

# Table of Contents

First Revised Volume No. 1

- 1 TABLE OF CONTENTS
- 2 PRELIMINARY STATEMENT
- 3 MAPS
  - 3.1 System Map
  - 3.2 Yuma Lateral Map
- 4 STATEMENT OF RATES
  - 4.1 FTS-1, ITS-1, PAL-1 Rates & ACA Surcharge
  - 4.2 Negotiated Rate Agreements
  - 4.3 Non-Conforming Service Agreements
- 5 RATE SCHEDULES
  - 5.1 Rate Schedule FTS-1
  - 5.2 Rate Schedule ITS-1
  - 5.3 Rate Schedule PAL-1
- 6 GENERAL TERMS AND CONDITIONS OF SERVICE
  - 6.1 Definitions
  - 6.2 Quality of Gas
  - 6.3 Measuring Equipment
  - 6.4 Measurements

- 6.5 Inspection of Equipment and Records
- 6.6 Billing
- 6.7 Payment
- 6.8 Availability of Transportation
- 6.9 Open Season Procedures
- 6.10 Right of First Refusal ("ROFR")
- 6.11 Qualifying for Service
- 6.12 Creditworthiness
- 6.13 Priority of Service
- 6.14 Scheduling and Nominations
- 6.15 Curtailment
- 6.16 Balancing
- 6.17 Market Centers
- 6.18 Operational Flow Orders ("OFO")
- 6.19 Capacity Release
- 6.20 Notices of Changes in Operating Conditions
- 6.21 Planned NBP Capacity Curtailments and Interruptions
- 6.22 Flexible Receipt and Delivery Points
- 6.23 Force Majeure
- 6.24 Negotiated Rates
- 6.25 Facilities Construction and Interconnection Policy
- 6.26 Warranty of Eligibility for Transportation
- 6.27 Possession of Gas and Responsibility

- 6.28 Indemnification
- 6.29 Arbitration
- 6.30 Governmental Regulations
- 6.31 Waiver of Default
- 6.32 Assignability
- 6.33 Effect of Headings
- 6.34 Complaint Procedures
- 6.35 Equality of Transportation Service
- 6.36 Electronic Communications
- 6.37 Annual Charge Adjustment (ACA) Provision
- 6.38 Sales of Excess Gas
- 6.39 Discount Policy
- 6.40 Gas Industry Standards
- 6.41 Informational Postings
- 6.42 Rationalization Procedures for LNG Expansion
- 6.43 Pressure at Point(s) of Receipt and Delivery

## **7 FORM OF SERVICE AGREEMENT**

- 7.1 Rate Schedule FTS-1
- 7.2 Rate Schedule FTS-1 (LAT-1)
- 7.3 Rate Schedule ITS-1
- 7.4 Rate Schedule ITS-1 (LAT-1)
- 7.5 Rate Schedule PAL-1

## **8 NON-CONFORMING AGREEMENTS WITH NEGOTIATED RATES**



FERC GAS TARIFF  
FIRST REVISED VOLUME NO. 1  
OF  
NORTH BAJA PIPELINE, LLC  
FILED WITH THE  
FEDERAL ENERGY REGULATORY COMMISSION

Communications Concerning This Tariff  
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## TABLE OF CONTENTS

<u>Description</u>	<u>Section No.</u>
Table of Contents.....	1
Preliminary Statement.....	2
Maps.....	3
Statement of Rates	
FTS-1, ITS-1, PAL-1 Rates and ACA Surcharge .....	4.1
Negotiated Rate Agreements .....	4.2
Non-Conforming Service Agreements .....	4.3
Rate Schedules	
Firm Transportation Service (FTS-1)	
Rate Schedule FTS-1 .....	5.1
Interruptible Transportation Service (ITS-1)	
Rate Schedule ITS-1 .....	5.2
Parking and Lending Service (PAL-1)	
Rate Schedule PAL-1 .....	5.3
General Terms and Conditions of Service	
Definitions.....	6.1
Quality of Gas .....	6.2
Measuring Equipment.....	6.3
Measurements .....	6.4
Inspection of Equipment and Records.....	6.5
Billing .....	6.6
Payment .....	6.7
Availability of Transportation.....	6.8
Open Season Procedures.....	6.9
Right of First Refusal Upon Termination of Firm Shipper's	
Service Agreement ("ROFR") .....	6.10
Qualifying for Service .....	6.11

Creditworthiness.....	6.12
Priority of Service .....	6.13
Scheduling and Nominations .....	6.14
Curtailment .....	6.15
Balancing .....	6.16
Market Centers .....	6.17
Operational Flow Orders ("OFO") .....	6.18
Capacity Release .....	6.19
Notice of Changes in Operating Conditions .....	6.20
Planned NBP Capacity Curtailments and Interruptions .....	6.21
Flexible Receipt and Delivery Points .....	6.22
Force Majeure .....	6.23
Negotiated Rates .....	6.24
Facilities Construction and Interconnection Policy.....	6.25
Warranty of Eligibility for Transportation.....	6.26
Possession of Gas and Responsibility .....	6.27
Indemnification .....	6.28
Arbitration.....	6.29
Governmental Regulations.....	6.30
Waiver of Default .....	6.31
Assignability .....	6.32
Effect of Headings.....	6.33
Complaint Procedures.....	6.34
Equality of Transportation Service.....	6.35
Electronic Communications.....	6.36
Annual Charge Adjustment (ACA) Provision .....	6.37
Sales of Excess Gas .....	6.38
Discount Policy .....	6.39
Gas Industry Standards .....	6.40
Informational Postings.....	6.41
Rationalization Procedures for LNG Expansion.....	6.42
Pressure at Point(s) of Receipt and Delivery .....	6.43
Form of Service Agreement	
Form of Service Agreement FTS-1 .....	7.1
Form of Service Agreement FTS-1 (LAT-1).....	7.2
Form of Service Agreement ITS-1 .....	7.3
Form of Service Agreement ITS-1 (LAT-1).....	7.4
Form of Service Agreement PAL-1 .....	7.5

Non-conforming Agreements with Negotiated Rates

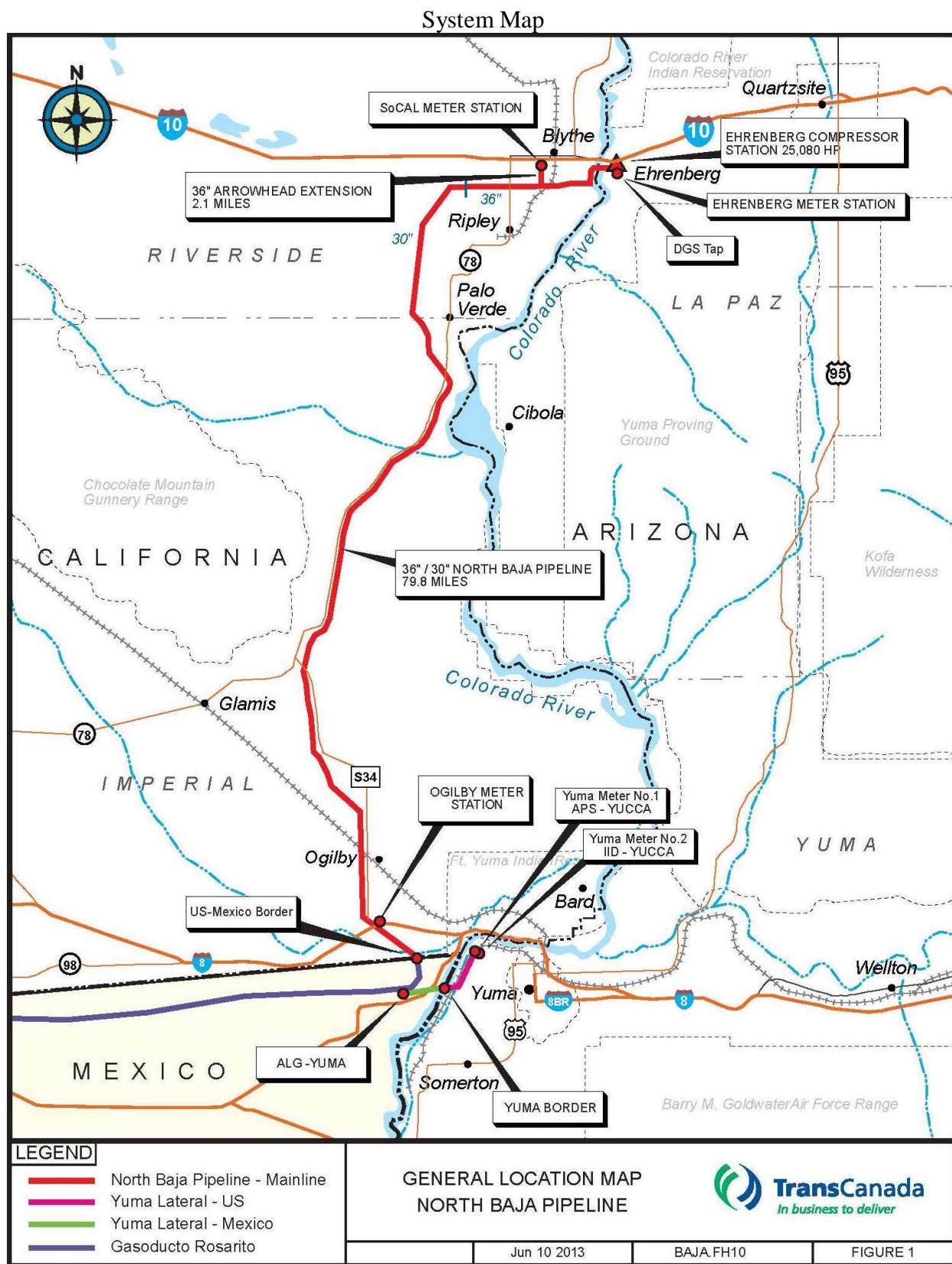
Sempra LNG Marketing Corp. FTS-1 (#A016F2) .....	8.1
Sempra LNG Marketing Corp. FTS-1 (#A016F3) .....	8.2
Sempra LNG Marketing, LLC FTS-1 (#A016F4) .....	8.3

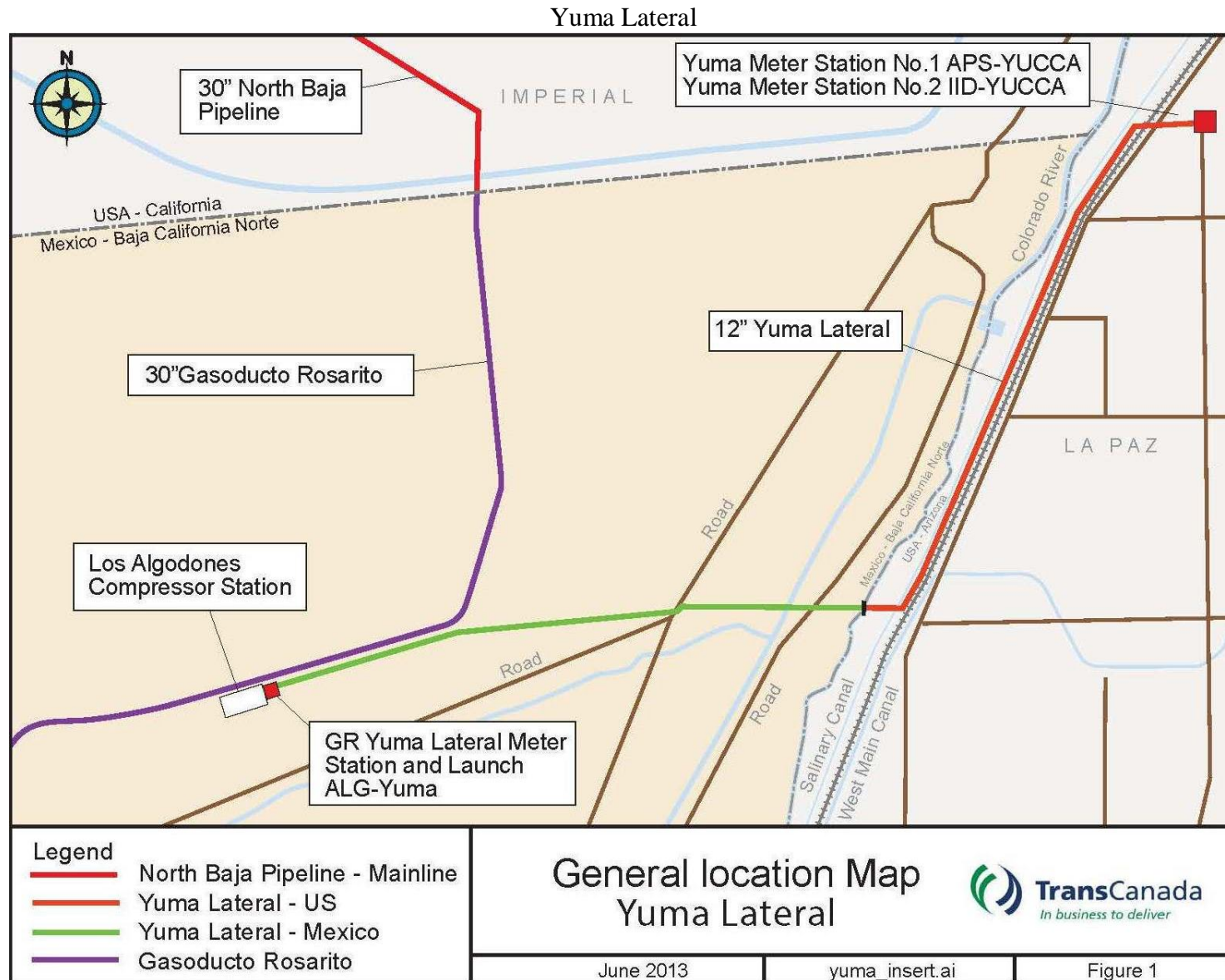


## PRELIMINARY STATEMENT

The North Baja Pipeline ("NBP") is the U.S. portion of a natural gas pipeline transportation system extending 79.8 miles from an interconnection with the facilities of El Paso Natural Gas Company near Ehrenberg, Arizona, extending west into California and extending south towards the international border west of Yuma, Arizona. NBP offers open access transportation service under the laws and regulations of the United States and the Federal Energy Regulatory Commission ("FERC"). NBP interconnects at the U.S.-Mexican border with the facilities of Gasoducto Rosarito, a Mexican pipeline that offers open access service under the laws and regulations of Mexico and the Energy Regulatory Commission ("ERC").

MAPS





STATEMENT OF RATES

# STATEMENT OF EFFECTIVE RATES AND CHARGES

Rate Schedule	Maximum Rate per Dth	Minimum Rate per Dth
Rate Schedule FTS-1		
1. Capacity Reservation Rate per Month per Dth of MDQ	\$3.99840	\$0.00000
2. Commodity Rate per Dth	\$0.00066	\$0.00066
3. Fuel	0.8500%	0.0000%
Maximum FTS-1 Volumetric Capacity Release Rate /1	\$0.13211	
FTS-1 Lateral Rate Schedule:		
LAT-1		
1. Capacity Reservation Rate per Month per Dth of MDQ	\$2.99760	\$0.00000
2. Commodity Rate per Dth	\$0.00000	\$0.00000
3. Fuel	0.0000%	0.0000%
Maximum LAT-1 Volumetric Capacity Release Rate /1	\$0.09855	
Rate Schedule ITS-1		
1. Commodity Rate per Dth	\$0.13211	\$0.00000
2. Fuel	0.8500%	0.0000%
ITS-1 Lateral Rate Schedule:		
LAT-1		
1. Commodity Rate per Dth	\$0.09855	\$0.00000
2. Fuel	0.0000%	0.0000%
Rate Schedule PAL-1		
1. Account Balance Charge	\$0.13211	\$0.00000
ACA Surcharge /2		
1. Commodity Rate per Dth	/3	/3

Notes:

/1 The Maximum Rate does not apply to capacity release transactions of one (1) year or less.

- /2 In accordance with Section 6.37 of the General Terms and Conditions of Service of this FERC Gas Tariff, all Transportation that involves the physical movement of gas shall pay an ACA unit adjustment as set forth in effective Section 4.1. This adjustment shall be in addition to the Base Tariff Rate(s) specified above.
- /3 The currently effective ACA unit charge as published on the Commission's website ([www.ferc.gov](http://www.ferc.gov)) is incorporated herein by reference.

## NEGOTIATED RATE AGREEMENTS



# STATEMENT OF EFFECTIVE RATES AND CHARGES

## NEGOTIATED RATE AGREEMENTS UNDER RATE SCHEDULE FTS-1

SHIPPER	TERM OF CONTRACT	DTH/D	PRIMARY RECEIPT POINT	PRIMARY DELIVERY POINT	RATE /2
Energia Azteca X, S. de R.L. de C.V. /1	09/01/02 - 03/31/28	135,000	Ehrenberg	US-Mexico Border	/5
Energia de Baja California, S. S. de R.L. de C.V. /1	09/01/02 - 03/31/28	37,000	Ehrenberg	US-Mexico Border	/6
Arizona Public Service Company /8 (LAT-1 Service)	03/01/10 - 02/28/25	66,250	US-Mexico Border at Yuma, AZ in the vicinity of County 10 <sup>th</sup> Street	Yucca Power Plant, Yuma, Arizona	
Arizona Public Service Company /8	03/01/10 - 02/28/15	11,000	Ehrenberg	US-Mexico Border	
Sempra LNG Marketing Corp. /8	07/01/08 - 08/31/22	125,000	Ehrenberg	US-Mexico Border	/4
Sempra LNG Marketing Corp. /8	07/01/08 - 02/14/28	85,000	US-Mexico Border	SoCalGas	/4
Sempra LNG Marketing, LLC /8	06/01/10 - 02/28/23	105,000	US-Mexico Border	SoCalGas	/7
Imperial Irrigation District /1	04/01/11 - 03/31/31	18,500	Ehrenberg	US-Mexico Border	/9

Explanatory Footnotes for Negotiated Rates  
Under Rate Schedule FTS-1

- 1/ This contract does not deviate in any material aspect from the Form of Service Agreement in this Tariff.
- 2/ Unless otherwise noted, all Shippers pay North Baja Pipeline, LLC's maximum Reservation Charge, Delivery Charge, ACA, and contribute fuel in-kind in accordance with this Tariff.
- 3/ Reserved
- 4/ The transportation rate under this Agreement is a negotiated rate consisting of a monthly reservation fee equal to \$0.1237 times 30.4 days for each month, times the Maximum Daily Quantity, plus a volumetric rate of \$0.0038 per Dth, plus, fuel, line loss and unaccounted for gas as set forth in the Tariff and any and all applicable surcharges. This rate shall be fixed for the term of this Agreement.
- 5/ The transportation rate under this Agreement is a negotiated rate consisting of a monthly reservation fee equal to \$0.1019 times 30.4 days for each month, plus a delivery rate of \$0.0031 per Dth, plus ACA. Shipper shall reimburse Transporter for fuel, line loss, and other unaccounted for gas in kind at a rate of 0.7%. This rate shall be fixed for the term of this Agreement.

Rate Protection Provision:

- (1) This provision applies only to gas that is delivered to NBP at Ehrenberg, AZ. To the extent NBP and Gasoducto Rosarito ("GR") separately provide long-term (greater than 364 days) firm transportation service to a Third Party Shipper in the Western Zone at a combined rate that is lower than \$0.270 per Dth on a 100% load factor basis (excluding non-pipeline surcharges), or in the Mexicali Zone at a combined rate that is lower than \$0.245 per Dth, then the rate applicable to Shipper for service on NBP shall be reduced in accordance with the following formula:

$$NR = OR - ((CTR - TPR) \times 0.4286)$$

Where: NR = New Rate level at which Shipper will receive service on NBP. Resulting unit rate will be converted to a reservation/delivery structure where the delivery rate will equal three (3) percent of the NR;

OR = Shipper's negotiated Original Rate on NBP or \$0.105 per Dth on a 100% load factor basis;

CTR = Competitive Threshold Rate which is \$0.270 per Dth for the Western Zone and \$0.245 per Dth for the Mexicali Zone; and

TPR = Third Party Rate for the combined NBP and GR path.

The Western Zone is defined as 115 degrees, 41 minutes, 21 seconds west longitude, west to the interconnection with Transportadora de Gas Natural de Baja California;

The Mexicali Zone is defined as 115 degrees, 41 minutes, 21 seconds, east to 115 degrees, 11 minutes, 50 seconds west longitude;

A Third Party Shipper is defined as a shipper that is either the owner, operator, or fuel supplier to electric generation facilities, or affiliates of NBP or GR.

- (2) This provision applies only to the portion of capacity held by Shipper in excess of 90,000 Dth.
  - (3) The New Rate shall only apply for the duration of the term of service provided to the Third Party Shipper, but in no event shall apply beyond the term of this rate protection provision.
  - (4) This provision terminates December 31, 2017. If the capacity held by Shipper is permanently assigned or released to a similarly-situated replacement shipper, the rate protection provision shall be extended to such replacement shipper.
- 6/ The transportation rate under this Agreement is a negotiated rate consisting of a monthly reservation fee equal to \$0.1019 times 30.4 days for each month, plus a delivery rate of \$0.0031 per Dth, plus ACA. Shipper shall reimburse Transporter for fuel, line loss, and other unaccounted for gas in kind at a rate of 0.7%. This rate shall be fixed for the term of this Agreement.

Rate Protection Provision:

- (1) This provision applies only to gas that is delivered to NBP at Ehrenberg, AZ. To the extent NBP and Gasoducto Rosarito ("GR") separately provide long-term (greater than 364 days) firm transportation service to a Third Party Shipper in the Western Zone at a combined rate that is lower than \$0.270 per Dth on a 100% load factor basis (excluding non-pipeline surcharges), or in the Mexicali Zone at a combined rate that is lower than \$0.245 per Dth, then the rate applicable to Shipper for service on NBP shall be reduced in accordance with the following formula:

$$NR = OR - ((CTR - TPR) \times 0.4286)$$

Where: NR = New Rate level at which Shipper will receive service on NBP. Resulting unit rate will be converted to a reservation/delivery structure where the delivery rate will equal three (3) percent of the NR;

OR = Shipper's negotiated Original Rate on NBP or \$0.105 per Dth on a 100% load factor basis;

CTR = Competitive Threshold Rate which is \$0.270 per Dth for the Western Zone and \$0.245 per Dth for the Mexicali Zone; and  
TPR = Third Party Rate for the combined NBP and GR path.

The Western Zone is defined as 115 degrees, 41 minutes, 21 seconds west longitude, west to the interconnection with Transportadora de Gas Natural de Baja California;

The Mexicali Zone is defined as 115 degrees, 41 minutes, 21 seconds, east to 115 degrees, 11 minutes, 50 seconds west longitude;

A Third Party Shipper is defined as a shipper that is either the owner, operator, or fuel supplier to electric generation facilities, or affiliates of NBP or GR.

- (2) The New Rate shall only apply for the duration of the term of service provided to the Third Party Shipper, but in no event shall apply beyond the term of this rate protection provision.
  - (3) This provision terminates December 31, 2017. If the capacity held by Shipper is permanently assigned or released to a similarly-situated replacement shipper, the rate protection provision shall be extended to such replacement shipper.
- 7/ The transportation rate under this Agreement is a negotiated rate consisting of a monthly reservation fee equal to \$0.1147 plus a Reverse Flow Facilities Surcharge of \$0.0070 for a total of \$0.1217 times 30.4 days for each month, times the Maximum Daily Quantity, plus a volumetric rate of \$0.0036 per Dth plus fuel, line loss and unaccounted for gas as set forth in the Tariff and any and all applicable surcharges. This rate shall be fixed for the term of this Agreement.
  - 8/ This contract contains terms that materially deviate from the Form of Service Agreement in this Tariff. This contract has been filed with the FERC.
  - 9/ The transportation rate for the Transportation Service is a negotiated rate consisting of a monthly reservation fee of US (67,532.40) which is \$0.12 times 30.42 days for each month, times the Maximum Daily Quantity, plus a volumetric rate of US \$0.00066 per Dth plus fuel and line loss and unaccounted for gas as set forth in the Tariff and any and all applicable surcharges.

NON-CONFORMING SERVICE AGREEMENTS  
 PURSUANT TO § 154.112(b)

<u>Name of Shipper/Contract No.</u>	<u>Rate Schedule</u>	<u>Agreement Date</u>	<u>Effective Date</u>
Gazprom Marketing & Trading USA, Inc. #A025F1	FTS-1	9/12/09	9/12/09
Arizona Public Service Company #A027F1	FTS-1	9/21/09	3/1/10
Arizona Public Service Company #A027I1	ITS-1	9/21/09	3/1/10
Arizona Public Service Company #YA027F1	FTS-1 (LAT-1)	9/21/09	3/1/10
Sempra LNG Marketing Corp. #A016F2	FTS-1	6/25/08	7/1/08
Sempra LNG Marketing Corp. #A016F3	FTS-1	6/25/08	7/1/08
MGI Supply Limited #A003I1	ITS-1	5/28/08	7/1/08
Sempra LNG Marketing, LLC #A016F4	FTS-1	6/25/08	7/1/08

## RATE SCHEDULES

Firm Transportation Service (FTS-1)

Interruptible Transportation Service (ITS-1)

Parking and Lending Service (PAL-1)

North Baja Pipeline, LLC  
FERC Gas Tariff  
First Revised Volume No. 1

PART 5.1  
5.1 - Rate Schedules  
Rate Schedule FTS-1  
v.1.0.0 Superseding v.0.0.0

RATE SCHEDULE FTS-1  
FIRM TRANSPORTATION SERVICE

Issued: December 16, 2010  
Effective: April 28, 2010

Docket No. RP10-660-002  
Accepted: May 6, 2011

#### 5.1.1 AVAILABILITY

This rate schedule is available to any party (hereinafter called "Shipper") qualifying for service and who has executed a Firm Transportation Service Agreement with NBP in the form contained in this FERC Gas Tariff, First Revised Volume No. 1.



## 5.1.2 APPLICABILITY AND CHARACTER OF SERVICE

This rate schedule shall apply to firm gas transportation services performed by NBP for Shipper pursuant to the executed Firm Transportation Service Agreement between NBP and Shipper. NBP shall receive from Shipper such daily quantities of gas up to the Shipper's Maximum Daily Quantity (MDQ) as specified in the executed Firm Transportation Service Agreement between NBP and Shipper plus the required quantity of gas for fuel and line loss associated with service under this Rate Schedule FTS-1 and redeliver an amount equal to the quantity received less the required quantity of gas for fuel and line loss. Receipt and delivery of gas shall be made in evenly hourly rates up to a maximum hourly receipt and delivery quantity equal to one twenty-fourth (1/24th) of a Shipper's MDQ. This transportation service shall be firm and not subject to curtailment or interruption except as provided in the General Terms and Conditions of Service.

Firm transportation service shall be subject to all provisions of the executed Firm Transportation Service Agreement between NBP and Shipper and the applicable General Terms and Conditions of Service.

### 5.1.3 RATES

Shipper shall pay NBP each month the sum of the Reservation Charge, the Commodity Charge, plus any applicable Overrun Charge or surcharge for the quantities of natural gas delivered. The rate(s) set forth in NBP's Statement of Effective Rates and Charges for Transportation of Natural Gas in this FERC Gas Tariff, First Revised Volume No. 1 are applied to transportation service rendered under this rate schedule.

