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GENERAL TERMS AND CONDITIONS FOR SERVICES

1. APPLICATION AND AVAILABILITY

The following General Terms and Conditions apply to the extent indicated and to the extent not superseded by inconsistent provisions in each of Transporter's service rate schedules.

2. DEFINITIONS

The following terms shall have the meanings defined below:

- 2.1 "Approved Daily Nomination" is that quantity of gas which Transporter has approved to be transported on a particular day.
- 2.2 "Balance" and "Balancing" means the Shipper's obligation to cause deliveries to equal receipts, with due consideration given to Fuel Reimbursement Quantities, and other deductions.
- 2.3 "British Thermal Unit" ("Btu") is the amount of energy required to increase the temperature of one (1) pound of water one (1) degree Fahrenheit at fifty-nine (59) degrees Fahrenheit.
- 2.4 "Capacity" means the gas volume which any particular segment of the Transporter's facilities can accommodate based on Transporter's reasonable judgment.
- 2.5 "Company-used Gas" means the quantity of gas consumed by the Transporter as fuel and for other purposes in its gas operations, not including lost and unaccounted for gas.
- 2.6 "Cubic Foot of Gas" is the amount of gas necessary to fill a one cubic foot of space when the gas is at a temperature of sixty (60) degrees Fahrenheit and under an absolute pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch.
- 2.7 "Curtailement" is used interchangeably with the term "interruption".

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 2.8 "Customer" means any party who has requested service from the Transporter and executed a contract for such service with the Transporter.
- 2.9 "Day" is a period of twenty-four (24) consecutive hours beginning and ending at 8:00 o'clock a.m. CST or at such other hour as Shipper and Transporter may agree upon.
- 2.10 "FERC" or "Commission" means the Federal Energy Regulatory Commission and any other governmental body or bodies succeeding to, lawfully exercising, or superseding any powers of the Federal Energy Regulatory Commission.
- 2.11 "Gas" or "Natural Gas" is any mixture of hydrocarbons or of hydrocarbons and non-combustible gas, in a gaseous state, consisting essentially of methane; or all merchantable gases that conform to the quality specifications set forth in the service agreement.
- 2.12 "Total Heating Value" is the number of Btus produced by complete combustion, at a constant pressure, of the amount of gas which would occupy a volume of 1 cubic foot at a temperature of 60 degrees Fahrenheit on a water-free basis and at a pressure of 14.73 p.s.i.a. with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of the gas and air, and when the water formed by combustion has condensed to the liquid state.
- 2.13 "Imbalance" means the difference between the Total Energy Content in MMBtu of transportation gas received by the Transporter for the Shipper's account and the Total Energy Content in MMBtu of transportation gas delivered by the Transporter to the Shipper or for the Shipper's account at the Shipper's Delivery Point, with due regard given to Fuel Reimbursement Quantities, and other deductions.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 2.14 "Interruptible" means that Transporter has the right to stop, in whole or in part, receipt, transportation, or delivery of natural gas at any time. Transporter shall provide as much advance notice as is practical to Shipper, except as may otherwise be specifically provided for in this Tariff.
- 2.15 "Interruption" means suspension, either in total or in part, of service due to the Transporter's inability to provide service to a customer for any reason.
- 2.16 "Lost and Unaccounted-For Gas" means the difference between the sum of all input quantities of gas received into the Transporter's system and the sum of all output quantities of gas delivered from the Transporter's system, which difference shall exclude company-used gas and shall include, but not be limited to, gas vented, storage lost, and loss as a result of an event of force majeure.
- 2.17 "MMBtu" or "dekatherm" ("Dkt") is one million (1,000,000) British thermal units.
- 2.18 "Month" is a period beginning at 8:00 o'clock a.m. (CST) or at such other hour as Shipper and Transporter have agreed upon, on the first day of the calendar month and ending at the same time on the first day of the next month.
- 2.19 "Monthly Billing Period" is the calendar month.
- 2.20 "Operational Balancing Agreement" ("OBA") means a contract between Transporter and the entity ("OBA Party") operating the facilities at a point(s) of interconnection with Transporter's system which describes the manner in which differences between actual flows and nominated quantities will be resolved between Transporter and the OBA Party.
- 2.21 "Party" means Shipper or Transporter.
- 2.22 "Point of Delivery" or "Delivery Point" is the point where Transporter delivers gas to Shipper (or for Shipper's account) that has been transported or stored by Transporter for Shipper.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 2.23 "Point of Receipt" or "Receipt Point" means the point where Transporter receives gas from Shipper (or for Shipper's account) to be transported or stored by Transporter for Shipper.
- 2.24 "PSI" is the pressure measured in pounds per square inch.
- 2.25 "p.s.i.a." means pounds per square inch absolute.
- 2.26 "p.s.i.g." means pounds per square inch gauge.
- 2.27 "Point of Unbundling" will be either at receipt points into Transporter's transmission system or at points upstream (towards the production area of that gas) of Transporter's transmission system.
- 2.28 "Quantity of Gas" or "Gas" when used to refer to a quantity of gas shall mean the Total Energy Content.
- 2.29 "Service Agreement" means a written agreement, and any exhibits, attachments and/or amendments, for gas service, which is executed by Transporter and Shipper.
- 2.30 "Shipper/Buyer" is the party with whom a service agreement is executed.
- 2.31 "Total Energy Content" is that amount determined by multiplying the total heating value by the volume of gas in cubic feet, adjusted for as-delivered water content.
- 2.32 "Transportation" means movement of gas from the receipt point to the delivery point.
- 2.33 "Transporter" is K N Interstate Gas Transmission Co. (KNI).
- 2.34 "Transporting Pipeline" means any pipeline delivering transportation gas to the Receipt Point(s) or taking gas from the Delivery Point(s) specified in the Service Agreement. The transporting pipeline may include facilities owned by Transporter, an affiliate of Transporter, or a third party.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

2.35 "Year" is a period of three hundred sixty-five (365) days commencing and ending at 8:00 o'clock a.m. (CST), provided that any year which contains that date of February 29 shall consist of three hundred sixty-six (366) days.

