any segment of the posted mainline capacity, subject to the availability of capacity at and between the requested physical receipt and delivery points. However, if a Shipper bids on only a segment of the mainline capacity and Transporter has indicated in the special conditions of its posting that it has determined that partial use or segmentation of the posted capacity may create operational problems, that Shipper will be subject to a contract specific flow requirement on its requested segment or must be willing to take other action that is acceptable to Transporter if such Shipper is the successful bidder.~~

~~(d) Bid Amounts. All bids must be submitted in amounts which a bidder agrees to pay to Transporter for the right to receive firm~~

GENERAL TERMS AND CONDITIONS
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25. AVAILABLE CAPACITY (Continued)

Unless otherwise specified in Transporter's competitive bid posting, all bids for capacity included in a competitive bid posting must be submitted on Transporter's Designated Site consistent with the bidding periods established under Section 25.5, and must comply with the bid requirements outlined below. A bidder may withdraw its bid at any time prior to close of the bid period; provided, however, that if the bidder is a pre-arranged Shipper, it may not withdraw its bid. A bidder who withdraws its bid may not then submit another bid with a lower economic value for the same capacity. Bidders may not submit multiple bids for the same capacity.

Competitive bids for capacity posted pursuant to Section 25.5 must specify the following, if pertinent to the capacity:

1. Bidder's name (which will not be publicly viewable unless and until the capacity is awarded to such bidder);
2. Requested Contract Demand, Storage Demand and Storage Capacity, and specific Receipt Point(s), Delivery Point(s) and/or mainline capacity and/ or Storage Facility ;
3. Quantity of the total posted capacity that bidder is willing to accept in the event of a pro rata allocation in a potential tie-breaker process;
4. Reservation rate that bidder offers to pay for the requested capacity;
5. Requested primary term of service (including, if applicable, offered term extensions of existing Service Agreements);
6. Whether the bidder is an affiliate of Transporter; and
7. The terms and conditions of any bid contingencies, if the competitive bid posting indicated that Transporter was willing to accept bids with contingencies.

All bids must be submitted in amounts which a bidder agrees to pay to Transporter for the right to receive firm service, including undiscounted reservation surcharges, if applicable. Such bids will exclude Transporter's volumetric charges and volumetric surcharges applicable to such service included in Transporter's rates, which rate components must be paid to Transporter by the successful bidder in addition to the bid amounts.

~~25.3 Bidding (Continued)~~

~~service, including undiscounted reservation surcharges, if applicable. Such bids will exclude Transporter's volumetric charges and volumetric~~

~~surcharges applicable to such service included in Transporter's rates, which rate components must be paid to Transporter by the successful bidder in addition to the bid amounts.~~

~~Unless Transporter is willing to consider Negotiated Rate bids, the maximum rates which may be bid will be the Maximum Base Tariff Rates as they may vary from time to time for the applicable service. The minimum rates which may be bid will be the minimum tariff rates as they may vary from time to time for the applicable service, or the minimum rates Transporter specifies on the posting, which will never be less than the minimum tariff rates.~~

~~(e) — Withdrawal of Bid. A bidder may withdraw its bid at any time prior to close of the bid period; provided, however, that if the bidder is a pre-arranged Shipper, it may not withdraw its bid. A bidder who withdraws its bid may not then submit another bid with a lower economic value for the same capacity. Bidders may not submit multiple bids for the same capacity.~~

~~(f) — Creditworthiness. All bidders must comply with Section 5.10 of the General Terms and Conditions of this tariff. Bidders must submit a request for pre-qualification for credit in order to expedite the award process.~~

~~25.4 Awarding~~

~~(a) — Within two (2) business days following the bid close date, Transporter will evaluate the bids received and determine the winning bid, subject (where applicable) to Section 25.4(e),~~

GENERAL TERMS AND CONDITIONS
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25. AVAILABLE CAPACITY (Continued)

Unless the competitive bid posting indicated Transporter was willing to consider Negotiated Rate bids, the rate bid under this Section 25.6 must not exceed the Maximum Base Tariff Rate or be less than the Minimum Base Tariff Rate as set forth in the Statement of Rates.

For bids at the Maximum Base Tariff Rate, bidders may bid any term for which the offered capacity is available. Further, for a prearranged transaction for service commencing at a future date, competing bids at the Maximum Base Tariff Rate will be allowed for service to start either on such future date or on any date between the earliest time the capacity is available and such future date.

Maximum Base Tariff Rate bids may be submitted for any segment of the mainline capacity posted for competitive bid, subject to the availability of capacity at and between the requested physical receipt and delivery points. However, if a Shipper bids on only a segment of the mainline capacity and Transporter has indicated in the special conditions of its competitive bid posting that bids for only a segment of the mainline capacity will create an operational problem, then Shipper will be subject to a contract-specific flow requirement on its requested segment or must be willing to take other action acceptable to Transporter if such Shipper is the successful bidder.

25.7 Competitive Bid Evaluations and Award Process

(a) Best Bid Determination

Within two Business Days following the bid close date, unless otherwise stated in the competitive bid posting, Transporter will evaluate the bids received and determine the winning bid, subject (where applicable) to Section 25.7(b) and (c), Section 25.9 and Section 25.10. Bids will be evaluated based on either the net present value or highest rate of each bid for all bid periods of seventy-two hours or less, as specified in Transporter's competitive bid posting. For bid periods longer than seventy-two hours, bids will be evaluated based on either the net present value, highest rate or the alternative criteria for determining incremental economic value that is specified by Transporter in its competitive bid posting. For prearranged transactions starting a year or more after the underlying capacity becomes available, the incremental economic value of bids will be determined on a net present value basis. For bid evaluation purposes, the value of a Negotiated Rate bid will be capped at the value of such bid at Transporter's applicable Maximum Base Tariff Rate. A bid to pay the Maximum Base Tariff Rate as it may vary from time to time for a given term will be deemed superior to a bid to pay a specified dollar rate which is equal to the Maximum Base Tariff Rate.

~~25.4 Awarding (Continued)~~

~~Section 25.5 and Section 25.6. Bids will be evaluated based on the net present value of the bid for all bid periods of 72 hours or less. For bid periods longer than 72 hours, bids will be evaluated based on either the net present value or the alternative criteria for determining incremental economic value that is specified by Transporter in its posting. For pre-arranged transactions starting a year or more after the underlying capacity becomes available, the incremental economic value of bids will be determined on a net present value basis. For bid evaluation purposes, the value of a Negotiated Rate bid will be capped at the value of such bid at Transporter's applicable Recourse Rate.~~

~~(b) For purposes of this Section 25, the incremental economic value of a bid is (1) the total net present value of the reservation charge bid for transportation capacity (including bids to extend the term of existing service agreements); (2) the demand and capacity charge bid for storage capacity; or (3) the value determined using the alternative criteria specified by Transporter in its posting. The net present value shall be computed from the monthly demand and capacity, or reservation revenues to be received over the term of the service agreement, using the discounted cash flow rate of return methodology, with the rate of discounting, as updated from time to time, to be equal to the rate set forth in Section 154.501(d) of the Commission's regulations at the time the capacity is posted for bid, unless a different discount rate is specified in the Transporter's Open Season Notice or posted available capacity. Bids for capacity under existing service agreements will be deemed to have no incremental economic value for award purposes, except to the extent bidder proposes to extend the term of its existing service agreement.~~

~~(c) Capacity will be awarded to the Shipper that submits the bid with the highest incremental economic value, regardless of whether such bid is a Recourse Rate, a discounted Recourse Rate or a Negotiated Rate bid, provided that the bid with the highest value is at a rate that meets or exceeds the lowest rate that Transporter is willing to accept for the capacity.~~

~~(d) Transporter will break ties and determine the winning bid(s) by providing each of the tying bidders an opportunity to improve their bids by submitting closed bids via facsimile within 24 hours of notification by Transporter. If a tie still exists, Transporter will allocate the available capacity on a pro rata basis to each tying bidder that has indicated in its bid a~~

GENERAL TERMS AND CONDITIONS
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25. AVAILABLE CAPACITY (Continued)

For purposes of this Section 25, the incremental economic value of a bid is (1) the total net present value of the reservation charge bid for transportation capacity (including bids to extend the term of existing Service Agreements); (2) the demand and capacity charge bid for storage capacity; or (3) the value determined using either the highest rate or the alternative criteria specified by Transporter in its competitive bid posting. The net present value shall be computed from the monthly demand and capacity, or reservation revenues to be received over the term of the Service Agreement, using the discounted cash flow rate of return methodology, with the rate of discounting, as updated from time to time, to be equal to the rate set forth in Section 154.501(d) of the Commission's regulations at the time the capacity is posted for bid, unless a different discount rate is specified in Transporter's competitive bid posting for available capacity. Bids for capacity under existing Service Agreements will be deemed to have no incremental economic value for award purposes, except to the extent bidder proposes to extend the term of its existing Service Agreement.

