



PANHANDLE EASTERN PIPE LINE
An ENERGY TRANSFER Company

March 11, 2020

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

Re: Panhandle Eastern Pipe Line Company, LP
Order on Technical Conference Filing
Docket No. RP19-1523-000

Dear Ms. Bose:

In compliance with the Federal Energy Regulatory Commission's (Commission) Order on Technical Conference (Technical Conference Order) issued February 28, 2020, Panhandle Eastern Pipe Line Company, LP (Panhandle) hereby submits the revised tariff records to its FERC NGA Gas Tariff, Fourth Revised Volume No. 1, which are listed in Appendix A hereto to be effective on March 1, 2020.

STATEMENT OF NATURE, REASONS AND BASIS

The technical conference for the non-rate tariff proposals in the subject docket was held on October 30, 2019. Panhandle filed initial comments on November 26, 2019 (Panhandle Initial Comments) including proposed revisions on the *pro forma* tariff records listed on Appendix A thereto in response to the discussion at the technical conference. In the Technical Conference Order, the Commission accepted the proposed *pro forma* changes to: 1) correct the description of the Monthly Capacity Charge calculation in Section 3.1 of Rate Schedules IOS and FS; 2) change "hourly charges" to "Unauthorized Overrun Penalty" in Section 3.6 of Rate Schedule EIT; 3) withdraw backhaul and forwardhaul definitions in GT&C Section 1; and 4) correct the references in GT&C Section 29. Panhandle files herein these five actual tariff records which are identical with the content and version number of the *pro forma* tariff records.

In the Technical Conference Order, the Commission accepted some revisions and rejected other proposed revisions in GT&C Section 7. Therefore, in compliance with the Technical Conference Order, Panhandle files herein a new version of GT&C Section 7 to reflect; 1) the addition of subtitles for Section 7.1; 2) clarification in Section 7.1(b) that the prime interest rate in effect on the first day of the open season will be utilized to determine the economic value of a request for service; 3) clarification in Section 7.1(e) that future capacity shall be posted for five business days prior to commencement of an open season; and

4) clarification in Section 7.1(f) that Panhandle will post the winning bidder(s) name and the methodology used to determine the winning bid.

In compliance with the Technical Conference Order, Panhandle clarifies in GT&C Section 15.7(g) that all replacement shippers will be scheduled utilizing the award rate and removes the exception for an asset manager or a marketer participating in a state-regulated access program. Last, Panhandle removes the provision in GT&C Section 24.5 titled “Notice of Responsibility of Deferred Amounts.”

Proposed revisions that the Commission accepted in the Technical Conference Order are shown on the currently effective tariff records that were motioned into effect on March 1, 2020. The accepted revisions include:

- 1) Cancellation of various transportation and storage services
- 2) New provision for Enhanced Interruptible Transportation service
- 3) Elimination of the current special rate for limited backhaul service
- 4) Modifications to scheduling parameters
- 5) New provision for deduct meters
- 6) Addition of miscellaneous fuel usage
- 7) Addition of new interruptible storage service
- 8) Revision to rate schedules to change from monthly to daily reservation rates
- 9) Minor modifications

IMPLEMENTATION AND WAIVERS REQUESTED

Panhandle requests that the tariff records submitted herewith become effective March 1, 2020. Panhandle respectfully requests that the Commission grant waiver of Section 154.207 of the Commission’s Regulations and any other waivers of its Regulations that it deems necessary to allow the proposed tariff records in this filing to become effective March 1, 2020.

CONTENTS OF THE FILING

This filing is made in electronic format in compliance with Section 154.4 of the Commission’s Regulations. The proposed tariff records in RTF format with metadata attached are submitted as part of an XML filing package containing the following:

- A transmittal letter including Appendix A in PDF format
- A clean copy of the proposed tariff records in PDF format
- A marked version of the proposed tariff changes in PDF format
- A copy of the complete filing in PDF format for publishing in eLibrary

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In accordance with Section 154.2(d) of the Commission's Regulations, a copy of this filing is available for public inspection during regular business hours at Panhandle's office at 1300 Main Street, Houston, Texas 77002. In addition, copies of this filing are being served electronically on all parties to this proceeding. Panhandle has posted this filing on its Internet website accessible via <http://peplmessenger.energytransfer.com> under Informational Postings, Regulatory.

Pursuant to Section 385.2005(a) of the Commission's Regulations, the undersigned has read this filing and knows its contents, the contents are true as stated, to the best of his knowledge, and belief, and possesses full power and authority to sign such filing.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY, LP

/s/ Michael T. Langston

Michael T. Langston
Vice President, Chief Regulatory Officer

PANHANDLE EASTERN PIPE LINE COMPANY, LP
FERC NGA Gas Tariff
Fourth Revised Volume No. 1

Docket No. RP19-1523-000
Order on Technical Conference
Tariff Records

<u>Version</u>	<u>Description</u>	<u>Title</u>
1.1.0	Rate Schedule IOS	In/Out Storage Service
1.1.0	Rate Schedule FS	Flexible Storage Service
1.1.0	Rate Schedule EIT	Enhanced Interruptible Transportation Service
3.1.0	GT&C Section 1.	Definitions
3.2.0	GT&C Section 7.	Contracting for Service Rights
7.1.0	GT&C Section 15.	Procedures For Capacity Release
1.2.0	GT&C Section 24.	Fuel Reimbursement Adjustment
0.1.0	GT&C Section 29.	Creditworthiness

RATE SCHEDULE IOS
IN/OUT STORAGE SERVICE

1. AVAILABILITY

This Rate Schedule is available for Natural Gas Storage service performed by Panhandle Eastern Pipe Line Company, LP (hereinafter called Panhandle) for any party (hereinafter called Shipper) which has executed a Service Agreement in the form prescribed under this Tariff for service under this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to Gas made available by Shipper to Panhandle under firm, interruptible or third party transportation agreements at the IOS Point and nominated for Storage under this Rate Schedule, subject to the General Terms and Conditions herein and the further provisions of the Service Agreement.

The service provided hereunder consists of the injection by Panhandle of Shipper's Gas into Storage, Storage in Panhandle's Field Area Storage Facilities and the subsequent withdrawal from Storage of Shipper's Gas, all on a firm basis. Injections may be made at any time, subject to daily nomination by Shipper and available Maximum Stored Quantity. The Maximum Daily Injection Quantity (MDIQ) shall be 1/200th of the Maximum Stored Quantity. Withdrawals may be made at any time, subject to daily nomination by Shipper and available Stored Volume. The Maximum Daily Withdrawal Quantity (MDWQ) shall be 1/100th of the Maximum Stored Quantity. Shipper's Maximum Stored Quantity shall be a uniform quantity throughout the term of the Service Agreement, except that Panhandle may, but shall not be obligated to, agree on a not unduly discriminatory basis to certain differing levels in Shipper's Maximum Stored Quantity for specified periods during the term of the Service Agreement. The effective period of each Maximum Stored Quantity level shall be specified in the executed Service Agreement.

The available Stored Volume shall be increased, up to the Maximum Stored Quantity, by the Quantity of Gas Shipper transfers into IOS Storage in accordance with Section 14.2 of the General Terms and Conditions. The available Stored Volume shall be reduced by the Quantity of Gas Shipper transfers out of IOS Storage in accordance with Section 14.2 of the General Terms and Conditions.

In no event shall Panhandle be obligated to provide any Storage service for which capacity is not available or which would require the construction or acquisition of new facilities or the modification or expansion of existing facilities.

3. RATES

The rates and charges for Storage service under this Rate Schedule shall be as follows:

3.1 Capacity Charge

Shipper shall pay a Monthly Capacity Charge which shall be the product of 1/12th the Maximum Stored Quantity times the capacity charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS multiplied by the number of days in the Month.

3.2 Deliverability Charge

Shipper shall pay a Monthly Deliverability Charge which shall be the product of the Maximum Daily Withdrawal Quantity times the deliverability charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS multiplied by the number of days in the Month.

3.3 Injection Charge

Shipper shall pay an Injection Charge which shall be the product of the Quantity of Gas actually delivered at the IOS Point and injected into Storage during the Month times the injection charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS.

3.4 Withdrawal Charge

Shipper shall pay a Withdrawal Charge which shall be the product of the Quantity of Gas actually withdrawn from Storage and delivered to Shipper at the IOS Point during the Month times the withdrawal charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS.

3.5 Surcharges

Shipper shall pay all surcharges specified in the General Terms and Conditions or which otherwise may be applicable to service under this Rate Schedule from time to time.

3.6 Overrun Charge and Unauthorized Overrun Penalty

Shipper shall pay the overrun charge and, if applicable, the Unauthorized Overrun Penalty per Dt. of Gas actually delivered at the IOS Point and injected into Storage or withdrawn from Storage and delivered at the IOS Point during any Day in excess of the MDIQ and MDWQ set out in the Service Agreement, as applicable. The Overrun Charge per Dt. shall be as set forth on the Currently Effective Rates for Rate Schedule IOS and the Unauthorized Overrun Penalty shall be as set forth in Sections 12.16 and 12.17 of the General Terms and Conditions.

3.7 Range of Rates

Unless otherwise agreed to in writing by Shipper and Panhandle, any rate applicable to a Shipper for service hereunder, by reference to the Currently Effective Rates for Rate Schedule IOS shall be the applicable Maximum Rate(s) set forth thereon. If an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be applicable prospectively.

3.8 Fuel Reimbursement

Shipper shall reimburse Panhandle in kind for fuel usage and lost or unaccounted for Gas pursuant to the terms and conditions of the Service Agreement and as stated on the Currently Effective Rates for Rate Schedule IOS for service hereunder.