1. Reservation Charge.

The Reservation Charge shall be the Shipper's Maximum Daily Quantity multiplied by the Reservation Rate for service under this Rate Schedule as set forth in effective Section 4.1.

2. Commodity Charge.

The Commodity Charge shall be the product of the quantities of gas delivered in the month (in Dth) and the Commodity Rate as set forth in effective Section 4.1.

3. Applicability of Surcharges.

Shipper shall pay all reservation and usage surcharges applicable to the service provided to such Shipper as set forth in NBP's FERC Gas Tariff, First Revised Volume No. 1; such surcharges shall be deemed to be part of Shipper's Reservation and Commodity Charges.

4. Discounted Rates.

Shipper shall pay the Maximum Reservation Charge and the Maximum Commodity Charge for service under this Rate Schedule unless NBP offers to discount the Reservation Rate, the Commodity Rate or any discountable surcharges. If NBP elects to discount any such rate, NBP shall, by written notice, advise Shipper of the effective date of such charges and the quantity of gas so affected; provided, however, such discount shall not be anti-competitive or unduly discriminatory between individual shippers.

5. Negotiated Rates.

Notwithstanding any provision of NBP's Tariff to the contrary, NBP and Shipper may mutually agree in writing to a Negotiated Rate (including a Negotiated Rate Formula) with respect to the rates, rate components, charges, or credits that are otherwise prescribed, required, established, or imposed by this Rate Schedule or by any other applicable provision of NBP's Tariff.

Shippers paying a Negotiated Rate which exceeds the maximum applicable tariff rate shall be considered to be paying the maximum applicable tariff rate for purposes of scheduling, curtailment, and interruption, and calculating the economic value of a request for available or unsubscribed capacity.

6. Backhauls.

Backhauls (as defined in Section 6.1 paragraph 26 of the General Terms and Conditions of Service) shall be subject to the same charges as forward haul (as defined in Section 6.1 paragraph 25 of the General Terms and Conditions of Service) except that no gas shall be retained by NBP for compressor station fuel, line loss and other unaccounted-for gas. Backhauls are subject to the operating conditions of NBP's pipeline and will not be made available to Shipper if NBP determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.

7. Capacity Release.

(a) Releasing Shippers:

Shipper shall have the option to release capacity pursuant to the provisions of NBP's capacity release program as specified in the General Terms and Conditions of Service. Shipper may release its capacity, up to Shipper's MDQ under this rate schedule, in accordance with the provisions of Section 6.19 of NBP's General Terms and Conditions of Service of this FERC Gas Tariff, First Revised Volume No. 1. Shipper shall pay a fee associated with the marketing of capacity by NBP (if applicable) in accordance with Section 6.19 of the General Terms and Conditions of Service. This fee shall be negotiated between NBP and the Releasing Shipper. A Shipper that releases capacity on a temporary basis remains liable for the payment of all rates and fees incurred under such service that are not paid by the Replacement Shipper.

(b) Replacement Shippers:

Shipper may receive released capacity service under this rate schedule pursuant to Section 6.19 of the General Terms and Conditions of Service and is required to execute a service agreement in the form contained for capacity release under Rate Schedule FTS-1 in this FERC Gas Tariff, First Revised Volume No. 1.

Shipper shall pay NBP each month for transportation service under this rate schedule and as set forth in NBP's current Statement of Effective Rates and Charges for Transportation of Natural Gas in this FERC Gas Tariff, First Revised Volume No. 1. Charges to be paid shall be the sum of the Reservation Charge, Commodity Charge, and other applicable surcharges or penalties.

#### 5.1.4 AUTHORIZED OVERRUNS

Quantities in excess of Shipper's MDQ shall be transported when capacity is available on the NBP system and when the provision of such Authorized Overruns shall not affect any Shipper's rights on the NBP system. Authorized Overruns are interruptible in nature. The rate charged shall be the same as the rates and charges for interruptible transportation under Rate Schedule ITS-1 as set forth in effective Section 4.1, and such Authorized Overruns shall be subject to the priority of service provisions of Section 6.13 of the General Terms and Conditions of Service.

#### 5.1.5 FUEL AND LINE LOSS

For all Forward Hauls, Shipper shall furnish to NBP quantities of gas for compressor station fuel, line loss and other utility purposes, plus other unaccounted for gas used in the operation of NBP's pipeline system for the transportation quantities of gas delivered by NBP to Shipper, based upon the effective fuel and line loss percentages set forth in this Tariff. No fuel charge shall apply to transactions that do not involve a forward haul movement of gas.

## 5.1.6 GENERAL TERMS AND CONDITIONS OF SERVICE

All of the General Terms and Conditions of Service are applicable to this rate schedule, unless otherwise stated in the executed Firm Transportation Service Agreement between NBP and Shipper. Any future modifications, additions or deletions to said General Terms and Conditions of Service, unless otherwise provided, are applicable to firm transportation service rendered under this rate schedule, and by this reference, are made a part hereof.

RATE SCHEDULE ITS-1  
INTERRUPTIBLE TRANSPORTATION SERVICE

## 5.2.1 AVAILABILITY

This rate schedule is available to any party (hereinafter called "Shipper") qualifying for service and who has executed an Interruptible Transportation Service Agreement with NBP in the form contained in this FERC Gas Tariff, First Revised Volume No. 1.



## 5.2.2 APPLICABILITY AND CHARACTER OF SERVICE

This rate schedule shall apply to interruptible gas transportation services performed by NBP for Shipper pursuant to the executed Interruptible Transportation Service Agreement between NBP and Shipper. NBP shall receive from Shipper such daily quantities of gas up to the Shipper's MDQ as specified in the executed Interruptible Transportation Service Agreement between NBP and Shipper plus the required quantity of gas for fuel and line losses associated with service under this Rate Schedule ITS-1 and redeliver an amount equal to the quantity received less the required quantity for fuel and line loss. Receipt and delivery of gas shall be made in evenly hourly rates up to a maximum hourly receipt and delivery quantity equal to one twenty-fourth (1/24th) of a Shipper's MDQ. This transportation service shall be subject to curtailment of interruption as provided in the General Terms and Conditions of Service contained in this FERC Gas Tariff.

Interruptible transportation service shall be subject to all provisions of the executed Interruptible Transportation Service Agreement between NBP and Shipper and the applicable General Terms and Conditions of Service contained in this FERC Gas Tariff.

### 5.2.3 RATES

#### 1. Commodity Rates.

Shipper shall pay NBP, each month, for the transportation of quantities of natural gas delivered, the Commodity Charge, plus any applicable Overrun Charge and surcharges. The rate(s) set forth under Rate Schedule ITS-1 in NBP's current Statement of Effective Rates and Charges for Transportation of Natural Gas in this FERC Gas Tariff, First Revised Volume No. 1 are applied to interruptible transportation service rendered under this rate schedule.

#### 2. Applicability of Surcharges.

Shipper shall pay all surcharges applicable to the service provided to Shipper as set forth in NBP's FERC Gas Tariff. Such surcharges shall be deemed to be part of Shipper's Commodity Charge.

#### 3. Discounted Rates.

Shipper shall pay the Maximum Commodity Rate for service under this rate schedule unless NBP offers to discount its rate to Shipper under this rate schedule. If NBP elects to discount its rate, NBP shall advise Shipper of the effective date of such charge and the quantity of gas so affected, provided, however, such discount shall not be anti-competitive or unduly discriminatory between individual Shippers. The rate for service under this rate schedule shall not be discounted below the Minimum Commodity Rate set forth on the Statement of Effective Rates and Charges for Transportation of Natural Gas.

#### 4. Negotiated Rates.

Notwithstanding any provision of NBP's Tariff to the contrary, NBP and Shipper may mutually agree in writing to a Negotiated Rate (including a Negotiated Rate Formula) with respect to the rates, rate components, charges, or credits that are otherwise prescribed, required, established, or imposed by this Rate Schedule or by any other applicable provision of NBP's Tariff.

Shippers paying a Negotiated Rate which exceeds the maximum applicable tariff rate shall be considered to be paying the maximum applicable tariff rate for purposes of scheduling, curtailment, and interruption, and calculating the economic value of a request for available or unsubscribed capacity.

5. Backhauls.

Backhauls (as defined in Section 6.1 paragraph 26 of the General Terms and Conditions of Service) shall be subject to the same charges as forward haul (as defined in Section 6.1 paragraph 25 of the General Terms and Conditions of Service) except that no gas shall be retained by NBP for compressor station fuel, line loss and other unaccounted-for gas. Backhauls are subject to the operating conditions of NBP's pipeline and will not be made available to Shipper if NBP determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.

#### 5.2.4 AUTHORIZED OVERRUNS

Quantities in excess of Shipper's MDQ shall be transported when capacity is available on the NBP system and when the provision of such Authorized Overruns shall not affect any Shipper's rights on the NBP system. Authorized Overruns are interruptible in nature. The rate charged shall be the rates and charges as specified in Section 5.2.3 of this rate schedule. Authorized Overruns shall be subject to the priority of service provisions of Section 6.13 of the General Terms and Conditions of Service.

## 5.2.5 FUEL AND LINE LOSS

For all Forward Hauls, Shipper shall furnish to NBP quantities of gas for compressor station fuel, line loss and other utility purposes, plus other unaccounted for gas used in the operation of NBP's pipeline system for the transportation quantities of gas delivered by NBP to Shipper, based upon the effective fuel and line loss percentages set forth in this FERC Gas Tariff. No fuel charge shall apply to transactions that do not involve a forward haul movement of gas.

## 5.2.6 GENERAL TERMS AND CONDITIONS OF SERVICE

The General Terms and Conditions of Service are applicable to this rate Schedule, unless otherwise expressed in the executed Interruptible Transportation Service Agreement between NBP and Shipper. Any future modifications, additions or deletions to said General Terms and Conditions of Service, unless otherwise provided, are applicable to interruptible transportation service rendered under this rate schedule, and, by this reference, are made a part hereof.

RATE SCHEDULE PAL-1  
PARKING AND LENDING SERVICE

### 5.3.1 AVAILABILITY

This Rate Schedule is available to any party (hereinafter called "Shipper") for the parking and lending of gas from NBP, subject to the following limitations:

1. NBP has determined that it is operationally able to render such service; and
2. Shipper and NBP have executed a PAL Service Agreement.



### 5.3.2 APPLICABILITY AND CHARACTER OF SERVICE

1. This Rate Schedule shall apply to service, which is rendered by NBP for Shipper pursuant to an executed PAL Service Agreement under this Rate Schedule.
2. Service under this Rate Schedule shall consist of either parking or lending of Gas during any Day or part thereof. Service rendered by NBP under this Rate Schedule shall be interruptible and shall consist of:
  - (a) **Parking Service.** Parking Service is an interruptible service which provides for (1) the receipt by NBP of Gas quantities delivered by Shipper to the Point(s) of Service agreed to by NBP and Shipper for receipt of parked quantities; (2) NBP holding the parked quantities on NBP's pipeline system; and (3) return of the parked quantities to Shipper at the agreed upon time and at the same Point(s) or other mutually agreed upon Point(s), provided, however, that NBP is not obligated to return parked quantities on the same Day and at the same Point the Gas is parked.
  - (b) **Lending Service.** Lending Service is an interruptible service which provides for (1) Shipper receiving Gas quantities from NBP at the Point(s) of Service agreed to by NBP and Shipper for delivery of loaned quantities of Gas; and (2) the subsequent return of the loaned quantities of Gas to NBP at the agreed upon time and at the same Point(s) or mutually agreed upon Point(s), provided, however, that NBP is not obligated to accept return of loaned Gas on the same Day and at the same Point the Gas is loaned.
  - (c) If the Shipper and NBP agree that Shipper may receive parked quantities or return loaned quantities at Point(s) other than the Point(s) of the park or loan, then Shipper and NBP shall enter into a separate Transportation Agreement(s) to effectuate receipt or delivery of Gas from or to the new Point(s).
3. Service rendered under this Rate Schedule shall be provided for a minimum of a one (1) Day term. The term shall be set forth on the Agreement executed between Shipper and NBP.
4. Transportation of Gas quantities for or on behalf of Shipper to or from the designated Point(s) of Service under the Agreement shall not be performed under this Rate Schedule. Shipper shall make any necessary arrangements with NBP and/or third parties to receive or deliver Gas quantities at the designated Points of Service for Parking or Lending Service hereunder.
5. Services rendered under this Rate Schedule shall be interruptible and subject to available capacity.

### 5.3.3 RATES

Each Month Shipper shall pay to NBP the following charges for service under this PAL-1 Rate Schedule:

1. **Commodity Charges.**
  - (a) An Account Balance Charge, as stated in Section 4.1, which shall be paid for each Dekatherm of Gas parked or loaned at each Point of Service by NBP for or on behalf of the account of Shipper at the end of any Day during the Month;
  - (b) Other Applicable Charges or Surcharges. All other applicable surcharges or charges, as stated in Section 4.1 multiplied by each Dekatherm of Gas delivered.
2. **Fuel:** Shipper shall not be required to furnish fuel for service under this Rate Schedule.
3. **Third Party Charges:** Shippers will be responsible for delivering their Gas into and receiving their Gas from NBP's facilities. If the Shipper requests, NBP may contract with Third Parties in order to transport or store the Shipper's Gas on Third Party facilities. In that event, the Shipper will reimburse NBP for all charges NBP is billed by the Third Party as well as for the cost of fuel.
4. **Negotiated Rates:** Shipper and NBP may mutually agree, pursuant to the provisions of Section 6.24 of the General Terms and Conditions of Service, to a negotiated rate, which rate shall be less than, equal to, or greater than NBP's Maximum Rate. Such rates may be based upon a rate design other than Straight Fixed Variable (SFV). Such negotiated rate shall be set forth in the executed PAL Service Agreement, and in NBP's FERC Gas Tariff.

#### 5.3.4 OPERATIONAL REQUIREMENTS OF NBP

1. Shipper may be required, upon notification from NBP, to cease or reduce deliveries to, or receipts from, NBP hereunder within a Day consistent with NBP's operating requirements. Further, Shipper may be required to return loaned quantities or remove parked quantities upon notification by NBP. Such notification shall at a minimum be provided by posting on NBP's Internet website, and may also be provided by other means of communication. NBP's notification shall specify the timeframe within which parked quantities shall be removed and/or loaned quantities shall be returned, consistent with NBP's operating conditions, but in no event shall the specified time be sooner than the next day after NBP's notification, subject to the following conditions:
  - (a) In the event that the specified time for removal or return of Gas quantities is the next Day, the timeframe for required removal or return shall begin from the time that Shipper receives notice from NBP. Notices provided after business hours for the next Day will be provided to Shipper via Electronic Communication. In the event that Shipper makes a timely and valid nomination in response to notification by NBP to remove parked quantities and/or return loaned quantities, Shipper shall be deemed to have complied with NBP's notification; and
  - (b) Unless otherwise agreed by Shipper and NBP: (i) any parked quantity not nominated for removal within a timeframe specified by NBP's notice shall become the property of NBP at no cost to NBP free and clear of any adverse claims; (ii) any loaned quantity not returned within the timeframe specified by NBP's notice shall be sold to Shipper at one hundred and fifty percent (150%) of the average weekly price of gas as calculated in Section 5.3.4 paragraph 3 below.
2. In the event parked quantities remain in NBP's Pipeline System and/or loaned quantities have not been returned to NBP's Pipeline System at the expiration of any Agreement executed by Shipper and NBP, NBP and Shipper may mutually agree to an extended timeframe and/or modified terms, including the rate, of such Agreement. In the event that Shipper and NBP are unable to come to such Agreement, NBP shall notify Shipper, and Shipper shall nominate for removal of the parked quantities and/or return of the loaned quantities within the timeframe specified in NBP's notice, which in no instance shall be less than one (1) Day. Any parked quantity not nominated for removal within the timeframe specified by NBP's notice shall become the property of NBP at no cost to NBP, free and clear of any adverse claims. Any loaned quantities not nominated to be returned within the time frame specified by NBP's notice shall be sold to Shipper at one hundred and fifty percent (150%) of the average weekly price of gas as calculated in Section 5.3.4 paragraph 3 below.
3. The price of gas will be equal to the SoCal Gas large packages average weekly price as reported in Gas Daily (Daily Price Survey).

4. All penalties assessed and the value of all gas confiscated pursuant to the terms of this Section 5.3.4 shall be credited back, net of costs, to all Shippers in accordance with Section 6.16.4 of the General Terms and Conditions of Service of this FERC Gas Tariff.

### 5.3.5 COMMISSION AND OTHER REGULATORY FEES

Shippers will reimburse NBP for any separately stated fees required by the Commission or any other federal or any state regulatory body.

## 5.3.6 GENERAL TERMS AND CONDITIONS OF SERVICE

All of the General Terms and Conditions of Service except Section 6.37 are applicable to this rate schedule, unless otherwise stated in the executed PAL Service Agreement between NBP and Shipper. Any future modifications, additions or deletions to said General Terms and Conditions of Service, unless otherwise provided, are applicable to parking and lending service rendered under this rate schedule, and by this reference, are made a part hereof.

GENERAL TERMS AND CONDITIONS OF SERVICE

## 6.1. DEFINITIONS

1. Gas Day: In accordance with NAESB Standard 1.3.1, the term "Gas Day" shall mean 9:00 a.m. to 9:00 a.m. Central Clock Time (7:00 a.m. to 7:00 a.m. Pacific Clock Time).
2. Business Day: The term "Business Day" shall mean Monday through Friday, excluding U.S. Federal Banking Holidays for transactions in the United States and similar holidays for transactions occurring in Canada and Mexico.
3. Month: The word "month" shall mean a period extending from the beginning of the first day in a calendar month to the beginning of the first day in the next succeeding calendar month.
4. Maximum Daily Quantity: The term "Maximum Daily Quantity" or "MDQ" shall mean the maximum daily quantity in Dth of gas which NBP agrees to deliver exclusive of an allowance for compressor station fuel, line loss and other unaccounted for gas and transport for the account of Shipper to Shipper's point(s) of delivery on each day during the term of Shipper's Transportation Service Agreement with NBP.
5. Gas: The word "gas" shall mean natural gas.
6. Cubic Foot of Gas: The term "cubic foot of gas" is defined in accordance with NAESB Standard 2.3.9, as that quantity of gas which measures one (1) cubic foot at standard conditions of 14.73 psia, 60 degrees F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C and dry. Standard 2.3.9, states in full "Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm<sup>2</sup> and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry."
7. Mcf: The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in Section 6.4 hereof. The term "MMcf" shall mean one million (1,000,000) cubic feet of gas.
8. Dekatherm: The term "Dekatherm" or "Dth" is the quantity of heat energy equivalent to one million (1,000,000) British Thermal Units (MMBtu). Dth is the standard quantity for Nominations, Confirmations and Scheduled Quantities in the United States. For purposes of this tariff and associated Service Agreements, the terms MMBtu and Dth are synonymous.



9. Btu: The term "Btu" shall mean British Thermal Unit. The term "MMBtu" shall mean one million (1,000,000) British Thermal Units. The reporting basis for Btu shall be standardized as 14.73 dry psia and 60 degrees (60°) Fahrenheit (101.325 kPa and 15.6 degrees C).
10. Gross Heating Value. The term "gross heating value" shall mean the number of Btus in a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit, saturated with water vapor, and at an absolute pressure equivalent to thirty (30) inches of mercury at thirty-two degrees (32°) Fahrenheit.
11. Psig. The term "psig" shall mean pounds per square inch gauge.
12. Releasing Shipper: A firm transportation Shipper that intends to post its service to be released to a Replacement Shipper, has posted the service for release, or has released its service.
13. Replacement Shipper: A Shipper that has contracted to utilize a Releasing Shipper's service for a specified period of time.
14. Posting Period: The period of time during which a Releasing Shipper may post, or have posted by the pipeline, all or a part of its service for release to a Replacement Shipper.
15. Release Term: The period of time during which a Releasing Shipper intends to release, or has released all or a portion of its contracted quantity of service to a Replacement Shipper.
16. Bid Period: The period of time during which a Replacement Shipper may bid to contract for a parcel which has been posted for release by a Releasing Shipper.
17. Parcel: The term utilized to describe an amount of capacity, expressed in Dth/d, from a specific receipt point to a specific delivery point for a specific period of time which is released and bid on pursuant to the capacity release provisions contained in Section 6.19 of these General Terms and Conditions of Service.
18. Primary Release: The term used to describe the initial release of capacity by a Shipper to a Replacement Shipper.
19. Secondary Release: The term used to describe the release of capacity by a Replacement Shipper to a different Replacement Shipper.
20. Bid Reconciliation Period: The period of time subsequent to the Bid Period during which bids are evaluated by NBP.

21. Match Period: The period of time subsequent to the Bid Reconciliation Period and before the notification deadline for awarding capacity for Prearranged Deals that require bidding. During this period the Prearranged Shipper may match any higher bids for the Parcel.
22. Nomination: The provision of information to NBP necessary to effectuate a transportation transaction. Specific Nomination procedures are set forth in Section 6.14 of these General Terms and Conditions of Service.
23. Intraday Nomination: A Nomination submitted after the Nomination deadline whose effective time is no earlier than the beginning of the Gas Day and runs through the end of the Gas Day.
24. North American Energy Standards Board Standards: The term "North American Energy Standards Boards Standards" or "NAESB Standards" shall mean the standardized business practices and electronic communication practices promulgated by the North American Energy Standards Board from time to time and incorporated in the Code of Federal Regulations by the Federal Energy Regulatory Commission.
25. Forward Haul: The term "Forward Haul" shall refer to transportation service on NBP's system in which the nominated direction of flow from receipt point to delivery point is in the same direction as physical gas flow on the NBP system.
26. Backhaul: Transportation service on NBP's system in the opposite direction of a Forward Haul as defined in Section 6.1 paragraph 25 above.
27. Primary Path: The transportation path established by the receipt and delivery points as set forth in Shipper's executed Service Agreement. A Shipper's Primary Path may be either a Forward Haul or a Backhaul as defined in Section 6.1 paragraphs 25 and 26 above.
28. Reverse Path: The transportation path that is in the opposite direction of that Shipper's Primary Path as defined in Section 6.1 paragraph 27 above. A Shipper's Reverse Path may be either a Forward Haul or a Backhaul as defined in Section 6.1 paragraphs 25 and 26 above. Reverse Path transactions rely upon secondary point rights and are subject to the operating conditions of NBP's pipeline and will not be made available to Shipper if NBP determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.
29. Negotiated Rate: A rate (including a Negotiated Rate Formula) that NBP and a Shipper have agreed will be charged for service under Rate Schedules FTS-1, ITS-1, or PAL-1 where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or be less than

the minimum rate, for such component set forth in NBP's tariff for the given service. Any Agreement entered into after the effective date of this subsection which provides for a rate under Rate Schedules FTS-1, ITS-1, PAL-1 other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties as to whether the pricing terms represent a discounted rate or a negotiated rate.

30. **Negotiated Rate Formula:** A rate formula that NBP and a Shipper have agreed will apply to service under a specific contract under Rate Schedules FTS-1, ITS-1, PAL-1 which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or may be less than the minimum rate, for such component set forth in NBP's Tariff for the given service.
31. **Recourse Rate:** The applicable maximum rate that would apply to a service but for the rate flexibility allowed under Sections 6.24 and 6.39 of this FERC Gas Tariff.
32. **Commission:** The Federal Energy Regulatory Commission.
33. **Existing Capacity:** Capacity that has been in-service beyond the initial terms of Agreements that originally supported the construction of such capacity. Existing Capacity additionally includes capacity that is still within such initial terms where Shipper Agreements pertaining to the capacity have been terminated by the pipeline. Existing Capacity additionally includes unsubscribed capacity created as part of a pipeline expansion project.
34. **Expansion Capacity:** Original system capacity or capacity that is added to the pipeline system as part of a system expansion project where such capacity is still within the initial contract term(s) of the Agreement(s) that originally supported the construction of such capacity. Expansion Capacity includes permanent releases of capacity that are within the initial term of an original Shipper's contract.
35. **Cash Out Index Price:** The price calculated as the average "SoCal" price, as reported in Gas Daily's Daily Price Survey, for the month in which an imbalance occurs.
36. **Energy Affiliate:** The term "Energy Affiliate" shall have the meaning provided in Commission Order No. 2004, et seq.
37. **Asset Manager:** A party that agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another party. The asset manager uses released capacity to serve the gas supply requirements of the releasing shipper and, when the capacity is not needed for that purpose, uses the capacity to make releases or bundled sales to third parties.

## 6.2 QUALITY OF GAS

1. Quality Standards: The gas which Shipper delivers hereunder to NBP for transport (and the gas which NBP transports hereunder for Shipper) shall be merchantable gas which conforms to the quality requirements set forth in this Section. Any Shipper tendering or causing to be tendered non-conforming gas into NBP's system shall be liable for any damage caused thereby and such Shipper shall indemnify and hold NBP harmless from any damage caused thereby, including but not limited to all suits, actions, regulatory proceedings, damages, costs, losses and expenses (including reasonable attorney fees) arising out of the failure of said gas to conform to such quality provisions.

(a) Heating Value: The gas shall have a Gross Heating Value of not less than nine hundred ninety (990) and not greater than one thousand one hundred fifty (1150) Btus per standard cubic foot on a dry basis, but with the consent of Shipper, NBP may deliver gas at a lower Gross Heating Value.

(b) Gas Quality:

The gas:

- (i) Shall be commercially free (at prevailing pressure and temperature) from sand, dust, gums, crude oil, impurities and other objectionable substances.
- (ii) Shall not have a hydrocarbon dew-point in excess of twenty degrees (20°) Fahrenheit at pressures up to six hundred (600) psig.
- (iii) Shall not contain more than one-quarter (1/4) grain of hydrogen sulfide per one hundred (100) standard cubic feet.
- (iv) Shall not contain more than three-quarters (0.75) grain of total sulphur per one hundred (100) standard cubic feet.
- (v) Shall not contain more than two percent (2%) by volume of carbon dioxide.
- (vi) Shall not contain more than three percent (3%) total diluents (the total combined carbon dioxide, nitrogen, helium, oxygen, and any other diluent compound) by volume.
- (vii) Shall not contain more than seven (7) pounds of water vapor per one million (1,000,000) standard cubic feet.

- (viii) Shall not exceed one hundred and five degrees (105°) nor less than fifty degrees (50°) Fahrenheit in temperature.
- (ix) Shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions, and shall not in any event contain more than two-tenths of one percent (0.2%) by volume of oxygen.
- (x) Shall not contain more than three-tenths (0.3) grain of mercaptan sulfur, measured as sulfur, per one hundred (100) standard cubic feet.
- (c) Interchangeability: The gas shall have a minimum Wobbe number of one thousand two hundred seventy nine (1279) and shall not have a maximum Wobbe number greater than one thousand three hundred eighty five (1385).

2. Quality Tests:

- (a) The quality specifications of the gas received by NBP hereunder shall be determined by tests made at locations and at a frequency selected by NBP to determine whether the gas conforms to the quality specifications set out in Section 6.2 paragraph 1.
- (b) The Gross Heating Value of gas received by NBP hereunder shall be determined from read-outs of continuously operating measuring instruments. The method shall consist of one or more of the following:
  - (i) calorimeter
  - (ii) gas chromatograph
  - (iii) any other method mutually agreed upon by the parties.