(b) Contingent Bids

If the best bid is a contingent bid, Transporter will notify the bidder making the best bid within five Business Days following the bid close date. That bidder will have five Business Days following such notification to satisfy or waive the contingency for bids of six months or longer and one Business Day following such notification to satisfy or waive the contingency for bids for less than six months, or Transporter may disregard such bid.

(c) Tie Break Process

Transporter will break ties and determine the winning bid(s) by providing each of the tying bidders an opportunity to improve their bids by submitting closed bids via electronic means as specified in Transporter's competitive bid posting which may include facsimile, email, or via Transporter's Designated Site, within 24 hours of notification by Transporter. If a tie still exists and the prearranged Shipper has declined to match the tied bids, if applicable, Transporter will allocate the available capacity on a pro rata basis to each tying bidder that has indicated in its bid a willingness to accept a proportionate share of such capacity.

(d) Match Process

For a competitive bid posting with a prearranged transaction, if the highest bid(s) determined by Transporter in the bid evaluation and tie-breaker processes exceeds the economic value of the prearranged transaction, the prearranged Shipper will be provided a one-time
~~25.4 Awarding (Continued)~~

~~willingness to accept a proportionate share of such capacity. A bid to pay the Maximum Base Tariff Rate as it may vary from time to time for a given term will be deemed superior to a bid to pay a specified dollar rate which is equal to the Maximum Base Tariff Rate.~~

~~(e) Transporter will not disclose the identity of the bidder making the best bid. If the best bid is a contingent bid, Transporter will notify the bidder making the best bid within five (5) business days following the bid close date. That bidder will have five (5) business days following such notification to satisfy or waive the contingency for bids of six (6) months or longer and one (1) business day following such notification to satisfy or waive the contingency for bids for less than six (6) months, or Transporter may disregard such bid.~~

~~(f) After the incremental economic value of each bid has been determined, and if the capacity to be allocated to the highest bidder would not result in awarding all of the available capacity, then Transporter, subject to Sections 25.5 and 25.6, may award the remaining capacity based on the incremental economic value of each bid, from highest economic value to lowest economic value, with the process of awarding capacity to bidders continuing until all of the capacity has been awarded or until all valid bids have been accepted.~~

~~(g) For any capacity offered under this Section 25, the successful bidder(s) and Transporter will electronically execute a new service agreement or amendment prior to the commencement of service which confirms the terms of the accepted bid(s) for the available capacity. The Shipper's execution of the service agreement occurs automatically upon posting of its bid and Transporter's execution occurs upon award.~~

~~(h) Capacity that is not awarded at the end of the aggregate bid and award period will be available on a first come, first served basis using facsimile time stamps or electronic time marker, subject to Section 25.6. If the first received method results in a tie, capacity will be awarded by holding a lottery using a random number generator.~~

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25. AVAILABLE AND POTENTIALLY AVAILABLE CAPACITY (Continued)

opportunity to match the highest acceptable bid(s) by posting such election on Transporter's Designated Site. For service with a term of less than one year, the posting by the prearranged Shipper must be made within two hours of Transporter's notification to the prearranged Shipper of the best bid(s) and for service with a term of one year or more, the posting by the prearranged Shipper must be made within forty-eight hours, excluding weekends and holidays, of such notification.

If two or more Maximum Base Tariff Rate bids are received for discrete portions of prearranged transaction capacity, the prearranged Shipper will be offered the right to match such bids, one by one, starting with the lowest incremental economic value bid. Accordingly, if the prearranged Shipper declines to match a lower incremental economic value bid for a discrete portion of the prearranged capacity, it will not be offered the opportunity to match any higher incremental economic value bids.

Whether or not the competitive bid posting includes a prearranged transaction, if an existing Shipper holds a Right of First Refusal pursuant to Section 25.9 for such capacity, such existing Shipper will have the final opportunity to match the best bid(s) according to the Section 25.9 procedures.

(e) Award Process

Capacity offered in a competitive bid posting will be awarded to Shippers based on the incremental economic value of the bids, from highest economic value to lowest, until all of the capacity has been awarded or until all valid bids have been accepted, subject to a prearranged Shipper's right to match and/or an existing Shipper's Right of First Refusal under Section 25.9.

For competitive bid postings with a prearranged transaction, if no acceptable higher value bids are submitted, Transporter will award the capacity to the prearranged Shipper within one hour after the close of the bid period, subject to an existing Shipper's Right of First Refusal under Section 25.9.

For any capacity offered under this Section 25, the successful bidder(s) and Transporter will electronically execute a new Service Agreement or amendment prior to the commencement of service which confirms the terms of the accepted bid(s) for the available capacity. The Shipper's execution of the Service Agreement occurs automatically upon posting of its bid and Transporter's execution occurs upon award.
~~25.5 Right of First Refusal.~~

~~(a) A Shipper under an expiring or terminating Part 284 firm service agreement may avoid pregranted abandonment of service in accordance with the right of first refusal provisions of Section 284.221(d) of the Commission's~~

~~regulations, provided that: (1) the service agreement is expiring under its own terms or Shipper is not the party providing termination notice under an evergreen provision; (2) service is not being provided on an interim basis pursuant to Section 25.2(c), and (3) service is not being provided on an interim basis using capacity reserved for future service under Section 25.2(d). To be eligible for a right of first refusal, a Shipper must be receiving service (1) at the Maximum Base Tariff Rate for a term of twelve consecutive months or longer (or for one year or longer where service is not available for twelve consecutive months); or (2) at any rate for a term of one year or longer when such service is provided under a service agreement executed prior to March 27, 2000.~~

~~A Shipper eligible for a right of first refusal can continue receiving the contracted service by matching the incremental economic value of competing bid(s) in accordance with the procedures described below; provided, however, that in no event will such Shipper be required to match a bid, including a Negotiated Rate bid, that exceeds the Maximum Base Tariff Rate in order to avoid pregranted abandonment of service.~~

~~(b) Transporter will notify the existing Shipper of the best non-contingent bid(s), or that no bids from creditworthy bidders were received, within one (1) business day after determining the same. The existing Shipper will have a right of first refusal to match the best bid received for such capacity for two (2) business days after receiving the notification of the best bid for bids of six (6) months or longer duration and one (1) business day after receiving notification of the best bid for bids of less than six (6) months.~~

~~If the best bid is a Negotiated Rate bid, the existing Shipper can continue receiving the contracted service as set forth in Section 25.5(a) above (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service, or (2) by paying a Recourse Rate or discounted Recourse Rate per Dth that is~~

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

25.8 Reserved Capacity

Transporter may elect to reserve available capacity for future expansion projects. Capacity may be reserved for up to one year prior to Transporter filing for either Commission approval to initiate the National Environmental Policy Act pre-filing review for a proposed expansion or certificate approval for construction of a proposed expansion and thereafter until such expansion project is placed into service. If Transporter elects to reserve capacity for an expansion project, it will notify Shippers of its intent on the earlier of the following dates:

- (a) the date on which expiring or terminating capacity is required to be posted in accordance with Section 25,
- (b) the date on which Transporter executes a letter of intent with a prospective expansion Shipper which requires the reservation of capacity, or
- (c) the date on which Transporter begins an open season for the expansion project.