2.36 "Recourse Rate" for a service is the maximum applicable rate for that service as shown on Sheet No. 4 of Volume No. 1-A of Transporter's Tariff.

3. ELECTRONIC BULLETIN BOARD (EBB)

3.1 Transporter will provide an electronic bulletin board for communication purposes. The EBB will be updated daily or Interested Parties will be advised that no changes were necessary. The EBB will provide for:

- a. Downloading by users,
- b. Daily backup of information displayed on the board, which will be available for user review for at least three years,
- c. Purging of information on completed transactions from current files,
- d. Display of most recent entries ahead of information posted earlier, and
- e. On-line help, a search function that permits users to locate all information concerning a separate transaction, a menu that permits users to separately access notices of available capacity, each record in the transportation log, and standards of conduct information.

3.2 The following is a list of the information which will be obtainable through or posted on the electronic bulletin board:

- a. Transporter's FERC Gas Tariff
- b. Transportation and Storage request form
- c. Credit application form
- d. Order No. 497 information
- e. Receipt and delivery point lists, including pooling points and the meters associated with each

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 5.4 The components for determining the deviation from Boyle's Law, at the pressure and temperature under which delivered, shall be determined by tests at intervals of twelve (12) months or at such shorter interval as is found necessary in practice and the correction factor so determined using American Gas Association "Report Number Eight" or American Gas Association "Project NX-19" shall be used in the computation of deliveries until the next test.
- 5.5 The heating value of the gas delivered shall be determined by approved recording calorimeters, chromatographs, continuous samplers, or other instruments, installed by Transporter at points on Transporter's pipeline system.

6. MEASURING EQUIPMENT

- 6.1 Transporter and Shipper shall agree regarding arrangements for installation, ownership, operation and maintenance at or near Points of Receipt and Points of Delivery of measuring equipment, including heating value measuring equipment and telemetering equipment, which shall meet the qualifications set out in the General Terms and Conditions of Transporter's FERC Gas Tariff.
- 6.2 If Shipper installs, maintains, or operates measuring equipment, such actions shall be pursuant to the specifications set forth in the General Terms and Conditions of Transporter's FERC Gas Tariff. Transporter shall not be obligated to install such measuring equipment.
- 6.3 Shipper may install, operate and maintain, at its own expense, such check measuring equipment as it shall desire, provided that such check meters and equipment shall be so installed as not to interfere with the operation of Transporter's meters at or near the Point of Delivery. Transporter shall have access to such check measuring equipment at all reasonable hours but the reading, calibrating and adjusting thereof and changing of charts shall be done only by Shipper.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- e. Imbalance gas; and
 - f. Unauthorized contract overrun deliveries (when no-notice service not available).
- 8.2 At any receipt or delivery point, Transporter will allocate flows to Shippers according to the following methodology:
- a. Gas will be allocated first to firm transportation through the point, up to the daily nomination. If insufficient gas is available to satisfy firm nominations, the available gas will be allocated pro rata based on firm nominations;
 - b. Any remaining volumes will be allocated pro rata to interruptible transportation based on the approved nominations.
- 8.3 **PREDETERMINED ALLOCATION AGREEMENTS.** Transporter will enter into mutually acceptable predetermined allocation agreements with upstream or downstream parties to accommodate allocation methodologies different than that outlined in Section 8.2.
- 8.4 **OPERATIONAL BALANCING AGREEMENTS.** Transporter will enter into mutually acceptable operational balancing agreements with upstream or downstream parties.
- 8.5 Firm Storage Service and Interruptible Storage Service injections and withdrawals will be assumed to equal the approved nomination.
9. **BILLING.**
- 9.1 On or before the twentieth day of each month, Transporter shall use reasonable efforts to render invoices for all charges applicable to the preceding month. Invoices shall include any applicable credits, including those relating to demand charges for released capacity, if paid. When information necessary for billing purposes is in the control of Shipper, such information shall be delivered to Transporter by Shipper on or before the fifth business day of each month for the prior monthly billing period.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- 9.2 Both Transporter and Shipper shall have the right to examine, at reasonable times, books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions hereof.
- 9.3 Transporter may invoice Shipper for additional charges which may be applicable. Shipper shall pay Transporter such charges within 10 days of the invoice date except where otherwise specified in a rate schedule.
- 9.4 BILLING ERRORS. In the event an error is discovered in the amount billed in any statement rendered by Transporter or paid thereunder, such error shall be adjusted within thirty (30) days of the determination, provided that claim shall have been made within sixty (60) days from the date of discovery of such error, but in any event within twelve (12) months from the date of any such statement.

10. PAYMENTS

- 10.1 Shipper shall pay Transporter by Electronic Funds Transfer to a designated bank account established by Transporter for billed amounts equal to or greater than \$100,000 for all services rendered by Transporter. For billed amount less than \$100,000 Shipper shall pay Transporter by check to Transporter's designated Post Office Box or at Shipper's election by Electronic Funds Transfer to a designated bank account established by Transporter. Payments shall be made by Shipper to Transporter within 10 days from the date of the invoice (Due Date) for all charges in accordance with the provisions of the applicable Rate Schedules. Payments made by Electronic Funds Transfer shall be considered to have been made on the date when such payment of good funds is received by Transporter. Any amount not paid when due shall bear interest at the rate specified in Section 154.501(d) of the Commission's regulations from the due date until paid.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