Measurement of Gross Heating Value with the calorimeters shall comply with the standards set forth in the American Society for Testing and Materials' ASTM D 1826. Analysis of gas with gas chromatograph shall comply with the standards set forth in ASTM D 1945. Calculation of the Gross Heating Value from compositional analysis by gas chromatography shall comply with the standards set forth in ASTM D 3588.

NBP or its agent shall calibrate and maintain its Gross Heating Value measurement device at intervals as agreed upon by parties. Parties shall have access to NBP's devices and shall be allowed to inspect the services and all charts or other records of measurement at any reasonable time.

3. Failure to Conform:

Should any gas tendered to NBP hereunder fail at any time to conform to any of the specifications of Section 6.2 paragraph 1, NBP shall notify the Shipper responsible for any such failure, and NBP shall either waive the Shipper's gas quality obligations in accordance with Section 6.2 paragraph 4 below; or suspend all or a portion of the receipt of such non-conforming gas, and shall be relieved of obligations hereunder for the duration of such time as the non-conforming gas does not meet such specifications; provided, however such suspension by NBP shall not relieve Shipper of its payment obligations hereunder.

4. Waiver:

NBP, in its reasonable discretion and judgment, exercised on a not unduly discriminatory basis, may accept gas that does not conform to the quality specifications in Section 6.2 paragraph 1, provided that NBP determines that such acceptance will not endanger the safe operation and integrity of its pipeline system or affect its ability to provide service to its other Shippers consistent with the applicable Rate Schedule and these General Terms and Conditions. Shippers tendering or causing to be tendered such non-conforming gas, not NBP or NBP's other customers, shall be obligated to bear the cost of any reasonable expenses necessary in order to accept such non-conforming gas, including but not limited to processing costs and operational and gas costs associated with purging and/or venting the pipeline; provided, however, Shipper's obligation of indemnity set forth in Section 6.2 paragraph 1 shall not apply where damage results from NBP's negligence or willful misconduct in its handling of non-conforming gas pursuant to this Section.

5. Commingling:

It is recognized that gas delivered by Shipper will be commingled with other gas transported hereunder by NBP. Accordingly, the gas delivered by Shipper shall be subject to changes in heat content, as well as other components, as may result from such commingling and NBP shall, notwithstanding any other provision herein, be under no obligation to redeliver for Shipper's account, gas identical to that caused to be delivered by Shipper to NBP.

### 6.3 MEASURING EQUIPMENT

1. **Installation:** Unless NBP and Shippers agree otherwise, all gas volume measuring equipment, devices and materials at the point(s) of receipt and/or delivery shall be furnished and installed by NBP at Shipper's expense including the tax-on-tax effect, net of the present value of any prospective tax depreciation benefits. All such equipment, devices and materials shall be owned, maintained and operated by NBP. Shipper may install and operate check-measuring equipment provided it does not interfere with the use of NBP's equipment.
2. **Testing Meter Equipment:** The accuracy of either NBP's or Shipper's measuring equipment shall be verified by test, using means and methods acceptable to the other party, at intervals mutually agreed upon, and at other times upon request. Notice of the time and nature of each test shall be given by the entity conducting the test to the other entity sufficiently in advance to permit convenient arrangement for the presence of the representative of the other entity. If, after notice, the other entity fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. All tests of such measuring equipment shall be made at the expense of the entity conducting the same, except that the other entity shall bear the expense of tests made at its request if the inaccuracy is found to be two percent (2%) or less.
3. **Correction and Adjustment:** If at any time any of the measuring equipment is registering inaccurately by an amount exceeding two percent (2%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any period definitely known or agreed upon, or if not so known or agreed upon, the lesser of one-half (1/2) of the elapsed time since the last test or six (6) months from the production month with a three-month rebuttal period, provided, however, that this limitation shall not apply in the case of a deliberate omission or misrepresentation or mutual mistake of fact. The parties' other statutory or contractual rights shall not otherwise be diminished by this limitation. If the measuring equipment is out-of-service, the volume of gas delivered during such period shall be determined:
  - (a) By using the data recorded by any check measuring equipment accurately registering; or
  - (b) If such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded, corrected to zero error; or

- (c) If neither of the methods provided in (a) and (b) above can be used, by estimating the quantity delivered, by reference to deliveries under similar conditions during a period when the equipment was registering accurately.

No correction shall be made in the recorded volumes of gas delivered hereunder for measuring equipment inaccuracies of two percent (2%) or less, and in no event shall inaccuracies less than twenty-five (25) Mcf be considered for adjustment.



## 6.4 MEASUREMENTS

1. Metering: The gas shall be metered by one or more orifice, turbine, ultrasonic, coriolis, displacement or other-type meters, at the discretion of NBP. All meters shall be installed and maintained, and volumes shall be measured, in accordance with applicable A.G.A. standards for the meter in question.
2. Specific Gravity: The specific gravity of the gas delivered hereunder shall be determined from the read-outs of continuously operating measuring instruments. The method shall consist of one of the following:
  - (a) gravitometer
  - (b) gas chromatography
  - (c) other instruments acceptable to both parties

Analysis of chromatograph shall comply with the standards set forth in ASTM D 1945. Calculation of the specific gravity from compositional analysis by gas chromatography shall comply with the standards set forth in ASTM D 3588. Measurement of the specific gravity with a gravitometer shall comply with the standards set forth in ASTM D 1070.

## 6.5 INSPECTION OF EQUIPMENT AND RECORDS

1. **Inspection of Equipment and Data:** NBP and Shipper shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the entity installing or furnishing same. Unless NBP and Shipper otherwise agree, each shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least six (6) years.
2. **Information for Billing:** When information necessary for billing by NBP is in the control of Shipper, Shipper shall furnish such information, estimated if actual is not available, to NBP on or before the third (3rd) working day of the month following the month transportation service was rendered. If Shipper furnishes estimated information, the actual information shall be furnished to NBP on or before the fifth (5th) working day of the month following the month transportation service was rendered.

**Verification of Computations:** NBP and Shipper shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to these General Terms and Conditions of Service and to the rate schedules to which they apply, within twelve (12) months of any such statement, charge or computation. The time limitation for disputing allocations shall be six (6) months from the date of initial month-end allocation with a three-month rebuttal period, provided, however, that this limitation shall not apply in the case of a deliberate omission or misrepresentation or mutual mistake of fact, and shall not diminish the parties' other statutory or contractual rights. In accordance with NAESB Standard 2.3.11, a meter adjustment or correction becomes a prior period adjustment after the fifth (5th) business day following the Business Month. Any measurement of prior period adjustments are taken back to the production month. These provisions are in accordance with NAESB Standard 2.3.7, which establishes a cutoff for the closing of measurement of five (5) business days after business month.

In accordance with NAESB Standard 2.3.14, measurement data corrections should be processed within six (6) months of the production month with a three-month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

## 6.6 BILLING

1. Billing under all Rate Schedules: On or before the ninth (9th) Business Day of each month, NBP shall render a bill to each Shipper under all applicable Rate Schedules for the service(s) rendered during the preceding month, which is in accordance with NAESB Standard 3.3.14, which provides that the imbalance statement should be rendered prior to or with the invoice, and the transportation invoice should be prepared on or before the ninth business day after the end of the production month. Rendered is defined as postmarked, time-stamped, and delivered to the designated site.
2. Information for preparation of the bill: In the event that NBP does not have the Receipt Quantities, the Shipper promises to furnish NBP with all of the information and the material that the latter requires to calculate and verify the Receipt and Delivery Quantities.

If NBP does not receive said information in sufficient time to be able to bill the Shipper as provided for in this paragraph, said invoices shall be calculated based on the best estimate realized by NBP of the Delivery Quantity provided by the Shipper. Any excess or insufficient charges resulting from the differences between the aforementioned estimates and the real amounts shall be adjusted on the subsequent bill without any interest thereon.

3. Third Party Charges. Shipper shall be responsible for delivering all gas to, and accepting redelivery of all Gas from, Transporter's system, and shall be free to contract with third party(ies) upstream or downstream of Transporter's system to achieve such result. If Shipper requests, and Transporter agrees, Transporter will contract with third party(ies) for the benefit of Shipper and Shipper shall pay Transporter an amount equal to the charges Transporter is obligated to pay such third party(ies), which charges may include, but are not limited to, reservation and/or usage charges and surcharges, fuel charges, compression fees, balancing or storage fees, measurement fees, processing fees, and/or facility charges. Such charges shall be set forth as separate items on billings rendered to Shipper.

## 6.7 PAYMENT

- 6.7.1. Payment Under All Rate Schedules: On or before the tenth day following the date NBP's bill is rendered in accordance with Section 6.6 paragraph 1 of these General Terms and Conditions of Service, each Shipper under all applicable Rate Schedules shall pay to or upon the order of NBP in lawful money of the United States at NBP's office in Houston, Texas, the amount of the bill rendered by NBP. Payments in excess of \$50,000 shall be made in the form of Wire Transfer directed to a bank account designated by NBP. In accordance with NAESB Standard 3.3.17, party making payment should submit supporting documentation; party receiving payment should apply payment per supporting documentation provided by the paying party; and if payment differs from invoiced amount, remittance detail should be provided with the payment. In accordance with NAESB Standard 3.3.18, Shippers shall identify invoice numbers on all payments. In accordance with NAESB Standard 3.3.19, in the event a Shipper disputes any portion of the invoice, Shipper shall pay that portion of the invoice not in dispute and provide supporting documentation identifying the basis for the dispute.

- 6.7.2 Interest on Unpaid Amounts: Should Shipper fail to pay the amount of any bill rendered by NBP when such amount is due, interest thereon shall accrue from the due date until paid at the rate of interest effective from time to time under 18 CFR Section 154.501(d).

- 6.7.3 Remedies for Failure to Pay: If a Shipper's failure to pay the undisputed portion of an invoice continues for thirty (30) days after payment is due, NBP, in addition to any other remedy it may have, may suspend further delivery of gas until such amount is paid.

If Shipper's failure to pay extends beyond the thirty (30) day notice period, in addition to suspending service under Shipper's Transportation Service Agreement(s), Transporter shall have the right to provide notice to Shipper, the Commission, and any Replacement Shipper(s) that has obtained temporary release capacity from Shipper that if Shipper fails to make payment within fifteen (15) days, Transporter may terminate Shipper's Transportation Service Agreement(s) and may exercise any other remedy available to Transporter hereunder, at law or in equity.

However, if Shipper, in good faith, disputes the amount of any bill or part thereof and 1) promptly pays to Transporter the undisputed amount, and 2) furnishes to Transporter a good and sufficient letter of credit in an amount and with surety satisfactory to Transporter, or provides other assurance acceptable to Transporter guaranteeing payment to Transporter of the amount ultimately found due upon the bill after a final determination that may be reached either by agreement or by judgment of the courts, as may be the case, then Transporter shall not be entitled to automatically suspend or terminate service under the Transportation Service Agreement(s) unless and until a default is made in the conditions of the letter of credit or other assurance; provided further that should Shipper prevail on the dispute, Transporter shall reimburse Shipper up to the reasonable and customary costs of the letter of credit or other assurance provided.

- 6.7.4 Late Billing: If presentation of a bill by NBP is delayed after the date specified in Section 6.6 paragraph 1 hereof, then the time for payment shall be extended correspondingly unless Shipper is responsible for such delay.



- 6.7.5 Adjustment of Billing Error: In accordance with NAESB Standard 3.3.15, prior period adjustment time limits should be six (6) months from the date of the initial transportation invoice and seven (7) months from date of initial sales invoice with a three-month rebuttal period, excluding government-required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

- 6.7.6 Reservation Charge Credit (Force Majeure): As used in this Section 6.7.6, Firm Daily Volume shall mean the volume of gas which NBP is obligated to deliver on a firm basis at Shipper's firm delivery point(s) on a Gas Day, based on confirmable nominations for firm service within Shipper's Maximum Daily Quantity. If, due to an event of force majeure, Transporter is unable to deliver any portion of Shipper's Firm Daily Volume for a period greater than ten (10) consecutive days, then for each day beyond ten (10) days that Transporter so fails to provide service the applicable reservation charges including applicable reservation-based surcharges shall not apply to the quantity of gas not delivered by NBP within the Shipper's Firm Daily Volume; provided, however, that these charges shall not be eliminated to the extent that the shipper utilizes secondary point service.

6.7.7 Reservation Charge Credit (Non-Force Majeure): As used in this Section 6.7.7, Firm Daily Volume shall mean the volume of gas which NBP is obligated to deliver on a firm basis at Shipper's firm delivery point(s) on a Gas Day, based on confirmable nominations for firm service within Shipper's Maximum Daily Quantity. Except as provided for in Section 6.7.6 of these General Terms and Conditions of Service, in the event NBP fails to deliver on any Gas Day under any firm contract at least 98% of Shipper's Firm Daily Volume, then the applicable reservation charges including applicable reservation-based surcharges shall not apply to the quantity of gas not delivered by NBP within the Shipper's Firm Daily Volume; provided, however, that these charges shall not be eliminated to the extent that the shipper utilizes secondary point service.

## 6.8 AVAILABILITY OF TRANSPORTATION

### Eligibility for Capacity.

In order to be eligible for firm capacity, a party requesting service (requestor) must be deemed creditworthy per Section 6.12.1 and submit a valid request in accordance with the provisions herein.

#### 6.8.1 Firm Transportation Service.

The provisions of this Section 6.8.1 shall be applicable to firm transportation service under Rate Schedule FTS-1 contained in this FERC Gas Tariff, First Revised Volume No. 1.

Firm transportation service under this Tariff shall be provided when, and to the extent that, NBP determines that firm capacity is available on NBP's existing facilities. NBP shall not be required to provide firm transportation service in the event firm capacity is unavailable or to construct new facilities to provide firm service.

A shipper receiving service under Rate Schedule FTS-1 that maintains compliance with NBP's creditworthiness requirements may renew or extend its contract term pursuant to a rollover or evergreen provision of the Service Agreement. NBP will offer rollover or evergreen provisions to similarly situated shippers on a nondiscriminatory basis.

##### (a) Available Firm Capacity.

NBP shall post available capacity on its Internet website. Capacity that becomes available may be sold on a first-come, first-served basis or may be subject to an open season bidding process.

When posted available firm capacity is not subject to an open season bidding process, requests for such capacity that reflect continuous service at a constant contract quantity for the entire term of service at the maximum rate will be honored on a first-come, first-served basis, if such requests for capacity fall within the following timelines:

<u>Requested Service Term</u>	<u>Service Commencement Date</u>
1 Year or Longer	6 Months from Service Request
> 92 Days but < 1 Year	30 Days from Service Request
<= 92 Days	5 Days from Service Request

NBP may agree, but is not obligated, to sell firm capacity outside of these timelines on a not unduly discriminatory basis including, but not limited to, capacity sales as set forth in Section 6.8.1(b) and (c) of these General Terms and Conditions of Service.

(b) Future Sales of Capacity.

NBP may sell firm capacity with service commencement dates more than one year in the future, when such capacity is either available unsubscribed capacity or capacity that will become available and is not subject to a right of first refusal or unilateral evergreen provision, by either conducting an open season or by selling such capacity on a pre-arranged basis.

If NBP conducts an open season, it will post notice of the open season on its Internet website. The minimum bid period will be five (5) business days. Any potential shippers wishing to acquire capacity may request an immediate or future commencement date (if the capacity is currently available) or only a future commencement date (if the capacity will only become available in the future).

If NBP sells capacity on a pre-arranged basis, it will post the terms of the pre-arranged transaction and other parties will have an opportunity to bid on the capacity. At the time NBP enters into a pre-arranged service agreement, NBP will post a notice on its Internet website indicating that the pre-arranged capacity will be subject to an open bidding process within three (3) business days, even if such capacity has already been subject to an open season bidding process and is currently posted as available capacity. 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 6.9.1(d). If there is an open season ongoing for certain capacity, NBP will not enter into a pre-arranged deal for that capacity during the open season.

NBP will separately identify on its Internet website all capacity that is anticipated to become available and is not subject to a right of first refusal or unilateral evergreen provision. NBP will not enter into any pre-arranged deals for capacity that has not previously been posted on its Internet website.

Capacity that is reserved pursuant to this Section 6.8.1(b) will be made available for transportation service on an interim basis up to the commencement date of the service agreement for the future capacity sale. For such interim service agreements, NBP reserves the right to limit Shipper extension rights, including the right of first refusal, within the service agreement. Transporter will indicate in any open season posting of this capacity any limitations on extension rights that will apply to such interim transportation service.

(c) Construction of New Firm Capacity.

In the event NBP receives requests for firm transportation service in excess of available firm capacity, or market circumstances otherwise indicate that additional capacity may be desired, NBP may construct facilities necessary to meet additional market demand. Prior to constructing new capacity, NBP shall hold an Open Season as set forth in Section 6.9 below to solicit Requests for Service utilizing capacity that may be constructed. NBP shall have no obligation to construct facilities if, in NBP's sole determination, such facilities are not economically justifiable.

#### 6.8.2 Interruptible Service.

The provisions of this Section 6.8.2 shall be applicable to interruptible transportation service under Rate Schedule ITS-1 contained in this FERC Gas Tariff, First Revised Volume No. 1.

- (a) Interruptible transportation service under this Tariff shall be provided when, and to the extent that, capacity is available on NBP's existing facilities, which capacity is not subject to a prior claim under a pre-existing agreement pursuant to Rate Schedule FTS-1 or under another class of firm service.
- (b) A shipper receiving service under Rate Schedule ITS-1 that maintains compliance with NBP's creditworthiness requirements may renew or extend its contract term pursuant to a rollover or evergreen provision of the Service Agreement. NBP will offer rollover or evergreen provisions to similarly situated shippers on a nondiscriminatory basis.



- 6.8.3 Commingling. In the event that natural gas tendered by Shipper to NBP at the receipt point(s) for transportation, or delivered by NBP to Shipper (or for Shipper's account) at the delivery point(s), is commingled with other natural gas at the time of measurement, the determination of deliveries applicable to Shipper shall be made in accordance with operating arrangements satisfactory to Shipper, NBP and any third party transporting to or from NBP's system.

## 6.9 OPEN SEASON PROCEDURES

#### 6.9.1 Open Seasons for Existing Capacity.

To the extent NBP subjects available capacity to an open season bidding process, the open season will be conducted as set forth below.

- (a) NBP will post available capacity for bidding on its Internet website. The Bid Period will be a minimum of (one) 1 business day for capacity available for up to one (1) month; a minimum of three (3) business days for capacity available for greater than one (1) month but less than one (1) year; and a minimum of five (5) business days for capacity available for one (1) year or more.
- (b) Any entity that qualifies for service in accordance with Section 6.11 of the General Terms and Conditions of Service of this FERC Gas Tariff, including the credit conditions in Section 6.12, may submit a bid for posted capacity. All bids not withdrawn prior to the close of the Bidding Period shall be binding. At the end of the Bidding Period, NBP will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Section 6.9.1(d) below.
- (c) After the close of the Bidding Period, NBP may tender a Service Agreement for execution to the requestor(s) submitting the bid(s) having the greatest economic value for the capacity available, subject to the provisions of Section 6.9.1(e).
- (d) Valuation of Bids.

Unless otherwise specified in its open season posting, the bid(s) with the greatest economic value will be the bid(s) with the highest net present value ("NPV") based on the reservation charge and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise that requestor(s) would pay at the rates the requestor(s) has bid, over the term of service specified in the request.

If the economic values of separate bids are equal, then service shall be offered to such requestors on a pro-rata basis. The NPV is the discounted cash flow of the bid according to the following formula, net of revenues lost or affected by the request for service:

$$\text{Present Value per} = P * R * \frac{(1 + i)^n - 1}{i(1 + i)}$$

where:

P = percent of the rate or charge that the Shipper is willing to pay.

$R$  = rate or charge calculated as: the applicable maximum authorized reservation charge(s) per Dth in effect at the time of the bid for service.

$i$  = FERC's annual interest rate divided by 12.

$n$  = number of months for which the bidder wishes to contract.

The NPV formula will be affected by the term and rate requested. In the event NBP intends to entertain bids for service under index-based or other Negotiated Rate Formulae, the future value of which cannot be determined at the time of the bidding, NBP shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

The specific bid evaluation methodology to be used, including, where appropriate, the data to be used for evaluation of Negotiated Rate Formula bids, will be included as part of NBP's open season posting under Section 6.9.1(a) with sufficient specificity to allow a prospective shipper to calculate the value of its bid and duplicate NBP's results.

Irrespective of whether a bid(s) has the highest NPV of the bids received, NBP may reject bids for service that (i) may detrimentally impact the operational integrity of NBP's system; (ii) do not satisfy all the terms of the specified posting; or (iii) contain terms and conditions other than those set forth in NBP's FERC Gas Tariff.

If the NPV of any Negotiated Rate revenues would exceed the NPV of the revenue stream produced by paying the Maximum Rate over the same period of time, then the Shipper bidding the Negotiated Rate shall be considered to be paying the Maximum Rate for the purpose of determining the bid with the highest economic value.

- (e) If NBP accepts the winning bid(s) and tenders a Service Agreement, requestor(s) shall complete and return the Service Agreement on a timely basis.
- (f) Except as provided in Section 6.19, NBP shall not be obligated to tender or execute a Service Agreement for service at any rate less than the Maximum Rate set forth in the Statement of Effective Rates and Charges for Transportation of Natural Gas applicable to the service requested.

## 6.9.2 Open Seasons for New Capacity.

In the event NBP receives requests for firm transportation service in excess of Available Firm Capacity, or market circumstances otherwise indicate that additional capacity may be desired, NBP may hold an open season to assess the viability of constructing facilities necessary to meet additional market demand.

An Open Season for New Capacity will comply with the requirements of Section 6.9.1 above, with the following modifications.

- (a) NBP will publish its intent to hold an open season for new capacity in relevant papers and trade press and on its Internet website.
- (b) Open Seasons for new capacity will have a minimum term of five (5) business days.
- (c) After receiving bids from prospective Shippers in an Open Season, NBP will provide a rationalization period to allow existing holders of firm capacity an opportunity to meet market demand demonstrated in the Open Season.
- (d) NBP will select bids on a nondiscriminatory basis, provided, however, NBP reserves the right to select bids in a manner designed to produce an economic expansion.

### 6.9.3 Open Seasons Under Right of First Refusal.

Under NBP's Right of First Refusal procedures, open season bids will be evaluated consistent with the procedures set forth in Section 6.9.1 above. Right of First Refusal procedures are set forth in Section 6.10 of these General Terms and Conditions of Service.

6.10 RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT ("ROFR")

Firm Shippers (original capacity holders) under NBP's firm transportation rate schedules of this FERC Gas Tariff, First Revised Volume No. 1 who: (1) hold capacity for terms greater than or equal to one (1) year at the maximum authorized reservation charge or rate; or (2) hold multi-year seasonal contracts at the maximum authorized reservation charge or rate for a service not available from NBP for a full twelve (12) consecutive months, shall have the right of first refusal at the expiration of their service agreements, subject to the following procedures. If a Shipper is not otherwise eligible for a right of first refusal as identified above, NBP may offer a contractual right of first refusal on a not unduly discriminatory basis. Original capacity holders must notify NBP one (1) year prior to the primary expiration date of their service agreements whether they elect to terminate or not to terminate the service agreements. The right of first refusal does not apply to interim service agreements for capacity that has been sold on a pre-arranged basis pursuant to Section 6.8.1(b) of these General Terms & Conditions.

One (1) year prior to the expiration of the service agreement, NBP will post a notice on its Internet website that the original capacity holder's service agreement will expire and whether the original capacity holder has either elected or not elected to terminate pursuant to this paragraph.

- 6.10.1 Original Capacity Holder Elects Termination. In the event original capacity holder elects termination, original capacity holder shall no longer hold a right of first refusal and NBP shall subject the capacity to a bidding process. NBP will commence open bidding no later than three (3) months prior to the service agreement expiration. The bid period will be no less than five (5) business days in duration. NBP will announce the bid winner(s) as soon as practicable after the close of the bid period, provided, however, that NBP will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Tied bids will be awarded on a pro rata basis. Winning Shipper(s) and NBP must execute a new firm transportation service agreement prior to service commencement or within thirty (30) days of a capacity award, whichever is sooner.



- 6.10.2 Original Capacity Holder Does Not Elect Termination. In the event original capacity holder does not elect termination, NBP will commence open bidding no later three (3) months prior to the service agreement expiration. The bid period will be no less than five (5) business days in duration. NBP will notify the original capacity holder of any acceptable bid(s) as soon as practicable, provided, however, that NBP will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Section 6.9.1(d) of these General Terms and Conditions of Service. In the event that NBP does not receive any acceptable bids, the original capacity holder shall not be entitled to continue to receive transportation service upon the expiration of its contract except by agreeing to pay the maximum applicable tariff rate. If NBP accepts any bid(s), the original capacity holder will have ten (10) business days from the date of notice to match the accepted bid(s) in order of economic value (highest to lowest), provided that the original capacity holder shall not have to match any bid rate higher than the maximum applicable rate. NBP will announce the winning bid(s) as soon as practicable after the close of the match period. If the original capacity holder matches an accepted bid, the associated capacity is awarded to the original capacity holder. If the original capacity holder does not match an accepted bid, the capacity shall be awarded to the highest acceptable bid(s). If there is more than one equivalent winning bid, NBP shall award capacity on a pro rata basis. New Shippers must execute a firm transportation service agreement with NBP prior to service commencement or within 30 days of a capacity award, whichever is sooner. Original capacity holder is allowed to retain a portion of its capacity by matching price and term according to the procedure outlined in this provision, provided that the original contract path is maintained.

- 6.10.3 Bid Evaluation. Bids shall be evaluated on the net present value incorporating price and term. The net present value of revenues to be received from a Shipper bidding a Negotiated Rate shall be calculated using the proposed reservation charge revenues and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise. Where the Negotiated Rate is based on a Negotiated Rate Formula, the future value of which cannot be determined at the time of the bidding, NBP shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

- 6.10.4 Continuing Service Negotiations. If there are no acceptable bids received, the rate and terms of continuing service is to be negotiated between original capacity holder and NBP. NBP and original capacity holder shall have twenty (20) business days from the end of the bid period to mutually agree to acceptable terms. In the event NBP and original capacity holder do not mutually agree to continue service, original capacity holder shall no longer hold a right of first refusal and NBP shall subject the capacity to a bidding process consistent with Section 6.10.8. However, if during this 20-day period the original capacity holder agrees to pay the maximum authorized rate, the original capacity holder may determine the term it desires and NBP must extend the original capacity holder's contract accordingly. Only term extensions of one (1) year or greater from the original termination date will allow the existing shipper to retain its right of first refusal.

- 6.10.5 Shipper Liability Upon Termination. Shippers who terminate their service agreements are not liable for any reservation charges or other charges applicable to the new Shipper contracting for this capacity.

- 6.10.6 Valid Bids. Only valid bids will be accepted. In order for a bid to be considered valid, a bidder must be deemed creditworthy per Section 6.12 of these General Terms and Conditions of Service by the close of the bid period. All bids not withdrawn prior to the close of the bid period shall be binding. At the end of the bid period, NBP will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Section 6.9.1(d) of these General Terms and Conditions of Service. Bidders may submit valid bids for all or a portion of the capacity that is subject to a right of first refusal provided that the original contract path is maintained.