If Transporter enters into a Service Agreement for available capacity for service starting at a future date or reserves available capacity for a future expansion project, Transporter will post such capacity on its Unsubscribed Capacity Report for use on an interim basis, but will indicate in its posting that such capacity is reserved for future use. Shippers that acquire such capacity on an interim basis will not be eligible for a Right of First Refusal under Section 25.9.

Any capacity reserved for an expansion project that does not go forward for any reason shall be posted on Transporter's Unsubscribed Capacity Report within 30 days of the date when such capacity becomes available, subject to prior interim commitments of such capacity.

25.9 Right of First Refusal

- (a) A Shipper under an expiring or terminating Part 284 firm Service Agreement may avoid pre-granted abandonment of service in accordance with the right of first refusal provisions of Section 284.221(d) of the Commission's regulations, provided that: (1) the Service Agreement is expiring under its own terms or Shipper is not the party providing termination notice under an evergreen provision; (2) service is not being provided on an interim basis pursuant to Section 25.8, and (3) service is not being provided on an interim basis using capacity reserved for future service under Section 25.5. To be eligible for a
- ~~25.5 Right of First Refusal (Continued)~~

~~equivalent to the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service. Negotiated Rate offers will be evaluated in accordance with Section 19.3 of the General Terms and Conditions.~~

~~(c) If the best bid as determined by Transporter is for less than the total capacity subject to the right of first refusal, the existing Shipper is required to match the incremental economic value for the amount of capacity to which the bid applies in order to retain the right to service for that portion of the capacity. The existing Shipper also may choose to retain only a portion of its capacity rights by matching the incremental economic value of any bid(s) submitted for that portion. If an existing Shipper wishes to retain only a portion of its capacity, such Shipper's aggregate MDQs and aggregate MDDOs must be retained by the same percentage as the Contract Demand is retained. Shipper may specify the MDQs it wishes to retain at each Receipt Point and the MDDOs it wishes to retain at each Delivery Point.~~

~~(d) If an existing Shipper chooses not to match the incremental economic value of the best bid(s) as determined by Transporter, capacity will be awarded to the selected bidder(s), and the existing Shipper's right of first refusal will expire.~~

~~(e) If no creditworthy bids are submitted for any portion of the capacity, an existing Shipper will be entitled to continue its existing service for any portion of the capacity, for any term desired, provided Transporter and Shipper agree to mutually acceptable rates for the service at a level within the posted maximum and minimum tariff rates for the applicable service or at a mutually acceptable Negotiated Rate for the applicable service. If Transporter and Shipper fail to agree on rates within thirty (30) days of the bid close date, Shipper's right of first refusal will be deemed to have terminated. If an existing Shipper wishes~~

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

right of first refusal, a Shipper must be receiving service (1) at the Maximum Base Tariff Rate for a term of twelve consecutive months or longer (or for one year or longer where service is not available for twelve consecutive months); or (2) at any rate for a term of one year or longer when such service is provided under a Service Agreement executed prior to March 27, 2000.

A Shipper eligible for a right of first refusal can continue receiving the contracted service by matching the incremental economic value of competing bid(s) in accordance with the procedures described below; provided, however, that in no event will such Shipper be required to match a bid, including a Negotiated Rate bid, that exceeds the Maximum Base Tariff Rate in order to avoid pre-granted abandonment of service.

(b) Transporter will notify the existing Shipper of the best non-contingent bid(s), or that no bids from creditworthy bidders were received, within one business day after determining the same. The existing Shipper will have a right of first refusal to match the best bid received for such capacity for two business days after receiving the notification of the best bid for bids of six months or longer duration and one business day after receiving notification of the best bid for bids of less than six months.

If the best bid is a Negotiated Rate bid, the existing Shipper can continue receiving the contracted service as set forth in Section 25.9(a) above (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service, or (2) by paying a Recourse Rate or discounted Recourse Rate per Dth that is equivalent to the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service. Negotiated Rate offers will be evaluated in accordance with Section 19.3 of the General Terms and Conditions.

(c) If the best bid as determined by Transporter is for less than the total capacity subject to the right of first refusal, the existing Shipper is required to match the incremental economic value for the amount of capacity to which the bid applies in order to retain the right to service for that portion of the capacity. The existing Shipper also may choose to retain only a portion of its capacity rights by matching the incremental economic value of any bid(s) submitted for that portion. If an existing Shipper wishes to retain only a portion of its capacity, such Shipper's aggregate MDQs and aggregate MDDOs must be retained by the same percentage as the Contract Demand is retained. Shipper may specify the MDQs it wishes to retain at each Receipt Point and the MDDOs it wishes to retain at each Delivery Point.

~~25.5 Right of First Refusal (Continued)~~

~~to retain only a portion of its capacity and Transporter has indicated in the special conditions of its posting that it has determined that partial use or segmentation of the posted capacity may create operational problems (such as reducing the existing Shipper's ability to respond to an OFO pursuant to Section 14.15), Shipper will be subject to a contract specific flow requirement on its retained segment or must be willing to take other action that is acceptable to Transporter.~~

~~25.6 Notwithstanding anything to the contrary set forth in this Section 25, Transporter will not be required to provide service at any rate less than the Maximum Base Tariff Rate as set forth on Sheet Nos. 5, 7 or 8.1, as such rate may vary from time to time.~~

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

(d) If an existing Shipper chooses not to match the incremental economic value of the best bid(s) as determined by Transporter, capacity will be awarded to the selected bidder(s), and the existing Shipper's right of first refusal will expire.

(e) If no creditworthy bids are submitted for any portion of the capacity, an existing Shipper will be entitled to continue its existing service for any portion of the capacity, for any term desired, provided Transporter and Shipper agree to mutually acceptable rates for the service at a level within the posted maximum and minimum tariff rates for the applicable service or at a mutually acceptable Negotiated Rate for the applicable service. If Transporter and Shipper fail to agree on rates within thirty days of the bid close date, Shipper's right of first refusal will be deemed to have terminated. If an existing Shipper wishes to retain only a portion of its capacity and Transporter has indicated in the special conditions of its posting that it has determined that partial use or segmentation of the posted capacity may create operational problems (such as reducing the existing Shipper's ability to respond to an OFO pursuant to Section 14.15 of the General Terms and Conditions), Shipper will be subject to a contract-specific flow requirement on its retained segment or must be willing to take other action that is acceptable to Transporter.

25.10 No Discount Requirement

Notwithstanding anything to the contrary set forth in this Section 25, Transporter will not be required to provide service at any rate less than the Maximum Base Tariff Rate as set forth in the Statement of Rates in the Tariff, as such rate may vary from time to time.

RATE SCHEDULE TF-1
Firm Transportation
(Continued)

11. RECEIPT AND DELIVERY POINT FLEXIBILITY (Continued)

by 1:00 p.m. Central Clock Time (12:00 noon Mountain Clock Time) four (4) business days prior to the first of the month for which the change is desired, or for changes to occur during a month, after the first of the month, two (2) business days prior to the commencement of service, unless otherwise agreed to by the parties. If Transporter determines that a receipt or delivery point change request can be honored, the amendment to the Service Agreement will be executed by Transporter. The change will become effective on the later of the requested effective date or the date executed by Transporter, provided that such date shall not exceed fifteen days from the date of receipt of the amendment by Transporter. Notice of the resulting changes in available receipt or delivery point capacity will be posted to Transporter's Designated Site at least one (1) business day prior to implementation of such change.