Unpaid and Disputed Bills. Should Shipper fail to pay part or all of the amount of any such bill, interest thereon shall accrue at an average prime interest rate computed in a manner consistent with section 154.501(d) of the FERC's Regulations from the DUE DATE until date of receipt of payment by transporter. If such failure to pay continues 30 days after payment is due, Transporter, in addition to any other remedy it may have, after Transporter provides Shipper with 20 days prior written notice may suspend further service to Shipper until such amount is paid; provided however, that if Shipper in good faith disputes in writing the amount of any such bill or parts thereof and pays to Transporter such amounts as it concedes to be correct, and at any time thereafter within 30 days of the demand made by Transporter shall furnish a good and sufficient surety bond guaranteeing payment to Transporter of the amount ultimately found due upon such bills after a final determination, which may be either by agreement or judgment of the courts as may be the case, then Transporter shall not be entitled to suspend further service unless and until default be made in the condition of such bond. If resolution of the dispute is in favor of Shipper and the Shipper furnished a surety bond and any interest assessed instead of paying the disputed amount, then the Transporter shall reimburse Shipper for the cost of securing the surety bond and any interest assessed.. No payment by Shipper or the amount of a disputed bill shall prejudice the right of Shipper to claim an adjustment of the disputed bill.

10.2 Any payments received shall first be applied to accrued interest, then to additional charges due, then to the previously outstanding principal due, and lastly, to the most current principal due.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

16.2 SALES CURTAILMENT

- a. SUPPLY INSUFFICIENCY. Whenever in Transporter's judgment the availability of gas supply for sales service is insufficient, due to any cause whatsoever, at the point(s) of sale to satisfy the quantity of sales gas which all sales customers require, then sales deliveries will be curtailed as specified herein.

- b. SALES CURTAILMENT PRIORITIES

PRIORITY 1

CATEGORY 1(a): Requirements of persons using natural gas in a dwelling for residential purposes, including apartment buildings and other multi-unit buildings, and requirements of small commercial consumers (including public and private institutions and local, state and Federal Governmental agencies) having requirements on a peak day of less than 50 Mcf for purposes other than those involving manufacturing or electric power generation.

CATEGORY 1(b): Requirements for the following purposes:

1. in a school, defined as a facility the primary function of which is to deliver instruction to regularly enrolled students in attendance at such facility.
2. in a hospital, defined as a facility the primary function of which is delivering medical care to patients who remain at the facility, including nursing and convalescent homes.
3. for police and/or fire protection and in sanitation and correctional facilities.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

PRIORITY 2

Any use of natural gas which has been certified by the Secretary of Agriculture as an essential agricultural use under Section 401(b) of the Natural Gas Policy Act unless the Commission, in consultation with the Secretary of Agriculture, determines, by rule or order, that the use of an alternative fuel is economically practicable and reasonably available. The definition of "alternative fuel" shall be that stated in 18 CFR

281.303(b) as amended from time to time. Peak day volumes shall be based on current requirements unless such volumes exceed contract or certificate limitations.

PRIORITY 3

CATEGORY 3(a): All uses by commercial consumers having requirements on peak day of 50 Mcf or more except for boiler fuel use by commercial consumers having requirements on a peak day of more than 300 Mcf, and all industrial consumers or feedstock and process needs having requirements on a peak day of not more than 500 Mcf and for ignition fuel and flame stabilization for boilers when fired by other fuels. Quantities attributed to ignition fuel and flame stabilization shall not exceed the amount required for safe operation.

CATEGORY 3(b): Requirements of all consumers not specified in Priority, Priority 2, Priority 4, Priority 5, and Category 3(a) of this Priority 3.

PRIORITY 4

[Reserved for Essential Industrial Process and Feedstock uses of consumers having a peak day requirement in excess of 500 Mcf.]

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PRIORITY 5

Receipts, transportation, and deliveries of requirements for boiler fuel use by industrial and commercial customers having requirements for such use on a peak day of more than 300 Mcf and deliveries of requirements for other industrial uses having a peak day requirement for such use of more than 500 Mcf. Within Priority 5 there are the following steps which are listed from lowest to highest priority:

- Step 1: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 10,000 Mcf.
- Step 2: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 3,000 Mcf but not more than 10,000 Mcf.
- Step 3: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 1,500 Mcf but not more than 3,000 Mcf.
- Step 4: Boiler fuel use by consumers having a requirement for such use on a peak day of more than 300 Mcf but not more than 1,500 Mcf.
- Step 5: Industrial use not specified in Steps 1, 2, 3 and 4 having a peak day requirement for such use of more than 500 Mcf.

c. DEFINITIONS AND PROCEDURES

- (1) The terms "commercial", "industrial", "boiler fuel", "industrial feedstock" and "industrial process" as used above, shall have the meaning adopted in rules promulgated by the Commission pursuant to Section 402 (d) (1) of the NGPA.

GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

- (3) Customer may orally provide information supporting a variation in procedure but must provide written verification of such information to Transporter within twenty-four (24) hours.
- e. DEMAND CHARGE ADJUSTMENT. Any other provisions of this Gas Tariff notwithstanding, if Transporter does not deliver a volume equal to the billing demand of Customer as a result of any curtailments ordered pursuant to this Section 16, no reduction or other adjustment shall be made in the demand charge or capacity reservation charge of Customer.

16.3 CAPACITY CURTAILMENT

- a. Whenever the capability of Transporter's system, due to any cause whatsoever, is such that Transporter is unable to receive, transport or deliver the quantity of gas which all customers served by Transporter require, including injection of gas into storage facilities, then receipts, transportation and deliveries will be curtailed as specified below.
- b. The order of transportation priority for purposes of interruption, from lowest to highest, is as follows:
 - (1) Interruptible service overrun
 - (2) Firm service overrun
 - (3) Interruptible service
 - (4) Secondary Firm service
 - (5) Secondary Firm service within a primary path
 - (6) Primary Firm service, including no-notice

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

16.4 SPECIFIC PIPELINE OR AREA REDUCTIONS

In the event that a receipt, transportation, and delivery capability limitation is applicable only to a specific pipeline or area of Transporter's system and the only receipt, transportation, and delivery reductions required relate to that pipeline or area, then the reductions prescribed in this Section 16 may be limited to such pipeline or area.