- 6.10.7 Right of First Refusal Rights. Right of first refusal rights held by Shipper continue to apply following an election of termination pursuant to existing evergreen language contained in Shipper's Firm Transportation Service Agreement. A Shipper that holds evergreen rights in addition to a right of first refusal under a Firm Transportation Service Agreement must first elect termination under the evergreen provision in order to initiate the right of first refusal process. When either NBP or Shipper elects termination under an evergreen provision, NBP shall not be obligated to continue Shipper's evergreen rights on a contract extended through the right of first refusal process. Shippers may exercise their right of first refusal rights consistent with this Section 6.10.

- 6.10.8 Process When No Capacity is Awarded. When a right of first refusal process has been completed and there has been no award of capacity, the capacity will be offered pursuant to General Terms and Conditions of Service Section 6.9.1, which governs NBP's sale of generally available capacity where there is no shipper with right of first refusal rights.

## 6.11 QUALIFYING FOR SERVICE

1. A prospective shipper desiring service on NBP's system must fully complete the Service Request Form set out on NBP's Internet website. Alternatively, a prospective shipper may request a hard-copy of the Service Request Form by contacting NBP at the following location:

North Baja Pipeline, LLC  
Marketing  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Phone: 503/833-4300, Option 2

2. Submission of this Service Request Form will allow NBP to begin processing Shipper's request for service, but does not guarantee service will be available. NBP will not provide service until Shipper has executed a Service Agreement. Shipper also shall be required to meet other provisions of this FERC Gas Tariff, including the creditworthiness requirements set forth in Section 6.12 of this FERC Gas Tariff. Pro forma Service Agreements for each service offered by NBP are set out in the Form of Service Agreement portion of this Tariff.

Shipper shall not be entitled to receive transportation service under this Tariff if Shipper is not current in its payments to NBP for any charge, rate or fee authorized by the Commission for transportation service; provided, however, if the amount not current pertains to a bonafide dispute, including but not limited to force majeure claims relating to this Tariff, Shipper shall be entitled to receive or continue to receive transportation service if Shipper posts a bond satisfactory to NBP to cover the payment due NBP.

3. Form: Shipper shall enter into a contract with NBP utilizing NBP's appropriate standard form of Transportation Service Agreement.

Term: The term of the Transportation Service Agreement shall be agreed upon between Shipper and NBP at the time of the execution thereof.



## 6.12 CREDITWORTHINESS

#### 6.12.1 Creditworthiness for Firm Transportation Service.

NBP shall not be required to perform or to continue transportation service under this FERC Gas Tariff, First Revised Volume No. 1, on behalf of any Shipper who fails to comply with NBP's creditworthiness standards. If Shipper is found by NBP to be non-creditworthy, NBP will, upon request, inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

If Shipper's credit standing ceases to meet NBP's credit requirements during the period of service, Shipper must, within five (5) business days, pay for one month of service in advance to continue service. Shipper must, within thirty (30) days, provide an acceptable guarantee or either a cash security deposit or letter of credit, consistent with NBP's applicable creditworthiness standards. For shippers utilizing Expansion Capacity on lateral facilities, the security that must be provided within thirty (30) days will not be greater than a shipper's pro rata share of the total facilities costs, and such security will be reduced over time in proportion to the shipper's contract term. If Shipper fails to provide the required security within this time frame, NBP may suspend service immediately. Further, NBP may provide simultaneous written notice to Shipper and the Commission that it will terminate service in thirty (30) days if Shipper fails to provide security. Transporter also may exercise any other remedy available to Transporter hereunder, at law or in equity. Shippers shall provide, initially and on a continuing basis, financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by NBP to establish or confirm Shipper's qualification for service. Credit limits will be established based on the level of requested service and Shipper creditworthiness, as established by the following:

- (a) Creditworthiness must be evidenced by a rating for unenhanced senior unsecured debt of at least BBB- by Standard & Poors, Baa3 by Moody's, or an equivalent rating as determined by NBP. In the event that a split rating occurs between rating agencies, NBP will rely upon the lower of the ratings. This rating must be a "foreign currency" rating if the Shipper is domiciled outside of the United States. "Local currency" ratings are unacceptable unless the Shipper's local currency is US Dollars (e.g. Puerto Rico). Shipper credit limits for firm transportation will be established by NBP based upon the audited financial statements for the Shipper's two most recent fiscal years, all interim reports, and any other relevant information.

An equivalent rating may be obtained in one of two ways:

- (i) If Shipper's debt is not rated by a recognized debt rating service, Shipper may request an equivalent rating as determined by NBP, based on the financial rating methodology, criteria and ratios for the industry of the Shipper as published by the above rating agencies from time to time. In general, such equivalent rating will be based on the audited financial statements for the

Shipper's two most recent fiscal years, all interim reports, and any other relevant information.

- (ii) If Shipper's debt is not rated by a recognized debt rating service, Shipper may, at its own expense, obtain a private rating from a debt rating service acceptable to NBP, or request that an independent accountant or financial advisor, mutually acceptable to NBP and the Shipper, prepare an equivalent evaluation based on the financial rating methodology, criteria, and ratios for the industry of the Shipper as published by the above rating agencies.
- (b) Shipper will be deemed to be non-credit-worthy if it is rated below a BBB-/Baa3 equivalent standard by any rating agency or if its credit limit is insufficient to cover Shipper's total collateral requirement, as described in Section 6.12.6 of these General Terms and Conditions of Service. If Shipper does not establish or maintain creditworthiness as described above, or if Shipper's credit limit as determined by NBP is insufficient to cover Shipper's contractual obligations, Shipper has the option of receiving transportation service under this FERC Gas Tariff by providing to NBP one of the following alternatives:
  - (i) Guarantee: Shipper may obtain a guarantee of financial performance in a form satisfactory to NBP from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these Shippers the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on NBP's website.
  - (ii) Cash Prepayment: A Shipper may prepay for service via cleared check or wire transfer. For Existing Capacity, the amount of prepayment must be sufficient to cover the value of three (3) months' worth of applicable transportation charges. For contracts with a term of less than one (1) year, the amount of prepayment must be sufficient to cover the value of up to three (3) months' worth of applicable transportation charges. For Expansion Capacity on lateral facilities, the pipeline will not require a deposit greater than Shipper's pro rata share of the total facilities costs, and such deposit will be reduced over time in proportion to Shipper's contract term, consistent with Section 6.12.3 of these General Terms and Conditions. NBP will pay interest on prepayments at the applicable monthly "Federal Funds (effective)" rate published in the Federal Reserve Statistical Report H.15.
  - (iii) Letter of Credit: Shipper may post a Letter of Credit (LC) in a form acceptable to NBP. A form of LC is available on NBP's website. For Existing Capacity, the amount of LC must be sufficient to cover the value of three (3) months' worth of applicable transportation charges. For contracts with a term of less than one (1) year, the amount of the LC must be sufficient to cover the value of up to three (3) months' worth of applicable transportation charges. For

Expansion Capacity on lateral facilities, the pipeline will not require an LC greater than Shipper's pro rata share of the total facilities costs, and such LC will be reduced over time in proportion to Shipper's contract term, consistent with Section 6.12.3 of these General Terms and Conditions.

- (iv) Any other security mutually agreed upon by Shipper and NBP. Such other security shall be accepted on a nondiscriminatory basis.

6.12.2 Credit Standards for Capacity Release.

- (a) Long Term Capacity Release: The standards for Firm Transportation Service apply. However, pursuant to Section 6.19.3 of this FERC Gas Tariff, a Releasing Shipper has the option of waiving the creditworthiness requirements for temporary releases of capacity for as long as the Releasing Shipper maintains compliance with NBP's creditworthiness requirements.
- (b) Short Term Capacity Release: The standards for Firm Transportation Service apply. However, pursuant to Section 6.19.3 of this FERC Gas Tariff, a Releasing Shipper has the option of waiving the creditworthiness requirements for temporary releases of capacity for as long as the Releasing Shipper maintains compliance with NBP's creditworthiness requirements.

6.12.3 Credit Requirements. Credit requirements for pipeline expansion projects will be separately identified within the nondiscriminatory project requirements included as part of any open season for expansion capacity. The amount of security initially required for Expansion Capacity on lateral facilities will be determined by NBP and may be up to the cost of the facilities to be constructed ("Maximum Allowable Security Requirement or MASR"). Where new lateral facilities serve multiple shippers, an individual shipper's maximum security obligation will be for no more than its proportionate share of the MASR ("Shipper's Maximum Security Obligation or SMSO"). Subsequent to Expansion Capacity on lateral facilities being placed into service, the SMSO shall be reduced in proportion to contract term. Shipper's actual security requirement, as identified within the open season project requirements, may be equal to or less than the SMSO ("Shipper's Actual Security Obligation or SASO"). When the SMSO equals the SASO held by NBP, NBP shall thereafter return Shipper's security on either a monthly basis or as mutually agreed with Shipper consistent with the reduction in SMSO. NBP is only permitted to recover the cost of Expansion Capacity on lateral facilities once through either transportation rates or, in the event of shipper default, by means of the security provided through this provision.

#### 6.12.4 Creditworthiness for Interruptible Transportation Service.

NBP shall not be required to perform or to continue interruptible transportation service under this FERC Gas Tariff on behalf of any Shipper who fails to comply with NBP's creditworthiness standards. If Shipper is found by NBP to be non-creditworthy, NBP will, upon request, inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

If Shipper's credit standing ceases to meet NBP's credit requirements during the period of service, Shipper must, within five (5) business days, pay for one month of service in advance to continue service. Shipper must, within thirty (30) days, provide an acceptable guarantee or either a cash security deposit or letter of credit, consistent with NBP's applicable creditworthiness standards. If Shipper fails to provide the required security within this time frame, NBP may suspend service immediately. Further, NBP may provide simultaneous written notice to Shipper and the Commission that it will terminate service in thirty (30) days if Shipper fails to provide security. Transporter also may exercise any other remedy available to it hereunder, at law or in equity. Shippers shall provide, initially and on a continuing basis, financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by NBP to establish or confirm Shipper's qualification for service. Credit limits will be established based on the level of requested service and Shipper creditworthiness, as established by the following:

- (a) Creditworthiness must be evidenced by a rating for unenhanced senior unsecured debt of at least BB+ by Standard & Poors, Ba1 by Moody's, or an equivalent rating as determined by NBP. In the event that a split rating occurs between rating agencies, NBP will rely upon the lower of the ratings. This rating must be a "foreign currency" rating if the Shipper is domiciled outside of the United States. "Local currency" ratings are unacceptable unless the Shipper's local currency is US Dollars (e.g. Puerto Rico). Shipper credit limits for interruptible transportation will be established by NBP based upon the audited financial statements for the Shipper's two (2) most recent fiscal years, all interim reports, and any other relevant information.

An equivalent rating may be obtained in one of two ways:

- (i) If Shipper's debt is not rated by a recognized debt rating service, Shipper may request an equivalent rating as determined by NBP, based on the financial rating methodology, criteria, and ratios for the industry of the Shipper as published by the above rating agencies from time to time. In general, such equivalent rating will be based on the audited financial statements for the Shipper's two (2) most recent fiscal years, all interim reports, and any other relevant information.

- (ii) If a Shipper's debt is not rated by a recognized debt rating service, Shipper may, at its own expense, obtain a private rating from a debt rating service acceptable to NBP, or request that an independent accountant or financial advisor, mutually acceptable to NBP and the Shipper, prepare an equivalent evaluation based on the financial rating methodology, criteria, and ratios for the industry of the Shipper as published by the above rating agencies.
- (b) Shipper will be deemed to be non-creditworthy if it is rated below a BB+/Ba1 equivalent standard by any rating agency or if its credit limit is insufficient to cover Shipper's total collateral requirement, as described in Section 6.12.6 of these General Terms and Conditions of Service. If Shipper does not establish or maintain creditworthiness as described above, or if Shipper's credit limit as determined by NBP is insufficient to cover Shipper's contractual obligations, Shipper has the option of receiving interruptible transportation service under this FERC Gas Tariff by providing to NBP one of the following alternatives:
  - (i) Guarantee: Shipper may obtain a guarantee of financial performance in a form satisfactory to NBP from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these Shippers the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on NBP's website.
  - (ii) Cash Prepayment: A Shipper may prepay for service via cleared check or wire transfer. For interruptible service, the amount of the prepayment must be up to the maximum amount of service that may be provided in any three-month period under an interruptible Agreement. NBP will pay interest on prepayments at the applicable monthly "Federal Funds (effective)" rate published in the Federal Reserve Statistical Report H.15.
  - (iii) Letter of Credit: Shipper may post a Letter of Credit (LC) in a form acceptable to NBP. A form of LC is available on NBP's website. For interruptible service, the amount of the LC must be up to the maximum amount of service that may be provided in any three-month period under an interruptible Agreement.
  - (iv) Any other security mutually agreed upon by Shipper and NBP. Such other security shall be accepted on a non-discriminatory basis.



#### 6.12.5 Creditworthiness for Lending Service.

The standards for Interruptible Transportation Service apply to NBP's interruptible PAL-1 Services. For lending service, however, the collateral requirement under the pre-payment and LC options includes an amount to adequately account for the value of the gas being lent.

The amount of security necessary to collateralize lent gas will be up to Shipper's maximum quantity times the average annual "SoCal" price, as reported in Gas Daily's Daily Price Survey, for the preceding calendar year ended October 31. NBP shall have no obligation to lend any quantity of gas beyond amounts for which NBP holds collateral.

6.12.6 Creditworthiness for Firm and Interruptible Transportation Services.

- (a) Shipper's total collateral requirement is the amount necessary to collateralize all of a Shipper's firm and interruptible transportation agreements.
- (b) For purposes of this FERC Gas Tariff, First Revised Volume No. 1, the insolvency of a Shipper shall be evidenced by the filing by such Shipper or any parent entity thereof (hereinafter collectively referred in this paragraph to as "the Shipper") of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction in the premises adjudging the Shipper as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Shipper under the Federal Bankruptcy Act or any Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Shipper or composition of or in respect of the Shipper under the Federal Bankruptcy Act or any Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Shipper or of any substantial part of its property, or the ordering of the winding-up liquidation of its affairs, with said order or decree continuing unstayed and in effect for a period of sixty (60) consecutive days.

Subject to the requirements of Section 7 of the Natural Gas Act, NBP shall not be required to perform or to continue to perform service on behalf of any Shipper that has applied for bankruptcy under the Bankruptcy Code or on behalf of any Shipper who, at NBP's discretion, fails to demonstrate minimal creditworthiness as required under this FERC Gas Tariff; provided, however, such Shipper may receive service if said Shipper provides alternative credit as described within Sections 6.12.1(b), 6.12.4(b), and 6.12.5 of these General Terms and Conditions of Service and, provided further, that an exception may be made for a Shipper who is a debtor in possession operating under Chapter 11 of the Bankruptcy Code where adequate assurance is provided from the bankruptcy court having jurisdiction over such debtor in possession that service billings will be paid promptly as a cost of administration of the bankruptcy proceeding, or in other circumstances in which NBP is provided comparable assurances that it will be paid promptly.

## 6.13 PRIORITY OF SERVICE

Firm service shall have the highest priority on NBP's System. From time to time, NBP may not have sufficient capacity to accommodate all nominations for firm service through a given segment of its pipeline, Receipt Point, or Delivery Point. In that event, NBP shall schedule firm service using the following priorities.

6.13.1 Firm Scheduling Priorities Through Pipeline Segments.

NBP shall first schedule nominations for service within a Shipper's Primary Path. In the event NBP has insufficient capacity to schedule all nominations for service within Shippers' Primary Paths, NBP shall schedule service to Shippers nominating for service along Primary Paths on a pro rata basis in accordance with each Shipper's MDQ.

NBP will next schedule nominations for service outside a Shipper's Primary Path. In the event NBP has insufficient capacity to schedule all nominations for service outside of Shippers' Primary Paths, NBP shall schedule service to Shippers nominating for service outside of their Primary Paths on a pro rata basis in accordance with each Shipper's MDQ.

NBP will next schedule nominations for service within a Shipper's Reverse Path. In the event NBP has insufficient capacity to schedule all nominations for service within Shippers' Reverse Paths, NBP shall schedule service to Shippers nominating for service along Reverse Paths on a pro rata basis in accordance with each Shipper's MDQ.

6.13.2 Firm Scheduling Priorities Through Receipt Point Constraints.

First, NBP shall schedule service to those Shippers for whom the constrained receipt point is a Primary Receipt Point, up to each Shipper's MDQ at that point (plus an allowance for fuel). In the event full service cannot be provided to Shippers holding Primary Receipt Point rights, service will be scheduled on a pro rata basis based on each Shipper's primary MDQ at that point.

NBP shall then schedule service to those Shippers for whom the constrained receipt point is a Secondary Receipt Point within that Shipper's Primary Path. In the event full service cannot be provided, service will be scheduled on a pro rata basis based on each Shipper's MDQ.

Last, NBP shall then schedule service to those Shippers for whom the constrained receipt point is a Secondary Receipt Point outside that Shipper's Primary Path. In the event full service cannot be provided, service will be scheduled on a pro rata basis based on each Shipper's MDQ.

6.13.3 Firm Scheduling Priorities Through Delivery Points.

NBP shall first schedule service to those Shippers for whom the constrained Delivery Point is a Primary Delivery Point, up to each Shipper's MDQ at that point. In the event full service cannot be provided to Shippers holding Primary Delivery Point rights, service will be scheduled on a pro rata basis based on each Shipper's MDQ at that point.

NBP shall then schedule service to those Shippers for whom the constrained Delivery point is a Secondary Delivery Point within that Shipper's Primary Path. In the event full service cannot be provided, service will be scheduled on a pro rata basis based on each Shipper's MDQ.

Last, NBP shall then schedule service to those Shippers for whom the constrained Delivery point is a Secondary Delivery Point outside that Shipper's Primary Path. In the event full service cannot be provided, service will be scheduled on a pro rata basis based on each Shipper's MDQ.

#### 6.13.4 Scheduling Priority For Capacity Release.

The Scheduling Priorities set out in Section 6.13.1 above also apply for capacity released under NBP's Capacity Release Program, and are subject to the terms and conditions as specified in an executed firm service agreement between NBP and Shipper. All service under the capacity release program shall be considered firm for purposes of priority of service.

6.13.5 Priority of Interruptible and PAL Service.

Interruptible transportation service and PAL service under this FERC Gas Tariff, First Revised Volume No. 1 shall be provided when, and to the extent that, capacity is available in NBP's existing facilities, which capacity is not subject to a prior claim under a pre-existing contract, service agreement, certificate or under firm service. NBP will provide interruptible and PAL service, as set forth in Section 6.8.2 of these General Terms and Conditions of Service, first to shippers paying the highest Maximum Rate (or a Negotiated Rate equal to or in excess of the highest Maximum Rate). NBP will next allocate capacity to Shippers paying a discounted or Negotiated Rate to the Shipper(s) paying the next highest rate until all capacity has been awarded. In the event of a tie, NBP shall award capacity on a pro rata basis.



## 6.14 SCHEDULING AND NOMINATIONS

6.14.1 Information to be Provided with Nomination.

A Shipper may nominate for transportation service on NBP electronically in accordance with Section 6.36 of the General Terms and Conditions of Service. In accordance with NAESB Standard 1.3.5, all nominations should include Shipper-defined begin dates and end dates. All nominations excluding intraday nominations should have roll-over options. Specifically, Shippers should have the ability to nominate for several days, months, or years, provided the nomination begin and end dates are within the term of Shipper's contract.

All nominations shall include, at a minimum:

- (a) a daily quantity of gas to be transported (expressed in Dth);
- (b) previously approved and valid receipt and delivery points; and
- (c) Shipper-defined begin dates and end dates.

Shipper shall provide as a component of its nomination such business conditional data sets as may be required by NBP to enable it to identify, confirm and schedule the nomination. Shipper shall also prioritize nominated receipts and deliveries when there is more than one (1) supplier and more than one (1) Shipper, respectively. Shipper designated priorities will be used to allocate gas when upstream and downstream nominations vary from NBP's Shipper nominations.

Shipper may nominate for any period of days, provided the nomination begin and end dates are within the term of the Shipper's Transportation Service Agreement. Such nominations shall be deemed "Standing Nominations." All types of Nominations must be clearly and separately identified so that priorities of service can be distinguished. As required by NAESB Standard 1.3.19, overrun quantities should be requested on a separate transaction.

The receipt of the nomination is notice that all necessary regulatory approvals have been received and that valid upstream and downstream transportation and other contractual arrangements are in place.

#### 6.14.2 Nomination Cycles.

In accordance with NAESB Standard 1.3.2, NBP will utilize the following standard nomination cycles:

(a) THE TIMELY NOMINATION CYCLE:

11:30 a.m. (CCT) (9:30 a.m. PCT) nominations leave control of the nominating party;

11:45 a.m. (CCT) (9:45 a.m. PCT) receipt of nominations by NBP;

12:00 noon (CCT) (10:00 p.m. PCT) NBP sends Quick Response;

3:30 p.m. (CCT) (1:30 p.m. PCT) receipt of completed confirmations by NBP from upstream and downstream connected parties;

4:30 p.m. (CCT) (2:30 p.m. PCT) receipt of scheduled quantities by Shipper and point operator (central clock time on the day prior to flow).

(b) THE EVENING NOMINATION CYCLE:

6:00 p.m. (CCT) (4:00 p.m. PCT) nominations leave control of the nominating party;

6:15 p.m. (CCT) (4:15 p.m. PCT) receipt of nominations by NBP;

6:30 p.m. (CCT) (4:30 p.m. PCT) NBP sends Quick Response;

9:00 p.m. (CCT) (7:00 p.m. PCT) receipt of completed confirmations by NBP from upstream and downstream connected parties;

10:00 p.m. (CCT) (8:00 p.m. PCT) NBP provides scheduled quantities to affected Shippers and point operators, and provides scheduled quantities and notice to bumped parties. Advance notice to bumped parties shall be provided by telephone, facsimile, or electronic mail, at the Shipper's option.

Scheduled quantities resulting from an Evening Nomination will be effective at 9:00 a.m. (CCT) (7:00 a.m. PCT) on the following gas day.

(c) THE INTRADAY 1 NOMINATION CYCLE:

10:00 a.m. (CCT) (8:00 a.m. PCT) nominations leave control of the nominating party;

10:15 a.m. (CCT) (8:15 a.m. PCT) receipt of nominations by NBP;

10:30 a.m. (CCT) (8:30 a.m. PCT) NBP sends Quick Response;

1:00 p.m. (CCT) (11:00 a.m. PCT) receipt of completed confirmations by NBP from upstream and downstream connected parties;

2:00 p.m. (CCT) (12:00 noon PCT) NBP provides scheduled quantities to affected Shippers and point operators, and provides scheduled quantities and notice to bumped parties. Advance notice to bumped parties shall be provided by telephone, facsimile, or electronic mail, at the Shipper's option.

Scheduled quantities resulting from Intraday 1 Nominations should be effective at 5:00 p.m. (CCT) (3:00 P.M. PCT) on gas day.

(d) THE INTRADAY 2 NOMINATION CYCLE:

5:00 p.m. (CCT) (3:00 p.m. PCT) nominations leave control of the nominating party;

5:15 p.m. (CCT) (3:15 p.m. PCT) receipt of nominations by NBP;

5:30 p.m. (CCT) (3:30 p.m. PCT) NBP sends Quick Response;

8:00 p.m. (CCT) (6:00 p.m. PCT) receipt of completed confirmations by NBP from upstream and downstream connected parties;

9:00 p.m. (CCT) (7:00 p.m. PCT) NBP provides scheduled quantities to affected Shippers and point operators.

Scheduled quantities resulting from Intraday 2 Nominations should be effective at 9:00 p.m. (CCT) (7:00 p.m. PCT) on gas day.

Firm intraday nominations during the Intraday 2 Nomination Cycle may not bump nominated and scheduled interruptible volumes.

- (e) For purposes of NAESB Standards 1.3.2 ii, iii, and iv (reflected in Section 6.14.2 (b) through (d) above), "provide" shall mean, for transmittals pursuant to NAESB Standards 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, send or post.

Transporter shall, at the end of each business day, make available to each Shipper information containing scheduled quantities including scheduled intraday nominations and any other scheduling changes.

NBP shall have the discretion to accept nominations at such later times as operating conditions permit and without detrimental impact to other Shippers and upon confirmation that corresponding upstream and downstream arrangements in a manner satisfactory to NBP have been made. In the event later nominations are accepted, NBP will schedule those nominations after the nominations received before the nominations deadline, which is in accordance with NAESB Standard 1.3.6, that states nominations received after nomination deadline should be scheduled after the nominations received before the nomination deadline.

### 6.14.3 Changes to Nominations.

#### (a) Changes to Standing Nominations.

In accordance with NAESB Standard 1.3.7, all nominations should be considered original nominations and should be replaced to be changed. When a nomination for a date range is received, each day within that range is considered an original nomination. When a subsequent nomination is received for one or more days within that range, the previous nomination is superseded by the subsequent nomination only to the extent of the days specified. The days of the previous nomination outside the range of the subsequent nomination are unaffected. Nominations have a prospective effect only.

Such nominations must be received by NBP's Transportation Department in accordance with the scheduling timelines set out in Section 6.14.2.

In the event NBP does not receive information of upstream or downstream adjustments, NBP shall use the lesser of the new nomination or the previous nomination.

#### (b) Intraday Nominations.

In accordance with NAESB Standard 1.3.8, all transportation service providers should allow for intraday nominations. Requests to amend previously scheduled nominations may be accepted during the gas day, subject to operational conditions and, further that corresponding upstream and downstream adjustments in a manner satisfactory to NBP can be confirmed. In accordance with NAESB Standard 1.3.11, such intraday nominations can be used to request increases or decreases in total flow, changes to receipt points, or changes to delivery points of scheduled gas. A request to increase a nomination for firm transportation up to the MDQ specified in the Service Agreement will be accommodated to the extent operating conditions permit. Firm intraday nominations other than during the Intraday 2 Nomination Cycle shall have priority over nominated and scheduled interruptible volumes. A request to increase a nomination for interruptible transportation shall be permitted only to the extent that capacity is available and that no displacement of other interruptible transportation occurs. Such changes will become effective only when system-operating conditions, as determined by NBP, permit changes to occur.

Intraday Nominations may not roll-over and will replace the Standing Nomination only for the duration of the Gas Day. Quantities for Intraday Nominations will be expressed in Dth, and represent the total quantities to be delivered prior to the end of the effective Gas Day.

- (c) In accordance with NAESB Standard 1.3.9, all nominations, including Intraday Nominations, should be based on a daily quantity; thus, an Intraday Nominator need not submit an hourly nomination. Intraday nominations should include an effective date and time. The interconnected parties should agree on the hourly flows of the Intraday Nomination if not otherwise addressed in the Service Agreement or Tariff.

6.14.4 Information Reliability.

NBP shall be allowed to rely conclusively on the information submitted as part of the nomination in confirming the nomination for scheduling and allocation. Shipper must provide electronically to NBP Shipper's current designated contact, after hours and emergency telephone numbers. Such information must be updated as often as changes to such information occurs. NBP may rely solely upon the information provided by Shipper and will not be liable to Shipper if Shipper's contact information is outdated and communication attempts with such Shipper are unsuccessful.