Firm receipt and delivery point and associated mainline capacity will be posted to Transporter's Designated Site pursuant to Section 25.4 of the General Terms and Conditions and will be available for permanent receipt and/or delivery point changes only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

11.4 Transporter's Maximum Service Obligation. The total volumes nominated for service on any day for all receipt or delivery points must not exceed Transportation Contract Demand under a Shipper's firm Service Agreement, except as otherwise provided in Section 6 of this Rate Schedule.

12. CONTRACT TERM EXTENSIONS

12.1 Standard Unilateral Evergreen Provision. If Transporter and Shipper agree to include a standard unilateral evergreen provision as indicated on Exhibit A of a long-term Service Agreement, the following conditions will apply:

- (a) The established rollover period will be one year.

RATE SCHEDULE TF-2
Firm Redelivery Transportation (Continued)

5. TRANSPORTATION CONTRACT DEMAND

The Transportation Contract Demand is the maximum quantity of Gas, expressed in Dth, that Transporter is obligated to receive (exclusive of fuel reimbursement furnished in-kind pursuant to Section 14 of the General Terms and Conditions), transport and deliver for Shipper on a firm basis on any one Gas Day, as specified in an executed Service Agreement for service under this Rate Schedule. Transporter's service obligation is limited to Shipper's Transportation Contract Demand as adjusted for any released capacity pursuant to Section 22 of the General Terms and Conditions.

Transportation Contract Demand initially may not exceed the quantity of gas Shipper is entitled to withdraw on a daily basis under the related firm storage agreement, or ownership rights to firm withdrawal capacity, and, in the aggregate for any twelve-month period ending September 30, may not exceed Annual Contract Quantity. However, subsequent reductions in such Shipper's firm withdrawal rights will not require corresponding changes to the related Transportation Contract Demand.

As long as the Transportation Contract Demand and Annual Contract Quantity, as adjusted for any capacity releases, are not exceeded, Transporter shall be obligated to receive up to Shipper's Maximum Daily Quantity (MDQ) at the Primary Receipt Point and to deliver up to Transporter's Maximum Daily Delivery Obligation (MDDO) at each Primary Delivery Point at pressures at least as great as the pressures specified in Shipper's TF-2 Service Agreement, on a firm basis, as such MDQ and MDDO are adjusted for any released capacity pursuant to Section 22 of the General Terms and Conditions. Capacity that is posted pursuant to Section 25.4 of the General Terms and Conditions will be available for increases in Transportation Contract Demand only pursuant to Section 25 of the General Terms and Conditions.

The MDQ at the Primary Receipt Point specified in a Service Agreement for service under this Rate Schedule, must equal the specified Transportation Contract Demand. The aggregate MDDO at the Primary Delivery Points, as specified in a Service Agreement for service under this Rate Schedule, must equal the specified Transportation Contract Demand, except for Service Agreements subject to Section 11 and Service Agreements that have aggregate MDDOs in excess of Transportation Contract Demand as a result of the grandfathering of pre-existing conjunctive nomination rights under the bundled storage restructuring approved in Docket No. RP93-5-011.

RATE SCHEDULE TF-2
Firm Redelivery Transportation (Continued)

9. RECEIPT AND DELIVERY POINT FLEXIBILITY (Continued)

9.4 Procedures for Requesting Permanent Delivery Point Changes. Any Shipper who wishes to amend only the primary delivery points or the associated Maximum Daily Delivery Obligation named in Exhibit A of its Service Agreement will electronically request and execute on Transporter's Designated Site an amendment to the applicable Service Agreement by 1:00 pm Central Clock Time (noon Mountain Clock Time) four (4) business days prior to the first of the month for which the change is desired, or for changes to occur during a month, after the first of the month, two (2) business days prior to the commencement of service, unless otherwise agreed to by the parties. If Transporter determines that a delivery point change request can be honored, the amendment to the Service Agreement will be executed by Transporter. The change will become effective on the later of the requested service date or the date executed by Transporter, provided that such date shall not exceed fifteen days from receipt of the amendment by Transporter. Notice of the resulting changes in available delivery point capacity will be posted to Transporter's Designated Site at least one (1) business day prior to implementation of such change.

Firm delivery point and mainline capacity will be posted pursuant to Section 25.4 of the General Terms and Conditions and will be available for permanent delivery point changes only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

9.5 Transporter's Maximum Service Obligation. The total volumes nominated for service on any day for all receipt or delivery points must not exceed Transportation Contract Demand under a Shipper's firm Service Agreement, except as otherwise provided in Section 7 of this Rate Schedule.

10. ELIGIBLE STORAGE FACILITY RECEIPT POINTS AND SERVICE REQUESTS

10.1 Eligible Storage Facility Receipt Points. Transportation service provided under this Rate Schedule shall be only for transportation from an Eligible Storage Facility Receipt Point to the delivery point(s) specified in the Service Agreement. An Eligible Storage Facility Receipt Point is a mainline receipt point at which any storage facility is connected to Transporter's system by a pipeline or other facilities installed solely to make that connection or at which any storage facility located in the service area of any of Transporter's on-system local distribution customers accesses Transporter's system.

RATE SCHEDULE TFL-1
Firm Lateral Transportation (Continued)

6. RECEIPT AND DELIVERY POINT FLEXIBILITY (Continued)

Capacity posted on Transporter's Designated Site pursuant to Section 25.4 of the General Terms and Conditions will be available for permanent receipt and/or delivery point changes only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

6.3 Transporter's Maximum Service Obligation. The total volumes nominated for service on any day for all receipt or delivery points must not exceed Transportation Contract Demand under a Shipper's firm Service Agreement, except as otherwise provided in Section 5 of this Rate Schedule.

7. CONTRACT TERM EXTENSIONS

7.1 Standard Unilateral Evergreen Provision. If Transporter and Shipper agree to include a standard unilateral evergreen provision as indicated on Exhibit A of a long-term Service Agreement, the following conditions will apply:

(a) The established rollover period will be one year.

(b) Shipper may terminate the Service Agreement in its entirety upon the primary term end date or upon the conclusion of any evergreen rollover period thereafter by giving written notice to Transporter so stating at least five years before the termination date.

(c) The termination notice required under Section 7.1(b) will be deemed given when posted on Transporter's Designated Site.

7.2 Standard Bi-Lateral Evergreen Provision. If Transporter and Shipper agree to include a standard bi-lateral evergreen provision as indicated on Exhibit A of the Service Agreement, the following conditions will apply:

(a) The established rollover period will be:

(i) one day for Service Agreements with a primary term of one day;

(ii) one month for Service Agreements with a primary term of at least two days but less than one year; or

RATE SCHEDULE TFL-1
Firm Lateral Transportation (Continued)

7. CONTRACT TERM EXTENSIONS (continued)

(iii) one year for Service Agreements with a primary term of one year or more.

(b) Either Transporter or Shipper may terminate the Service Agreement in its entirety upon the primary term end date or upon the conclusion of any evergreen rollover period thereafter by giving the other party termination notice at least:

(i) one Business Day before the termination date if Section 7.2(a)(i) applies;

(ii) ten Business Days before the termination date if Section 7.2(a)(ii) applies; or

(iii) one year before the termination date if Section 7.2(a)(iii) applies.

(c) The termination notice required under Section 7.2(b) will be deemed given when posted on Transporter's Designated Site. If Transporter gives termination notice, such termination notice also will be given via Internet E-mail or fax if specified by Shipper on the Business Associate Information form.

8. SEGMENTATION

8.1 To the extent operationally feasible, a Shipper may temporarily segment its capacity on a Designated Lateral into separate parts for its own use or for the purpose of releasing capacity to a Replacement Shipper. Shipper may submit a segmentation request no more than sixty days prior to the requested effective date. Transporter will respond to a Shipper's segmentation request within two business days following the request; and if the segmentation request is approved, Transporter will issue new Service Agreements for each of the segments within one hour of notification to the Shipper that the request is approved. Capacity posted on Transporter's Designated Site pursuant to Section 25.4 of the General Terms and Conditions will be available for capacity release segmentation requests only pursuant to the procedures outlined in Section 25 of the General Terms and Conditions.