16.5 LIABILITY

- a. If service under this Tariff is interrupted consistent with this Section 16, Transporter shall not be liable for damages of any kind, including consequential damages, to Shipper or others, except for interruptions caused by Transporter's negligence or willful misconduct.
- b. Transporter shall have the right, without liability to Shipper or consumers, to interrupt the transportation of gas when necessary to test, alter, modify, enlarge, or repair any facility or property comprising a part of, or appurtenant to, its pipeline system, or otherwise related to the operation thereof. Transporter shall endeavor to cause a minimum inconvenience to Shipper and consumers. Except in cases of unforeseen emergency, Transporter shall give advance notice of its intention to so interrupt the transportation of gas, stating the anticipated timing and magnitude of each such interruption.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

17. REMEDIES

17.1 No provision of these General Terms and Conditions regarding specific remedies shall bar Transporter from asserting any other remedy it may have at law or in equity.

17.2 In the event of a bona fide dispute between the Parties with respect to any invoices, Transporter shall have the right to discontinue the transportation of gas beginning 30 days after the issuance of a final nonappealable decision by a court of competent jurisdiction in favor of Transporter, if Shipper has failed to remedy or correct such violation within said 30-day period.

18. SERVICE AGREEMENT/RIGHT OF FIRST REFUSAL PROCESS

Shippers under Rate Schedules FT, NNS and FSS, with a term of one (1) year or more may exercise the Right of First Refusal. Such agreements are not subject to pregranted abandonment provided notice is given as described herein. A firm Shipper may elect to retain a portion of its capacity, subject to the Right of First Refusal process and have Transporter's pregranted abandonment authority apply to the remainder of the capacity. For the purpose of exercising the Right of First refusal, a Shipper paying a Negotiated Rate will be subject to the provisions of Section 36 below. The process for exercising the Right of First Refusal is as follows:

18.1 NOTICE

Transporter will provide no more than nine (9) months, and not less than six (6) months advance written notice of pending contract expiration to firm Shippers with contract terms of one (1) year or more. Shippers must give notice to Transporter no less than four (4) months before the expiration of its firm throughput contract that it wishes Transporter to post its capacity to begin the Right of First Refusal process.

Failure by the Shipper to give Transporter the notice specified in this section will result in the automatic abandonment of the entitlement and the Shipper's right

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

Failure by the Shipper to give Transporter the notice specified in this section will result in the automatic abandonment of the entitlement and the Shipper's right to the subject capacity at the end of the contract term will cease.

18.2 BIDDING PROCESS

Upon Transporter's receipt of the Shipper's Right of First Refusal notice described in Section 18.1 above, Transporter will post the Shipper name, effective date, and primary receipt and delivery points and their associated capacity on its Electronic Bulletin Board (EBB) in order to solicit bids for the capacity.

A Bidder desiring to obtain the posted capacity must submit a bid via Facsimile 303-763-3515 to Transporter in accordance with Section 18.3 below, within thirty (30) calendar days of the posting to participate in the Right of First Refusal process.

If the tendered bids are less than maximum rate, Transporter will utilize an iterative bidding process. The highest bid will be posted on the EBB and each iteration's best offer will be posted on the EBB for informational purposes, along with the name of the highest bidder. In subsequent iteration(s), bidders will have ten (10) days to respond to Transporter after a posting; thereafter, after each bidding period, Transporter will have up to five (5) days to perform an analysis to determine the best offer as described in Section 18.4 below. The bidding process must be completed forty-five(45) days before the end of the existing contract term.

If any bid submitted by a bidder is subsequently withdrawn, any new bids submitted by such bidder for the same path(s) must be at a higher rate. Transporter will have the right to reject, on a non-discriminatory basis, any bid not at the maximum rate.

18.3 CONTENTS OF BID

Service Agreements, corresponding to the Shipper's bid, will be required and must contain the price, term, amount of capacity desired and primary receipt and delivery points.

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When any Shipper bids the maximum rate, such Shipper is only required to bid up to the maximum rate for its requested receipt and delivery points, not the maximum rate which may apply to different receipt and delivery points which could be charged for such service.

Multiple bids (defined as different bids made for different portions of the total capacity) will be permitted.

18.4 BEST OFFER

Transporter will determine which bid constitutes the best offer by determining the highest economic unit value (per MMBtu of capacity) to Transporter. A calculation based on the formula and interest rate set forth in section 23.5 will be used to determine the highest economic unit value. The comparative economic unit value of each bid will be determined by calculating the Net Present Value (NPV) of the reservation charges or other form of revenue guarantee of each offer over either the term of the offer or five (5) years, whichever is less, and then dividing by the quantity of the respective bid. However, if the bid is at maximum rate and the term is more than five (5) years, the entire term will be considered in determining the economic unit value. For a Shipper's bid with a reservation rate or other form of revenue guarantee which exceeds the maximum Recourse Rate during all or any portion of the bid term, the NPV calculated for the bid may not exceed the NPV calculated assuming that the maximum Recourse Rate shall be in effect during the full term of the bid.

In the event equivalent offers are submitted, the capacity will be made available on a pro rata basis to the equal bidders. Should any one of the equal bidders veto their pro rata allocation of the capacity, Transporter will then conduct a lottery to select the winning bidder, who will then, if the bid is not matched under Section 18.5 below, be allotted its requested capacity. The remainder of said capacity, if any, will be available to the other equal bidder(s) on a pro rata basis, which will again trigger the veto/lottery selection process.

Transporter will post the name of the winning bidder of the gas for a period of no less than five (5) work days.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

18.5 MATCH

The original firm Shipper shall have the option to execute a firm service agreement which exactly matches the rate and term of the bid constituting the highest economic unit value to Transporter, except that the original firm Shipper need not match a contract term of more than ten (10) years. The original firm Shipper need only match the quantity bid if the quantity bid is less than the quantity offered under Section 18.3 above. Transporter will notify the original firm Shipper within five (5) work days of the best offer it must match by tendering to such Shipper a service agreement. The service agreement must be executed by the original firm Shipper within fifteen (15) days of Transporter's tender thereof. Transporter is not required to accept an offer at less than the maximum rate.