6.14.5 Uniform Hourly Rates.

Scheduled quantities will be received and delivered at a uniform hourly rate of confirmed quantity divided by 24.

6.14.6 North American Energy Standards Board Standards:

Nominations for service on NBP shall be further governed by the following standards adopted by the North American Energy Standards Board:

1.3.13; 1.3.14; 1.3.16; 1.3.22; and 1.3.23

## 6.15 CURTAILMENT

NBP shall have the right to curtail, interrupt, or discontinue Transportation Service on any portion of its system at any time for reasons of force majeure or when capacity, supply, or operating conditions so require or it is necessary or desirable to make modifications, repairs, or operating changes to its system. NBP shall provide notice of such occurrences as is reasonable under the circumstances.

Capacity may become constrained at individual receipt points, delivery points or on segments of the pipeline. NBP shall exercise this curtailment provision only at the point(s) or segment(s) of the pipeline affected by the constraint. When capacity is constrained or otherwise insufficient to serve all the transportation requirements which are scheduled to receive service, NBP shall curtail PAL Service; followed by Interruptible Service, and finally Firm service.

Curtailment of PAL Service, if necessary, shall be performed in the opposite order of scheduling as set forth in Section 6.13.5 of this FERC Gas Tariff.

Curtailment of Interruptible Service, if necessary, will be performed in the opposite order of scheduling set forth in Section 6.13.5 of this FERC Gas Tariff.

Curtailment of firm service, if necessary, will be performed pro rata based on the MDQ across the contracts scheduled to use the capacity at the applicable receipt points, delivery point(s) or mainline segment(s) of pipeline.

## 6.16 BALANCING

To the extent possible, imbalance information shall be based upon actual, real-time data. Balancing of thermally equivalent quantities of gas received and delivered by NBP shall be achieved as nearly as feasible on a daily basis. Correction of imbalances shall be the responsibility of the Shipper whether or not notified by NBP at the time of incurrence of the imbalance. Correction of imbalances shall be scheduled with NBP using the nomination process as soon as an imbalance is known to exist based on the best available current data. Nominations to correct imbalances shall have the lowest priority for scheduling purposes and shall be subject to the availability of capacity and other operational constraints for imbalance correction. If on any day capacity is insufficient to schedule all imbalance nominations, all such nominations shall be prorated accordingly. To maintain the operational integrity of its system, NBP shall have the right to balance any Shipper's account as conditions may warrant. Imbalances shall exist as defined below and be subject to the applicable charges and penalties if not corrected.

#### 6.16.1 Actual Delivered Quantity Exceeds MDQ

Quantities in excess of Shipper's MDQ shall be transported, without penalty, when capacity is available on the NBP system and when the provision of such Authorized Overruns shall not affect any Shipper's rights on the NBP system. Authorized Overruns are interruptible in nature. The rate charged for Authorized Overruns shall be the same as the rates and charges for Interruptible Transportation under Rate Schedule ITS-1 as set forth in effective Section 4.1, and such Authorized Overruns shall be subject to the priority of service provisions of Section 6.13 of the General Terms and Conditions of Service.

To the extent NBP has facilities in place, NBP may utilize flow control to limit shipper deliveries to contractual MDQ levels when Shipper has not requested Authorized Overrun Service.

An imbalance shall exist when NBP has not authorized deliveries in excess of a Shipper's MDQ because the operational integrity of NBP's system is threatened. Under these circumstances, NBP may, without notice, adjust Shipper requests for confirmation from receipt or delivery markets on NBP's system. In addition, NBP may issue an Operational Flow Order consistent with Section 6.18 of these General Terms and Conditions of Service, and Shipper will be subject to tolerances and penalties as provided for in Section 6.18.5.

6.16.2 Actual Delivered Quantity Exceeds Actual Confirmed Receipt Quantity.

A net negative imbalance shall exist if the difference between the quantity received (nominated, scheduled, and confirmed) and the quantity delivered, taking into account the reduction in quantity for compressor fuel use, yields a negative result. Commencing upon notification by NBP of the existence of the negative imbalance, and to the extent that the NBP system is not constrained or its integrity is not threatened and NBP has not issued an Operational Flow Order, Shipper shall have three (3) days to correct the imbalance.

Remedies:

Where NBP has facilities in place, NBP may utilize flow control to limit shipper deliveries to even hourly rates equal to one twenty-fourth (1/24th) of a Shipper's Maximum Daily Quantity, consistent with Section 6.14.5 of these General Terms and Conditions of Service. Shippers may schedule with NBP using the nomination process to eliminate or reduce negative imbalances. Shippers may also resolve negative imbalances through the use of Rate Schedule PAL-1 Service. In addition, in accordance with this Section 6.16, Shipper may net or trade imbalances to eliminate or reduce negative imbalances.

If, at the end of the three (3) day period the difference between the actual quantity received and the delivered quantity is in excess of five (5) percent of the delivered quantity or one thousand (1000) Dth, whichever is greater, the excess quantity shall be subject to a penalty equal to twice the rate for service under Rate Schedule ITS-1 as set forth in effective Section 4.1. If the imbalance is not corrected within forty-five (45) days of NBP's notice of an imbalance, the imbalance shall be cashed-out at a premium to the Cash Out Index Price as follows:

(i)	Imbalance Percent	Cash Out Index Price Premium
	-----	-----
	0% - 5%	0%
	> 5% - 10%	10%
	>10% - 15%	15%
	>15% - 20%	20%
	>20%	25%

- (ii) Shipper's final imbalance on any Agreement shall be cashed out at a price calculated by multiplying the final imbalance by the applicable rate as determined above.

- (iii) Cash out amounts received by NBP will be used to offset any purchases of linepack necessitated by Shipper's imbalance. Net cash will be credited to all shippers in accordance with Section 6.16.4.

In the event the operational integrity of NBP's system is threatened, NBP may, without notice, adjust Shipper requests for confirmation from receipt or delivery markets on NBP's system. In addition, NBP may issue an Operational Flow Order consistent with Section 6.18 of these General Terms and Conditions of Service, and Shipper will be subject to tolerances and penalties as provided for in Section 6.18.5.

6.16.3 Actual Confirmed Receipt Quantity Exceeds Actual Delivered Quantity.

A net positive imbalance shall exist if the difference between the quantity received (nominated, scheduled, and confirmed) and the quantity delivered, taking into account the reduction in quantity for compressor fuel use, yields a positive result. Commencing upon notification by NBP of the existence of the imbalance, and to the extent that the NBP system is not constrained or its integrity is not threatened and NBP has not issued an Operational Flow Order, Shipper shall have three (3) days to correct the imbalance.

Remedies:

Shippers may schedule with NBP using the nomination process to eliminate or reduce positive imbalances. Shippers may also resolve positive imbalances through the use of Rate Schedule PAL-1 Service. In addition, in accordance with this Section 6.16, Shipper may net or trade imbalances to eliminate or reduce positive imbalances.

If, at the end of the three (3) day period the difference between the actual quantity received and the delivered quantity is in excess of five (5) percent of the delivered quantity or 1000 Dth, whichever is greater, the excess quantity shall be subject to a penalty equal to twice the rate for service under Rate Schedule ITS-1 as set forth in effective Section 4.1. If the imbalance is not corrected within 45 days of NBP's notice of an imbalance, NBP shall be able to retain the remaining imbalance quantity without compensation to the Shipper and free and clear of any adverse claim. Quantities retained by NBP will be sold in accordance with Section 6.38 of these Transportation General Terms and Conditions, and the proceeds from the sale of the confiscated gas will be credited to all shippers in accordance with Section 6.16.4.

In the event the operational integrity of NBP's system is threatened, NBP may, without notice, adjust Shipper requests for confirmation from receipt or delivery markets on NBP's system. In addition, NBP may issue an Operational Flow Order consistent with Section 6.18 of these General Terms and Conditions of Service, and Shipper will be subject to tolerances and penalties as provided for in Section 6.18.5.

Imbalance determinations as described above will be performed on a daily basis and each daily occurrence will constitute a separate incident. It is recognized and understood that in the event more than one penalty provision may apply to a single imbalance incident, only the most onerous penalty will apply.

Imbalance and overrun penalties will be based on the lesser of the impact from operational or actual data. In the event that any penalty would otherwise be applicable under these provisions as a direct consequence of any action or failure to take action by NBP or the failure of any facility under NBP's control, or an event of force majeure as defined in these General Terms and Conditions of Service, said penalty shall not apply.



Interruptible Shippers will be notified whether penalties will apply on the day their volumes are reduced. NBP shall waive non-critical penalties for bumped shippers on the day of the bump. Waiver of non-critical penalties shall not relieve the shipper from the obligation to take corrective action to eliminate ongoing imbalances.

The payment of a penalty in dollars pursuant to this Section 6.16 shall under no circumstances be considered as giving any Shipper the right to deliver or take overrun quantities.

6.16.4 Crediting of Penalties.

- (i) Applicability. Penalty Revenues net of costs incurred by NBP and collected as a result of imposition of any penalty imposed under this Section 6.16 and as provided elsewhere in this FERC Gas Tariff will be refunded annually to all Shippers with interest calculated in accordance with §154.501 of the Commission's regulations.
- (ii) Calculation of Credit Amount. Each Shipper shall receive an allocation of penalty revenues based on the proportion of the revenues received during the 12-month period from each Shipper divided by the total revenue received from all Shippers during such period.
- (iii) Timing of Credits. Within forty-five (45) days after November 1st of each year, NBP shall determine the total amount of the Net Penalty Revenues received during the previous 12-month period and the portion of such amount to be credited to each Shipper. Such credits shall be reflected as a credit billing adjustment on the next bills rendered to the Shippers. In the event that such credit billing adjustment would result in a net credit on the total bill to any Shipper, or in the event the Shipper is no longer a shipper on NBP system, NBP will pay to such Shipper its share of the Net Penalty Revenues within fifteen (15) days after determination of the amount of the credit due to the Shipper.
- (iv) Minimum Credit Amount. NBP shall not be obligated to issue penalty credits during any year in which Net Penalty Revenues are less than or equal to \$10,000.

6.16.5 Imbalance Netting: A Shipper may net imbalances between its service agreements.

6.16.6 Imbalance Trading:

- (i) A shipper, or its agent, may trade imbalances with other Shippers, their agents or other third-party firms that may conduct imbalance trading for Shippers.
- (ii) Any trading of imbalances must result in each Shipper's imbalance decreasing.
- (iii) NBP shall process all imbalance trades at no additional administrative charge.
- (iv) Third party imbalance management services will be accommodated on a nondiscriminatory basis as long as these services comply with applicable NAESB standards and do not adversely impact the pipeline's system operations. Third party services will be required to comply with the NAESB Nominations and Confirmation Time Limits and meet transporter credit requirements appropriate for the quantity of shipper imbalance gas for which such third party may be responsible.

6.16.7 Posting Imbalance Trades:

- (i) NBP shall provide free of charge an "Imbalance Trading" location on its Internet website to allow posting of imbalances to facilitate trading.
- (ii) NBP shall post a Shipper's imbalance if the Shipper provides written authorization to NBP authorizing it to post such imbalance information on the "Imbalance Trading" section of its Internet website.

## 6.17 MARKET CENTERS

The Market Center is defined as a point of interconnection between NBP and other pipelines and local distribution companies. NBP shall provide for Market Centers on the NBP system. Parties wishing to use Market Centers on the NBP system shall contact NBP for this service. At these Market Centers, entities may trade gas quantities without actively shipping the gas either upstream or downstream of the Market Center. Such entities must nominate for the gas transactions in accordance with the nomination procedure of the General Terms and Conditions of Service of the FERC Gas Tariff, First Revised Volume No. 1. An entity's nomination for upstream supply and downstream delivery must match the corresponding upstream Shipper nomination and downstream customer receipt.

## 6.18 OPERATIONAL FLOW ORDERS ("OFO")

6.18.1 General. NBP, in its discretion, will have the right to issue OFOs when in its judgment it is necessary to maintain or restore the operational integrity of its system.



6.18.2 OFO Applicability. Whenever possible, NBP will identify those Shipper(s) whose action(s) require NBP to issue an OFO and will limit the applicability of the OFO to such Shipper(s). If NBP is unable to identify those Shipper(s) whose action(s) require issuance of an OFO, or if issuance of an OFO to discrete Shipper(s) is insufficient to alleviate the conditions requiring the issuance of such OFO, NBP may issue an additional OFO applicable to all Shippers on a nondiscriminatory basis.

6.18.3 OFO Notice Procedures. All OFOs will be posted on NBP's website, to be followed by a facsimile, written notice or other mutually agreeable means of electronic communication to affected Shippers that will set forth the causes or conditions necessitating the OFO. NBP will issue an OFO as expeditiously as is reasonable and practicable in the circumstances. When practicable, NBP will provide sufficient notice to customers to accommodate scheduling requirements on upstream pipelines. Each OFO will contain the following provisions:

- (a) time and date of issuance;
- (b) time that OFO is considered to be effective (if no time is specified, the OFO will be effective immediately);
- (c) duration of the OFO (if not specified, the OFO will be effective until further notice);
- (d) the party or parties receiving the OFO;
- (e) the quantity of gas required to remedy the operational condition requiring the issuance of the OFO; and
- (f) any other term NBP may reasonably require to ensure the effectiveness of the OFO.

NBP will post information about the status of operational variables that will determine when an OFO will begin and end. NBP will post a notice on its website informing Shipper(s) when any OFO in effect will be canceled. Following the issuance of an OFO, NBP will post information on the factors that caused the OFO to be issued and then lifted as soon as it is available.

6.18.4 Curtailment of Interruptible Service. Except in cases where the curtailment of interruptible services would not alleviate the causes or conditions necessitating the issuance of an OFO, NBP will, where practicable, curtail interruptible services prior to issuing an OFO. NBP shall not be required to curtail interruptible services to individual Shippers when curtailment of service to those Shippers would not affect the OFO.

6.18.5 Failure to Comply with OFO. Upon the issuance of an OFO by NBP, it shall be incumbent upon Shipper to adjust Gas supplies as directed within the time frame specified in the OFO. Failure to comply in a timely fashion with an OFO may result in an immediate interruption of all or a portion of Shipper's service and cause Shipper to incur a penalty of \$25 per Dth plus the Spot Index Price (equal to the SoCal Gas large packages price as reported in Gas Daily's Daily Price Survey) per Dth for all quantities in excess of that allowed under the OFO. The payment of unauthorized overrun penalties does not create the right to exceed the levels established by an OFO.

6.18.6 Remedial Actions in the Event of Non-Compliance. In the event Shipper does not respond to the OFO and NBP believes it is necessary to take actions such as buying or selling gas to maintain system integrity or to prevent interrupting service to another Shipper, NBP shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If NBP takes these actions, it shall be made whole by the nonresponding Shipper for all costs that NBP incurs either through retention of penalty revenues or by direct reimbursement by Shipper. NBP shall not be liable for any costs incurred by any Shipper/Operator in complying with an OFO.

6.18.7 Responsibility for Damages in the Event of Non-Compliance. NBP shall not be responsible for any damages that result from any interruption in Shipper's service that is a result of a Shipper's failure to comply promptly and fully with an OFO and the non-complying Shipper(s) shall indemnify NBP against any claims of responsibility.

6.18.8 NBP Responsibility for Backing Loss of Supply. Notwithstanding the foregoing, when Gas supplies necessary to effectuate transportation deliveries are not flowing on the system, NBP will not be responsible for backing up such supplies and the associated deliveries will be subject to interruption.

6.18.9 Shipper Opportunity to Correct OFO Situation. Where a nomination is required by NBP to make an effective physical change necessary to comply with an OFO, unless critical circumstances dictate otherwise, an OFO penalty should not be assessed unless the Shipper is given the opportunity to correct the circumstance giving rise to the OFO and fails to do so, or the action(s) taken fails to do so. The opportunity to correct the critical circumstance should include the opportunity to:

- (a) make a nomination, which, once confirmed and scheduled would cure the circumstance giving rise to the OFO, or
- (b) take other appropriate action which cures the circumstance giving rise to the OFO.

A Shipper's response to an OFO should not be constrained by restrictions on the submittal and processing of intra-day nominations.



6.19 CAPACITY RELEASE

#### 6.19.1 Eligibility to Release.

Any firm Shipper which contracts for firm transportation service under Part 284 of the Commission's regulations (Releasing Shipper) is eligible to release all or part of its capacity (Parcel) for use by another party (Replacement Shipper). Any Replacement Shipper, which has previously contracted for a Parcel, may also release its capacity to another party as a Secondary Release subject to the terms and conditions described herein.

Upon releasing a Parcel, consistent with the terms and conditions described herein, all Releasing Shippers shall remain ultimately liable for all reservation charges billable for the originally contracted service. The Releasing Shipper, whether a primary or secondary capacity holder, must post the capacity it seeks to release on NBP's Internet website prior to the close of the Posting Period defined herein.

A Releasing Shipper may release all or a portion of its capacity for the remaining term of its contract on either a temporary or permanent basis. In the event of a permanent capacity release by a Shipper paying the maximum recourse rate, the Right of First Refusal is conveyed to the Replacement Shipper for that portion permanently released. NBP may not unreasonably refuse to relieve the Releasing Shipper of liability under its contract and extinguish Releasing Shipper's contractual obligations to NBP with respect to that portion requested to be permanently released provided that: (1) the Replacement Shipper is creditworthy pursuant to NBP's credit standards; and (2) the rate paid by the Replacement Shipper is no less than the rate contracted between the Releasing Shipper and NBP for the remaining term of the contract or the maximum tariff rate, whichever is less. NBP may refuse to allow a permanent capacity release if it has a reasonable basis to conclude that it will not be financially indifferent to the release. If Shipper's request to permanently release capacity is denied by NBP, NBP shall notify Shipper via e-mail and shall include in the notification the reasons for such denial.

## 6.19.2 Types of Release.

A Releasing Shipper may release a Parcel for a term (Release Term) up to or equivalent to the remaining term under its service agreement with NBP. No rate cap applies to releases of capacity for a period of one year or less only when the release is to take effect on or before one year from the date on which the pipeline is notified of the release. Types of releases include:

### NON-PREARRANGED - BIDDING REQUIRED

Capacity releases that are not prearranged require bidding.

### PREARRANGED RELEASES - BIDDING REQUIRED

- (1) Unless capacity is released pursuant to either an asset management agreement or a state-approved retail access program, releases with terms greater than thirty-one (31) days and up to one year require bidding. This type of release allows a right of first refusal for the prearranged bidder. Bidding is pursuant to the methodology selected by the Releasing Shipper.
- (2) Unless capacity is released pursuant to either an asset management agreement or a state-approved retail access program, releases with terms greater than one year at a rate that is less than the maximum applicable tariff rate require bidding up to the maximum applicable tariff rate. This type of release allows a right of first refusal for the prearranged bidder. Bidding is pursuant to the methodology selected by the Releasing Shipper.

### PREARRANGED RELEASES - BIDDING NOT REQUIRED

- (1) Releases for any period of thirty-one (31) days or less do not require bidding. Unless capacity is released pursuant to either an asset management agreement or a state-approved retail access program, a firm shipper may not roll over, extend, or in any way continue the release to the same replacement shipper using the 31 days or less bidding exemption until 28 days after the first release period has ended. The 28-day hiatus does not apply to any re-release to the same replacement shipper that is posted for bidding or that qualifies for any of the other exemptions from bidding set forth herein.
- (2) A release for more than one year at the maximum applicable tariff rate does not require bidding.
- (3) A permanent release of a long-term contract at the maximum applicable tariff rate when the remaining term is less than three hundred and sixty-five (365) days does not require bidding.

- (4) Asset Management Agreements. A release of capacity to an Asset Manager is exempt from bidding if the release contains a condition that the Releasing Shipper may call upon the Replacement Shipper to deliver to or purchase from the Releasing Shipper a volume of gas up to 100 percent of the daily contract demand of the released transportation capacity. If the capacity release is for a period of one year or less, the Asset Manager's delivery or purchase obligation must apply on any day during a minimum period of the lesser of five months (or 155 days) or the term of the release. If the capacity release is for a period of more than one year, the Asset Manager's delivery or purchase obligation must apply on any day during a minimum period of five months (or 155 days) of each twelve-month period of the release, and on five-twelfths of the days of any additional period of the release not equal to twelve months.

Payments or other consideration exchanged between the Releasing and Replacement Shippers in a release to an Asset Manager are not subject to the maximum rate.

- (5) Retail Access Programs. A release to a marketer participating in a state-regulated retail access program is exempt from bidding when the released capacity will be utilized by the Replacement Shipper to provide the gas supply requirement of retail customers pursuant to a retail access program approved by the state agency with jurisdiction over the local distribution company that provides delivery service to such retail customers.

### 6.19.3 Notice Requirements.

Any Releasing Shipper electing to release capacity shall submit a notice via NBP's Internet website that it elects to release firm capacity. The notice shall set forth the following information:

- (a) Releasing Shipper's legal name, contract number, and the name, title, address, telephone number, and fax number of the individual responsible for authorizing the release of capacity.
- (b) Rate schedule of the Releasing Shipper.
- (c) In accordance with NAESB Standard 5.3.26, the Releasing Shipper should specify which one of the following methods is acceptable for bidding on a given capacity release offer:
  - Non-Index-based release – dollar and cents,
  - Non-Index-based release – percentage of maximum rate, or
  - Index-based formula as detailed in the capacity release offer.

In accordance with NAESB Standard 5.3.27, for purposes of bidding and awarding, maximum/minimum rates specified by the Releasing Shipper should include the tariff reservation rate and all demand surcharges, as a total number or as stated separately. If a volumetric rate is used, Releasing Shipper must indicate whether bids on a reservation charge basis will be accepted as well and if so must specify the method of evaluating the two types of bids.

- (d) Daily quantity of capacity to be released, expressed in Dth/d, at the designated delivery point(s). (This must not exceed Releasing Shipper's maximum contract demand available for capacity release and shall state the minimum quantity expressed in Dth/d acceptable for release.)
- (e) The term of the release, identifying the date release is to begin and terminate. The minimum release term acceptable to NBP shall be one (1) day.
- (f) Whether the Releasing Shipper is willing to consider release for a shorter period of time than that specified in (e) above and if so, the minimum acceptable period of release.
- (g) The receipt and delivery point(s).
- (h) Whether Option 1, 2, or 3 shall be used to determine the highest valued bid (see Section 6.19.7(a) for a description of bid evaluation Options 1, 2, and 3).

- (i) Whether the Releasing Shipper wants NBP to market its released capacity.
- (j) Whether the Releasing Shipper requests to waive the creditworthiness requirements and agrees in such event to remain liable for all charges.
- (k) Whether Releasing Shipper is an energy affiliate or other affiliate of NBP.
- (l) If release is a prearranged release, the Prearranged Shipper must be qualified pursuant to the criteria of Section 6.19.6(a) unless waived above. Releasing Shipper shall include the Prearranged Shipper bid information pursuant to Section 6.19.6(b) with its release information and shall indicate whether the Prearranged Shipper is affiliated with NBP or the Releasing Shipper.
- (m) Any special nondiscriminatory terms and conditions applicable to the release, such as whether the Replacement Shipper will be prohibited from changing Primary Points.
- (n) Tie-breaker method preferred: (1) pro rata, (2) lottery, (3) order of submission (first-come/first-serve), (4) other. Other method must be objectively stated, administratively feasible as determined by NBP and nondiscriminatory. If no method is selected, the system defaults to pro rata.
- (o) Recall provisions. These provisions must be objectively stated, nondiscriminatory, and applicable to all bidders, operationally and administratively feasible as determined by NBP and in accordance with NBP's tariff.
- (p) The minimum rate (percentage of: reservation charge or a volumetric equivalent of the maximum reservation charge applicable to the Parcel on a one hundred percent (100%) load-factor basis) acceptable to Releaser for this Parcel.
- (q) Whether the Releasing Shipper is willing to accept contingent bids that extend beyond the close of the Bid Period and, if so, any nondiscriminatory terms and conditions applicable to such contingencies including the date by which such contingency must be satisfied (which date shall not be later than the last day upon which NBP must award capacity) and whether, or for what time period, the next highest bidder(s) will be obligated to acquire the capacity should the winning contingent bidder be unable to satisfy the contingency specified in its bid.
- (r) Whether the Releasing Shipper wants to specify a longer bidding period for its Parcel than specified at Section 6.19.8.

#### 6.19.4 Marketing of Capacity Fee.

NBP may act as a facilitator between a Releasing Shipper and a Replacement Shipper(s) that wishes to contract for that Releasing Shipper's capacity. All such Parcels must be posted on NBP's Internet website initially. A posting of a Parcel facilitated by NBP will include both the Parcel by the Releasing Shipper and the bid by the Prearranged Shipper. A marketing of capacity fee shall be negotiated between NBP and Releasing Shipper in a nondiscriminatory manner. Such a fee will apply when: a Releasing Shipper requests NBP to market released capacity, NBP actively markets such capacity beyond posting on the Internet website, and such marketing results in capacity being released to a Replacement Shipper.

#### 6.19.5 Posting of a Parcel.

The posting of a Parcel constitutes an offer to release the capacity provided a willing Replacement Shipper submits a valid bid consistent with NBP's General Terms and Conditions of Service. The posting must contain the information contained in Section 6.19.3. Any specific conditions posted by the Releasing Shipper must be operationally feasible, nondiscriminatory to other shippers, and in conformance with NBP's tariffs. If the Parcel is being released as a Secondary Release, then any recall provisions included in the primary release which may affect the re-release of this capacity must be included in the terms and conditions of the Secondary Release. Each Parcel will be reviewed by NBP prior to posting on the Internet website for bidding. The receipt of a valid release will be acknowledged in the form of an email to the Releasing Shipper.

It is the Releasing Shipper's sole responsibility to provide release and Prearranged Shipper bid information in advance of the close of the Posting Period.

Releasing Shippers who elect to include, as part of their release, nondiscriminatory recall provisions and/or special terms and conditions are required to submit their request to release capacity by at least two (2) business days before the close of the Posting Period as stated in Section 6.19.8. This is to ensure adequate time for NBP to review and validate that any recall and/or special terms and conditions are not discriminatory.

All Prearranged Shipper bids are subject to the Prearranged Shipper(s) meeting the preliminary qualifications as defined in Section 6.19.6(a) for Replacement Shippers.

A Parcel may be revised or withdrawn by the Releasing Shipper at any time prior to the close of the Posting Period. A Parcel cannot be revised after the close of the Posting Period. In accordance with NAESB Standard 5.3.14, offers should be binding until notice of withdrawal is received by NBP on its Internet website.

Parcels may be withdrawn subsequent to the close of the Posting Period and up until the close of the Bid Period only in situations where the Releasing Shipper has an unanticipated need for the capacity. In such instances, Releasing Shipper shall notify NBP electronically of its need to withdraw the Parcel due to an unanticipated need for the capacity. The withdrawal or revision of a Parcel will terminate all bids submitted for that Parcel to date. Replacement Shippers will need to resubmit their bids for the Parcel if the Parcel is resubmitted for release.