On a not unduly discriminatory basis, Transporter may allow Shipper to submit a segmentation request more than sixty days prior to the requested effective date if such request (i) is associated with an

GENERAL TERMS AND CONDITIONS
(Continued)

11. SERVICE AGREEMENT AND SERVICE CONDITIONS (Continued)

11.6 Post-Termination Obligations. Upon termination, a Service Agreement will cease to have any force or effect, save as to any unsatisfied obligations or liabilities of either party arising under the Service Agreement prior to the date of such termination, or arising thereafter as a result of such termination. Provided, however that this provision will not supersede any abandonment authorization which may be required.

11.7 Extension of Firm Service Agreement(s) Prior to Expiration. Prior to the expiration of the term of a firm Service Agreement(s) and prior to Transporter posting the availability of such capacity for competitive bid subject to a Shipper's right of first refusal, if any, Transporter and Shipper may mutually agree to negotiate the terms of Shipper's Service Agreement(s) in exchange for Shipper's extension of all or a part of its existing service(s) under its Service Agreement(s). Extensions of such Service Agreement(s) will be negotiated on a case-by-case basis in a not unduly discriminatory manner. To the extent that Transporter and Shipper have mutually agreed to extend such service, the posting and bidding requirements of Section 25 of the General Terms and Conditions of the Tariff will not apply.

11.8 Shipper Buy-Out of Firm Service Agreement.

- (a) General. When Transporter is negotiating with a Shipper that is willing to subscribe to posted unsubscribed capacity or capacity offered in an open season, Transporter may agree to allow such Shipper the right to buy out of the resulting Service Agreement in its entirety.
- (b) Eligibility. Transporter, on a not unduly discriminatory basis, will only agree to a buy-out if, in Transporter's reasonable judgment, it is financially beneficial to Transporter.

To determine if the buy-out is financially beneficial, Transporter may take into account the term of the agreement, the rates, and the value, demand for, and alternative uses of, the capacity under the firm Service Agreement and any exit fee agreed to by Shipper as part of the negotiations to buy out of a firm Service Agreement.

- (c) Negotiable Terms of Buy-out. Transporter will use its reasonable judgment to establish: 1) the time period in which Shipper must provide written notification to Transporter to implement its right to buy out of a firm Service Agreement; and 2) the payment schedule for Shipper to remit the negotiated exit fees to Transporter. All components of such exit fee will be negotiated between

GENERAL TERMS AND CONDITIONS
(Continued)

19. NEGOTIATED RATES

19.1 Availability. Shipper and Transporter may agree to Negotiated Rates for a specific term of service under any open-access rate schedule contained in this tariff, provided that Shipper has not acquired its capacity through a temporary capacity release transaction pursuant to Section 22 of the General Terms and Conditions of this tariff. The rates shown on Transporter's Statement of Rates are available as Recourse Rates for any Shipper that does not negotiate a rate with Transporter.

19.2 Applicability.

(a) Existing Service. Notwithstanding anything to the contrary contained in this tariff, Transporter and Shipper may mutually agree to Negotiated Rates and contract term for all or any portion of the capacity under any existing open-access Service Agreement, provided that Shipper has not acquired its capacity through a temporary capacity release. If only a portion of the capacity under any existing open-access Service Agreement will be priced at Negotiated Rates, the original Service Agreement must first be bifurcated, and Recourse Rates will continue to apply to the Service Agreement not subject to the Negotiated Rates.

(b) New Service.

(1) Requests for Service. Transporter and Shipper may mutually agree to Negotiated Rates and contract term for any available capacity that is requested by Shipper, provided that such capacity has been posted for informational purposes, but is not posted for bid at the time of Shipper's request. If Shipper and Transporter mutually agree on a Negotiated Rate for the capacity, Transporter will post the terms of any such pre-arranged agreement in accordance with Section 25.5 of the General Terms and Conditions of Transporter's tariff, and other parties will have an opportunity to bid on the capacity. The pre-arranged Shipper will have a one-time right to match any higher bid in order to retain the capacity.

GENERAL TERMS AND CONDITIONS
(Continued)

19. NEGOTIATED RATES (Continued)

(2) Bids on Posted Capacity. If available capacity, including capacity under expiring or terminating Service Agreements, is posted for bid pursuant to Section 25.5 of the General Terms and Conditions and Transporter has determined that it is willing to consider bids at Negotiated Rates, Transporter must specify in its posting that it will consider Negotiated Rate bids in addition to Recourse Rate and discounted Recourse Rate bids.

19.3 Evaluation of Negotiated Rate Bids. If Transporter determines that it is willing to consider Negotiated Rate bids for available capacity that is posted pursuant to Section 25 of the General Terms and Conditions or deferred exchange service that is posted pursuant to Section 2.2 of Rate Schedule DEX-1, Transporter will state in its posting the specific basis on which Negotiated Rate bids will be considered and one of the following evaluation methods for determining the winning bid:

- (a) Net Present Value (reservation rate x quantity x term, discounted using the discount rate(s) shown in the posting);
- (b) Revenue (reservation rate x quantity); or
- (c) Reservation Rate/Deferred Exchange Rate.

If Transporter specifies in its posting that it will accept Negotiated Rate bids tied to an index or indices, Transporter will post an assumed value for such index or indices, where such assumed value is based on both historical and projected index prices. This assumed value will be used to compare Negotiated Rate bids with Recourse Rate and discounted Recourse Rate bids; provided, however, that if a Shipper with a Negotiated Rate bid tied to an index or indices has submitted the bid with the highest value and is awarded the capacity, such Shipper will pay according to the actual value of the index or indices at the time service is rendered.

Negotiated Rate bids in excess of Transporter's Maximum Base Tariff Rate for the applicable rate schedule will be treated as Maximum Base Tariff Rate offers for bid evaluation purposes.

19.4 Filing Requirement. Transporter will submit to the Commission a tariff sheet stating the name of the Shipper, the Negotiated Rate, the rate schedule, the receipt and delivery points, and the contract quantities applicable to any Negotiated Rate Service Agreement. Unless

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY

25.1 General

This Section 25 sets forth procedures for Transporter to post and offer, and for Shippers to acquire, available capacity for firm service under Rate Schedule TF-1, TF-2, TFL-1, SGS-2F, LS-2F, or LS-3F. New Service Agreement requests for mainline capacity under Rate Schedule TF-1, TF-2 or TFL-1 must include available MDQs at receipt point(s) and MDDOs at delivery point(s). New capacity is requested on Transporter's Designated Site. Modifications to Service Agreement requests utilizing available capacity must be submitted in accordance with Section 11.4 of the General Terms and Conditions.

25.2 Availability of Capacity

Available capacity includes:

- (a) capacity currently available for any period;
- (b) capacity currently available for an interim period, but is reserved for a future period pursuant to Section 25.8 or has been sold for a future period;
- (c) capacity that will become available on a date certain due to the expiration of a firm Service Agreement that does not have an evergreen provision;
- (d) capacity that will become available on a date certain because either Transporter or Shipper has provided termination notice under a firm Service Agreement with an evergreen provision; or
- (e) capacity that will become available as a result of Shipper's request to amend a Service Agreement in such a manner that it creates additional available capacity that otherwise would not be available.

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

25.3 Expansion or New Construction Capacity

Expansion or new construction capacity is capacity made available through:

(a) an expansion of the existing Transportation System, but only pursuant to the non-discriminatory procedures and conditions that will be set forth in Transporter's open season postings for an expansion project; or

(b) construction of new or upgraded facilities under Section 21 or 29 of the General Terms and Conditions, provided however that prior to the in-service date for such facilities only the party obligated to reimburse Transporter for such facilities may submit a request to acquire firm service rights to any resulting new firm capacity. After the in-service date for the facilities, any associated uncontracted firm capacity will be available to any Shipper pursuant to this Section 25.