18.6 NO BIDS

Where there are no competing bids for the capacity and the original firm Shipper agrees to pay the maximum rate, service may be contracted for any term the original firm Shipper chooses. Transporter is not required to accept an offer at less than the maximum rate. If Transporter rejects a bid at less than the maximum rate, the original Shipper will receive continued service at the maximum rate unless a negotiated rate is agreed to by Transporter and the original Shipper.

19. DULY CONSTITUTED AUTHORITIES

This FERC Gas Tariff, including these General Terms and Conditions and the respective obligations of the parties under the Service Agreement, is subject to valid current and future laws, orders, rules and regulations of duly constituted authorities having jurisdiction. Each Party's obligations under a Service Agreement is conditioned upon obtaining authorization from the appropriate governmental authorities.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

Transporter shall give Shipper written notice of any filing of Tariff Sheets with the Commission, reflecting any proposed change in such jurisdictional rates and charges. Transporter shall be entitled to collect such changed rate from Shipper commencing with the effective date of such change. Shipper shall be obligated to pay the changed rate, made effective in the manner described above, but nothing herein contained shall prejudice the rights of Shipper to contest at any time changes to the charges for the services rendered by Transporter.

22.2 LIMITATION OF SERVICE

After giving Shipper ten (10) days notice in which to comply, Transporter shall not be required to perform and may suspend service under the Agreement on behalf of any Shipper that fails to comply with any and all of the terms and conditions of the Service Agreement, including the applicable rate schedules and these General Terms and Conditions but excluding the suspension of service for non-payment in Article 17.2 of these General Terms and Conditions. Transporter may suspend service immediately if Shipper's actions or failure to act threaten the integrity of the Transporter's system.

22.3 ODORIZATION

Transporter shall have no obligation whatsoever to odorize the natural gas delivered, nor to maintain odorant levels in such gas.

22.4 POOLING POINTS

Pooling points are designated as those points where gathering facilities, or facilities owned by third parties, connect with the transmission facilities of Transporter. In order for such points to function as pooling points, daily measurement readings must be available to Transporter.

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New or additional points may be designated as pooling points by meeting these criteria. Points on Transporter's transmission system where conditions may be favorable for custody transfer of gas (i.e., rate zone boundaries) may also be designated as "paper" pooling points. At such paper pooling points, no physical measurement will take place and throughput will be assumed to equal nominations.

22.5 OWNERSHIP OF LIQUIDS/PROCESSING RIGHTS

Shippers have the right to process their own gas, or have their gas processed by a third party, unless otherwise provided by contract. Transporter recognizes Shipper's ownership rights to products removed from the gas. If gas is processed by Transporter, absent any other agreement, the Shipper will receive credit for extracted products based on allocated volumes and compositions at applicable receipt points to Transporter's transmission system, as follows: 98% of residue gas, 50% of net hydrocarbon liquids proceeds, and 20% of net helium proceeds. Transporter will individually negotiate on a non-discriminatory basis other processing arrangements with Shippers. If Transporter has Shipper's gas processed through a third party plant, and Shipper does not have a processing agreement with the third party plant, Transporter will pass through to Shipper all residue gas and net liquids proceeds received from the third party processor.

22.6 SCHEDULING PRINCIPLES

- a. The order for scheduling transportation services is as follows:
 - (1) Firm Services at primary points (scheduled pro rata based on nominations);
 - (2) Firm Services at secondary points (scheduled pro rata based on nominations);
 - (3) Interruptible services at maximum (scheduled pro rata based on nominations);

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- (4) Interruptible services at less than maximum rates (scheduled by rate);
 - (5) Firm service (scheduled pro rata based on nominations);
 - (6) Interruptible service overrun (scheduled pro rata based on nominations).
- b. Released capacity has the same priority as non-released capacity.
- c. Released FT, released FSS and released NNS are considered firm services.

22.7 CREDIT WORTHINESS

Transporter shall not be required to perform or to continue service under any Rate Schedule for any Shipper who is or has become insolvent or who, at Transporter's request, fails within a reasonable period to demonstrate credit worthiness; provided, however, such Shipper may receive service if Shipper prepays for such service or furnishes good and sufficient security, as determined by Transporter in its reasonable discretion, in an amount equal to the cost of performing the service requested by Shipper for a three (3) month period. Such cost of performing the service shall include, but not be limited to, the projected cost of transporting Shipper's gas or the equivalent of the cost of gas owed Transporter by the Shipper under an imbalance.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

23. VOLUNTARY REALLOCATION OF CAPACITY

23.1 APPLICABILITY

- (a) Any Shipper that holds firm capacity rights, including firm transportation, storage and no-notice service, under a rate schedule contained in Transporter's tariff, may elect to release, subject to the firm capacity releasing program, all or a portion of such firm capacity rights.