#### 6.19.6 Bidding for a Parcel.

##### (a) Preliminary Qualification.

Replacement Shippers are encouraged to pre-qualify in advance of any postings on NBP's Internet website as credit requirements will take differing amounts of time to process depending on the particular financial profile of Replacement Shippers. The pre-qualification process will authorize a pre-set maximum monthly financial exposure level for the Replacement Shipper. Such exposure levels may be adjusted by NBP periodically re-evaluating a Replacement Shipper's credit-worthiness.

Releasing Shippers may exercise their option to waive the credit requirements for any Replacement Shipper wishing to bid on a Parcel posted by that Releasing Shipper. Such waiver must be made on a nondiscriminatory basis. NBP must be informed of such waiver via the Internet website before it will authorize such Replacement Shipper's participation with respect to that particular Parcel. In this instance, no pre-set maximum monthly financial exposure level is applicable.

Should a Releasing Shipper waive the credit requirements for a Replacement Shipper, the Releasing Shipper shall be liable for all charges incurred by the Replacement Shipper in the event such Replacement Shipper defaults on payment to NBP for such capacity release service.

Any potential Replacement Shipper may submit a bid for parcels posted for release. NBP will determine the highest valued bid, based on the bid evaluation method selected by the Releasing Shipper, and verify that the Shipper placing the bid meets NBP's credit requirements before awarding the parcel. Upon notification by NBP of an award of a parcel, NBP shall complete a new FTS-1 contract with the particulars of the awarded parcel and Replacement Shipper shall execute this new contract electronically through the use of an authorization code procedure on NBP's Internet website.

Once a Replacement Shipper has acquired capacity, authority is granted to the Replacement Shipper to release that capacity, unless the Releasing Shipper has specified that the parcel cannot be re-released.

The execution of the FTS-1 service agreement will constitute an obligation on the part of the Replacement Shipper to be bound by the terms and conditions of NBP's capacity release program as set forth in these General Terms and Conditions of Service.

(b) Submitting a Bid.

All bids must be submitted through the use of NBP's Internet website. Such bids shall be "open" for all participants to review. The particulars of all bids will be available for review but not the identity of bidders. NBP will post the identity of the winning bidder(s) only.

A Replacement Shipper cannot request that its bid be "closed", nor can a Releasing Shipper specify that "closed" bids be submitted on its releases. A Replacement Shipper may submit only one bid per Parcel posted at any one point in time. Bids received after the close of the Bid Period shall be invalid. The Replacement Shipper may bid for no more than the quantity of the Parcel posted by the Releasing Shipper. Simultaneous bids for more than one Parcel are permitted.

A valid bid to contract for a Parcel must contain the following information:

- (i) Replacement Shipper's legal name, address, telephone and fax numbers and the name and title of the individual responsible for authorizing the bid.
- (ii) The identification of the Parcel bid on.
- (iii) Term of service requested. The term of service must not exceed the term included in the Parcel.
- (iv) Percentage of the applicable maximum rate, or price in dollars and cents per Dth/d, as identified in the Parcel, that the Replacement Shipper is willing to pay for non-index-based releases or the index-based formula as detailed in the capacity release offer. A Replacement Shipper may not bid below the minimum applicable charge or rate. The bids for the given capacity release offer should adhere to the method specified by the Releasing Shipper. The bidder may bid the maximum reservation rate, in NBP's Tariff, as an alternative to the method specified by the Releasing Shipper, except when the release is index-based for a term of one year or less or utilizes market-based rates.
- (v) The quantity desired not to exceed the quantity contained in the Parcel, expressed on a Dth/d delivered basis and greater than the minimum quantity acceptable to Replacement Shipper.
- (vi) A statement as to whether or not Replacement Shipper is an affiliate of the Releasing Shipper.

- (vii) An affirmative statement that Replacement Shipper agrees to be bound by the terms and conditions of Rate Schedule FTS-1 and NBP's capacity release provisions in its tariff.
  - (viii) Whether the bid is a contingent bid and the contingencies which must be satisfied by the date specified by the Releasing Shipper in its posting of the Parcel.
- (c) Confirmation of Bids.

The receipt of a valid bid by NBP will be acknowledged by the Issuance of a bid confirmation in the form of an email to the Replacement Shipper. It is the Replacement Shipper's sole responsibility to verify the correctness of the submitted bid and to take any corrective action necessary by resubmitting a bid when notified of an invalid or incomplete bid by NBP via the Internet website. This must be done before the close of the Bid Period.

- (d) Withdrawal or Revision of Bids.

A previously submitted bid may be withdrawn or revised and resubmitted at any time prior to the close of the Bid Period with no obligation on the Replacement Shipper's part. In accordance with NAESB Standard 5.3.15, bids cannot be withdrawn after the bid period ends. Resubmitted bids must be equal to or greater in value than the initial bids. Lower valued bids will be invalid. In accordance with NAESB Standard 5.3.13, bids should be binding until notice of withdrawal is received by NBP on its Internet website.

## 6.19.7 Allocation of Parcels.

### (a) Primary Allocation.

In accordance with NAESB Standard 5.3.3, winning bids for Parcels shall be awarded based on one of the following three (3) options to be selected by the Releasing Shipper when posting a Parcel:

#### Option 1 - Highest Rate Equivalent

Bids will be given priority based on the maximum rate bid as represented by (1) a Replacement Shipper's bid of the percentage of the Transporter's maximum authorized reservation charge or a volumetric equivalent of the maximum reservation charge applicable to the Parcel on a 100% load factor basis, or (2) a Replacement Shipper's bid in terms of absolute dollars and cents per Dth.

#### Option 2 - Present Value

Bids will be given priority based on the net present value per Dth for the term of the bid according to the following formula:

$$\text{Present Value per} = P * R * \frac{(1 + i)^n - 1}{i(1 + i)^n}$$

where:

P = percent of the maximum authorized rate or charge that the Replacement Shipper is willing to pay.

R = Rate or charge calculated as: The maximum authorized reservation charge [or a volumetric equivalent of the maximum reservation charge applicable to the Parcel on a one hundred percent (100%) load factor basis] in effect at the time of the bid for service from the same receipt point to the same delivery point under the Releasing Shipper's rate schedule.

For short-term capacity releases not subject to a rate cap, P \* R shall equal a Replacement Shipper's bid in terms of absolute dollars and cents per Dth.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract, not to exceed the maximum periods to be released by the Releasing Shipper. For releases greater than or equal to one (1) month, the period is the number of months. For releases less than one (1) month the period is the number of days.

A bid queue will be maintained for each individual Parcel.

Option 3 - Net Revenue.

Bids will be given priority based on the net revenue for the term of the bid.

If Releasing Shipper does not specify an option for determining best bid, Option 2 will be the default option used.

Under all options, NBP will evaluate and rank all bids for Parcels. For index-based capacity release transactions, the Releasing Shipper should provide the necessary information and instructions to support the chosen methodology.

(b) Right of First Refusal.

In the case of a Prearranged Shipper's bid for a Parcel, at a rate other than at the highest valued bid, pursuant to the methodology specified by the Releasing Shipper, if the bid submitted by a subsequent Replacement Shipper exceeds the value of the Prearranged Shipper's bid, the Prearranged Shipper will be allowed to match the higher valued bid. The Prearranged Shipper will be allowed a match period, as specified in Section 6.19.8, to match the higher valued bid, otherwise, the allocation will be awarded to subsequent Replacement Shipper(s) in accordance with the primary and secondary allocation mechanisms.

(c) Secondary Allocation.

To the extent there is more than one Replacement Shipper submitting a winning bid, the Parcel shall be allocated based on one of the following tie-breaker methodologies to be selected by the Releasing Shipper: pro rata, lottery, order of submission (first come/first serve), or by a method designated by the Releasing Shipper. Releasing Shipper's method must be objectively stated, applicable to all bidders, nondiscriminatory, administratively feasible as determined by NBP and in accordance with NBP's FERC Gas Tariff.

(d) Confirmation of Allocation.

Upon each completion of an allocation, the successful Replacement Shipper(s) will be notified of the terms under which they have contracted for the awarded Parcel. The notification will be provided in the form of an e-mail to the

Replacement Shipper(s). Such notification will be sent within one (1) hour of completion of the allocation. The notice will include the Replacement Shipper's Rate Schedule FTS-1 service agreement number and the pertinent terms of the Replacement Shipper's bid as well as any additional terms specified by the Releasing Shipper. The Releasing Shipper will be notified of the terms under which its Parcel has been awarded. The notification will be provided in the form of an email to the Releasing Shipper. The notification will include all of the pertinent terms of the Releasing Shipper's Parcel.

(e) Purging of Expired Bids.

All unfulfilled bids, as well as any unfulfilled portions of bids, which receive a partial award, will become ineffective as of the completion of bid reconciliation and the close of the Bid Period. Each unsuccessful Replacement Shipper that has bid shall receive a notice by email indicating the ineffectiveness of the bid.

#### 6.19.8 Scheduling of Parcels, Bids and Notifications.

In accordance with NAESB Standard 5.3.2, the following timelines apply to capacity release transactions.

For biddable releases (1 year or less):

- offers should be tendered by 12:00 P.M. CCT (10:00 A.M. PCT) on a Business Day;
- open season ends no later than 1:00 P.M. CCT (11:00 A.M. PCT) on a Business Day (evaluation period begins at 1:00 P.M. CCT (11:00 A.M. PCT) during which contingency is eliminated, determination of best bid is made, and ties are broken);
- evaluation period ends and award posting if no match period is required at 2:00 P.M. CCT (12:00 P.M. PCT);
- match or award is communicated by 2:00 P.M. CCT (12:00 P.M. PCT);
- match response by 2:30 P.M. CCT (12:30 P.M. PCT);
- where match is required, award posting by 3:00 P.M. CCT (1:00 P.M. PCT);
- contract issued within one (1) hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract.

For biddable releases (more than 1 year):

- offers should be tendered by 12:00 P.M. CCT (10:00 A.M. PCT) four (4) Business Days before award;
- open season ends no later than 1:00 P.M. CCT (11:00 A.M. PCT) on the Business Day before timely nominations are due (open season is three (3) Business Days);
- evaluation period begins at 1:00 P.M. CCT (11:00 A.M. PCT) during which contingency is eliminated, determination of best bid is made, and ties are broken;
- evaluation period ends and award posting if no match is required at 2:00 P.M. CCT (12:00 P.M. PCT);
- match or award is communicated by 2:00 P.M. CCT (12:00 P.M. PCT);
- match response by 2:30 P.M. CCT (12:30 P.M. PCT);
- where match required, award posting by 3:00 P.M. CCT (1:00 P.M. PCT);
- contract issued within one (1) hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract.

For non-biddable releases:

Timely Cycle

- posting of prearranged deals not subject to bid are due by 10:30 A.M. CCT (8:30 A.M. PCT);
- contract issued within one (1) hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract.

Evening Cycle

- posting of prearranged deals not subject to bid are due by 5:00 P.M. CCT (3:00 P.M. PCT);
- contract issued within one (1) hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract.

Intraday 1 Cycle

- posting of prearranged deals not subject to bid are due by 9:00 A.M CCT (7:00 A.M. PCT);
- contract issued within one (1) hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract.

Intraday 2 Cycle

- posting of prearranged deals not subject to bid are due by 4:00 P.M. CCT (2:00 P.M. PCT);
- contract issued within one (1) hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract.



#### 6.19.9 Capacity Recall.

Releasing Shipper(s) may, to the extent permitted as a condition of the capacity release, recall released capacity (scheduled or unscheduled) at the Timely Nomination cycle and the Evening Nomination cycle, and recall unscheduled released capacity at the Intra-Day 1 and Intra-Day 2 Nomination cycles by providing notice to the Transporter by the following times for each cycle: 8:00 A.M. CCT (6:00 A.M. PCT) for the Timely Nomination cycle; 5:00 P.M. CCT (3:00 P.M. PCT) for the Evening Nomination cycle; 8:00 A.M. CCT (6:00 A.M. PCT) for the Intra-Day 1 Nomination Cycle; and 3:00 P.M. CCT (1:00 P.M. PCT) for the Intra-Day 2 Nomination cycle. In accordance with NAESB Standard 5.3.55, recall quantities should be expressed in terms of adjusted total released capacity entitlements based upon the Elapsed Prorata Capacity. Notification to Replacement Shippers shall be provided by Transporter within one (1) hour of receipt of recall notification.

#### 6.19.10 Capacity Reput.

In accordance with NAESB Standard 5.3.7, capacity that has been recalled by the Releasing Shipper may be reput to the Replacement Shipper in accordance with the reput provisions of the release (See Section 6.19.3(o)). Shipper seeking to reput capacity shall notify NBP of the reput by 8:00 A.M. CCT (6:00 A.M. PCT). It is the Releasing Shipper's obligation to notify and secure any necessary agreement by the Replacement Shipper to accept the reput under the term of the release prior to notifying NBP.

6.19.11 Reput Method and Rights.

In accordance with NAESB Standard 5.3.8, reput method and rights should be specified at the time of the deal. Reput method and rights are individually negotiated between the Releasing Shipper and Replacement Shipper.

6.19.12 Crediting, Billing Adjustments and Refunds.

(a) Eligibility.

NBP shall provide revenue credits to any Releasing Shipper which releases capacity to a Replacement Shipper pursuant to the provisions of Section 6.19. NBP and Shipper may, in connection with a Negotiated Rate Agreement under a firm rate schedule, agree upon payment obligations and crediting mechanisms in the event of a capacity release that varies from, or are in addition to, those set forth in this Section 6.19.12; provided, however, that terms and conditions of service may not be negotiated.

(b) Monthly Crediting Procedure.

Revenue credits for released capacity shall be credited monthly as an offset to a Releasing Shipper's reservation charge (or the volumetric equivalent of the reservation charge on a one hundred percent (100%) load-factor basis applicable to the Releasing Shipper. This shall also be referred to in this Section 6.19.12 as the equivalent volumetric rate) payable to NBP under the applicable rate schedule for the service that has been released. NBP shall credit each month to the Releasing Shipper's account one hundred percent (100%) of the revenues from the charges invoiced to the Replacement Shipper(s) for the reservation charge (or equivalent volumetric rate).

(c) Billing Adjustments.

NBP shall apply the revenues received from Replacement Shippers first to the reservation charge (or equivalent volumetric rate). Should Replacement shipper default on payment to NBP of the reservation charge (or equivalent volumetric rate) NBP shall bill Releasing Shipper for such unpaid charges and apply interest to such adjustments in accordance with the provisions of Section 6.7 of these General Terms and Conditions of Service.

(d) Excess Revenue Credits.

Releasing Shipper is entitled to excess revenue credits resulting when the reservation charge (or equivalent volumetric rate) revenues actually received by NBP from the Replacement Shipper(s) exceed the reservation charge (or equivalent volumetric rate) revenues which would have been received by NBP from the Releasing Shipper if capacity was not released.

(e) Refunds.

NBP shall track all changes in its rates approved by the Commission. In the event the Commission orders refunds of any such rates charged by NBP and previously

approved, NBP shall make corresponding refunds to all affected Shippers including Shippers receiving capacity release service.

In such instances when rates to Replacement Shippers are reduced, NBP shall make corresponding adjustments to the crediting of revenues to Releasing Shippers for the period such refunds are payable. For capacity release transactions that are not subject to a rate cap, as described in Section 6.19.2 of these General Terms and Conditions, the prevailing rate for the transaction shall be considered just and reasonable and the Replacement Shipper(s) shall not be entitled to receive the refunds referenced herein.

(f) Non-Payment or Default by Releasing Shipper.

In the event Releasing Shipper's Transportation Service Agreement is terminated due to non-payment or credit noncompliance, and notice of termination has been provided to Replacement Shipper(s) as discussed in Sections 6.7 and 6.12 of these General Terms and Conditions of Service, a Replacement Shipper that currently holds temporary release capacity has the right to elect to contract with NBP at the Replacement Shipper's MDQ for the remaining term of its release contract and at the lesser of (1) the Releasing Shipper's original contract rate, or (2) the maximum recourse rate, provided that the Replacement Shipper meets NBP's creditworthiness standards for Firm Transportation Service.

NBP shall designate that the Election Period for Replacement Shipper(s) will be a minimum of one (1) business day for release capacity held for up to one (1) month; a minimum of three (3) business days for release capacity held for greater than one (1) month but less than one (1) year; and a minimum of five (5) business days for release capacity held for one (1) year or more.

If a Replacement Shipper does not elect to contract with NBP at its replacement MDQ for the remaining term of its release contract and at the rate level that the Releasing Shipper originally contracted for, NBP shall have the right to terminate the Replacement Shipper's Transportation Service Agreement and offer such capacity through an open season posting that will subject the capacity to competitive bidding. NBP shall provide fifteen (15) days notice to Replacement Shipper(s) and the Commission that service will terminate pursuant to this paragraph. In the event Transporter terminates service, Transporter may exercise all remedies available to it hereunder, at law or in equity.

Replacement Shippers with prospective claims to temporary release capacity where the temporary release occurs at least one (1) year following the termination of the Releasing Shipper's contract will not have rights to such capacity. Prospective claims to permanent releases of capacity will be honored to the extent that a Replacement Shipper meets NBP's creditworthiness standards for Firm Transportation Service.

6.19.13 Adoption of NAESB Capacity Release Standards.

The following NAESB Standards are adopted by, and clarify, the capacity release provisions set forth in this Section 6.19:

5.3.1; 5.3.4; 5.3.5; 5.3.9; 5.3.11; 5.3.12; 5.3.16; and 5.3.19

## 6.20 NOTICE OF CHANGES IN OPERATING CONDITIONS

NBP and Shipper shall each ensure that the other is notified from time to time as necessary of expected changes in the rates of delivery or receipt of gas, or in the pressures or other operating conditions, and the reason for such expected changes, so that they may be accommodated when they occur.

## 6.21 PLANNED NBP CAPACITY CURTAILMENTS AND INTERRUPTIONS

1. When NBP needs to temporarily curtail or interrupt service to any Shipper hereunder for the purpose of making planned alterations or repairs, NBP shall give Shipper as much notice as possible of the process so that each Shipper's firm transportation requirements are taken into account in the planning process.
2. In the spring of each year NBP shall publish on its Internet website a schedule of planned major maintenance and repairs which affect system capacity. The schedule shall show the estimated delivery point capacity for the next twelve (12) months.
3. On a daily basis NBP shall post, on its Internet website capacity for each forthcoming Gas Day plus the estimated capacity for the next two (2) Gas Days.



## 6.22 FLEXIBLE RECEIPT AND DELIVERY POINTS

### 1. Firm Service.

#### (a) Addition of a Receipt Point.

Any firm Shipper receiving service under Part 284 of the Commission's regulations is entitled to use the receipt point specified in its service agreement as a primary receipt point. A firm Shipper may add a secondary receipt point at any time during the life of the contract.

To the extent additional meter station capacity or other facilities are required to effect the receipt point change, NBP will construct the additional capacity consistent with Section 6.25.

#### (b) Changing a Receipt Point.

A firm Shipper may change primary receipt points to a different receipt point provided sufficient receipt point capacity exists at the receiving meter station and subject to any operating constraints. To the extent additional meter station capacity or other facilities are required to effect the receipt point change, NBP will construct the additional capacity at the firm Shipper's expense consistent with Section 6.25.

#### (c) Addition of a Delivery Point.

Each firm Shipper is entitled to an allocation of its MDQ to a delivery point(s) as its primary delivery point(s).

A firm Shipper may add secondary delivery points at any time during the life of the contract. To the extent additional meter station capacity is required to effect the delivery point(s) change, and subject to any operating constraints NBP will construct the additional capacity consistent with Section 6.25.

#### (d) Changing a Delivery Point.

A firm Shipper may change primary delivery points to a different delivery point. A firm shipper may not change its Primary Delivery Point to a location that would change the direction of flow of the Shipper's Primary Path as defined in Section 6.1 paragraph 27 of this FERC Gas Tariff, although a Firm Shipper may initiate Reverse Path transactions which rely upon secondary point rights. Changes in delivery points will be permitted provided sufficient delivery point capacity exists at the delivery meter station. To the extent additional meter station and subject to any operating constraints capacity is

required to effect the delivery point change, NBP will construct the additional capacity at the firm Shipper's expense consistent with Section 6.25.

(e) Returning to a Former Receipt or Delivery Point.

A Firm Shipper that changes a Receipt or Delivery Point in accordance with this Section 6.22 or that reacquires capacity that the Shipper had released shall be entitled to return to its original Receipt or Delivery Points provided sufficient capacity exists at such point and subject to any operating constraints. To the extent additional facilities are necessary to effectuate such a return, NBP will construct additional capacity at the Firm Shipper's expense consistent with Section 6.25.

2. Interruptible Service.

An Interruptible Shipper may change receipt or delivery points by amending its contract.

## 6.23 FORCE MAJEURE

1. If either party shall fail to perform any obligation imposed upon it by these General Terms and Conditions of Service or by an executed Transportation Service Agreement, and such failure shall be caused, or materially contributed to, by force majeure, such failure shall be deemed not to be a breach of the obligation of such party, but such party shall use reasonable diligence to put itself in a position to carry out its obligations. Force majeure means any acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, extreme heat, cold or freezing weather, arrests and restraints of rulers and people, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions of lines of pipe, inability to obtain pipe, materials or equipment, legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, any acts, omissions or causes whether of the kind herein enumerated or otherwise not reasonably within the control of the party invoking this paragraph and which by the exercise of due diligence such party could not have prevented, the necessity for making repairs to, replacing, or reconditioning machinery, equipment, or pipelines not resulting from the fault or negligence of the party invoking this paragraph. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties.
2. No such cause as described in Section 6.23 paragraph 1 affecting the performance of either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any such cause relieve either party from any obligation unless such party shall give notice thereof in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause.
3. No cause whatsoever, including without limitation the failure of NBP to perform including the causes specified in Section 6.23 paragraph 1, shall relieve Shipper from its obligations to make payments due, including the payments of reservation charges for the duration of such cause.

## 6.24 NEGOTIATED RATES

6.24.1 Availability. Notwithstanding anything to the contrary contained in this Tariff, including the provisions of the rate schedules contained herein, NBP and Shipper may mutually agree to a Negotiated Rate under any Agreement, provided that Shipper has not acquired its capacity on a temporary basis under the capacity release provisions of Section 6.19 of these General Terms and Conditions of Service. If a portion of the capacity under any existing Agreement is agreed to be priced at Negotiated Rates, the existing maximum or discounted tariff rates will continue to apply to the capacity not subject to the Negotiated Rates. As recourse to the Negotiated Rates, any Shipper may receive service at applicable maximum tariff rates, including surcharges. The Negotiated Rate may be less than, equal to, or greater than the maximum applicable tariff rate; may be based on a rate design other than straight-fixed variable; and may include a minimum quantity. NBP's Recourse Rates shall be available to any Shipper that does not agree to a Negotiated Rate. Recourse rates are set forth in the tariff sections within this Tariff.

NBP and a Shipper may agree to a Negotiated Rate for the entire term of a Transportation Service Agreement, or may agree to a negotiated rate for some portion of the term of a Transportation Agreement. NBP and Shipper may agree to apply the Negotiated Rate to all or a portion of capacity under Shipper's Firm Transportation Service Agreement.

During the period a Negotiated Rate is in place, the Negotiated Rate shall govern and apply to the Shipper's service under the Negotiated Rate Agreement and the otherwise applicable rate, rate component, charge or credit which the parties have agreed to replace with the Negotiated Rate shall not apply to, or be available to, the Shipper. Only those rates, rate components, charges or credits identified by NBP and Shipper in writing as being superseded by a Negotiated Rate shall be ineffective during the period that the Negotiated Rate is effective; all other rates, rate components, charges, or credits prescribed, required, established or imposed by this Rate Schedule or Tariff shall remain in effect. At the end of the period during which the Negotiated Rate is in effect, the otherwise applicable tariff rates or charges shall govern any service provided to Shipper.

- 6.24.2 Filing Requirement. Unless NBP executes and files a non-conforming agreement, NBP will submit to the Commission on or before the commencement of service under a Negotiated Rate Contract a tariff section stating the exact legal name of the Shipper, Negotiated Rate, the rate schedule, the receipt and delivery points, the contract quantities and, where applicable, the Negotiated Rate Formula underlying a Negotiated Rate for any Negotiated Rate Agreement. The filing will contain a provision that the Negotiated Rate Agreement does not deviate in any material respect from the Form of Agreement in the tariff for the applicable rate schedule.

- 6.24.3 Rate Treatment. NBP shall have the right to seek in future general rate proceedings discount-type adjustments in the design of its rates related to Negotiated Rate Agreements that were converted from pre-existing discount Agreements to Negotiated Rate Agreements. In those situations, NBP may seek a discount-type adjustment based upon the greater of: (a) the Negotiated Rate revenue received; or (b) the discounted tariff rate revenues which otherwise would have been received.

6.24.4 Limitations. This Section 6.24 does not authorize NBP to negotiate terms and conditions of service.



- 6.24.5 Capacity Release. Negotiated Rates do not apply as the price cap for capacity release transactions. Further, capacity release bids must conform to NBP's applicable tariff rates, as further described in Section 6.19.6(b)(iv) of these General Terms and Conditions of Service.

- 6.24.6 Accounting Treatment. NBP shall maintain separate records for all revenues associated with Negotiated Rate transactions. Transactions related to Negotiated Rate Agreements, which originated as a pre-existing discounted service and were subsequently converted, will be recorded separately from those originating as Negotiated Rate Agreements. NBP shall record each volume transported, billing determinants, rate component, surcharge, and the revenue associated with its Negotiated Rates so that this information can be filed, separately identified, and separately totaled, as part of and in the format of Statements G, I, and J in NBP's next general rate change application.

## 6.25 FACILITIES CONSTRUCTION AND INTERCONNECTION POLICY

1. NBP shall not be obligated to install additional facilities to provide service under this FERC Gas Tariff provided, however, NBP may install or Shipper may pay all of the expenses incurred for installing additional facilities on a nondiscriminatory basis and under terms that are mutually agreeable. In the event NBP incurs the cost of installing additional facilities on behalf of a Shipper, Shipper shall pay, in addition to the rate(s) stated in the applicable rate schedule, the prorated (based on Transportation Contract Demand) cost of service attributable to any such additional facilities until such time as a different allocation procedure is specified by Commission order.
2. Interconnect Policy. NBP will allow any entity to interconnect with its facilities on a nondiscriminatory basis, subject to the following conditions:

First, the party seeking the interconnection must be willing to bear the costs of the construction if NBP performs that task. In the alternative, the party seeking the interconnection could construct the facilities itself in compliance with the pipeline's technical requirements.

Second, the proposed interconnection must not adversely affect the pipeline's operations.

Third, the proposed interconnection and any resulting transportation must not diminish service to NBP's existing customers.

Fourth, the proposed interconnection must not cause NBP to be in violation of any applicable environmental or safety laws or regulations with respect to the facilities required to establish an interconnection with NBP's existing facilities.

Fifth, the proposed interconnection must not cause NBP to be in violation of its right-of-way agreements or any other contractual obligations with respect to the interconnection facilities.