3.9 Negotiated Rates

Shipper and Panhandle may agree, on a prospective basis, to a Negotiated Rate with respect to the charges identified in Sections 3.1, 3.2, 3.3 and 3.4 herein which may be less than, equal to or greater than the Maximum Rate; shall not be less than the Minimum Rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity. Such Negotiated Rate shall be set forth on Exhibit A of the executed Service Agreement and on the Currently Effective Rates for Negotiated Rates. The Maximum Rate shall be available to any Shipper that does not choose a Negotiated Rate.

Shippers paying a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of scheduling, curtailment and interruption, and calculating the economic value of a request for unsubscribed firm capacity. In addition, a Shipper that does not agree to pay any surcharges will not be granted a scheduling preference that deems such surcharges have been paid. Replacement Shippers are not eligible for Negotiated Rates. Replacement Shippers may bid or pay a rate greater than Maximum Rate if the release of capacity is for a period of one year or less and the release is to take effect on or before one year from the date on which Panhandle is notified of the release.

In the event that capacity subject to a Negotiated Rate which is based on a rate design other than straight fixed variable is released, Shipper and Panhandle may agree on billing adjustments to the Releasing Shipper that may vary from or are in addition to those set forth in Section 15.6 of the General Terms and Conditions in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. Such payment obligation and crediting mechanism for capacity release shall be set forth on Exhibit A of the executed Service Agreement. Nothing in this Section 3.9 shall authorize Panhandle or Shipper to negotiate terms and conditions of service.

4. MONTHLY BILL

The Monthly Bill for service under this Rate Schedule shall be equal to the capacity charge, the deliverability charge, the injection charge, the withdrawal charge, any overrun charges plus all applicable surcharges.

5. RESERVATIONS

Panhandle reserves the right from time to time to unilaterally make any changes to, or to supersede, the rates and charges and other terms in this Rate Schedule and the other provisions of Panhandle's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder.

6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Panhandle's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

RATE SCHEDULE FS
FLEXIBLE STORAGE SERVICE

1. AVAILABILITY

This Rate Schedule is available for Natural Gas Storage service performed by Panhandle Eastern Pipe Line Company, LP (hereinafter called Panhandle) for any party (hereinafter called Shipper) which has executed a Service Agreement in the form prescribed under this Tariff for service under this Rate Schedule for Storage service from either Panhandle's Market Area Storage Facilities or Field Area Storage Facilities.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to Gas made available by Shipper to Panhandle under firm, interruptible or third party transportation agreements at the applicable FS Point and nominated for Storage under this Rate Schedule, subject to the General Terms and Conditions herein and the further provisions of the Service Agreement. In addition, where Shipper is utilizing a third party to make Gas available for Storage in Panhandle's Market Area Storage Facilities under this Rate Schedule, the Shipper may designate as the FS Point an off-system Market Area Storage Facility that Panhandle has leased from a third party, subject to operational feasibility, the terms and conditions applicable to Panhandle's agreement with the third party providing the off-system storage, the General Terms and Conditions herein, and the further provisions of the Service Agreement.

The service provided hereunder consists of the injection of Shipper's Gas into Storage at the applicable FS Point in Panhandle's Market Area Storage Facilities or Field Area Storage Facilities, as elected by the Shipper in the Service Agreement, and the subsequent withdrawal from Storage of Shipper's Gas, at the applicable FS Point, all on a firm basis. Injections may be made in accordance with the FS Storage Agreement, subject to daily nomination by Shipper and available Maximum Stored Quantity. Withdrawals may be made in accordance with the FS Storage Agreement, subject to daily nomination by Shipper and available Stored Volume. Injections and withdrawals, other than as specifically provided for in the FS Storage Agreement will be permitted on an interruptible basis, subject to Panhandle's management of Storage to preserve deliverability. Maximum Daily Withdrawal Quantities (MDWQ) and Maximum Daily Injection Quantities (MDIQ) shall be in accordance with the FS Storage Agreement. Shipper's Maximum Stored Quantity shall be a uniform quantity throughout the term of the Service Agreement, except that Panhandle may, but shall not be obligated to, agree on a not unduly discriminatory basis to certain differing levels in Shipper's Maximum Stored Quantity for specified periods during the term of the Service Agreement. The effective period of each Maximum Stored Quantity level shall be specified in the executed Service Agreement. Available withdrawal quantities will vary according to the percentage of Shipper's Stored Volume to the Maximum Stored Quantity in accordance with the FS Storage Agreement.

The available Stored Volume shall be increased, up to the Maximum Stored Quantity, by the Quantity of Gas Shipper transfers into FS Storage in accordance with Section 14.2 of the General Terms and Conditions. The available Stored Volume shall be reduced by the Quantity of Gas Shipper transfers out of FS Storage in accordance with Section 14.2 of the General Terms and Conditions.

In no event shall Panhandle be obligated to provide any Storage service for which capacity is not available or which would require the construction or acquisition of new facilities or the modification or expansion of existing facilities.

3. RATES

The rates and charges for Storage service under this Rate Schedule from Panhandle's Market Area Storage Facilities and Field Area Storage Facilities shall be as follows:

3.1 Capacity Charge

Shipper shall pay a Monthly Capacity Charge which shall be the product of 1/12th the Maximum Stored Quantity times the applicable capacity charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS multiplied by the number of days in the month.

3.2 Deliverability Charge

Shipper shall pay a Monthly Deliverability Charge which shall be the product of the Maximum Daily Withdrawal Quantity set out in the FS Storage Agreement times the applicable deliverability charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS multiplied by the number of days in the month.

3.3 Injection Charge

Shipper shall pay an Injection Charge which shall be the product of the Quantity of Gas actually received from Shipper at the FS Point and injected into Storage during the Month times the applicable injection charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS.

3.4 Withdrawal Charge

Shipper shall pay a Withdrawal Charge which shall be the product of the Quantity of Gas actually withdrawn from Storage and delivered to Shipper at the FS Point during the Month times the applicable withdrawal charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS.

3.5 Surcharges

Shipper shall pay all surcharges specified in the General Terms and Conditions or which otherwise may be applicable to service under this Rate Schedule from time to time.

3.6 Overrun Charge and Unauthorized Overrun Penalty

Shipper shall pay the applicable Overrun Charge and, if applicable, the Unauthorized Overrun Penalty per Dt. of Gas actually delivered at the applicable FS Point and injected into Storage or withdrawn from Storage and received for transportation at the applicable FS Point during any Day in excess of the MDIQ and MDWQ set out in the Service Agreement, as applicable. The Overrun Charge per Dt. shall be as set forth on the Currently Effective Rates for Rate Schedule FS and the Unauthorized Overrun Penalty shall be as set forth in Sections 12.16 and 12.17 of the General Terms and Conditions. For purposes of computing Overrun Charges and Unauthorized Overrun Penalties applicable to withdrawals in excess of MDWQ when available withdrawal quantities are reduced as a result of Stored Volume being below the levels specified in the FS Storage Agreement, the MDWQ as stated in the FS Storage Agreement shall be deemed to be reduced in accordance with the ratchets, if any, set forth in the FS Storage Agreement. The Overrun Charge will not apply to injections or withdrawals during each specified period as set forth in the FS Storage Agreement, if the Quantities injected or withdrawn are within the MDIQ or MDWQ, as applicable.

3.7 Range of Rates

Unless otherwise agreed to in writing by Shipper and Panhandle, any rate applicable to a Shipper for service hereunder, by reference to the Currently Effective Rates for Rate Schedule FS shall be the applicable Maximum Rate(s) set forth thereon. If an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be applicable prospectively.

3.8 Fuel Reimbursement

Shipper shall reimburse Panhandle in kind for fuel usage and lost or unaccounted for Gas pursuant to the terms and conditions of the Service Agreement and as stated on the Currently Effective Rates for Rate Schedule FS for service hereunder. If the Stored Volume of the Shipper is not reduced to 20% of Maximum Stored Quantity or less prior to the end of the Winter Period of any Contract Year as specified in the Service Agreement, then Panhandle shall retain .25% of the excess Stored Volume over 20% of the Maximum Stored Quantity to compensate for additional compressor fuel required.

3.9 Negotiated Rates

Shipper and Panhandle may agree, on a prospective basis, to a Negotiated Rate with respect to the charges identified in Sections 3.1, 3.2, 3.3 and 3.4 herein which may be less than, equal to or greater than the Maximum Rate; shall not be less than the Minimum Rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity. Such Negotiated Rate shall be set forth on Exhibit A of the executed Service Agreement and on the Currently Effective Rates for Negotiated

Rates. The Maximum Rate shall be available to any Shipper that does not choose a Negotiated Rate.

Shippers paying a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of scheduling, curtailment and interruption, and calculating the economic value of a request for unsubscribed firm capacity. In addition, a Shipper that does not agree to pay any surcharges will not be granted a scheduling preference that deems such surcharges have been paid. Replacement Shippers are not eligible for Negotiated Rates. Replacement Shippers may bid or pay a rate greater than Maximum Rate if the release of capacity is for a period of one year or less and the release is to take effect on or before one year from the date on which Panhandle is notified of the release.

In the event that capacity subject to a Negotiated Rate which is based on a rate design other than straight fixed variable is released, Shipper and Panhandle may agree on billing adjustments to the Releasing Shipper that may vary from or are in addition to those set forth in Section 15.6 of the General Terms and Conditions in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. Such payment obligation and crediting mechanism for capacity release shall be set forth on Exhibit A of the executed Service Agreement. Nothing in this Section 3.9 shall authorize Panhandle or Shipper to negotiate terms and conditions of service.