23.2 VOLUNTARY REALLOCATION RIGHTS

Shipper shall have the right to voluntarily reallocate all or a part of its firm transportation capacity rights to any person who wants to obtain that capacity by contracting with Transporter. The acquiring Shipper must meet all tariff requirements for a new customer. A Shipper, under this firm capacity releasing program, is defined as either a primary or replacement Shipper. The firm capacity releasing program would allow all firm capacity holders to permanently or temporarily release some or all of their capacity through the pipeline.

a. NOTICE BY SHIPPER ELECTING TO RELEASE CAPACITY

A Shipper who elects to permanently or temporarily release firm contract quantities shall post an offer to release through the electronic bulletin board or submit the following information in accordance with Section 20 of these General Terms and Conditions for posting by Transporter. The release information shall include the following:

- (1) Shipper's contract number and legal name;
- (2) an indication of permanent or temporary release;
- (3) the specific daily contract quantity to be released (no less than 100 MMBtu per day);
- (4) the requested effective date of the release;

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- (5) the requested term of the release;
 - (6) the replacement Shipper name in a pre-arranged release (if any);
 - (7) the receipt and delivery point(s) at which Shipper will release capacity and the firm quantities to be released at such point(s);
 - (8) an indication whether Shipper is willing to release an amount less than requested and for a shorter time period than requested;
 - (9) an indication whether Shipper is willing to release capacity on a volumetric reservation rate basis;
 - (10) an indication whether Shipper is willing to release capacity at a rate lower than Transporter's currently effective maximum reservation charge(s). If "yes", Shipper must indicate the minimum rate it is willing to accept for either reservation or volumetric releases;
 - (11) an indication whether Shipper wants Transporter to use NPV to determine the successful bid. If so, specify discount rate. If not, specify desired criteria;
 - (12) the requested bid period; and
 - (13) any other conditions of the release, including the ability to withdraw the release, ability to recall the release and the recall conditions, whether contingent bids will be accepted and under what conditions.
- b. If a releasing Shipper finds a replacement Shipper while the capacity is posted on the electronic bulletin board, the releasing Shipper must repost the release or notify Transporter as soon as possible for reposting. The capacity must be posted again for at least two days or longer at the releasing Shipper's option. The second round of posting cannot apply to prearranged releases at the maximum rate or to releases of less than one (1) calendar month. For exemption from posting requirements, prearranged releases of less than one (1) calendar month must at least match the highest posted rate.

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- (6) Whether bidder is willing to accept a quantity less than that bid upon;
 - (7) Any other conditions of the acquisition.
- c. All bids on released capacity will be posted on Transporter's electronic bulletin board. The information listed in Section 23.4(b) will be posted except for the Shipper's legal name and the wire transfer information listed in Section 24.3(b)(7).
- d. Any party desiring to acquire capacity for which no offer of release has been made may post notice of its desire by submitting the above information and the desired posting period to Transporter via the bulletin board electronic mail system or in accordance with Section 20 of these General Terms and Conditions.

23.5 BID PERIOD.

If a Shipper desires to release capacity, Shipper may post the available capacity on Transporter's electronic bulletin board. This posting will be for a minimum period of two business days, for releases of more than one (1) calendar month in length, and up to a maximum period of one month, as specified by releasing Shipper. A releasing Shipper may specify an objectively stated, non-discriminatory standard and post it on Transporter's EBB for determining the best bid(s). If releasing Shipper does not so specify, bids will be evaluated based on the economic value of the reservation charge bid as calculated by the formula:

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Where

NPV = net present value of the bid
R = Reservation charge (potential replacement Shipper's bid reservation charge) state on a daily basis
Bid MDTQ = Amount of capacity bid on in MMBtu/d
I = Discount (interest rate stated on a daily basis
n = Number of days from begin release date to the end of the period.

If no interest rate is specified by the releasing Shipper, the latest Wall Street Journal prime rate will be used.

The economic value of a bid shall be defined as the total net present value of the reservation charge bid, not to exceed a term of twenty(20) years. Transporter will give any replacement Shipper found by the releasing Shipper (if any) an opportunity to match any better offer by the close of business on the next business day following the close of the bid period (match day). All offers must be received by 5:00 PM CT on the last day of the bid period and on match day. If the replacement Shipper matches the better offer, Transporter will contract with the replacement Shipper found by the releasing customer. If the better offer is not matched, Transporter will contract with the person who made the better offer. In all situations, including those where Shipper specified criteria are used, Transporter will evaluate and rank the bids. Capacity will be awarded once the winning bid is determined. Capacity not taken by the winning bidder will be offered to the next highest bidder.

23.6 ABILITY TO WITHDRAW CAPACITY POSTING OR CAPACITY BID AND ABILITY TO MAKE CONDITIONED BID.

- a. Ability to Withdraw Released Capacity Posting. Releasing Shipper may withdraw the capacity release any time before the end of the bid period.

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- b. Ability to Withdraw Released Capacity Bid. Bids for released capacity may be withdrawn at any time before the end of the bid period. Once a bid has been withdrawn on a release, the bidder may not submit a bid at a lower rate, although he may do so at a higher rate.
- c. Ability to Make Conditioned Bids. Conditioned bids will be allowed if the releasing Shipper has indicated its willingness to accept condition(s) in the release.

23.7 POSTING AND ALLOCATION OF RELEASED CAPACITY

- a. All capacity will be posted on Transporter's electronic bulletin board. The information listed in Section 23.2(a) will be posted except for the releasing Shipper's contract number and legal name and the replacement Shipper's name. Bids for the capacity will be made through the bulletin board and Transporter will allocate released capacity to the person offering the highest rate, not to exceed the maximum tariff reservation rate, that Transporter can charge the releasing Shipper and offering to meet all other terms and conditions of the release. If more than one person offers the highest rate and meets the terms and conditions of the release, the released capacity will be given to the Shipper delivering the earliest bid to Transporter (date and time received by Transporter). Released capacity will be allocated by lottery among the requesting Shippers in the event requests are received at the same time, provided however, if the replacement Shipper designated in a prearranged deal offers the highest rate, the capacity will be allocated to the designated replacement Shipper. Transporter will not refuse to provide service if the Shipper meets Transporter's applicable tariff conditions.