3. Operational Balancing Agreements. For the purposes of minimizing operational conflicts between various natural gas facilities with respect to the delivery of gas to and from NBP's facilities, NBP may negotiate and execute Operational Balancing Agreements ("OBAs") with appropriate parties that operate natural gas facilities interconnecting with NBP's system. Such OBAs shall specify the gas custody transfer procedures to be followed by NBP and the interconnected party for the confirmation of scheduled quantities to be received by NBP at Receipt Point(s) and delivered by NBP at Delivery Point(s). Such OBA will provide that any variance between actual quantities and confirmed nomination quantities at the point where the OBA is in place for any Day shall be resolved pursuant to the terms of the OBA, and the interconnected party shall not be subject to balancing or scheduling penalties. OBAs

are mandatory at all interconnections between NBP and other interstate or intrastate pipelines. NBP may, but shall not be required to enter into an OBA with other interconnected parties.

## 6.26 WARRANTY OF ELIGIBILITY FOR TRANSPORTATION

Any Shipper transporting gas on the NBP system under this FERC Gas Tariff, First Revised Volume No. 1 warrants for itself, its successors and assigns, that it will have at the time of delivery of the gas to NBP hereunder good title to such gas and that it will retain good title to such gas during the time the gas is in possession of NBP. Shipper further warrants for itself, its successors and assigns that all gas delivered to NBP for transportation hereunder is eligible for the requested transportation in interstate commerce under applicable rules, regulations or orders of the FERC, or other agency having jurisdiction. Shipper will indemnify NBP and hold it harmless from all suits, actions, damages, costs, losses, expenses (including reasonable attorney fees) and costs connected with regulatory proceedings, arising from breach of this warranty.

## 6.27 POSSESSION OF GAS AND RESPONSIBILITY

NBP shall be deemed to be in control and possession of, and responsible for, all gas delivered from the time that such gas is received by it at the point of receipt to the time that it is delivered at the point of delivery.

## 6.28 INDEMNIFICATION

Shipper agrees to indemnify and hold harmless NBP, its officers, agents, employees and contractors against any liability, loss or damage whatsoever occurring in connection with or relating in any way to the executed Transportation Service Agreement, including costs and attorneys' fees, whether or not such liability, loss or damage results from any demand, claim, action, cause of action, or suit brought by Shipper or by any person, association or entity, public or private, that is not a party to the executed Transportation Service Agreement, where such liability, loss or damage is suffered by NBP, its officers, agents, employees or contractors as a direct or indirect result of any breach of the executed Transportation Service Agreement or sole or concurrent negligence or gross negligence or other tortuous act(s) or commission(s) by Shipper, its officers, agents, employees or contractors.

## 6.29 ARBITRATION

Any arbitration provided for or agreed to by Shipper and NBP shall be conducted in accordance with the following procedures and principles: The arbitration shall be held under the auspices of the Arbitration Regulations of the International Arbitration Court of the International Chamber of Commerce. Any arbitration shall be conducted in the English language and shall occur in San Diego, California. The decision by the arbitrators on the questions submitted shall be in writing and become part of the agreement between the parties. No arbitration panel shall maintain continuing jurisdiction over the parties or the agreement after the decision has been rendered. Upon the written demand of either NBP or Shipper and within ten (10) days from the date of such demand, each entity shall appoint an arbitrator and the two arbitrators so appointed shall promptly thereafter appoint a third. Unless otherwise determined by the arbitrators, the fees and expenses of the arbitrator named for each party shall be paid by that party and the fees and expenses of the third arbitrator shall be paid in equal proportion by both NBP and Shipper.



## 6.30 GOVERNMENTAL REGULATIONS

These General Terms and Conditions of Service, the rate schedules to which they apply, and any executed Transportation Service Agreement are subject to valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction.

## 6.31 WAIVER OF DEFAULT

No waiver by either NBP or Shipper of any default by the other in the performance of any provisions of an executed Transportation Service Agreement shall operate as a waiver of any continuing or future default, whether of a like or different character.

## 6.32 ASSIGNABILITY

An executed Transportation Service Agreement shall bind and inure to the respective successors and assignees of NBP and Shipper thereto, but no assignment shall release either party thereto from such party's obligations without the written consent of the other party, which consent shall not be unreasonably withheld; provided, however, nothing contained herein shall give Shipper the right to reassign or broker its right to ship the quantities of gas specified in the Transportation Service Agreement on NBP's system to others. Further, nothing contained herein shall prevent either party from pledging, mortgaging or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under any service agreement.

## 6.33 EFFECT OF HEADINGS

The headings used throughout these General Terms and Conditions of Service, the rate schedules to which they apply, and the executed Transportation Service Agreements are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such terms or provisions.

## 6.34 COMPLAINT PROCEDURES

1. Any Shipper or potential Shipper may register a complaint regarding requested or provided transportation service. The complaint may be communicated to NBP primarily by use of NBP's Internet website and secondarily either orally, and/or in writing. Oral complaints should be made to NBP's Director, Commercial Services, telephone (832) 320-5257. Written complaints should be sent via registered or certified mail, facsimile (832) 320-6257, or hand delivered to:

North Baja Pipeline, LLC  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Attention: Director, Commercial Services

Oral, written and Internet website-submitted complaints must contain the following minimum information:

- Shipper or potential Shipper's name, address, and FAX and telephone numbers;
- Shipper or potential Shipper's contact representative;
- A clear, concise statement of the complaint.

Each complaint will be recorded in NBP's Transportation Service Complaint Log maintained by NBP's Gas Transportation and Services Department located in Houston, Texas. Complaints will be logged by date and time received by NBP.

2. NBP will initially respond to each complaint within forty-eight (48) hours after NBP receives it. NBP will provide a written response to each complaint within thirty (30) days after NBP receives it. NBP's written response will be sent to Shipper or potential Shipper by certified or registered mail. If the complaint was filed via the Internet website, then NBP shall respond via the Internet website. A copy of all complaints will be filed in the Transportation Service Complaint Log.

## 6.35 EQUALITY OF TRANSPORTATION SERVICE

NBP hereby states that the terms and conditions of service for all transportation services provided in NBP's FERC Gas Tariff, First Revised Volume No. 1, are provided on a basis that is equal in quality for all Shippers. Furthermore, no preference shall be accorded to any affiliate of NBP in transportation services provided by NBP.

## 6.36 ELECTRONIC COMMUNICATIONS

1. NBP maintains an Internet website at [www.northbajapipeline.com](http://www.northbajapipeline.com). Any entity may access this site to review informational postings concerning NBP's system.
2. Electronic Transactions. Any entity desiring to engage in electronic transactions with NBP through its Internet website shall first execute an electronic transaction agreement. Copies of these agreements may be obtained by contacting NBP at the following location:

North Baja Pipeline, LLC  
Commercial Services  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761

3. Electronic Data Interface: NBP shall maintain an electronic data interface ("EDI") as required by the standards for electronic delivery mechanisms promulgated by NAESB and incorporated in Section 6.40 of this Tariff. EDI is available to any party with access to compatible equipment for electronic communication and transmission of data in accordance with the NAESB standards. A party desiring to utilize this EDI interface first shall execute an Electronic Data Interchange Agreement with NBP. Such Agreement may be either the Standard Form Agreement developed by the NAESB or an alternate Agreement as may be agreed to by the parties. Access to NBP's EDI system is obtained by contacting NBP at the following location:

North Baja Pipeline, LLC  
Commercial Services  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761

## 6.37 ANNUAL CHARGE ADJUSTMENT (ACA) PROVISION

1. Purpose: NBP shall recover from Shippers the annual charge assessed to NBP by the Federal Energy Regulatory Commission for budgetary expenses pursuant to Section 154.402 of the Commission's regulations and Order No. 472 issued May 29, 1987. NBP shall recover this charge by means of an Annual Charge Adjustment (ACA); a per unit rate equivalent to the unit rate assessed against NBP by the Commission shall be included in NBP's transportation rates. (During the period that this ACA provision is in effect, NBP shall not recover in a Natural Gas Act Section 4 rate case annual charges recorded in FERC Account No. 928 assessed to NBP by the Commission pursuant to Order No. 472.)
2. ACA Unit Rate Adjustment: NBP's ACA unit rate shall be the unit rate used by the Commission to determine the annual charge assessment to NBP, and shall be reflected in the Statement of Effective Rates and Charges of this FERC Gas Tariff, First Revised Volume No. 1.
3. Affected Rate Schedules: The ACA provision shall apply to all Transportation that involves the physical movement of gas.



## 6.38 SALES OF EXCESS GAS

NBP may from time to time purchase or sell gas on an interruptible basis as necessary to manage system pressure and maintain system integrity.

## 6.39 DISCOUNT POLICY

1. NBP may from time to time offer a discount to the maximum applicable rate for service under any service agreement governed by this FERC Gas Tariff.

2. Types of Discounts.

From time to time, NBP and Shipper may agree in writing on a level of discount of the otherwise applicable rates and charges in addition to a basic discount from the maximum rates. For example, NBP may provide a specific discount rate based on:

- (a) achievement of specified quantity levels (including quantity levels above, below, or equal to a specified level);
- (b) specified time periods;
- (c) specified points of receipt, points of delivery, supply areas, defined geographic areas, or transportation paths;
- (d) a specified relationship to the quantities actually transported (i.e., that the rates shall be adjusted in a specified relationship to the quantities transported); or
- (e) a formula including, but not limited to, published index prices for specific receipt and/or delivery points or other agreed upon published pricing reference points for price determination (such discounted rate may be based upon the differential between published index prices or arrived at by formula). Such discounted rate: (1) shall not change the underlying rate design; (2) shall not include any minimum bill or minimum take provision that has the effect of guaranteeing revenue; and (3) shall, in each service agreement entered into pursuant to Section 6.39 paragraph 2(e), define the rate component(s) to be discounted.

In all circumstances the discounted rate shall be between the maximum rate and the minimum rate applicable to the service provided.

## 6.40 GAS INDUSTRY STANDARDS

NBP has adopted the Business Practices and Electronic Communications Standards, NAESB WGQ Version 2.0, which are required by the Commission in 18 CFR Section 284.12(a), as indicated below. Standards without accompanying identification or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

### **Standards not Incorporated by Reference and their Location in Tariff:**

<u>NAESB Standard</u>	<u>Tariff record</u>
1.3.1	GT&C – Definitions, 6.1.1
1.3.2(i-v)	GT&C – Nomination Cycles, 6.14.2
1.3.5	GT&C – Information to be Provided with Nomination, 6.14.1
1.3.6	GT&C – Nomination Cycles, 6.14.2(e)
1.3.7	GT&C – Changes to Nominations, 6.14.3(a)
1.3.8	GT&C – Changes to Nominations, 6.14.3(b)
1.3.9	GT&C – Changes to Nominations, 6.14.3(c)
1.3.11	GT&C – Changes to Nominations, 6.14.3(b)
1.3.19	GT&C – Information to be Provided with Nomination, 6.14.1
2.3.7	GT&C – Inspection of Equipment and Records, 6.5.2
2.3.9	GT&C – Definitions, 6.1.6
2.3.11	GT&C – Inspection of Equipment and Records, 6.5.2
2.3.14	GT&C – Inspection of Equipment and Records, 6.5.2
3.3.14	GT&C – Billing, 6.6.1
3.3.15	GT&C – Adjustment of Billing Error, 6.7.5
3.3.17	GT&C – Payment Under All Rate Schedules, 6.7.1
3.3.18	GT&C – Payment Under All Rate Schedules, 6.7.1
3.3.19	GT&C – Payment Under All Rate Schedules, 6.7.1
5.3.2	GT&C – Scheduling of Parcels, Bids, and Notifications, 6.19.8
5.3.3	GT&C – Allocation of Parcels, 6.19.7(a)
5.3.7	GT&C – Capacity Reput, 6.19.10
5.3.8	GT&C – Reput Method and Rights, 6.19.11
5.3.13	GT&C – Bidding for a Parcel, 6.19.6(d)
5.3.14	GT&C – Posting of a Parcel, 6.19.5
5.3.15	GT&C – Bidding for a Parcel, 6.19.6(d)
5.3.26	GT&C – Notice Requirements, 6.19.3(c); and GT&C – Bidding for a Parcel, 6.19.6(b)
5.3.27	GT&C – Notice Requirements, 6.19.3(c)
5.3.55	GT&C – Capacity Recall, 6.19.9

**Standards Incorporated by Reference:**

Additional Standards:

General:

Standards:  
0.3.1, 0.3.2, 0.3.16, 0.3.17

Creditworthiness:

Standards:  
0.3.3, 0.3.4, 0.3.5, 0.3.6, 0.3.7, 0.3.8, 0.3.9, 0.3.10

Gas/Electric Operational Communications:

Definitions:  
0.2.1, 0.2.2, 0.2.3, 0.2.4

Standards:  
0.3.11, 0.3.12, 0.3.13, 0.3.14, 0.3.15

Operating Capacity and Unsubscribed:

Standards:  
0.3.18, 0.3.19, 0.3.20, 0.3.21, 0.3.22

Data Sets:  
0.4.2, 0.4.3

Storage Information:

Data Sets:  
0.4.1

Nominations Related Standards:

Definitions:  
1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.2.5, 1.2.6, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.2.12, 1.2.13,  
1.2.14, 1.2.15, 1.2.16, 1.2.17, 1.2.18, 1.2.19

Standards:  
1.3.2(vi), 1.3.3, 1.3.4, 1.3.13, 1.3.14, 1.3.15, 1.3.16, 1.3.17, 1.3.18, 1.3.20, 1.3.21,  
1.3.22, 1.3.23, 1.3.24, 1.3.25, 1.3.26, 1.3.27, 1.3.28, 1.3.29, 1.3.30, 1.3.31, 1.3.32,

1.3.33, 1.3.34, 1.3.35, 1.3.36, 1.3.37, 1.3.38, 1.3.39, 1.3.40, 1.3.41, 1.3.42, 1.3.43,  
1.3.44, 1.3.45, 1.3.46, 1.3.47, 1.3.48, 1.3.49, 1.3.50, 1.3.51, 1.3.52, 1.3.53, 1.3.54,  
1.3.55, 1.3.56, 1.3.57, 1.3.58, 1.3.59, 1.3.60, 1.3.61, 1.3.62, 1.3.63, 1.3.64, 1.3.65,  
1.3.66, 1.3.67, 1.3.68, 1.3.69, 1.3.70, 1.3.71, 1.3.72, 1.3.73, 1.3.74, 1.3.75, 1.3.76,  
1.3.77, 1.3.79, 1.3.80

Data Sets:

1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7

Flowing Gas Related Standards:

Definitions:

2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.5

Standards:

2.3.1, 2.3.2, 2.3.3, 2.3.4, 2.3.5, 2.3.6, 2.3.8, 2.3.10, 2.3.12, 2.3.13, 2.3.15, 2.3.16,  
2.3.17, 2.3.18, 2.3.19, 2.3.20, 2.3.21, 2.3.22, 2.3.23, 2.3.25, 2.3.26, 2.3.27, 2.3.28,  
2.3.29, 2.3.30, 2.3.31, 2.3.32, 2.3.33, 2.3.34, 2.3.35, 2.3.40, 2.3.41, 2.3.42, 2.3.43,  
2.3.44, 2.3.45, 2.3.46, 2.3.47, 2.3.48, 2.3.49, 2.3.50, 2.3.51, 2.3.52, 2.3.53, 2.3.54,  
2.3.55, 2.3.56, 2.3.57, 2.3.58, 2.3.59, 2.3.60, 2.3.61, 2.3.62, 2.3.63, 2.3.64, 2.3.65

Data Sets:

2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5, 2.4.6, 2.4.7, 2.4.8, 2.4.9, 2.4.10, 2.4.11, 2.4.12,  
2.4.13, 2.4.14, 2.4.15, 2.4.16, 2.4.17, 2.4.18

Invoicing Related Standards:

Definition:

3.2.1

Standards:

3.3.1, 3.3.2, 3.3.3, 3.3.4, 3.3.5, 3.3.6, 3.3.7, 3.3.8, 3.3.9, 3.3.10, 3.3.11, 3.3.12,  
3.3.13, 3.3.16, 3.3.20, 3.3.21, 3.3.22, 3.3.23, 3.3.24, 3.3.25, 3.3.26

Data Sets:

3.4.1, 3.4.2, 3.4.3, 3.4.4

Quadrant Electronic Delivery Mechanism Related Standards:

Definitions:

4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8, 4.2.9, 4.2.10, 4.2.11, 4.2.12,  
4.2.13, 4.2.14, 4.2.15, 4.2.16, 4.2.17, 4.2.18, 4.2.19, 4.2.20

Standards:

4.3.1, 4.3.2, 4.3.3, 4.3.5, 4.3.16, 4.3.17, 4.3.18, 4.3.20, 4.3.22, 4.3.23, 4.3.24, 4.3.25, 4.3.26, 4.3.27, 4.3.28, 4.3.29, 4.3.30, 4.3.31, 4.3.32, 4.3.33, 4.3.34, 4.3.35, 4.3.36, 4.3.38, 4.3.39, 4.3.40, 4.3.41, 4.3.42, 4.3.43, 4.3.44, 4.3.45, 4.3.46, 4.3.47, 4.3.48, 4.3.49, 4.3.50, 4.3.51, 4.3.52, 4.3.53, 4.3.54, 4.3.55, 4.3.56, 4.3.57, 4.3.58, 4.3.59, 4.3.60, 4.3.61, 4.3.62, 4.3.65, 4.3.66, 4.3.67, 4.3.68, 4.3.69, 4.3.72, 4.3.73, 4.3.74, 4.3.75, 4.3.76, 4.3.78, 4.3.79, 4.3.80, 4.3.81, 4.3.82, 4.3.83, 4.3.84, 4.3.85, 4.3.86, 4.3.87, 4.3.89, 4.3.90, 4.3.91, 4.3.92, 4.3.93, 4.3.94, 4.3.95, 4.3.96, 4.3.97, 4.3.98, 4.3.99, 4.3.100, 4.3.101, 4.3.102

Capacity Release Standards:

Definitions:

5.2.1, 5.2.2, 5.2.3, 5.2.4, 5.2.5

Standards:

5.3.1, 5.3.4, 5.3.5, 5.3.9, 5.3.10, 5.3.11, 5.3.12, 5.3.16, 5.3.18, 5.3.19, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.24, 5.3.25, 5.3.28, 5.3.29, 5.3.31, 5.3.32, 5.3.33, 5.3.34, 5.3.35, 5.3.36, 5.3.37, 5.3.38, 5.3.39, 5.3.40, 5.3.41, 5.3.42, 5.3.44, 5.3.45, 5.3.46, 5.3.47, 5.3.48, 5.3.49, 5.3.50, 5.3.51, 5.3.52, 5.3.53, 5.3.54, 5.3.56, 5.3.57, 5.3.58, 5.3.59, 5.3.60, 5.3.62, 5.3.62a, 5.3.63, 5.3.64, 5.3.65, 5.3.66, 5.3.67, 5.3.68, 5.3.69, 5.3.70, 5.3.71, 5.3.72

Data Sets:

5.4.14, 5.4.15, 5.4.16, 5.4.17, 5.4.20, 5.4.21, 5.4.22, 5.4.23, 5.4.24, 5.4.25, 5.4.26, 5.4.27

Internet Electronic Transport Related Standards:

Definitions:

10.2.1, 10.2.2, 10.2.3, 10.2.4, 10.2.5, 10.2.6, 10.2.7, 10.2.8, 10.2.9, 10.2.10, 10.2.11, 10.2.12, 10.2.13, 10.2.14, 10.2.15, 10.2.16, 10.2.17, 10.2.18, 10.2.19, 10.2.20, 10.2.21, 10.2.22, 10.2.23, 10.2.24, 10.2.25, 10.2.26, 10.2.27, 10.2.28, 10.2.29, 10.2.30, 10.2.31, 10.2.32, 10.2.33, 10.2.34, 10.2.35, 10.2.36, 10.2.37, 10.2.38

Standards:

10.3.1, 10.3.3, 10.3.4, 10.3.5, 10.3.6, 10.3.7, 10.3.8, 10.3.9, 10.3.10, 10.3.11, 10.3.12, 10.3.14, 10.3.15, 10.3.16, 10.3.17, 10.3.18, 10.3.19, 10.3.20, 10.3.21, 10.3.22, 10.3.23, 10.3.24, 10.3.25, 10.3.26, 10.3.27

## 6.41 INFORMATIONAL POSTINGS

NBP shall post on its Internet website its procedures for implementation of and compliance with the Commission's Standards of Conduct regulations. All information required to be posted pursuant to such regulations, including, but not limited to, organizational charts, information on shared facilities and shared operating personnel, discounts granted, and notices of waivers and/or exercises of discretion in the application of tariff provisions will be provided on NBP's Internet website under "Informational Postings." Such information will be updated as required by applicable regulation(s) issued by the Commission.

## 6.42 RATIONALIZATION PROCEDURES FOR LNG EXPANSION

For purposes of this Section 6.42, an Original Shipper is defined as a firm shipper whose Firm Transportation Service Agreement supported construction of Transporter's pipeline system, which was certificated by the Federal Energy Regulatory Commission in Docket Nos. CP01-22-000, et al. Original Shipper contracts, which provide for flows in a north to south direction, have primary paths from Ehrenberg, Arizona to the US/Mexico border near Ogilby, California. Notwithstanding primary path restrictions imposed by Section 6.22 paragraph 1(d) of these General Terms and Conditions, this paragraph sets forth a one-time right of Original Shippers to reverse their primary paths to facilitate capacity rationalization in anticipation of a planned expansion of Transporter's system that is designed to accommodate receipts of LNG supplies from Mexico.

- (a) Reverse Flow Rights: Transporter and Original Shipper may mutually agree in advance to reverse all or a portion of Original Shipper's primary path (Reverse Flow Quantity) by switching the location of all or a portion of Original Shipper's primary receipt and delivery point rights. All path reversals shall be implemented on the Reverse Flow Date, which shall be the date that Transporter places into service any necessary facilities and natural gas on Transporter's pipeline starts to flow in a south to north direction, or such other date upon which Shipper and Transporter mutually agree. Reverse Flow Rights are contingent upon Transporter physically reconfiguring its system to allow for receipts of LNG supplies from Mexico and a flow of gas from south to north.
- (b) Reverse Flow Facilities Contribution: Consistent with Section 6.22 paragraph 1(d) and Section 6.25 of Transporter's FERC Gas Tariff, Original Shipper shall reimburse Transporter, on a nondiscriminatory basis and under terms that are mutually agreeable, for costs associated with constructing facilities necessary to effectuate delivery of Original Shipper's Reverse Flow Quantity.



## 6.43 PRESSURE AT POINT(S) OF RECEIPT AND DELIVERY

### 1. Pressure at Point(s) of Receipt.

Unless otherwise agreed to by the parties, Shipper shall cause the gas to be delivered to NBP at the point(s) of receipt at a pressure sufficient to allow the gas to enter NBP's existing pipeline system at the varying pressures that may exist in the system from time to time.

### 2. Pressure at Point(s) of Delivery.

Unless otherwise agreed to by the parties, NBP shall deliver the gas to be transported to or for the account of Shipper at the pressures existing in NBP's system at the point(s) of delivery.

FORM OF SERVICE AGREEMENT

FORM OF SERVICE AGREEMENT - FIRM TRANSPORTATION

FORM OF SERVICE AGREEMENT

APPLICABLE TO FIRM TRANSPORTATION SERVICE  
OFFERED BY NORTH BAJA PIPELINE, LLC  
UNDER RATE SCHEDULE FTS-1

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between North Baja Pipeline, LLC, a Delaware Limited Liability Company (hereinafter referred to as "NBP"), and \_\_\_\_\_ (hereinafter referred to as "Shipper").

WHEREAS, NBP owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires NBP, on a firm basis, to transport certain quantities of natural gas from \_\_\_\_\_ to \_\_\_\_\_; and

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on a firm basis,

NOW, THEREFORE, the parties agree as follows:

I  
Governmental Authority

1. This Firm Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time.
2. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule FTS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

II  
Quantity of Gas and Points of Receipt and Delivery

1. The maximum quantities of gas to be delivered by NBP for Shipper's account at the point(s) of delivery are set forth in Exhibit A, attached hereto, incorporated herein by reference and made a part hereof for all purposes.
2. The point(s) of receipt and delivery are as designated in Exhibit A.

III  
Term of Agreement

1. This Agreement shall become effective \_\_\_\_\_, and shall continue in full force and effect until \_\_\_\_\_.

(if applicable)

Shipper shall be entitled to the right of first refusal provided for in Section 6.10 of the General Terms and Conditions of Service of NBP's Tariff, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10.

(if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of \_\_\_\_\_ unless \_\_\_\_\_ gives at least \_\_\_\_\_ prior written notice of its desire to terminate this Agreement. Under this evergreen provision, parties capable of giving notice of termination may include only Shipper (unilateral evergreen) or may include both Shipper and NBP (bilateral evergreen).

IV  
Rate(s), Rate Schedules,  
and General Terms and Conditions of Service

1. Shipper shall pay NBP each month for services rendered pursuant to this Agreement in accordance with NBP's Rate Schedule FTS-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein.

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule FTS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.

3. Upon notice to Shipper, NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

V  
Miscellaneous

1. This Agreement shall be interpreted according to the laws of the State of California.
2. Shipper warrants that upstream and downstream transportation arrangements are in place, or will be in place as of the requested effective date of service, and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit A attached hereto.
3. Shipper agrees to indemnify and hold NBP harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
4. Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail, or fax, or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, e-mail, or fax, or other means similarly agreed to:

"NORTH BAJA PIPELINE, LLC"  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Attention: Commercial Services

"Shipper"

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

5. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.

6. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
7. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

NORTH BAJA PIPELINE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SHIPPER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A  
TO THE FIRM TRANSPORTATION AGREEMENT

Dated \_\_\_\_\_

Between NORTH BAJA PIPELINE, LLC,

and \_\_\_\_\_

Receipt Point	Delivery Point	Maximum Daily Quantity (Delivered) Dth/d
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RESERVED FOR FUTURE USE

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FORM OF SERVICE AGREEMENT - YUMA LATERAL FIRM TRANSPORTATION

FORM OF SERVICE AGREEMENT

APPLICABLE TO FIRM TRANSPORTATION SERVICE  
OFFERED BY NORTH BAJA PIPELINE, LLC  
UNDER RATE SCHEDULE FTS-1 LATERAL RATE SCHEDULE (LAT-1)

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between North Baja Pipeline, LLC, a Delaware Limited Liability Company (hereinafter referred to as "NBP"), and

\_\_\_\_\_ (hereinafter referred to as "Shipper").

WHEREAS, NBP owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires NBP, on a firm basis, to transport certain quantities of natural gas from \_\_\_\_\_ to \_\_\_\_\_; and

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on a firm basis,

NOW, THEREFORE, the parties agree as follows:

I

Governmental Authority

1. This Firm Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC") contained in 18 CFR Part 284, as amended from time to time.
2. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule FTS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

II  
Quantity of Gas and Points of Receipt and Delivery

1. The maximum quantities of gas to be delivered by NBP for Shipper's account at the point(s) of delivery are set forth in Exhibit A, attached hereto, incorporated herein by reference and made a part hereof for all purposes.
2. The point(s) of receipt and delivery are as designated in Exhibit A.