4. MONTHLY BILL

The Monthly Bill for service under this Rate Schedule shall be equal to the capacity charge, the deliverability charge, the injection charge, the withdrawal charge, any applicable overrun charges plus all applicable surcharges.

5. RESERVATIONS

Panhandle reserves the right from time to time to unilaterally make any changes to, or to supersede, the rates and charges and other terms in this Rate Schedule and the other provisions of Panhandle's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder.

6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Panhandle's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

RATE SCHEDULE EIT
ENHANCED INTERRUPTIBLE TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule is available for Natural Gas Transportation and Gathering service performed by Panhandle Eastern Pipe Line Company, LP (hereinafter called Panhandle) for any party (hereinafter called Shipper):

- (a) which has executed a Service Agreement in the form prescribed under Panhandle's FERC Gas Tariff for service under this Rate Schedule;
- (b) which delivers Natural Gas or causes Natural Gas to be delivered to Panhandle for delivery by Panhandle for the account of Shipper; and
- (c) which receives such Gas from Panhandle at a Point(s) of Delivery on a basis consistent with Section 5, below.

This service is available for interruptible service at a Point(s) of Delivery without regard to the presence of a Flow Control Device.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to the interruptible Transportation and Gathering of Natural Gas on Panhandle's system, subject to the General Terms and Conditions herein and the further provisions of the Service Agreement.

The service provided by Panhandle under this Rate Schedule consists of the receipt of Natural Gas by Panhandle at the Point(s) of Receipt located on Panhandle's system and specified in the executed Service Agreement and the delivery of such Gas, after appropriate reductions, at a Point(s) of Delivery located on Panhandle's system and specified in the executed Service Agreement up to the Maximum Daily Contract Quantity (MDCQ) set out in the executed Service Agreement, subject to the availability of capacity.

In no event shall Panhandle be obligated to provide any Transportation or Gathering service for which capacity is not available or which would require the construction or acquisition of new facilities or the modification or expansion of existing facilities.

3. RATES

The rates and charges for interruptible service under this Rate Schedule shall be as follows:

3.1 Transmission Charge

If Shipper designates interruptible Point(s) of Receipt or interruptible Point(s) of Delivery on the transmission portion of Panhandle's system, Shipper shall pay a Transmission Charge which shall be the product of the actual Quantity of Gas delivered during the Month times the Transmission commodity rate per Dt. as set forth on the Currently Effective Rates for Rate Schedule EIT. If both the Point(s) of Receipt and the Point(s) of Delivery are located within the Field Zone, the applicable rate shall be as set forth on the Currently Effective Rates for Rate Schedule EIT for service within the Field Zone only; if both the Point(s) of Receipt and Point(s) of Delivery are located within the Market Zone, the applicable rates shall be as set forth on the Currently Effective Rates for Rate Schedule EIT for service within the Market Zone only; if the Point(s) of Receipt and the Point(s) of Delivery are located in different zones, the applicable rates shall be derived by adding the effective rates for service in the Field Zone and the Market Zone.

3.2 Gathering Charge

If Shipper designates Point(s) of Receipt or Point(s) of Delivery in the Gathering portion of Panhandle's system or utilizes the Gathering portion of Panhandle's system for interruptible service hereunder, Shipper shall pay a Gathering Charge which shall be the product of the actual Quantity of Gas delivered during the Month times the applicable rate per Dt. as set forth on the Currently Effective Rates for Rate Schedule EIT.

3.3 Transportation Involving Pooling

The rates for interruptible Transportation under Rate Schedule EIT involving pooling, as set forth in Section 14 of the General Terms and Conditions, shall be as specified in this Section 3; provided that the rates charged for service under a Pooling Transportation Agreement shall not include Field Zone Transmission Charges, so long as title to such Gas passes to another Shipper and the Quantities of Gas are delivered for immediate receipt and subsequent Transportation on Panhandle's system under a Service Agreement to which Field Zone Transmission Charges apply. If the Pooling Shipper notifies Panhandle in writing at the time its initial nomination for the Month is submitted that it has agreed to pay the Field Zone charges, such charges shall not apply to the Quantities transported under the Corresponding Transportation Agreement but shall apply to the Pooling Transportation Agreement for such Month. In addition, if the Corresponding Shipper notifies Panhandle in writing at the time its initial nomination for the Month is submitted that it has agreed to pay the Gathering charges, such charges shall not apply to the Quantities transported under the Pooling Transportation Agreement but shall apply to the Corresponding Transportation Agreement for such Month.

3.4 Surcharges

Shipper shall pay all surcharges specified in the General Terms and Conditions or which otherwise may be applicable to service under this Rate Schedule from time to time.

3.5 Takes in Excess of Permissible Hourly Deliveries

If, pursuant to Section 5 hereof, Shipper has been notified that it must limit takes to one-sixteenth of the Quantities nominated and scheduled for delivery at the Point(s) of Delivery, Shipper must use its best efforts to limit its takes to one-sixteenth of the Quantities nominated and scheduled for delivery at the Point(s) of Delivery as soon as possible, but in no event later than two hours following notification. If, after such two hours, the Shipper's takes exceed such hourly limitation for any hour during the next twenty-four hour period, Shipper shall pay the hourly charges as set forth in Section 12.11(g) of the General Terms and Conditions.

3.6 Unauthorized Overrun Penalty for Takes During an OFO

Panhandle may issue an OFO and, if it does so, Panhandle shall notify Shippers via the Messenger® system, the Web Site, telephone or electronic communication. Once issued the OFO shall continue until Panhandle notifies Shippers to the contrary using the above methods. If, during an OFO Shipper has been notified, pursuant to Section 5 hereof, that it must limit takes to one-sixteenth of the Quantities nominated for delivery at the Point(s) of Delivery, Shipper must use its best efforts to limit its takes to one-sixteenth of the Quantities nominated for delivery at the Point(s) of Delivery as soon as possible, but in no event later than two hours following notification. If, after such two hours, the Shipper's takes exceed such hourly limitation for any hour during the next twenty-four hour period, Shipper shall pay the Unauthorized Overrun Penalty as set forth in Section 12.17(f)(ii) of the General Terms and Conditions.

3.7 Range of Rates

Unless otherwise agreed to in writing by Shipper and Panhandle, any rate applicable to a Shipper for service hereunder, by reference to the Currently Effective Rates for Rate Schedule EIT shall be the applicable Maximum Rate(s) set forth thereon. If an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be applicable prospectively.

3.8 Fuel Reimbursement

Shipper shall reimburse Panhandle in kind for fuel usage and lost or unaccounted for Gas pursuant to the terms and conditions of the Service Agreement and as stated on the Currently Effective Rates for Rate Schedule EIT for service hereunder.

3.9 Balancing Charges

If balancing charges are incurred in accordance with Section 12 of the General Terms and Conditions, then such balancing charges shall also be applicable.

4. MONTHLY BILL

The Monthly Bill for service under this Rate Schedule shall be equal to the Transmission Charge, the Gathering Charge, any applicable overrun and balancing charges plus all applicable surcharges.

5. HOURLY DELIVERIES

Shipper shall deliver Natural Gas or cause Natural Gas to be delivered for the account of Shipper on a uniform hourly basis as nearly as practicable. At each Point(s) of Delivery Shipper may receive from Panhandle in any hour such Quantities of Gas as it desires or as are consistent with available pipeline pressures at such point(s); provided that Panhandle shall be entitled to require Shipper to restrict takes at any point during any hour to one-sixteenth of the Natural Gas nominated for Transportation to that Point(s) of Delivery on that Day by notifying Shipper via the Messenger® system, the Web Site, telephone or electronic communication.

6. RESERVATIONS

Panhandle reserves the right from time to time to unilaterally make any changes to, or to supersede, the rates and charges and other terms in this Rate Schedule and the other provisions of Panhandle's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder.

7. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Panhandle's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

GENERAL TERMS AND CONDITIONS

The following General Terms and Conditions are applicable to any service provided hereunder:

1. DEFINITIONS

British Thermal Unit (Btu) shall mean the amount of heat required to raise the temperature of one (1) avoirdupois pound of pure water from 58.5°F to 59.5°F under standard conditions as described in Section 4.2.

Business Day shall mean Monday through Friday from 8:00 A.M. to 5:00 P.M. Central Clock Time excluding Federal Banking Holidays.

Central Time or Central Clock Time shall mean the time in the Central Time Zone, as adjusted for Daylight Savings Time and Standard Time.

Commission or FERC shall mean the Federal Energy Regulatory Commission or any successor regulatory agency.

Contract Year as used in Rate Schedules FT, EFT, SCT, IT, EIT, IOS, IIOS, GDS, TBS, LFT and DVS shall mean an annual period beginning the first Day of the Month following the effectiveness of the Service Agreement and ending twelve Months later; and as used in Rate Schedules FS and IFS shall mean an annual period beginning April 1 and ending the following March 31.

Corresponding Transportation Agreement shall mean a Transportation Agreement that identifies a Pool Point as a Point of Receipt and provides for further delivery downstream of the Pool Point.

Corresponding Shipper shall mean a Shipper that nominates receipts of Gas at a Pool Point for subsequent delivery under a Corresponding Transportation Agreement.

Daily Scheduling Charge shall mean the charge that applies to a Transportation Agreement when the difference between the sum of the actual Quantities of Gas delivered at any Point of Delivery and the sum of Quantities of Gas nominated at such point exceeds the tolerance level. The Daily Scheduling Charge under normal conditions is set forth in Section 12.11(h) of the General Terms and Conditions and the Daily Scheduling Charge that applies when Panhandle issues an OFO is set forth in Section 12.17 of the General Terms and Conditions.

Day shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 A.M. Central Clock Time. The reference date for any Day shall be the date of the beginning of such Day.