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- b. The lottery will consist of replacement Shippers attempting to match a random number posted on the electronic bulletin board. The Shipper closest to the winning number, either over or under, will win the lottery. In case of a tie, the procedure will be repeated.
- c. Releasing Shipper may designate in its release an alternate, objective, non-discriminatory method for resolving the tie.
- d. If no bids are received or accepted by Transporter, the relinquishing Shipper shall retain the capacity and remain liable for the reservation charge(s) and all applicable commodity charge(s) under the executed service agreement.
- e. Informational postings of releases not subject to bidding (capacity release at maximum rate or prearranged releases for less than one (1) month) will consist of the information specified in Transporter's Notice by Shipper Electing to Release Capacity.
- f. Posting of Bid Results within forty-eight (48) hours of the determination of a winning bidder, the release information with the releasing Shipper's name and all bid information for the winning bid, including the bidder's name, will be posted for fourteen (14) days. Transporter will post prearranged releases at the maximum rate for notification purposes within forty-eight (48) hours of the release. Service may begin and a contract may be executed even if the bid results are not posted on the EBB until later.

GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

23.8 EXECUTION OF AGREEMENTS

- a. Parties wishing to bid on released capacity can enter into a nonspecific FT, FSS or NNS Agreement(s) prior to bidding on capacity to speed the process. The agreement(s) will allow creditworthiness evaluation and execution to be done ahead of time so that only preparation and issuance of appendices to the agreement will be necessary before released capacity may be used.
- b. Both amendments to existing service agreements and new service agreements must be executed and returned to Transporter no later than 24 hours prior to the nomination deadline applicable to the release and acquisition. The replacement Shipper may nominate when (1) Transporter receives a release notification for a prearranged release (prearranged only for releases at maximum rate or releases for less than one month), or (2) the replacement Shipper places its bid for capacity. Any amendment or service agreement received after such date may not be effective until the next day for which flow can be nominated. If the release notification or bid conflicts with Transporter's nomination procedures, Transporter will treat the nomination as a late filed nomination and schedule this capacity on a reasonable efforts basis.
- c. The replacement Shipper acquiring temporary or permanently released capacity shall execute a service agreement with Transporter for the contract quantities acquired in accordance with the applicable rate schedule under which the releasing Shipper contracted for service. The replacement Shipper is subject to Transporter's operational provisions as stated in this tariff. Transporter will bill the replacement Shipper for all charges due, including imbalance and overrun charges. All releases of firm capacity will be contracted for by Transporter as firm transportation, regardless of the interruption conditions imposed by the releasing Shipper.

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Such capacity releases will be posted on the electronic bulletin board within forty-eight (48) hours of the release for information purposes. A short term release at the maximum rate may be rolled over. For prearranged releases at less than maximum rate, a releasing Shipper may not roll over, extend or in any way continue a release under this section without complying with the notification and bidding requirements of this section, and may not re-release to the same replacement Shipper under this section until thirty days after the first release period has ended. Capacity releases for less than one (1) month at maximum rate may be rolled over if both parties notify Transporter no later than one (1) day before the applicable nomination deadline of their plan to roll over.

- b. Assignment of capacity for periods less than one (1) month may be posted on the EBB for bidding. Such capacity releases will be posted on the EBB for four (4) hours. Such releases must be consummated within twenty-four (24) hours of posting or within twenty-four (24) hours after the Transporter receives the release notification, whichever is later. At the releasing or replacement Shipper's option, the gas may flow after the twenty-four (24) hour period.

23.12 PAYMENT FOR RELEASED CAPACITY ACQUIRED

Payment for reservation, capacity and commodity charges will be due as required under the applicable tariff provisions for payment of such amounts in Section 10.

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GENERAL TERMS AND CONDITIONS FOR SERVICES - continued

23.13 CREDIT FOR CAPACITY RESOLD

The releasing Shipper will remain liable under its contract and pay reservation fees for the capacity released. However, the releasing Shipper will receive a simultaneous reservation fee credit of 100% of the reservation fee billed to the acquiring Shipper by Transporter for that business month. A releasing Shipper paying a discounted rate is entitled to receive proceeds from a release even if such proceeds exceed its reservation fee. The releasing Shipper is liable for any late fees defaulted by the replacement Shipper; however, Transporter will not unreasonably refuse to relieve a releasing Shipper of all liability under its contract when there is a permanent release of capacity. Transporter may reverse the reservation fee credit to the extent the replacement Shipper does not pay Transporter for the reservation charges.

24. ORDER NO. 497 AND 497-A COMPLIANCE INFORMATION AND PROCEDURES

24.1 SHARED OPERATING PERSONNEL OR FACILITIES.

Transporter's marketing affiliates are K N Marketing and K N Gas Supply Services, Inc., K N Marketing, L.P. and Wildhorse Energy Partners, LLC. Transporter does not share any operating personnel with its marketing affiliates. One director of Transporter is also director of the marketing affiliates. Transporter and its marketing affiliates share certain administrative and support services, as well as a telephone system and mainframe computer equipment. The mainframe computer equipment, including access to all computer data bases, is password protected in order to maintain operational separation and confidential access to the system.

24.2 STANDARDS OF CONDUCT.

Transporter will apply FERC Order No. 497 Standards of Conduct and reporting requirements to its marketing affiliates.

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Substitute Original Sheet No. 57 Substitute Original Sheet No. 57 : Superseded
Superseding: Original Sheet No. 57

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25. ORDER NO. 500/528. FLOW-THROUGH OF PIPELINE SUPPLIERS BUY-
OUT BUY-DOWN BILLINGS.

25.1 PURPOSE.

This section establishes the procedures under which Transporter will recover from Shippers under Transporter's Rate Schedules the total jurisdictional portion of Buyout-Buydown Obligations paid by Transporter pursuant to applicable tariff provisions of a former upstream pipeline supplier, on an as billed basis.

25.2 BASIS OF BILLING.

Unless otherwise approved by the Commission, Transporter will calculate each affected Shipper's allocated share of Transporter's fixed charge Buyout-Buydown Obligation using the same procedures the upstream pipeline utilized in allocating such cost.

Any refunds related to Buyout-Buydown billings which Transporter receives will be refunded to Shippers by Transporter on the same basis as the refund amount was initially recovered by Transporter from such Shippers. Any increase or decrease in Buyout-Buydown billings to Transporter will be flowed-through to Shippers on the same proportionate basis, to the extent possible, as the increase or decrease was allocated by to Transporter by the applicable upstream pipeline.