If the reimbursing party has an existing transportation Service Agreement that could potentially be amended or segmented in order to use any resulting new or upgraded capacity then the reimbursing party may submit a request to (1) amend Primary Receipt Points or Primary Delivery Points under its existing Service Agreement; or (2) temporarily segment capacity under its existing Service Agreement in accordance with Section 13 of Rate Schedule TF-1 and Section 8 of Rate Schedule TFL-1. If Transporter determines it can accommodate such request, it will execute the requested amendment or segmentation for implementation effective the later of the requested effective date or the in-service date for the associated facilities.

25.4 Informational Postings

Transporter will post information regarding available capacity to its Designated Site utilizing the following reports:

(a) Unsubscribed Capacity Report

Transporter's Unsubscribed Capacity Report will identify all Receipt Points, Delivery Points, mainline capacity, or storage capacity, as applicable, which is available for new firm service, amendment or Capacity Release segmentation requests. Transporter will post capacity as available within two business days of becoming aware of such availability.

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

(b) TSP Capacity Offering Report

Transporter's TSP Capacity Offering Report will identify Receipt Points, Delivery Points, and/or mainline capacity packages, or storage capacity that Transporter has pre-defined as available for firm service.

(c) Index of Customers Report

Transporter's Index of Customers Report will identify capacity that could become available as a result of Transporter's option to provide termination notice under firm Service Agreements with a bi-lateral evergreen provision.

Transporter has the option to establish a reserve rate for any available capacity before such capacity is posted for competitive bid. Transporter is not required to disclose the reserve rate at the time of the competitive bid posting, but a record of the reserve rate must be maintained for a period of three years for validation purposes.

25.5 Available Capacity Acquisition Methods

Other than acquiring capacity pursuant to Section 25.3, Shippers may acquire capacity utilizing any of the methods identified below:

(a) Prearranged Transactions

On a nondiscriminatory basis, Transporter may enter into a prearranged transaction with any creditworthy Shipper for any available capacity posted pursuant to this Section 25. To request to be the prearranged Shipper in such transactions, a Shipper must submit a prearranged offer request electronically on Transporter's Designated Site, unless otherwise specified by Transporter that the terms and conditions of the prearranged transaction are too complex to be administered on Transporter's Designated Site.

A prearranged offer request must include the bid information specified herein. Such request will be deemed a binding bid which cannot be withdrawn by Shipper once accepted by Transporter. However, Transporter has the discretion to reject any prearranged offer request:

(i) for available capacity requested with contingencies or conditions,

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

(ii) for available capacity requested at less than the Maximum Base Tariff Rate, and

(iii) for available capacity at the Maximum Base Tariff Rate prior to thirty days of its availability.

For any available capacity, the prearranged offer request that is acceptable to Transporter will be posted as a prearranged transaction and will be subject to competitive bid.

(b) Competitive Bid Transactions

Transporter will hold a competitive bid process for capacity that: (1) has been requested by a prearranged Shipper; or (2) Transporter has elected to post for competitive bid without a prearranged Shipper. Unless otherwise specified, all competitive bid postings will be posted on Transporter's Designated Site.

Each competitive bid posting will include all information outlined below that is pertinent to the offered capacity:

1. Contract Demand, Storage Demand and/or Storage Capacity;
2. Receipt Point(s), Delivery Point(s), and/or mainline capacity or Storage Facility;
3. Date capacity is available, and any availability duration limits, e.g., due to reservation of the capacity for a future period pursuant to Section 25.8;
4. Bid open and close dates;
5. Minimum acceptable reservation rate, which may be a stated rate or a non-disclosed reserve rate;
6. Whether Transporter is willing to entertain Negotiated Rate bids and the specific basis for such bids;

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

7. Reservation rate and term offered by a prearranged Shipper, if any;
8. Transporter's bid evaluation criteria;
9. Whether capacity is subject to a Right of First Refusal option; and
10. Other non-discriminatory conditions that Transporter may elect to specify for the offered capacity.

Competitive Bid Timelines

Transporter's competitive bid postings will be subject to the following bid period timelines:

- (i) Transactions for a term of thirty-one days or less will be posted for a competitive bid period of no less than one hour. Any one hour posted bid period will commence at either 8:45 A.M., 11:45 A.M. or 4:45 P.M. Central Clock Time (7:45 A.M., 10:45 A.M. or 3:45 P.M. Mountain Clock Time) on a Business Day.
- (ii) Transactions for a term greater than thirty-one days but less than a year will be posted for a competitive bid period of no less than twenty-four hours.
- (iii) Transactions for a term of one year or more will be posted for a competitive bid period of no less than seventy-two hours (not including weekends and holidays).

For non-prearranged competitive bid postings, if no acceptable bids are received, Transporter may hold subsequent competitive bid posting(s) for the same capacity.

If Transporter determines that it is willing to accept Negotiated Rate bids for available capacity that is posted for competitive bid pursuant to this Section 25, the evaluation methods set forth in Section 19.3 of the General Terms and Conditions will apply.

(c) First-Come, First-Served Transactions

First-come, first-served requests for point amendments pursuant to Section 11.3 of Rate Schedule TF-1, Section 9.4 of Rate Schedule TF-2 or Section 6.2 of Rate Schedule TFL-1 or for segmentation purposes pursuant to Section 13 of Rate Schedule TF-1 and Section 8 of Rate Schedule TFL-1 may be submitted for capacity that is posted as

GENERAL TERMS AND CONDITIONS
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25. AVAILABLE CAPACITY (Continued)

available on the Unsubscribed Capacity Report. The Receipt and Delivery Point capacity shown as available on the Unsubscribed Capacity Report for first-come, first-served requests will include: (1) capacity that has been posted on Transporter's TSP Capacity Offering Report without being sold for a minimum period of six months from the date the capacity was posted pursuant to Section 25.4(a); or (2) capacity that is not required to preserve mainline capacity rights to prevent the stranding of mainline capacity and/or the loss of mainline capacity which may create operational problems, unless Transporter, on a non-discriminatory basis, agrees otherwise.

Requests for first-come, first-served point capacity cannot be submitted earlier than thirty days prior to Shipper's proposed effective date unless the request is associated with: (1) a facility modification pursuant to Sections 21 or 29 of the General Terms and Conditions; (2) a Service Agreement term extension pursuant to Section 11.7 of the General Terms and Conditions; or (3) a FERC abandonment of Transporter's facilities. If Transporter determines it can accommodate Shipper's request, then within two Business Days after the date of receiving such request, Transporter will execute the requested amendment and make the requested point change effective on the later of such execution date or Shipper's proposed effective date.

Requests for changes only to receipt and/or delivery points under existing Service Agreements which do not require additional mainline capacity are not subject to the competitive bid procedures described in this Section 25. Amendment requests under existing Service Agreements that do require additional available mainline capacity will be subject to the competitive bid process described herein, unless otherwise agreed to by Transporter.

If Transporter has determined that the requested receipt and/or delivery point change may create operational problems, such Shipper will be subject to a contract-specific flow requirement on its requested segment or must be willing to take other action that is acceptable to Transporter.

25.6 Competitive Bidding Requirements

Prior to submitting a bid, the bidder must first comply with the service request procedures set forth in Section 28 of the General Terms and Conditions and the creditworthiness requirements in Section 5.10 of the General Terms and Conditions.