Dekatherm (Dt.) shall mean one thousand cubic feet of Gas (Mcf) with a heat content of 1,000 Btu per cubic foot on a measurement basis specified under Section 4 herein and based on the same pressure base as the volumes.

DVS Party shall mean the entity that has executed a Service Agreement under Rate Schedule DVS with Panhandle.

Electronic Funds Transfer shall mean payments made or effected by wire transfer (Fedwire, CHIPS, or Bank Book Entry) or Automated Clearing House (ACH) or any other recognized electronic or automated payment mechanism that is agreed upon by Shipper and Panhandle in the future.

Electronic Gas Measurement (EGM) shall mean that form of measurement equipment which may consist of a computerized remote terminal unit, transducers and other associated power, radio and sensing and other electronic devices to accomplish Gas measurement and transfer of data, without the use of charts.

Field Area Storage Facilities shall mean the storage facilities Panhandle owns and leases located upstream of the suction side of Panhandle's Haven, Kansas Compressor Station.

Field Zone shall mean the portion of Panhandle's system located on the suction side of Panhandle's Haven, Kansas Compressor Station and extending westward through Kansas, Oklahoma and Texas.

Flow Control Device shall mean a physical valve at a Point of Receipt or Point of Delivery on Panhandle's pipeline which provides Panhandle with control over flowing volumes at that point.

Former Tariff shall mean Panhandle's FERC GAS TARIFF, Original Volume No. 1.

FS Point shall mean the point at which Gas is received for injection into Storage and Gas withdrawn from Storage is delivered to Panhandle under Rate Schedule FS or IFS. If Shipper's Service Agreement provides for Storage service under Rate Schedules FS or IFS from Panhandle's Market Area Storage Facilities, the FS Point shall be at a point near the Michigan and Ohio state line traversed by Panhandle's pipeline facilities; if Shipper's Service Agreement provides for Storage service under Rate Schedules FS or IFS from Panhandle's Field Area Storage Facilities, the FS Point shall be at a point near Panhandle's Haven, Kansas Compressor Stations.

Fuel Reimbursement shall mean the reimbursement of Panhandle by Shipper in kind for fuel usage and lost or unaccounted for Gas.

Gathering shall mean the receipt by Panhandle of Natural Gas from a wellhead or other facility connected to Panhandle's Gathering facilities and its Transportation to the outlet side of Panhandle's facilities at the terminus of any portion of Panhandle's Gathering system or such other mutually agreeable point(s) on Panhandle's Gathering system as set forth in the Transportation Agreement.

IOS Point shall mean the point near Panhandle's Haven, Kansas Compressor Station at which Gas is received for injection into Storage and Gas withdrawn from Storage is delivered to Panhandle under Rate Schedules IOS and IIOS.

Long-Term Agreement shall mean a Transportation or Storage Agreement with a primary term of one year or more from the effective date of the Agreement.

Market Area Storage Facilities shall mean the storage facilities Panhandle owns and leases located downstream of the discharge side of Panhandle's Haven, Kansas Compressor Station.

Market Zone shall mean the portion of Panhandle's system located on the discharge side of Panhandle's Haven, Kansas Compressor Station and extending eastward through Kansas, Missouri, Illinois, Indiana, Ohio and Michigan.

Master Delivery Point List (MDPL) shall mean the current list of meter stations and points available to Shippers as Points of Delivery as posted on the Messenger® system at any time.

Master Parking Point List (MPPL) shall mean the current list of points available to Shippers as Parking points as posted on the Messenger® system at any time.

Master Receipt Point List (MRPL) shall mean the current list of meter stations and points available to Shippers as Points of Receipt as posted on the Messenger® system at any time.

Maximum Daily Contract Quantity (MDCQ) shall mean the maximum Quantity of Gas which Panhandle is obligated to deliver on any Day at a Point of Delivery to Shipper as specified in an executed Transportation Agreement.

Maximum Daily Injection Quantity (MDIQ) shall mean the maximum Quantity of Gas which Panhandle is obligated to inject into Storage for the account of Shipper on any Day as specified in an executed Storage Agreement.

Maximum Daily Variance Quantity (MDVQ) shall mean the maximum Quantity of Gas that Panhandle is obligated to manage under Rate Schedule DVS.

Maximum Daily Withdrawal Quantity (MDWQ) shall mean the maximum Quantity of Gas which Panhandle is obligated to withdraw from Storage for the account of Shipper on any Day as specified in an executed Storage Agreement.

Maximum Rate shall mean the applicable maximum rate as set forth on the Currently Effective Rates for the applicable Rate Schedule plus all surcharges specified in the General Terms and Conditions as may be applicable from time to time.

Maximum Stored Quantity (MSQ) shall mean the maximum Quantity of Gas which Shipper is permitted to have in Storage at any time during the Contract Year as specified in an executed Storage Agreement.

Messenger® shall mean the electronic communication system offered by Panhandle on a nondiscriminatory basis to any Shipper that has compatible equipment for electronic transmission of data, provided that such Shipper has been assigned a USERID and password and agrees to

comply with the procedures for access to Messenger® and with the procedures for use of the Messenger® system.

Minimum Rate shall mean the applicable minimum rate as set forth on the Currently Effective Rates for the applicable Rate Schedule.

Month shall mean the period beginning at 9:00 a.m. Central Time on the first Day of the calendar Month and ending at 9:00 a.m. Central Clock Time on the first Day of the next succeeding calendar Month.

Mcf shall mean 1,000 cubic feet of Gas.

Mmcf shall mean 1,000,000 cubic feet of Gas.

Natural Gas or Gas shall mean either Natural Gas unmixed, or a mixture of natural and artificial Gas.

Negotiated Rate shall mean the rate agreed to by Shipper and Panhandle which may be less than, equal to or greater than the Maximum Rate but shall not be less than the Minimum Rate. The Negotiated Rate may be based on a rate design other than straight fixed variable and may include a minimum quantity.

Operational Flow Order (OFO) shall mean an order issued by Panhandle in the circumstances specified in Section 12.17 requiring a Shipper(s) to take a certain action(s) or to refrain from taking a certain action(s).

Overrun Charge shall mean the charge that applies when a Shipper takes Quantities of Gas in excess of the MDCQ as stated in Shipper's Service Agreement under Rate Schedules FT, EFT, SCT and LFT. Overrun Charge shall also mean the charge that applies when Shipper exceeds the MDIQ or MDWQ under Shipper's Service Agreement as reflected in Section 3.6 of Rate Schedules IOS and FS.

Panhandle shall mean Panhandle Eastern Pipe Line Company, LP.

Parking shall mean the receipt by Panhandle of Gas from or for the account of Shipper, the holding of such Gas for a period of time and the subsequent redelivery to Shipper.

Parking Agreement shall mean an agreement for Parking service provided under Rate Schedule GPS.

Point of Delivery shall mean a point at the outlet side of Panhandle's facilities at a point of interconnection between the facilities of Panhandle and the facilities of Shipper or Shipper's designee, a Pool Point or such other mutually agreeable point as set forth in the Service Agreement. Point(s) of Delivery located on the Gathering and transmission portions of Panhandle's system shall be identified in the Service Agreement.

Point of Receipt shall mean a point at the inlet side of Panhandle's facilities at a point of interconnection between the facilities of Panhandle and facilities of Shipper or Shipper's designee, a Pool Point or such other mutually agreeable point as set forth in the Service Agreement. Point(s) of Receipt located on the Gathering and transmission portions of Panhandle's system shall be identified in the Service Agreement.

Pool Point shall mean a point on Panhandle's system located at or west of Panhandle's Haven, Kansas Compressor Station which has been identified as a Point of Receipt in a Corresponding Transportation Agreement, subject to Section 14 herein. A Pool Point may not be located at a point where Gas physically enters or leaves Panhandle's system.

Pooling Shipper shall mean a Shipper under a Pooling Transportation Agreement.

Pooling Transportation Agreement shall mean a Transportation Agreement under Rate Schedules FT, EFT, IT, EIT or LFT that designates a Pool Point as the sole Point of Delivery.

Primary Path shall mean the portion of capacity physically located between the designated Primary Points of Receipt and Delivery.

Quantity of Gas or any other substantially similar phrase shall be the number of units of Gas expressed in Dekatherms (Dt.).

Seasonal Storage shall mean Storage service provided under Rate Schedules FS or IFS.

Service Agreement shall mean a Transportation Agreement, Storage Agreement, Parking Agreement, or Delivery Variance Service Agreement.

Shipper shall mean the entity that has executed a Service Agreement with Panhandle for any capacity release or any Transportation or Storage service.

Storage shall mean the receipt by Panhandle of Gas from or for the account of Shipper, the retention by Panhandle of that Gas for a period of time in an underground facility and the redelivery to Shipper.

Storage Agreement shall mean an agreement for Storage service provided under Rate Schedules IOS, IIOS FS or IFS.

Stored Volume shall mean the Quantity of Gas held by Panhandle in Storage for Shipper's account at any time.

Summer Period shall mean the period from April 1 through October 31.

Thermal or Thermally Equivalent shall mean an equal number of Btu's.

Transportation shall mean forwardhaul, backhaul or any other method of transport of Gas as defined in the FERC's Regulations, except Storage.

Transportation Agreement shall mean an agreement for Transportation service provided under Rate Schedule FT, EFT, SCT, IT, EIT, LFT or GPS.

Unauthorized Gas shall mean any Quantity of Gas, either received or delivered by Panhandle which cannot be identified as being received or delivered pursuant to a Transportation or Storage withdrawal nomination on behalf of an existing Shipper.