25.3 ELECTION TO DELAY BILLING.

Any Shipper notifying Transporter in writing no later than 30 days after the date of the Commission's order accepting tariff sheets authorizing the initial fixed charge billing of its election to do so may delay the initial billing of the Buyout-Buydown Obligation applicable to such Shipper until the billing period specified in the Filing.

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Transporter has the right to issue an OFO and require minimum storage inventory levels of 30% any day except for the months of March, April and May. If inventory levels are less than 30%, MDWQ will be reduced to 50% and anything in excess will be charged OFO penalties.

All quantities tendered on an individual contract basis to Transporter and/or taken by Shipper on a daily basis in violation of Transporter's operational flow orders shall constitute unauthorized receipts or deliveries for which a charge of \$25 per MMBtu plus the gas index price pursuant to Section 5,2,d(3) of Rate Schedule FT, Volume 1-A the days the Operational Flow Order is in place shall be assessed and the resulting imbalance will be reduced to zero. Shippers will be exempt from penalties on imbalances that result from complying with an OFO. Upon an operational flow order becoming effective, as specified in the operational flow order or as provided in this Section 29 of General Terms and Conditions, Shipper, OFO party, or operator of the facilities connecting with Transporter's facilities shall be permitted the time stated in the OFO, or such lesser time as is required to protect the integrity of Transporter's system, to make adjustments in compliance with the operational flow orders. If Shipper, or operator of such interconnect, adjusts its tenders or takes within such notice period, then no charge, as provided for herein, shall be assessed.

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GENERAL TERMS AND CONDITIONS FOR SERVICE - continued

- (b) To the extent out of zone revenue is received by Transporter during a reporting period, certain of the out of zone revenue shall be refunded through a direct payment. A refund allocation factor for each FT and NNS customer shall be calculated by dividing the actual FT reservation revenues, including the imbedded FT reservation revenues within NNS, for each customer by the total FT reservation revenues inclusive of the imbedded FT reservation revenues within NNS during the reporting period; provided that only the portion of the reporting period shall be used which coincides with this Section 34 being in effect. The reservation revenues used to calculate the refund allocation factor shall be net of all applicable surcharges, including but not limited to, ACA and GRI surcharges. The resulting refund allocation factor shall be multiplied by fifty percent (50%) of the out of zone revenue to arrive at the applicable direct payment for each FT and NNS customer.
- (c) This section 34 shall terminate upon the date that Transporter places into effect its next general rate increase under Section 4 of the Natural Gas Act.

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Substitute Original Sheet No. 89 Substitute Original Sheet No. 89 : Superseded

Superseding: Original Sheet No. 89

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36. NEGOTIATED RATES

36.1 Transporter and Shipper may mutually agree in writing to a Negotiated Rate for service under any rate schedule contained in Transporter's Tariff. A Negotiated Rate shall mean a rate or rate formula for service, the individual components of which may exceed the maximum reservation charge, if applicable, or commodity charge, and/or be less than the minimum commodity charge as shown on Sheet No. 4 of Volume 1-A of Transporter's Tariff for that service. Transporter's Recourse Rate is available to any Shipper that does not desire to negotiate a rate with Transporter. Transporter shall make any filings at the FERC necessary to effectuate a Negotiated Rate.

36.2 For purposes of curtailment of interruptible services pursuant to Section 16.3 and for scheduling interruptible services pursuant to Section 22.6, Shippers which have agreed to pay a Negotiated Rate which exceeds the maximum tariff rate, when calculated on a 100 percent load factor basis, will be considered to be paying the maximum Recourse Rate. For purposes of exercising the right of first refusal pursuant to Section 18, the highest rate the original firm Shipper must match if it wishes to continue its firm service is the maximum Recourse Rate applicable to such service.

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First Revised Sheet No. 89A First Revised Sheet No. 89A : Superseded
Superseding: Original Sheet No. 89A

37. COMPLIANCE WITH 18 C.F.R. SECTION 284.10

Transporter and Shipper shall comply with the business practice and electronic communication standards incorporated by reference in Section 284.10 of the Commission's Regulations (18 C.F.R. Section 284.10) as listed below

1.2.1 (1.0)	3.3.7 (1.0)
1.2.2 (1.0)	3.3.8 (1.0)
1.3.4 (1.0)	3.3.10 (1.0) to 3.3.13 (1.0)
1.3.7 (1.0)	3.3.16 (1.0) to 3.3.18 (1.0)
1.3.12 (1.0)	3.3.20 (1.0) to 3.3.21 (1.0)
1.3.15 (1.0)	3.4.1 (1.0) to 3.4.3 (1.0)
1.3.16 (1.0)	4.3.1 (1.0) to 4.3.4 (1.0)
1.3.21 (1.0) to 1.3.23 (1.0)	4.3.6 (1.1) to 4.3.15 (1.0)
1.4.1 (1.0) to 1.4.5 (1.0)	5.2.1 (1.0)
2.3.1 (1.0)	5.3.5 (1.0)
2.3.8 (1.0)	5.3.9 (1.0) to 5.3.12 (1.0)
2.3.10 (1.0)	5.3.17 (1.0) to 5.3.18 (1.0)
2.3.12 (1.0)	5.3.20 (1.0) to 5.3.21 (1.0)
2.3.15 (1.0)	5.3.23 (1.0) to 5.3.24 (1.0)
2.3.17 (1.0)	5.3.26 (1.0) to 5.3.29 (1.0)
2.3.20 (1.0)	5.4.1 (1.0) to 5.4.17 (1.0)
2.3.25 (1.0)	
2.4.1 (1.0) to 2.4.5 (1.0)	
3.3.1 (1.0) to 3.3.5 (1.0)	

Transporter has adopted the Gas Industry Standards Board Model Trading Partner Agreement for use with all Shippers.