III  
Term of Agreement

1. This Agreement shall become effective \_\_\_\_\_, and shall continue in full force and effect until \_\_\_\_\_.

(if applicable)

Shipper shall be entitled to the right of first refusal provided for in Section 6.10 of the General Terms and Conditions of Service of NBP's Tariff, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10.

(if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of \_\_\_\_\_ unless \_\_\_\_\_ gives at least \_\_\_\_\_ prior written notice of its desire to terminate this Agreement. Under this evergreen provision, parties capable of giving notice of termination may include only Shipper (unilateral evergreen) or may include both Shipper and NBP (bilateral evergreen).

IV  
Rate(s), Rate Schedule(s),  
and General Terms and Conditions of Service

1. Shipper shall pay NBP each month for services rendered pursuant to this Agreement in accordance with NBP's Rate Schedule FTS-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein.

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule FTS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.

3. Upon notice to Shipper, NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.
4. The following provision is\_\_\_/is not\_\_\_ applicable to this Agreement:  
In addition to the rate established for the NBP-Yuma Lateral, in accordance with Section 6.6 paragraph 3 of NBP's General Terms and Conditions of Service, Shipper also agrees to pay any Third Party Charges which may be incurred by NBP for transportation services on the Gasoducto Rosarito ("GR")-Algodones Lateral necessary to provide transportation services on the GR-Algodones Lateral as provided in Exhibit A.

V  
Miscellaneous

1. This Agreement shall be interpreted according to the laws of the State of California.
2. Shipper agrees to indemnify and hold NBP harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement consistent with NBP's tariff.
3. Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail, or fax, or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, e-mail, or fax or other means similarly agreed to:

"NORTH BAJA PIPELINE, LLC"  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Attention: Commercial Services

"Shipper"

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

4. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.

5. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
6. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

NORTH BAJA PIPELINE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SHIPPER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

TO THE YUMA LATERAL FIRM TRANSPORTATION SERVICE AGREEMENT

Dated \_\_\_\_\_

Between NORTH BAJA PIPELINE, LLC,

and \_\_\_\_\_

Terms of Service

Term: \_\_\_\_\_ years with a Requested Commencement Date of \_\_\_\_\_, 20\_\_

Delivery Point, Receipt Point, Maximum Daily Quantity:

<u>System</u>	<u>Delivery Point</u>	<u>Receipt Point</u>	<u>Maximum Daily Quantity (Dth/Day)</u>
Yuma Lateral			

Third Party Charges: This Option is\_\_\_\_/is not\_\_\_\_ applicable to this Agreement:

NBP has contracted, on behalf of Shipper, for transportation service on the Gasoducto Rosarito portion of the Yuma Lateral (also known as GR-Algodones Lateral) which is located in Mexico. NBP agrees to provide transportation service to Shipper from the interconnection of the GR-Algodones Lateral with the GR Mainline in the vicinity of Algodones, Mexico ("Receipt Point") to the US/Mexico Border at Yuma, Arizona in the vicinity of County 10<sup>th</sup> Street ("Delivery Point"). This service will be for a Maximum Daily Quantity of \_\_\_\_\_ Dth/Day and a term of \_\_\_\_ years.

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FORM OF SERVICE AGREEMENT - INTERRUPTIBLE TRANSPORTATION

FORM OF SERVICE AGREEMENT

APPLICABLE TO INTERRUPTIBLE TRANSPORTATION SERVICE  
OFFERED BY NORTH BAJA PIPELINE, LLC  
UNDER RATE SCHEDULE ITS-1

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between North Baja Pipeline, LLC, a Delaware Limited Liability Company (hereinafter referred to as "NBP"), and

\_\_\_\_\_ (hereinafter referred to as "Shipper").

WHEREAS, NBP owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires NBP, on an interruptible basis, to transport certain quantities of natural gas from \_\_\_\_\_ to \_\_\_\_\_; and

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis,

NOW, THEREFORE, the parties agree as follows:

I

Governmental Authority

1. This Interruptible Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time.
2. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule ITS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable.

Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

## II Quantity of Gas and Points of Receipt and Delivery

1. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP that have a higher priority of service.
2. The maximum quantities of gas to be delivered by NBP for Shipper's account at the point(s) of delivery are set forth in Exhibit A, attached hereto, incorporated herein by reference and made a part hereof for all purposes.
3. The point(s) of receipt and delivery are as designated in Exhibit A.

## III Term of Agreement

1. This Agreement shall become effective \_\_\_\_\_, and shall continue in full force and effect until \_\_\_\_\_.

(if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of \_\_\_\_\_ unless \_\_\_\_\_ gives at least \_\_\_\_\_ prior written notice of its desire to terminate this Agreement. Under this evergreen provision, parties capable of giving notice of termination may include only Shipper (unilateral evergreen) or may include both Shipper and NBP (bilateral evergreen).

## IV Rate(s), Rate Schedules, and General Terms and Conditions of Service

1. Shipper shall pay NBP each month for services rendered pursuant to this Agreement in accordance with NBP's Rate Schedule ITS-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein.

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule ITS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.

3. Upon notice to Shipper, NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

V  
Miscellaneous

1. This Agreement shall be interpreted according to the laws of the State of California.
2. Shipper warrants that upstream and downstream transportation arrangements are in place, or will be in place as of the requested effective date of service, and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit A attached hereto.
3. Shipper agrees to indemnify and hold NBP harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
4. Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail, or fax, or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, e-mail, or fax, or other means similarly agreed to:

"NORTH BAJA PIPELINE, LLC"  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Attention: Commercial Services

"Shipper"

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

5. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.

6. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
7. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

NORTH BAJA PIPELINE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SHIPPER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

TO THE INTERRUPTIBLE TRANSPORTATION AGREEMENT

Dated \_\_\_\_\_

Between NORTH BAJA PIPELINE, LLC,

and \_\_\_\_\_

Receipt Point	Delivery Point	Maximum Daily Quantity (Delivered) Dth/d
------------------	-------------------	---

FORM OF SERVICE AGREEMENT - YUMA LATERAL INTERRUPTIBLE  
TRANSPORTATION

FORM OF SERVICE AGREEMENT

APPLICABLE TO INTERRUPTIBLE TRANSPORTATION SERVICE  
OFFERED BY NORTH BAJA PIPELINE, LLC  
UNDER RATE SCHEDULE ITS-1 LATERAL RATE SCHEDULE (LAT-1)

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between North Baja Pipeline, LLC, a Delaware Limited Liability Company (hereinafter referred to as "NBP"), and

\_\_\_\_\_ (hereinafter referred to as "Shipper").

WHEREAS, NBP owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires NBP, on an interruptible basis, to transport certain quantities of natural gas from \_\_\_\_\_ to \_\_\_\_\_; and

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis,

NOW, THEREFORE, the parties agree as follows:

I

Governmental Authority

1. This Interruptible Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC") contained in 18 CFR Part 284, as amended from time to time.
2. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule ITS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

II  
Quantity of Gas and Points of Receipt and Delivery

1. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP that have a higher priority of service.
2. The maximum quantities of gas to be delivered by NBP for Shipper's account at the point(s) of delivery are set forth in Exhibit A, attached hereto, incorporated herein by reference and made a part hereof for all purposes.
3. The point(s) of receipt and delivery are as designated in Exhibit A.

III  
Term of Agreement

1. This Agreement shall become effective \_\_\_\_\_, and shall continue in full force and effect until \_\_\_\_\_.

(if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of \_\_\_\_\_ unless \_\_\_\_\_ gives at least \_\_\_\_\_ prior written notice of its desire to terminate this Agreement. Under this evergreen provision, parties capable of giving notice of termination may include only Shipper (unilateral evergreen) or may include both Shipper and NBP (bilateral evergreen).

IV  
Rate(s), Rate Schedule(s),  
and General Terms and Conditions of Service

1. Shipper shall pay NBP each month for services rendered pursuant to this Agreement in accordance with NBP's Rate Schedule ITS-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein.

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule ITS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. Upon notice to Shipper, NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and

Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

4. The following provision is\_\_\_\_/is not\_\_\_\_ applicable to this Agreement: In addition to the rate established for the NBP-Yuma Lateral, in accordance with Section 6.6 paragraph 3 of NBP's General Terms and Conditions of Service, Shipper also agrees to pay any Third Party Charges which may be incurred by NBP for transportation services on the Gasoducto Rosarito ("GR") - Algodones Lateral necessary to provide transportation service on the GR-Algodones Lateral as provided in Exhibit A.

V  
Miscellaneous

1. This Agreement shall be interpreted according to the laws of the State of California.
2. Shipper agrees to indemnify and hold NBP harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement consistent with NBP's tariff.
3. Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail, or fax, or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, e-mail, or fax, or other means similarly agreed to:

"NORTH BAJA PIPELINE, LLC"  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Attention: Commercial Services

"Shipper"

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

4. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.



5. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
6. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

NORTH BAJA PIPELINE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SHIPPER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

TO THE YUMA LATERAL INTERRUPTIBLE TRANSPORTATION SERVICE  
AGREEMENT

Dated \_\_\_\_\_

Between NORTH BAJA PIPELINE, LLC,

and \_\_\_\_\_

Terms of Service

Term: \_\_\_\_\_ years with a Requested Commencement Date of \_\_\_\_\_, 20\_\_.

Delivery Point, Receipt Point, Maximum Daily Quantity:

<u>System</u>	<u>Delivery Point</u>	<u>Receipt Point</u>	<u>Maximum Daily Quantity (Dth/Day)</u>
Yuma Lateral			

Third Party Charges: This Option is\_\_\_\_/is not\_\_\_\_ applicable to this Agreement:

NBP has contracted, on behalf of Shipper, for transportation service on the Gasoducto Rosarito portion of the Yuma Lateral (also known as GR-Algodones Lateral) which is located in Mexico. NBP agrees to provide transportation service to Shipper from the interconnection of the GR-Algodones Lateral with the GR Mainline in the vicinity of Algodones, Mexico ("Receipt Point") to the US/Mexico Border at Yuma, Arizona in the vicinity of County 10<sup>th</sup> Street ("Delivery Point"). This service will be for a Maximum Daily Quantity of \_\_\_\_\_ Dth/Day and a term of \_\_\_\_ years.

FORM OF SERVICE AGREEMENT - PARKING AND LENDING SERVICE

FORM OF SERVICE AGREEMENT

APPLICABLE TO PARKING AND LENDING SERVICE  
OFFERED BY NORTH BAJA PIPELINE, LLC  
UNDER RATE SCHEDULE PAL-1

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between North Baja Pipeline, LLC, a Delaware Limited Liability Company (hereinafter referred to as "NBP"), and \_\_\_\_\_ (hereinafter referred to as "Shipper").

WHEREAS, NBP owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires NBP, on an interruptible basis, to park or loan certain quantities of natural gas at various points on NBP's system; and

WHEREAS, NBP is willing to park or loan certain quantities of natural gas for Shipper, on an interruptible basis,

NOW, THEREFORE, the parties agree as follows:

I

Governmental Authority

1. This Parking and Lending Service Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time.
2. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule PAL-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

## II Quantity of Gas and Points of Receipt and Delivery

1. Beginning on the date specified in Article III hereto, and continuing for the remaining term specified in Article III, NBP agrees to receive or advance quantities of gas to Shipper up to the Maximum Quantity ("MQ") specified in Exhibit A, attached hereto, incorporated herein by reference and made a part hereof for all purposes.
2. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP having a higher priority of service.
3. The point(s) of receipt and delivery are as designated in Exhibit A.

## III Term of Agreement

1. This Agreement shall become effective \_\_\_\_\_, and shall continue in full force and effect until \_\_\_\_\_.

(if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of \_\_\_\_\_ unless \_\_\_\_\_ gives at least \_\_\_\_\_ prior written notice of its desire to terminate this Agreement. Under this evergreen provision, parties capable of giving notice of termination may include only Shipper (unilateral evergreen) or may include both Shipper and NBP (bilateral evergreen).

## IV Rate(s), Rate Schedules, and General Terms and Conditions of Service

1. Shipper shall pay NBP each month for services rendered pursuant to this Agreement in accordance with NBP's Rate Schedule PAL-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC. In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein.
2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule PAL-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. Upon notice to Shipper, NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and

Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

V  
Miscellaneous

1. This Agreement shall be interpreted according to the laws of the State of California.
2. Shipper warrants that upstream and downstream transportation arrangements are in place, or will be in place as of the requested effective date of service, and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit A attached hereto.
3. Shipper agrees to indemnify and hold NBP harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
4. Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail, or fax, or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, e-mail, or fax, or other means similarly agreed to:

"NORTH BAJA PIPELINE, LLC"  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Attention: Commercial Services

"Shipper"

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

5. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
6. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.

7. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

NORTH BAJA PIPELINE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SHIPPER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A

TO THE PARKING AND LENDING TRANSPORTATION AGREEMENT

Dated \_\_\_\_\_

Between NORTH BAJA PIPELINE, LLC,

and \_\_\_\_\_

Eligible Points

Maximum Daily  
Quantity  
Dth/d

NON-CONFORMING AGREEMENTS WITH NEGOTIATED RATES



# Index

- First Revised Volume No. 1	0.0.0	4/28/2010
1 - TABLE OF CONTENTS	5.0.0	4/21/2014
2 - PRELIMINARY STATEMENT	2.0.0	9/16/2013
3 - MAPS	2.0.0	6/1/2011
3.1 - System Map	1.0.0	9/16/2013
3.2 - Yuma Lateral Map	1.0.0	9/16/2013
4 - STATEMENT OF RATES	1.0.0	4/28/2010
4.1 - FTS-1, ITS-1, PAL-1 Rates & ACA Surcharge	3.0.0	10/1/2013
4.2 - Negotiated Rate Agreements	1.0.0	4/28/2010
4.2.1 - Negotiated Rate Agreements - Rate Schedule FTS-1	3.0.0	4/1/2011
4.2.2 - Explanatory Footnotes for Negotiated Rates - FTS-1	4.0.0	9/16/2013
4.3 - Non-Conforming Service Agreements	2.0.0	6/1/2010
5 - RATE SCHEDULES	1.0.0	4/28/2010
5.1 - Rate Schedule FTS-1	1.0.0	4/28/2010
5.1.1 - Availability	1.0.0	4/28/2010
5.1.2 - Applicability and Character of Service	1.0.0	4/28/2010
5.1.3 - Rates	2.0.0	4/21/2014
5.1.4 - Authorized Overruns	1.0.0	4/28/2010
5.1.5 - Fuel and Line Loss	1.0.0	4/28/2010
5.1.6 - General Terms and Conditions of Service	1.0.0	4/28/2010
5.2 - Rate Schedule ITS-1	1.0.0	4/28/2010
5.2.1 - Availability	1.0.0	4/28/2010
5.2.2 - Applicability and Character of Service	1.0.0	4/28/2010
5.2.3 - Rates	2.0.0	4/21/2014
5.2.4 - Authorized Overruns	1.0.0	4/28/2010
5.2.5 - Fuel and Line Loss	1.0.0	4/28/2010
5.2.6 - General Terms and Conditions of Service	1.0.0	4/28/2010
5.3 - Rate Schedule PAL-1	1.0.0	4/28/2010
5.3.1 - Availability	1.0.0	4/28/2010
5.3.2 - Applicability and Character of Service	1.0.0	4/28/2010
5.3.3 - Rates	1.0.0	4/28/2010

5.3.4	- Operational Requirements of NBP	1.0.0	4/28/2010
5.3.5	- Commission and Other Regulatory Fees	1.0.0	4/28/2010
5.3.6	- General Terms and Conditions of Service	1.0.0	4/28/2010
6	- GENERAL TERMS AND CONDITIONS OF SERVICE	1.0.0	4/28/2010
6.1	- Definitions	3.0.0	4/21/2014
6.2	- Quality of Gas	2.0.0	7/25/2013
6.3	- Measuring Equipment	1.0.0	4/28/2010
6.4	- Measurements	2.0.0	7/25/2013
6.5	- Inspection of Equipment and Records	2.0.0	11/1/2010
6.6	- Billing	2.0.0	11/1/2010
6.7	- Payment	1.0.0	4/28/2010
6.7.1	- Payment Under All Rate Schedules	2.0.0	11/1/2010
6.7.2	- Interest on Unpaid Amounts	1.0.0	4/28/2010
6.7.3	- Remedies for Failure to Pay	1.0.0	4/28/2010
6.7.4	- Late Billing	1.0.0	4/28/2010
6.7.5	- Adjustment of Billing Error	2.0.0	11/1/2010
6.7.6	- Reservation Charge Credit (Force Majeure)	1.0.0	4/28/2010
6.7.7	- Reservation Charge Credit (Non-Force Majeure)	1.0.0	4/28/2010
6.8	- Availability of Transportation	1.0.0	4/28/2010
6.8.1	- Firm Transportation Service	2.0.0	9/16/2013
6.8.2	- Interruptible Service	1.0.0	4/28/2010
6.8.3	- Commingling	1.0.0	4/28/2010
6.9	- Open Season Procedures	1.0.0	4/28/2010
6.9.1	- Open Seasons for Existing Capacity	2.0.0	9/16/2013
6.9.2	- Open Seasons for New Capacity	1.0.0	4/28/2010
6.9.3	- Open Seasons Under Right of First Refusal	1.0.0	4/28/2010
6.10	- Right of First Refusal ("ROFR")	2.0.0	4/21/2014
6.10.1	- ROFR - Original Capacity Holder Elects Termination	1.0.0	4/28/2010
6.10.2	- ROFR - Original Capacity Holder Does Not Elect Termination	1.0.0	4/28/2010
6.10.3	- ROFR - Bid Evaluation	1.0.0	4/28/2010
6.10.4	- ROFR - Continuing Service Negotiations	1.0.0	4/28/2010
6.10.5	- ROFR - Shipper Liability Upon Termination	1.0.0	4/28/2010
6.10.6	- ROFR - Valid Bids	1.0.0	4/28/2010
6.10.7	- ROFR - Right of First Refusal Rights	1.0.0	4/28/2010
6.10.8	- ROFR - Process When No Capacity is Awarded	1.0.0	4/28/2010

- 6.11 - Qualifying for Service 2.0.0 4/21/2014
- 6.12 - Creditworthiness 1.0.0 4/28/2010
- 6.12.1 - Creditworthiness for Firm Transportation Service 1.0.0 4/28/2010
- 6.12.2 - Credit Standards for Capacity Release 1.0.0 4/28/2010
- 6.12.3 - Credit Requirements 1.0.0 4/28/2010
- 6.12.4 - Creditworthiness for Interruptible Transportation Service 1.0.0 4/28/2010
- 6.12.5 - Creditworthiness for Lending Service 1.0.0 4/28/2010
- 6.12.6 - Creditworthiness for FT and IT Services 1.0.0 4/28/2010
- 6.13 - Priority of Service 1.0.0 4/28/2010
- 6.13.1 - Firm Scheduling Priorities Through Pipeline Segments 1.0.0 4/28/2010
- 6.13.2 - Firm Scheduling Priorities Through Receipt Point Constraints 1.0.0 4/28/2010
- 6.13.3 - Firm Scheduling Priorities Through Delivery Points 1.0.0 4/28/2010
- 6.13.4 - Scheduling Priority For Capacity Release 1.0.0 4/28/2010
- 6.13.5 - Priority of Interruptible and PAL Service 1.0.0 4/28/2010
- 6.14 - Scheduling and Nominations 1.0.0 4/28/2010
- 6.14.1 - Information to be Provided with Nomination 2.0.0 11/1/2010
- 6.14.2 - Nomination Cycles 2.0.0 11/1/2010
- 6.14.3 - Changes to Nominations 2.0.0 11/1/2010
- 6.14.4 - Information Reliability 1.0.0 4/28/2010
- 6.14.5 - Uniform Hourly Rates 1.0.0 4/28/2010
- 6.14.6 - North American Energy Standards Board Standards 2.0.0 11/1/2010
- 6.15 - Curtailment 1.0.0 4/28/2010
- 6.16 - Balancing 1.0.0 4/28/2010
- 6.16.1 - Actual Delivered Quantity Exceeds MDQ 1.0.0 4/28/2010
- 6.16.2 - Actual Delivered Qty. Exceeds Actual Confirmed Receipt Qty. 1.0.0 4/28/2010
- 6.16.3 - Actual Confirmed Receipt Qty. Exceeds Actual Delivered Qty. 1.0.0 4/28/2010
- 6.16.4 - Crediting of Penalties 1.0.0 4/28/2010
- 6.16.5 - Imbalance Netting 1.0.0 4/28/2010
- 6.16.6 - Imbalance Trading 1.0.0 4/28/2010
- 6.16.7 - Posting Imbalance Trades 1.0.0 4/28/2010
- 6.17 - Market Centers 1.0.0 4/28/2010
- 6.18 - Operational Flow Orders ("OFO") 1.0.0 4/28/2010
- 6.18.1 - OFO - General 1.0.0 4/28/2010

- 6.18.2 - OFO Applicability 1.0.0 4/28/2010
- 6.18.3 - OFO Notice Procedures 1.0.0 4/28/2010
- 6.18.4 - OFO - Curtailment of Interruptible Service 1.0.0 4/28/2010
- 6.18.5 - Failure to Comply with OFO 1.0.0 4/28/2010
- 6.18.6 - OFO - Remedial Actions in the Event of Non-Compliance 1.0.0 4/28/2010
- 6.18.7 - Responsibility for Damages in the Event of Non-Compliance 1.0.0 4/28/2010
- 6.18.8 - OFO - NBP Responsibility for Backing Loss of Supply 1.0.0 4/28/2010
- 6.18.9 - Shipper Opportunity to Correct OFO Situation 1.0.0 4/28/2010
- 6.19 - Capacity Release 1.0.0 4/28/2010
- 6.19.1 - Eligibility to Release 1.0.0 4/28/2010
- 6.19.2 - Types of Release 1.0.0 4/28/2010
- 6.19.3 - Notice Requirements 2.0.0 11/1/2010
- 6.19.4 - Marketing of Capacity Fee 1.0.0 4/28/2010
- 6.19.5 - Posting of a Parcel 4.0.0 12/1/2012
- 6.19.6 - Bidding for a Parcel 4.0.0 12/1/2012
- 6.19.7 - Allocation of Parcels 2.0.0 11/1/2010
- 6.19.8 - Scheduling of Parcels, Bids and Notifications 2.0.0 11/1/2010
- 6.19.9 - Capacity Recall 2.0.0 11/1/2010
- 6.19.10 - Capacity Reput 2.0.0 11/1/2010
- 6.19.11 - Reput Method and Rights 2.0.0 11/1/2010
- 6.19.12 - Crediting, Billing Adjustments and Refunds 1.0.0 4/28/2010
- 6.19.13 - Adoption of NAESB Capacity Release Standards 2.0.0 11/1/2010
- 6.20 - Notices of Changes in Operating Conditions 1.0.0 4/28/2010
- 6.21 - Planned NBP Capacity Curtailments and Interruptions 1.0.0 4/28/2010
- 6.22 - Flexible Receipt and Delivery Points 1.0.0 4/28/2010
- 6.23 - Force Majeure 1.0.0 4/28/2010
- 6.24 - Negotiated Rates 1.0.0 4/28/2010
- 6.24.1 - Availability 1.0.0 4/28/2010
- 6.24.2 - Filing Requirement 1.0.0 4/28/2010
- 6.24.3 - Rate Treatment 1.0.0 4/28/2010
- 6.24.4 - Limitations 1.0.0 4/28/2010
- 6.24.5 - Capacity Release 1.0.0 4/28/2010
- 6.24.6 - Accounting Treatment 1.0.0 4/28/2010
- 6.25 - Facilities Construction and Interconnection Policy 1.0.0 4/28/2010
- 6.26 - Warranty of Eligibility for Transportation 1.0.0 4/28/2010

**North Baja Pipeline, LLC**  
**First Revised Volume No. 1**

<b>6.27 - Possession of Gas and Responsibility</b>	<b>1.0.0 4/28/2010</b>
<b>6.28 - Indemnification</b>	<b>1.0.0 4/28/2010</b>
<b>6.29 - Arbitration</b>	<b>1.0.0 4/28/2010</b>
<b>6.30 - Governmental Regulations</b>	<b>1.0.0 4/28/2010</b>
<b>6.31 - Waiver of Default</b>	<b>1.0.0 4/28/2010</b>
<b>6.32 - Assignability</b>	<b>1.0.0 4/28/2010</b>
<b>6.33 - Effect of Headings</b>	<b>1.0.0 4/28/2010</b>
<b>6.34 - Complaint Procedures</b>	<b>1.0.0 4/28/2010</b>
<b>6.35 - Equality of Transportation Service</b>	<b>1.0.0 4/28/2010</b>
<b>6.36 - Electronic Communications</b>	<b>1.0.0 4/28/2010</b>
<b>6.37 - Annual Charge Adjustment (ACA) Provision</b>	<b>2.0.0 10/1/2013</b>
<b>6.38 - Sales of Excess Gas</b>	<b>1.0.0 4/28/2010</b>
<b>6.39 - Discount Policy</b>	<b>1.0.0 4/28/2010</b>
<b>6.40 - Gas Industry Standards</b>	<b>5.1.0 12/1/2012</b>
<b>6.41 - Informational Postings</b>	<b>1.0.0 4/28/2010</b>
<b>6.42 - Rationalization Procedures for LNG Expansion</b>	<b>1.0.0 4/28/2010</b>
<b>6.43 - Pressure at Point(s) of Receipt and Delivery</b>	<b>0.0.0 4/21/2014</b>
<b>7 - FORM OF SERVICE AGREEMENT</b>	<b>1.0.0 4/28/2010</b>
<b>7.1 - Rate Schedule FTS-1</b>	<b>3.0.0 4/21/2014</b>
<b>7.1.1 - Rate Schedule FTS-1 - Exhibit A</b>	<b>1.0.0 4/28/2010</b>
<b>7.1.2 - Reserved for Future Use</b>	<b>2.0.0 4/21/2014</b>
<b>7.1.3 - Reserved for Future Use</b>	<b>2.0.0 4/21/2014</b>
<b>7.2 - Rate Schedule FTS-1 (LAT-1)</b>	<b>3.0.0 4/21/2014</b>
<b>7.2.1 - Rate Schedule FTS-1 (LAT-1) - Exhibit A</b>	<b>2.0.0 9/16/2013</b>
<b>7.2.2 - Reserved for Future Use</b>	<b>2.0.0 4/21/2014</b>
<b>7.2.3 - Reserved for Future Use</b>	<b>2.0.0 4/21/2014</b>
<b>7.3 - Rate Schedule ITS-1</b>	<b>3.0.0 4/21/2014</b>
<b>7.3.1 - Rate Schedule ITS-1 - Exhibit A</b>	<b>1.0.0 4/28/2010</b>
<b>7.4 - Rate Schedule ITS-1 (LAT-1)</b>	<b>3.0.0 4/21/2014</b>
<b>7.4.1 - Rate Schedule ITS-1 (LAT-1) - Exhibit A</b>	<b>2.0.0 9/16/2013</b>
<b>7.5 - Rate Schedule PAL-1</b>	<b>3.0.0 4/21/2014</b>
<b>7.5.1 - Rate Schedule PAL-1 - Exhibit A</b>	<b>1.0.0 4/28/2010</b>
<b>8 - NON-CONFORMING AGREEMENTS WITH NEGOTIATED RATES</b>	<b>1.0.0 5/18/2010</b>