Unauthorized Overrun Penalty shall mean the penalty that applies when, on any Day, Shipper takes Quantities of Gas in excess of the MDCQ as stated in the Transportation Agreement or Quantities of Gas in excess of the MDIQ or MDWQ as stated in the Storage Agreement and such excess Quantities have not been scheduled by Panhandle.

Web Site shall mean Panhandle's HTML page accessible via the Internet's World Wide Web located at <http://peplmessenger.energytransfer.com>.

Winter Period shall mean the period November 1 through March 31 of the next year.

GENERAL TERMS AND CONDITIONS

7. CONTRACTING FOR SERVICE RIGHTS

This Section 7 governs the order in which requests for Transportation or Storage service rights shall be accommodated where capacity is not available for all valid requests. It does not govern scheduling, which is governed by Section 8 herein.

7.1 Order For Accommodating Firm Service Rights

(a) Request for Available Capacity

Subject to the provisions of Section 7.2 hereof, as firm capacity becomes available for (1) Transportation, (2) Storage from Field Area Storage Facilities under Rate Schedule IOS or FS, or (3) Storage from Market Area Storage Facilities under Rate Schedule FS, requests for firm services shall be fulfilled first, commencing with the requested service offering the greatest economic value for the capacity available. If the economic values, as determined below, of separate service requests are equal, then service shall be offered in sequence starting with the request for such service with the earliest date. If separate service requests have equal economic values and the same date of request, service shall be offered to such requests on a pro rata basis.

(b) Economic Value of Requests

The economic value of request(s) for service rights shall be the net present value of the reservation charges, capacity charges and deliverability charges that Shipper would pay at the rates Shipper has requested, which shall not be less than the Minimum Rate nor greater than the Maximum Rates as stated on the Currently Effective Rates governing such service, over the term of service specified in the request(s), utilizing as the annual discount factor the prime interest rate in accordance with Section 154.501(d) of the Commission's Regulations as posted on the Commission's web site. The prime interest rate utilized shall be the rate in effect on the date the open season notice is posted. The net present value for capacity awarded in an open season pursuant to Section 7.1(f) or(g) below, may be calculated on a per Dt. basis or on an aggregate basis as stated in the open season notice. For purposes of determining the economic value of request(s) for service rights under Rate Schedule SCT, the net present value will be determined using the applicable reservation rate per Dt. under Rate Schedule EFT at a load factor of 100%. Shippers requesting service at a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of determining the economic value of request(s) for service rights.

(c) Service Agreement

Panhandle shall tender Service Agreements to potential Shipper(s) whose request(s) for firm service can be accommodated through the capacity that becomes available in accordance with the order established under Section 7.1(a).

If Panhandle tenders a Service Agreement, but does not receive the executed Service Agreement within fifteen (15) Days from the date the Service Agreement is sent, the request for service rights shall expire without prejudice to the prospective Shipper's right to submit a new request for service rights, provided, however, that Panhandle and Shipper may agree to extend the foregoing deadline. In the event the prospective Shipper returns a Service Agreement with a rate less than that used to determine the economic value of the request or with a term less than that used to determine the economic value of the request or both, Panhandle shall redetermine the economic value of the Shipper's request in accordance with Section 7.1(b) hereof. If the request continues to qualify for service, and Panhandle agrees to the rate, Panhandle shall execute the Service Agreement. If the request does not continue to qualify for service, the Service Agreement shall be deemed null and void, and the prospective Shipper's request shall be modified in accordance with the terms proposed by the prospective Shipper.

(d) Request for Future Service

A request for future service may be received and processed if the request is associated with an open season, new supply being attached to Panhandle's system, termination of an existing contract on another pipeline, a direct-served customer, defined below, who now desires to contract for firm service directly with Panhandle at the direct-served primary delivery point, construction of new facilities required to serve a new receipt or delivery point, or the construction and/or modification of facilities that will result in a material increase in gas usage or production. A direct-served customer shall mean an end-use entity that is directly connected to Panhandle's system at the time of shipper's applicable request for service and is served on a firm basis under a Service Agreement on Panhandle held by a third-party, non-affiliated Panhandle Shipper other than the direct-served customer. A prospective shipper requesting future service must submit written evidence that one of these conditions applies.

(e) Posting

From time to time, Panhandle may post future capacity prior to an open season for unsubscribed capacity or capacity that becomes available due to expiration of a Service Agreement(s) in which any right of first refusal, rollover or other extension rights are expired. The specified future capacity shall be posted on the Web Site for a minimum of five (5) Business Days prior to commencement of an open season.

(f) Open Season Process

Panhandle shall have the right to conduct an open season for particular segments of capacity, whether currently available capacity or future capacity pursuant to GT&C Sections 7.1(d) and (e). The open season will be conducted for a minimum of five (5) Business Days. The description of the capacity and instructions for bidding will be included in the open season posting.

Any party who desires to participate in the open season must meet the requirements of GT&C Section 29 prior to participation in the open season. All bids must be submitted on the binding bid form attached to the open season posting and must indicate whether a bidder is willing to accept a partial award. A bid can be withdrawn or changed during the bidding period; however, any new or changed bid cannot have a lesser net present value than the bidder's previous bid. All bids shall be binding on the bidder upon conclusion of the bidding period. Panhandle reserves the right to reject any and all bids, including bids that detrimentally impact the operational integrity of Panhandle's system, bids that do not satisfy the terms of the open season posting and bids that are incomplete or contain terms and conditions other than those set forth in Panhandle's Tariff. Panhandle may, but shall not be required to, accept bids that are not for continuous service at a constant MDCQ for the entire term of the service. Panhandle's discretion to accept or reject a bid shall be exercised on a not unduly discriminatory basis. Panhandle will promptly notify bidder via electronic communication of its reason(s) for such rejection.

Bids will be evaluated based on the net present value of Shipper's bid calculated pursuant to GT&C Section 7.1(b) above. For the purposes of determining the best bid and allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying maximum tariff rate. Bids will be awarded, subject to Section 7.1(g), in order based on the highest net present value calculated pursuant to GT&C Section 7.1(b) above. Bids with an equal net present value will be awarded on a pro rata basis. Following the completion of the open season, if capacity is awarded, Panhandle will post the winning bidder(s) and the methodology used to determine the winning bid(s).

Awards of capacity will be subject to Panhandle's receipt of necessary regulatory approvals. Regulatory approvals pertaining to potential system modifications must be acceptable to Panhandle, at its sole discretion.

(g) Prearranged Deal

Panhandle may individually negotiate a Service Agreement with a prospective shipper for service to commence at some time in the future. Panhandle shall post such prearranged deal for open season bidding to allow other parties an opportunity to purchase the capacity, whether for service to commence

immediately or in the future. Panhandle shall include the terms of the prearranged transaction, if any, in the open season posting. In the event a competing bid for service to commence immediately or in the future, provides a greater net present value than a prearranged deal, Panhandle shall give the prearranged shipper a one-time right to match the higher bid. If matched, the prearranged shipper will obtain the capacity; otherwise Panhandle will award the capacity in order based on the highest net present value calculated pursuant to GT&C Section 7.1(b) above. Bids with an equal net present value will be awarded on a pro rata basis.

(h) Interim Capacity

Capacity that is awarded pursuant to GT&C Sections 7.1(f) and (g), as well as capacity that is reserved pursuant to GT&C Section 7.1(i), will be made available for transportation service on an interim basis up to the commencement date of the Service Agreement for such capacity. For such interim Service Agreements, Panhandle reserves the right to limit Shipper's extension rights, including the right of first refusal, within the interim Service Agreement.

(i) Reserved Capacity

Panhandle may reserve capacity for a future expansion project for which an open season has been held or will be held. Capacity may be reserved for up to twelve (12) months prior to Panhandle filing for certificate approval for construction of proposed expansion project and thereafter until all expansion facilities are placed into service.

7.2 Continuation of Long-Term Agreements for Firm Service; Right of First Refusal

(a) Panhandle shall continue to provide service pursuant to a Long-Term Agreement beyond the term specified in such Agreement if:

- (i) The Long-Term Agreement is extended pursuant to Section 7.7, or
- (ii) If the Long-Term Agreement meets the eligibility standards below and Shipper agrees to match the bid having the greatest economic value, as defined in Section 7.1(b) hereof, for the firm service Shipper receives, or any portion thereof, which Panhandle has been offered in accordance with Section 7.2(b) and executes a new Service Agreement matching those terms. A Long-Term Agreement for firm service is eligible for the right of first refusal provisions in this Section 7.2 if the Long-Term Agreement (1) is in effect prior to August 1, 2000 or (2) commences on or after August 1, 2000 and the Long-Term Agreement provides for twelve (12) or more Months of consecutive service at the Maximum Rate applicable to the service or, if the service is not available for twelve (12) consecutive Months, the Long-Term Agreement provides for service for more than one

year at the Maximum Rate applicable to the service. If a Shipper's Agreement does not qualify for the right of first refusal under this Section 7.2(a)(ii), then Panhandle in a not unduly discriminatory manner may agree otherwise with any such Shipper.

- (b) The procedures specified in this Section 7.2(b) shall be followed to determine whether a Long-Term Agreement will be continued in accordance with Section 7.2(a)(ii).

- (i) Shipper must give timely notice that it wants to continue service beyond the term of the Agreement. For the notice to be timely, Shipper must notify Panhandle within the following periods:

<u>Stated Contract Term</u>	<u>Months Prior To Contract Expiration</u>
2 years or longer	Not earlier than 18 Months and not later than 12 Months
Less than 2 years	Not earlier than 9 Months and not later than 6 Months

Panhandle shall notify each Shipper not earlier than 45 Days and not later than 30 Days prior to the last Day Shipper can give timely notice hereunder.