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(Continued)

25. AVAILABLE CAPACITY (Continued)

Unless otherwise specified in Transporter's competitive bid posting, all bids for capacity included in a competitive bid posting must be submitted on Transporter's Designated Site consistent with the bidding periods established under Section 25.5, and must comply with the bid requirements outlined below. A bidder may withdraw its bid at any time prior to close of the bid period; provided, however, that if the bidder is a pre-arranged Shipper, it may not withdraw its bid. A bidder who withdraws its bid may not then submit another bid with a lower economic value for the same capacity. Bidders may not submit multiple bids for the same capacity.

Competitive bids for capacity posted pursuant to Section 25.5 must specify the following, if pertinent to the capacity:

1. Bidder's name (which will not be publicly viewable unless and until the capacity is awarded to such bidder);
2. Requested Contract Demand, Storage Demand and Storage Capacity, and specific Receipt Point(s), Delivery Point(s) and/or mainline capacity and/ or Storage Facility ;
3. Quantity of the total posted capacity that bidder is willing to accept in the event of a pro rata allocation in a potential tie-breaker process;
4. Reservation rate that bidder offers to pay for the requested capacity;
5. Requested primary term of service (including, if applicable, offered term extensions of existing Service Agreements);
6. Whether the bidder is an affiliate of Transporter; and
7. The terms and conditions of any bid contingencies, if the competitive bid posting indicated that Transporter was willing to accept bids with contingencies.

All bids must be submitted in amounts which a bidder agrees to pay to Transporter for the right to receive firm service, including undiscounted reservation surcharges, if applicable. Such bids will exclude Transporter's volumetric charges and volumetric surcharges applicable to such service included in Transporter's rates, which rate components must be paid to Transporter by the successful bidder in addition to the bid amounts.

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

Unless the competitive bid posting indicated Transporter was willing to consider Negotiated Rate bids, the rate bid under this Section 25.6 must not exceed the Maximum Base Tariff Rate or be less than the Minimum Base Tariff Rate as set forth in the Statement of Rates.

For bids at the Maximum Base Tariff Rate, bidders may bid any term for which the offered capacity is available. Further, for a prearranged transaction for service commencing at a future date, competing bids at the Maximum Base Tariff Rate will be allowed for service to start either on such future date or on any date between the earliest time the capacity is available and such future date.

Maximum Base Tariff Rate bids may be submitted for any segment of the mainline capacity posted for competitive bid, subject to the availability of capacity at and between the requested physical receipt and delivery points. However, if a Shipper bids on only a segment of the mainline capacity and Transporter has indicated in the special conditions of its competitive bid posting that bids for only a segment of the mainline capacity will create an operational problem, then Shipper will be subject to a contract-specific flow requirement on its requested segment or must be willing to take other action acceptable to Transporter if such Shipper is the successful bidder.

25.7 Competitive Bid Evaluations and Award Process

(a) Best Bid Determination

Within two Business Days following the bid close date, unless otherwise stated in the competitive bid posting, Transporter will evaluate the bids received and determine the winning bid, subject (where applicable) to Section 25.7(b) and (c), Section 25.9 and Section 25.10. Bids will be evaluated based on either the net present value or highest rate of each bid for all bid periods of seventy-two hours or less, as specified in Transporter's competitive bid posting. For bid periods longer than seventy-two hours, bids will be evaluated based on either the net present value, highest rate or the alternative criteria for determining incremental economic value that is specified by Transporter in its competitive bid posting. For prearranged transactions starting a year or more after the underlying capacity becomes available, the incremental economic value of bids will be determined on a net present value basis. For bid evaluation purposes, the value of a Negotiated Rate bid will be capped at the value of such bid at Transporter's applicable Maximum Base Tariff Rate. A bid to pay the Maximum Base Tariff Rate as it may vary from time to time for a given term will be deemed superior to a bid to pay a specified dollar rate which is equal to the Maximum Base Tariff Rate.

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

For purposes of this Section 25, the incremental economic value of a bid is (1) the total net present value of the reservation charge bid for transportation capacity (including bids to extend the term of existing Service Agreements); (2) the demand and capacity charge bid for storage capacity; or (3) the value determined using either the highest rate or the alternative criteria specified by Transporter in its competitive bid posting. The net present value shall be computed from the monthly demand and capacity, or reservation revenues to be received over the term of the Service Agreement, using the discounted cash flow rate of return methodology, with the rate of discounting, as updated from time to time, to be equal to the rate set forth in Section 154.501(d) of the Commission's regulations at the time the capacity is posted for bid, unless a different discount rate is specified in Transporter's competitive bid posting for available capacity. Bids for capacity under existing Service Agreements will be deemed to have no incremental economic value for award purposes, except to the extent bidder proposes to extend the term of its existing Service Agreement.

(b) Contingent Bids

If the best bid is a contingent bid, Transporter will notify the bidder making the best bid within five Business Days following the bid close date. That bidder will have five Business Days following such notification to satisfy or waive the contingency for bids of six months or longer and one Business Day following such notification to satisfy or waive the contingency for bids for less than six months, or Transporter may disregard such bid.

(c) Tie Break Process

Transporter will break ties and determine the winning bid(s) by providing each of the tying bidders an opportunity to improve their bids by submitting closed bids via electronic means as specified in Transporter's competitive bid posting which may include facsimile, email, or via Transporter's Designated Site, within 24 hours of notification by Transporter. If a tie still exists and the prearranged Shipper has declined to match the tied bids, if applicable, Transporter will allocate the available capacity on a pro rata basis to each tying bidder that has indicated in its bid a willingness to accept a proportionate share of such capacity.

(d) Match Process

For a competitive bid posting with a prearranged transaction, if the highest bid(s) determined by Transporter in the bid evaluation and tie-breaker processes exceeds the economic value of the prearranged transaction, the prearranged Shipper will be provided a one-time

GENERAL TERMS AND CONDITIONS
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25. AVAILABLE AND POTENTIALLY AVAILABLE CAPACITY (Continued)

opportunity to match the highest acceptable bid(s) by posting such election on Transporter's Designated Site. For service with a term of less than one year, the posting by the prearranged Shipper must be made within two hours of Transporter's notification to the prearranged Shipper of the best bid(s) and for service with a term of one year or more, the posting by the prearranged Shipper must be made within forty-eight hours, excluding weekends and holidays, of such notification.

If two or more Maximum Base Tariff Rate bids are received for discrete portions of prearranged transaction capacity, the prearranged Shipper will be offered the right to match such bids, one by one, starting with the lowest incremental economic value bid. Accordingly, if the prearranged Shipper declines to match a lower incremental economic value bid for a discrete portion of the prearranged capacity, it will not be offered the opportunity to match any higher incremental economic value bids.

Whether or not the competitive bid posting includes a prearranged transaction, if an existing Shipper holds a Right of First Refusal pursuant to Section 25.9 for such capacity, such existing Shipper will have the final opportunity to match the best bid(s) according to the Section 25.9 procedures.

(e) Award Process

Capacity offered in a competitive bid posting will be awarded to Shippers based on the incremental economic value of the bids, from highest economic value to lowest, until all of the capacity has been awarded or until all valid bids have been accepted, subject to a prearranged Shipper's right to match and/or an existing Shipper's Right of First Refusal under Section 25.9.

For competitive bid postings with a prearranged transaction, if no acceptable higher value bids are submitted, Transporter will award the capacity to the prearranged Shipper within one hour after the close of the bid period, subject to an existing Shipper's Right of First Refusal under Section 25.9.

For any capacity offered under this Section 25, the successful bidder(s) and Transporter will electronically execute a new Service Agreement or amendment prior to the commencement of service which confirms the terms of the accepted bid(s) for the available capacity. The Shipper's execution of the Service Agreement occurs automatically upon posting of its bid and Transporter's execution occurs upon award.

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

25.8 Reserved Capacity

Transporter may elect to reserve available capacity for future expansion projects. Capacity may be reserved for up to one year prior to Transporter filing for either Commission approval to initiate the National Environmental Policy Act pre-filing review for a proposed expansion or certificate approval for construction of a proposed expansion and thereafter until such expansion project is placed into service. If Transporter elects to reserve capacity for an expansion project, it will notify Shippers of its intent on the earlier of the following dates:

- (a) the date on which expiring or terminating capacity is required to be posted in accordance with Section 25,
- (b) the date on which Transporter executes a letter of intent with a prospective expansion Shipper which requires the reservation of capacity, or
- (c) the date on which Transporter begins an open season for the expansion project.

If Transporter enters into a Service Agreement for available capacity for service starting at a future date or reserves available capacity for a future expansion project, Transporter will post such capacity on its Unsubscribed Capacity Report for use on an interim basis, but will indicate in its posting that such capacity is reserved for future use. Shippers that acquire such capacity on an interim basis will not be eligible for a Right of First Refusal under Section 25.9.

Any capacity reserved for an expansion project that does not go forward for any reason shall be posted on Transporter's Unsubscribed Capacity Report within 30 days of the date when such capacity becomes available, subject to prior interim commitments of such capacity.

25.9 Right of First Refusal

(a) A Shipper under an expiring or terminating Part 284 firm Service Agreement may avoid pre-granted abandonment of service in accordance with the right of first refusal provisions of Section 284.221(d) of the Commission's regulations, provided that: (1) the Service Agreement is expiring under its own terms or Shipper is not the party providing termination notice under an evergreen provision; (2) service is not being provided on an interim basis pursuant to Section 25.8, and (3) service is not being provided on an interim basis using capacity reserved for future service under Section 25.5. To be eligible for a

GENERAL TERMS AND CONDITIONS
(Continued)

25. AVAILABLE CAPACITY (Continued)

right of first refusal, a Shipper must be receiving service (1) at the Maximum Base Tariff Rate for a term of twelve consecutive months or longer (or for one year or longer where service is not available for twelve consecutive months); or (2) at any rate for a term of one year or longer when such service is provided under a Service Agreement executed prior to March 27, 2000.

A Shipper eligible for a right of first refusal can continue receiving the contracted service by matching the incremental economic value of competing bid(s) in accordance with the procedures described below; provided, however, that in no event will such Shipper be required to match a bid, including a Negotiated Rate bid, that exceeds the Maximum Base Tariff Rate in order to avoid pre-granted abandonment of service.

(b) Transporter will notify the existing Shipper of the best non-contingent bid(s), or that no bids from creditworthy bidders were received, within one business day after determining the same. The existing Shipper will have a right of first refusal to match the best bid received for such capacity for two business days after receiving the notification of the best bid for bids of six months or longer duration and one business day after receiving notification of the best bid for bids of less than six months.

If the best bid is a Negotiated Rate bid, the existing Shipper can continue receiving the contracted service as set forth in Section 25.9(a) above (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service, or (2) by paying a Recourse Rate or discounted Recourse Rate per Dth that is equivalent to the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service. Negotiated Rate offers will be evaluated in accordance with Section 19.3 of the General Terms and Conditions.

(c) If the best bid as determined by Transporter is for less than the total capacity subject to the right of first refusal, the existing Shipper is required to match the incremental economic value for the amount of capacity to which the bid applies in order to retain the right to service for that portion of the capacity. The existing Shipper also may choose to retain only a portion of its capacity rights by matching the incremental economic value of any bid(s) submitted for that portion. If an existing Shipper wishes to retain only a portion of its capacity, such Shipper's aggregate MDQs and aggregate MDDOs must be retained by the same percentage as the Contract Demand is retained. Shipper may specify the MDQs it wishes to retain at each Receipt Point and the MDDOs it wishes to retain at each Delivery Point.

GENERAL TERMS AND CONDITIONS
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25. AVAILABLE CAPACITY (Continued)

(d) If an existing Shipper chooses not to match the incremental economic value of the best bid(s) as determined by Transporter, capacity will be awarded to the selected bidder(s), and the existing Shipper's right of first refusal will expire.

(e) If no creditworthy bids are submitted for any portion of the capacity, an existing Shipper will be entitled to continue its existing service for any portion of the capacity, for any term desired, provided Transporter and Shipper agree to mutually acceptable rates for the service at a level within the posted maximum and minimum tariff rates for the applicable service or at a mutually acceptable Negotiated Rate for the applicable service. If Transporter and Shipper fail to agree on rates within thirty days of the bid close date, Shipper's right of first refusal will be deemed to have terminated. If an existing Shipper wishes to retain only a portion of its capacity and Transporter has indicated in the special conditions of its posting that it has determined that partial use or segmentation of the posted capacity may create operational problems (such as reducing the existing Shipper's ability to respond to an OFO pursuant to Section 14.15 of the General Terms and Conditions), Shipper will be subject to a contract-specific flow requirement on its retained segment or must be willing to take other action that is acceptable to Transporter.

25.10 No Discount Requirement

Notwithstanding anything to the contrary set forth in this Section 25, Transporter will not be required to provide service at any rate less than the Maximum Base Tariff Rate as set forth in the Statement of Rates in the Tariff, as such rate may vary from time to time.

Appendix

**Cross Reference for Current Section 25 to Proposed Section 25
"Available Capacity" Tariff Provisions**

| Current <u>Section or Subsection</u> | Description | Proposed <u>Comparable Section or Subsection</u> |
|--|--|---|
| Section 25.1 | Applicability | Section 25.1 |
| Section 25.2 (a) | Posting of Unsubscribed Capacity | Section 25.5 & Section 25.6 |
| Section 25.2 (b) | Posting of Capacity under Expiring or Terminating Agreements | Section 25.5 & Section 25.6 |
| Section 25.2 (c) | Reserved Capacity | Section 25.9 |
| Section 25.2 (d) | Pre-arranged transaction, One hour bid periods, Future start date and Matching | 25.6 (a) Prearranged transactions, 25.6 (b) One hour timeline, 25.8 (d) Match process |
| Section 25.2 (e) | Competitive bid posting requirements | Section 25.6 (b) |
| Section 25.2 (f) | Reserve rate | Section 25.5 (last paragraph) |
| Section 25.2 (g) | Negotiated rate offers | Section 25.6 (b) (last paragraph) |
| Section 25.2 (h) | Negotiated rate offers (continued) | Section 25.6 (b) (last paragraph) |
| Section 25.3 (a) | Competitive bid requirements | Section 25.7 |
| Section 25.3 (b) | Amendment requests to existing agreements | Section 25.6 (last paragraph) |
| Section 25.3 (c) | Bids on portions of posted capacity | Section 25.7 (last paragraph) |
| Section 25.3 (d) | Bid amounts | Section 25.7 |
| Section 25.3 (e) | Withdrawal of bid | Section 25.7 (second paragraph) |
| Section 25.3 (f) | Creditworthiness | Section 25.7 (first paragraph) |
| Section 25.4 (a) | Bid evaluations | Section 25.8 (a) (first paragraph) |
| Section 25.4 (b) | Best bid determinations | Section 25.8 (a) (second paragraph) |
| Section 25.4 (c) | Award of capacity | Section 25.8 (e) |
| Section 25.4 (d) | Tie break process and maximum rate evaluations | Section 25.8 (c) and Section 25.8 (a) |

Appendix

**Cross Reference for Current Section 25 to Proposed Section 25
"Available Capacity" Tariff Provisions**

| Current <u>Section or Subsection</u> | Description | Proposed <u>Comparable Section or Subsection</u> |
|--|--------------------------|--|
| Section 25.4 (e) | Contingent bids | Section 25.8 (b) |
| Section 25.4 (f) | Awarding of all capacity | Section 25.8 (e) |
| Section 25.4 (g) | Electronic execution | Section 25.8 (e) (last paragraph) |
| Section 25.4 (h) | No longer used | |
| Section 25.5 | Right of First Refusal | Section 25.10 |
| Section 25.6 | No Discount Requirement | Section 25.11 |