- (ii) Upon receipt of the Shipper's notice, Panhandle shall post on the Messenger® system for a period of 45 Days ("Posting Period") the Maximum Daily Contract Quantity under the Shipper's Long-Term Agreement and the primary Point(s) of Receipt and Point(s) of Delivery thereunder.
- (iii) During the Posting Period Panhandle shall accept requests for all or a portion of the Shipper's service rights under the Long-Term Agreement from any prospective Shipper that has submitted a valid request for service rights in accordance with the provisions of Section 6.1 hereof.
- (iv) If, during the Posting Period, Panhandle receives an acceptable offer for all or a portion of the service rights under Shipper's Long-Term Agreement, Panhandle shall notify Shipper in writing of the offer having the greatest economic value, as defined in Section 7.1(b) hereof; provided, that for purposes of value comparisons under this section the rate utilized shall be limited to the Maximum Rate that can be charged to the existing Shipper. If Shipper elects to match the offer, Shipper shall notify Panhandle of such election in writing within 30 Days after receiving notice from Panhandle

and shall execute a new Service Agreement matching the offer within 30 days after Panhandle has tendered the Service Agreement. If Shipper elects not to match the offer or does not execute the Service Agreement within 30 days, Panhandle will tender a Service Agreement to the prospective Shipper submitting the offer having the greatest economic value. If the Service Agreement is not executed within 30 days, the request for service rights shall expire without prejudice to the prospective Shipper's right to submit a new request for service rights. Panhandle shall then notify the Shipper in writing of the acceptable offer, if any, having the next greatest economic value in accordance with the provisions of this Section 7.2(b)(iv). If there is no other acceptable offer, the Shipper may continue service in accordance with Section 7.2(b)(v).

- (v) If no acceptable offers are received, Panhandle shall so notify Shipper within 15 days after the close of the Posting Period. In such event, Shipper may continue to receive service under a new Long-Term Agreement with any term Shipper chooses, at the applicable Maximum Rate or at a rate agreed to by Panhandle and Shipper. Shipper must notify Panhandle of its intent and indicate the term of the new Long-Term Agreement within 15 days of having been notified in writing by Panhandle that no acceptable offer was received. Panhandle will then be obligated to tender the new Long-Term Agreement to Shipper within 15 days of Shipper's notification. If Shipper (1) fails to provide Panhandle the term of the requested new Long-Term Agreement within the required 15 day period, or (2) does not return an executed Service Agreement reflecting such term to Panhandle within 30 days of the date such contract is tendered, then Shipper shall be deemed to have elected not to continue service under a Long-Term Agreement pursuant to the provisions of Section 7.2 herein.
- (vi) Panhandle shall post the winning bid and bidder on the Messenger® system for ninety (90) Days whether or not the bidder executes a Service Agreement.

- (c) If a Long-Term Agreement is not continued in accordance with Section 7.2(a) above, such Agreement shall terminate as specified therein.

7.3 Panhandle shall not be obligated to tender, execute or continue a Service Agreement for service at any rate less than the Maximum Rate set forth in the Currently Effective Rates applicable to the service requested. It shall be Panhandle's sole discretion to tender, execute or continue a Service Agreement at any rate less than the applicable Maximum Rate for the service requested. Panhandle and Shipper must agree to any rate requested at less than the applicable Maximum Rate before Panhandle becomes obligated to tender, execute or continue a Service Agreement for firm service at any rate less than the applicable Maximum Rate.

- 7.4 Once a Service Agreement for firm Transportation or Storage is executed, the economic value of the Service Agreement shall be determined in accordance with Section 7.1(b). During the term of the Service Agreement any change Shipper may make in the terms of the Service Agreement shall not reduce such economic value of the Service Agreement to Panhandle without Panhandle's written consent.

7.5 Termination of Interruptible Service Agreements

Panhandle may terminate Shipper's Service Agreement under Rate Schedules IT, EIT, IIOS, IFS or GPS, upon thirty (30) days prior written notice to Shipper who has not submitted nominations to either transport, store Gas, or park Gas under such Service Agreement within the immediately preceding twelve (12) Months. In addition, Panhandle and Shipper may mutually agree to terminate such interruptible agreement at any time.

7.6 Contract Reduction Rights

Shipper may elect one or more of the following options to reduce its contract quantity (MDCQ, MSQ, MDIQ, MDWQ or MDVQ, as applicable) during the term of its Service Agreement. Shipper's eligibility for a contract quantity reduction option and Shipper's ability to exercise such option is subject to the terms, conditions and procedures specified below including those in Section 7.6(e).

(a) Regulatory Unbundling

(1) Eligibility

Shipper is a local distribution company or its agent under the direct regulation of a state regulatory or legislative body and Shipper is required by a final order of that state body to unbundle its merchant and transportation functions. Such state body does not approve a mechanism to provide Shipper the opportunity to recover costs incurred by Shipper under Shipper's Service Agreement(s).

(2) Notice and Certification

Shipper shall give Panhandle sixty (60) days prior written notice of the anticipated effective date of the requested contract quantity reduction. The notice shall state the reduction sought, the date or anticipated date of a final order requiring unbundling, and the anticipated effective date of the unbundling order. At the time of such notice, Shipper must certify with supporting data that:

- (i) The contract quantity reduction requested is equal to the level of stranded capacity on Panhandle resulting from (1) Shipper unbundling its distribution/transportation functions from its

merchant functions and (2) a net decrease in Shipper's system sales requirements.

- (ii) Shipper has used reasonable efforts to seek state body approval of a mechanism that allows Shipper to recover the costs incurred under Shipper's Service Agreements and that such recovery efforts were unsuccessful prior to requesting its contract quantity reduction.
- (iii) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger® system for thirty (30) days at the rate provided for under the relevant Service Agreement(s). Additionally, Shipper has used reasonable efforts to release its capacity to the new merchants of retail service in its service territory and to request that its state body require new merchants to accept release of such capacity for the remaining term of the Service Agreement.

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Panhandle by an amount that qualifies under the above specifications. If Shipper is served by other natural gas pipelines in addition to Panhandle, Shipper may only reduce its contract quantity on Panhandle by an amount that is prorated based on the respective levels of firm transportation service that Shipper holds on Panhandle and such other natural gas pipelines. Unless otherwise agreed, if more than one Service Agreement with Panhandle is used to serve the system sales requirements no longer served by Shipper as a result of unbundling, Shipper shall reduce its contract quantity on the Panhandle Service Agreements pro rata based on the contract quantity of each Service Agreement. Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the later of (i) the effective date of unbundling or the date of a final order requiring unbundling; and (ii) the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice of the anticipated effective date of the reduction.

(b) Loss of Load

(1) Eligibility

Shipper is a local distribution company or its agent or a municipality that experiences a loss of load. Loss of load occurs when any of Shipper's firm customers with daily requirements on facilities owned or operated by Shipper exceeding 100 Dth/day either permanently cease gas consuming operations or reduce such operations to plant protection levels, or by-pass Shipper by directly connecting to Panhandle. Shipper may elect to take the contract quantity reduction described in this paragraph or Shipper may elect to reduce its contract quantity pursuant to FERC's bypass policies in effect at the time the bypass occurs, but not both.

(2) Notice and Certification

Shipper must give Panhandle written notice no more than thirty (30) days after Shipper receives notice from its customer of a loss of load, which notice shall state the contract quantity reduction sought and the date that Shipper anticipates it will lose the load. At the time of such notice, Shipper must certify with supporting data that:

- (i) The load lost was actually served by the Shipper with gas transported by Panhandle on a firm basis as of the date that Shipper's Service Agreement with Panhandle became effective.
- (ii) The reduction requested is equal to or less than the actual load lost.
- (iii) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger[®] system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Panhandle by an amount up to the firm daily contract quantity that was used to serve the lost load. If the lost load is served by other natural gas pipelines in addition to Panhandle, Shipper may only reduce its contract quantity on Panhandle by an amount that is prorated based on the respective levels of firm transportation service used to serve the lost load that Shipper holds on Panhandle and such other natural gas pipelines. If more than one Service Agreement on Panhandle serves the lost load, any contract quantity reduction shall be applied first to the

Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro-rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the effective date of the lost load or the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice.

(c) Plant Outage

(1) Eligibility

Shipper, an industrial customer of Panhandle, closes its plant or implements a permanent and material reduction in its production output.

(2) Notice and Certification

Shipper must give Panhandle written notice no more than thirty (30) days following a public announcement that its plant will be closed or will permanently and materially reduce its production output. The notice shall state the contract quantity reduction sought and the date that Shipper anticipates that the plant will be closed or permanently and materially reduce plant output. At the time of such notice, Shipper must certify with supporting data that:

- (i) The plant was actually served by the Shipper with gas transported by Panhandle on a firm basis as of the date that Shipper's Service Agreement with Panhandle became effective.
- (ii) The plant closing or reduction of operations and the quantity of any such permanent reduction in plant output has been publicly announced.
- (iii) The delivery point at which Panhandle makes deliveries to the plant is listed as a primary Point of Delivery on Shipper's Service Agreement.
- (iv) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger[®] system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

In the event of a permanent and material reduction in the plant's output, Shipper may only reduce its contract quantity by a percentage equal to the percentage that the production decrease represents to the total plant output. In the event of a plant closing, Shipper may reduce its aggregate contract quantity under all of its Service Agreements that serve the plant by an amount up to the daily contract quantity delivered to the plant. If Shipper's plant is served by other natural gas pipelines in addition to Panhandle, Shipper may only reduce its contract quantity on Panhandle by an amount that is prorated based on the respective levels of firm transportation service used to serve the plant that Shipper holds on Panhandle and such other natural gas pipelines. If more than one Service Agreement on Panhandle serves such plant, any contract quantity reduction shall be applied first to the Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice or the effective date of the plant's permanent and material output reduction or closing.

(d) Buyout

(1) Eligibility

Shipper may elect to reduce some or all of the contract quantity on its firm Service Agreement(s) by making one or more of the following cash payments to Panhandle.

The total amount of the cash payment that Shipper must pay Panhandle shall be 100 percent of the net present value of the reservation charge payments applicable to the reduced quantities that Panhandle would have otherwise received had Shipper continued to pay Panhandle under the remaining term of the Service Agreement. The economic value shall be calculated in accordance with Section 7.1(b) hereof.

(2) Notice

Shipper shall give Panhandle sixty (60) days prior written notice of the date it elects to exercise this contract quantity reduction option.

(3) Level of Reduction

Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the requested date following the sixty (60) days notice period. The payment required under Section 7.6(d)(1) must be received by Panhandle prior to the effective date of the reduction.

- (e) To be eligible for any contract quantity reduction option under this Section 7.6, Shipper's Service Agreement must have a term of five (5) years or more and a remaining term of two (2) years or less, unless otherwise agreed.
- (f) To be eligible for any contract quantity reduction option, any costs that Shipper has agreed to reimburse Panhandle for facilities constructed or installed by Panhandle to provide service under Shipper's Service Agreement(s) shall have been fully reimbursed.
- (g) Shipper must pay all its outstanding invoices before Shipper is eligible for any contract quantity reduction.
- (h) Shipper's Service Agreement(s) shall have a zero imbalance before Shipper is eligible for any contract quantity reduction.
- (i) If Shipper has Storage and related Transportation contracts that are eligible for contract reduction options under this Section 7.6, quantities under the Storage and related firm Transportation services shall be proportionally reduced so that Storage service quantities, including Storage capacity and deliverability quantities, and related Transportation service quantities remain proportionately the same.
- (j) The provisions of Section 7.2(b) of these General Terms and Conditions shall not apply to the quantity reduced pursuant to this Section 7.6.

7.7 Prior to the expiration of the term of an existing Service Agreement and prior to Panhandle's posting the availability of the capacity under Section 7.2(b)(ii), if applicable, Panhandle and the existing Shipper may mutually agree to an extension of the term of the Service Agreement with respect to all or part of the underlying capacity (the exact length of which is to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

7.8 Contract Consolidation

Shipper and Panhandle may mutually agree to consolidate (and terminate, as necessary) multiple existing Service Agreements into one new Service Agreement. The amended or new Service Agreement shall reflect the consolidated rights of the combined Service Agreements. The exact terms of the consolidated Service Agreement, including the length and rate (discounted, negotiated or recourse), are to be negotiated on a case-by-case basis in a not unduly discriminatory manner.

- (a) The consolidated Service Agreement shall have a single termination date and shall be eligible for the right of first refusal pursuant to Section 7.2 herein, if applicable.
- (b) The consolidated Service Agreement shall contain the aggregate quantity of the combined Service Agreements.
- (c) Termination of Service Agreements, if required as part of the consolidation process, shall not initiate right of first refusal procedures or posting of available capacity.
- (d) Capacity Release Service Agreements are not eligible for consolidation.

GENERAL TERMS AND CONDITIONS

15. PROCEDURES FOR CAPACITY RELEASE

15.1 Service Rights That May Be Released

- (a) The Service Agreements of a Releasing Shipper with Service Agreements under Rate Schedule FT, EFT, IOS, FS or LFT may be released, in whole or in part, to a Replacement Shipper for any time period up to the remaining term of the Service Agreement.
- (b) A Releasing Shipper is a Shipper that has executed a Release Notice in accordance with Section 15.2.
- (c) A Replacement Shipper is a party that (1) meets the eligibility criteria for Shippers set forth in Section 6, including the credit standards set forth in Section 29, except that Panhandle shall not require the Replacement Shipper to make the prepayment required by Section 6.5, (2) accepts assignment of the Service Agreement of a Releasing Shipper pursuant to this Section 15, and, (3) executes a Capacity Release Service Agreement as prescribed by this Tariff. Panhandle will issue and execute an Addendum to the Capacity Release Service Agreement when the Releasing Shipper's Service Agreement is awarded to the Replacement Shipper.
- (d) A Replacement Shipper may release, in whole or in part, the Addendum to its Capacity Release Service Agreement as a Releasing Shipper pursuant to this Section 15.

15.2 Initiation of the Release of Service Rights

- (a) A Releasing Shipper may initiate the release of its Service Agreement by electronically submitting a Release Notice in the form prescribed by this Tariff. Such Release Notice shall be posted on the Messenger® system. Panhandle shall accept the upload of prearranged capacity release transactions. A Releasing Shipper may withdraw its Release Notice at any time prior to the close of the posting period where unanticipated circumstances justify and no minimum bid has been made.
- (b) In the Release Notice the Releasing Shipper must specify the term, quantity and Minimum Rate expressed in dollars and cents, percentage of Maximum Rate or the index-based formula as detailed in the capacity release offer that the Releasing Shipper is willing to accept and whether the release is subject to recall and the applicable recall conditions as well as methods and rights associated with returning the previously recalled capacity to the Replacement Shipper.

The Releasing Shipper may specify further objective and nondiscriminatory conditions in its Release Notice, such as alternative economic criteria for evaluating bids which may include highest rate, net revenues or present value, whether volumetrically stated bids will be accepted, whether a volumetric commitment is required, alternative methods for breaking ties, whether contingent bids will be accepted and, if so, the method by which contingent bids will be evaluated and when the contingency must be removed, and whether bids for a portion of the capacity offered will be accepted or whether a prepayment deposit, not to exceed the prepayment deposit set forth in Section 6.5, will be required to be paid to the Releasing Shipper; provided, however, the Releasing Shipper may not specify conditions which are in conflict with the Service Agreement, the applicable Rate Schedule, or these General Terms and Conditions. Releasing Shipper shall also specify whether the Replacement Shipper is (a) an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations and, if so, include the volumetric level of the asset manager's delivery or purchase obligation and the time period during which that obligation is in effect or (b) a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.

Panhandle shall support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Commission.

- (c) The Releasing Shipper may arrange for the release of its Service Agreement to a Designated Replacement Shipper prior to submitting its Release Notice to Panhandle. Such Designated Replacement Shipper must be on the approved bidders list and shall acknowledge the Release Notice through the Messenger[®] system as a prerequisite to the posting of the Release Notice. However, the release will not become effective except as provided in this Section 15.

15.3 Posting

- (a) Shipper will post the information provided in each Release Notice on the Messenger[®] system. The posting will include the MDCQ or MSQ available for release, the Points of Receipt and Delivery and the released quantity for each point, the term of the release, whether the release is firm or recallable and the recall conditions, if applicable, the Minimum Rate expressed in dollars and cents, percentage of Maximum Rate or the index-based formula as detailed in the capacity release offer that the Releasing Shipper will accept, and any other conditions the Releasing Shipper specifies for the release in accordance with Section 15.2(b).
- (b) The posting will commence upon receipt of the Release Notice; unless otherwise specified by the Releasing Shipper.

15.4 Bidding For Capacity Releases

- (a) Except as provided in Section 15.4(b), a party must bid on the Messenger® system to accept release of the Service Agreement under the conditions posted in conjunction with a Release Notice. Bids must be expressed in dollars and cents, percentage of Maximum Rate, or index-based formula as detailed in the capacity release offer, whichever is stated in the Release Notice. The maximum reservation rate that may be bid shall not exceed the Maximum Rate for the applicable service being released as set forth on the applicable Currently Effective Rates; provided, however, no rate limitation applies to the release of capacity for a period of one year or less if the release is to take effect on or before one year from the date on which Panhandle is notified of the release. In order to submit a valid bid, any party, including a Designated Replacement Shipper, must be on the approved bidders list. To be on the approved bidders list, a party must meet the provisions of Section 29 of these General Terms and Conditions and must have executed a Capacity Release Service Agreement with Panhandle in the form as set forth in this Tariff (Capacity Release Service Agreement). A party shall remain on the approved bidders list until such party notifies Panhandle to the contrary, no longer meets the credit qualifications in Section 29 of these General Terms and Conditions or is suspended from the approved bidders list in the event and for such time as such party fails to pay part or all of the amount of any bill for service in accordance with Section 17 of these General Terms and Conditions.
- (b) A release is deemed non-biddable when the Releasing Shipper notifies Panhandle in its Release Notice that it has arranged for the release of its Service Agreement to a Designated Replacement Shipper in accordance with Section 15.2(c) and the capacity release is one of the following:
 - (i) A capacity release for any period of thirty-one (31) Days or less. A Releasing Shipper shall not roll over, extend or in any way continue such capacity release to the same Replacement Shipper until 28 days after the first release period has ended. This 28-day period does not apply to any release to the same Replacement Shipper that is posted for bidding or that qualifies for any of the other exemptions from bidding set forth in Sections 15.4(b)(ii), (iii) or (iv) below.
 - (ii) A capacity release for more than one year at the maximum tariff rate.
 - (iii) A capacity release to an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations.

- (iv) A capacity release to a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.

Such non-biddable releases shall be submitted electronically and shall be posted on the Messenger® system upon confirmation by the Replacement Shipper. The Capacity Release Service Agreement Addendum number shall be provided when such release is posted.

For non-biddable releases:

- The posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle, pursuant to NAESB WGQ Standard No. 1.3.2. The posting deadlines are:
 - Timely Cycle 12:00 Noon
 - Evening Cycle 5:00 p.m.
 - Intraday 1 Cycle 9:00 a.m.
 - Intraday 2 Cycle 1:30 p.m.
 - Intraday 3 Cycle 6:00 p.m.
 - The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
 - Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.
- (c) Bids to accept the released Service Agreement must specifically identify any contingencies and may be made through the Messenger® system only. If the Releasing Shipper requires a prepayment deposit, the party submitting the bid must concurrently submit the prepayment deposit through Electronic Funds Transfer to a designated bank account established by Panhandle.
- (d) The capacity release procedure is applicable to all parties involved in the Capacity Release process; however, it is only applicable if 1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered, 2) for index-based capacity release transactions, the Releasing Shipper has provided Panhandle with sufficient instructions to evaluate the corresponding bid(s) according to the timeline, and 3) there are no special terms or conditions of the release. Further, Panhandle may complete the capacity release process on a different timeline if the offer includes unfamiliar or unclear

terms and conditions (e.g. designation of an index not supported by Panhandle).
All stated times are Central Clock Time on a Business Day.

- (i) For biddable releases (1 year or less)
 - Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
 - Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
 - Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
 - If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
 - Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon
 - The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
 - Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.
- (ii) For biddable releases (more than 1 year)
 - Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
 - Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
 - Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
 - If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.

- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon.
 - The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
 - Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.
- (iii) For index-based capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology. If the Releasing Shipper specifies a bid evaluation methodology other than highest rate, net revenue or present value, or a permanent release or any other special conditions, the above timelines shall apply; provided, however, one additional Business Day will be added to the evaluation period. Such extended evaluation period will cause Gas flow to be at least one day later than Gas could flow under the timeline set forth in Section 15.4(d)(i) or Section 15.4(d)(ii).
- (e) A party may submit only one bid at a time in response to a Release Notice. Once a party has submitted a bid, it may withdraw the bid through the Messenger® system at any time prior to the close of the posting period specified in Section 15.3(c) without prejudice to its submitting another bid with an economic value equal to or greater than the economic value of the withdrawn bid. If a bid is not withdrawn prior to the close of the posting period, the bid shall be binding on the party submitting the bid, subject to the satisfaction of any contingencies the Releasing Shipper permits to be satisfied after the close of the bidding period.
- (f) Bids to accept releases will be posted on the Messenger® system with any contingencies identified and with the bidder's identity deleted.

15.5 Selection of Replacement Shipper

- (a) The Addendum to the Capacity Release Service Agreement will be issued to the Replacement Shipper whose bid provides the greatest economic value, as defined by the Releasing Shipper in accordance with Section 15.2(b) or, if the Releasing Shipper does not specify a method of determining economic value, the economic value will be determined by utilizing the present value method, and whose bid meets all the conditions placed upon the release by the Releasing Shipper as provided for in Section 15.2(b), provided that if the Releasing Shipper has permitted contingent bids, the selection of a Replacement

Shipper may be delayed in accordance with the contingencies permitted in the Release Notice. If the bids of two or more Replacement Shippers provide the same economic value and both meet all the conditions placed upon the release, Panhandle will tender the Addendum to the Capacity Release Service Agreement to the Replacement Shipper who submitted its bid first unless, in accordance with Section 15.2(b), the Releasing Shipper has specified an alternative method for breaking ties, in which event the method specified by the Releasing Shipper shall be used. If there are multiple bids meeting the minimum conditions, Panhandle shall rank the bids and award the bids, best bid first, until all offered capacity is awarded. The Capacity Release Service Agreement Addendum number shall be assigned when capacity is awarded.

- (b) If the Releasing Shipper has notified Panhandle in the Release Notice that it has arranged a Designated Replacement Shipper and no party is eligible to submit a bid for the release, Panhandle will issue the Addendum to the Capacity Release Service Agreement to the Designated Replacement Shipper.
- (c) If the Releasing Shipper has notified Panhandle in the Release Notice that it has arranged a Designated Replacement Shipper who has agreed to pay less than the applicable Maximum Rate for the service, the Designated Replacement Shipper may match the bid that has the greatest economic value within the time period specified in Section 15.4.
- (d) Panhandle will issue the Addendum to the Capacity Release Service Agreement within one hour of the posting of the award of a release. If all the information provided by the Releasing Shipper, bidder, and Designated Replacement Shipper is valid, the Replacement Shipper is creditworthy, and there are no special terms and conditions, Panhandle will issue and execute the Addendum at the same time.
- (e) Panhandle shall post the winning bid and bidder on the Messenger® system for ninety (90) Days.
- (f) If an Addendum to the Capacity Release Service Agreement is not tendered to a party submitting a prepayment deposit with its bid, the prepayment deposit will be refunded with carrying charges to such party within two (2) Business Days.

15.6 Rights and Obligations of Releasing Shipper

- (a) Except as provided in Section 15.6(e), the Releasing Shipper shall continue to be responsible to Panhandle for all reservation charges and reservation surcharges for Transportation or Storage service provided pursuant to the Shipper's applicable Service Agreement and all other charges and surcharges that would be charged to the Releasing Shipper if the Service Agreement had not been released. The Releasing Shipper will not be responsible for Commodity charges

or volumetric surcharges which are applicable under Panhandle's Tariff to Quantities of Gas actually transported except as provided in Section 15.6(b) below for a Releasing Shipper with a Negotiated Rate.

- (b) A credit will be included on each of the Releasing Shipper's monthly bills to reflect the reservation fee invoiced to Replacement Shippers excluding any reservation charge credit that Replacement Shipper may have received pursuant to Section 28 and excluding any negotiated marketing fee retained by Panhandle pursuant to Section 15.8 provided, however, that Panhandle and Releasing Shipper may, in connection with a Negotiated Rate based on a rate design other than straight fixed variable, agree upon a payment obligation and crediting mechanism that varies from or is in addition to the provisions of this Section 15.6 in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. In the event of a release with a volumetrically stated rate, the rate shall be no greater than the 100% load factor equivalent of Panhandle's maximum reservation charge currently applicable to the service released and shall be credited to the Releasing Shipper's monthly bill for reservation charges applicable to such service. Notwithstanding the above, no 100% load factor equivalent limitation shall apply to a capacity release for a period of one year or less if the release is to take effect on or before one year from the date on which Panhandle is notified of the release.

If a Replacement Shipper fails to pay all or any part of the reservation fee so credited within thirty (30) days of its due date, then such unpaid amount will be charged to the Releasing Shipper's next monthly bill and will be due and payable by the Releasing Shipper in accordance with Section 17 of these General Terms and Conditions.

The payment of the reservation charge by the Replacement Shipper on a one-part volumetric basis shall not relieve Panhandle, the Releasing Shipper or the Replacement Shipper from their obligations to conform to all of the terms and conditions of this Section 15.

- (c) When a Releasing Shipper assigns Transportation service rights under Rate Schedule FT, EFT or LFT, the MAIQ under the Transportation Agreement will be reduced proportionately by the amount of MDCQ released. Any imbalance in excess of this reduced MAIQ must be reduced to the new tolerance level in the month following the completion of the release to avoid balancing charges pursuant to Section 12.11.
- (d) When a Releasing Shipper partially releases its service rights under a Service Agreement by releasing service rights between specific Point(s) of Receipt and Delivery or by releasing only a portion of the Maximum Daily Contract Quantity, the Releasing Shipper's Service Agreement shall be deemed to be modified in

accordance with the release and the Releasing Shipper may not utilize the service rights released during the term of the release.

- (e) If the Releasing Shipper's Service Agreement is released permanently for the remaining term of the agreement, subject to Panhandle's agreement, the Releasing Shipper shall have no further responsibility or obligations under the Service Agreement. Such permanent release shall provide the same economic value as the original underlying agreement, or such difference shall be funded by the Releasing Shipper, unless Panhandle agrees otherwise.
- (f) Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. For the recall notification provided to Panhandle, Panhandle's Tariff should specify whether the quantity should be expressed in terms of a) total released capacity entitlements or b) adjusted total released capacity entitlements based upon the elapsed prorata capacity. The capacity entitlements resulting from the use of either a) or b) should be the same. The recall notification to Panhandle shall specify the Quantity in terms of total released capacity entitlements.

15.7 Rights and Obligations of the Replacement Shipper

- (a) A Replacement Shipper shall have all the rights and obligations specified under the applicable Rate Schedule, Service Agreement, and General Terms and Conditions unless the conditions prescribed for the release require otherwise.
- (b) A Replacement Shipper shall have the right to reserve primary point capacity up to its contract demand, subject to available capacity.
- (c) When the Capacity Release Service Agreement Addendum is issued, a Replacement Shipper may submit nominations pursuant to Section 8 of these General Terms and Conditions for the next available nomination cycle and any nomination cycle thereafter for which the Addendum to the Capacity Release Service Agreement is effective.
- (d) The Replacement Shipper will be responsible for any imbalance between receipts of Gas and deliveries of Gas, and for all costs and all rates, charges, penalties and fees for Transportation or Storage service provided under the Capacity Release Service Agreement.
- (e) Commodity charges and volumetric surcharges which are applicable under Panhandle's Tariff to Quantities of Gas actually transported shall be a separately stated charge on the Replacement Shipper's Monthly Bill and shall be at the Maximum Rate contained on the Currently Effective Rates unless Panhandle agrees to a lesser rate.

- (f) Replacement Shippers for a capacity release with a term of one year or less that are paying a rate which exceeds the Maximum Rate shall be considered to be paying the Maximum Rate for purposes of scheduling and curtailment.
- (g) A Replacement Shipper shall be scheduled utilizing its awarded rate.

15.8 Marketing Fee

The Releasing Shipper and Panhandle may agree that, in return for Panhandle actively marketing the Releasing Shipper's Service Agreement, Panhandle will reduce the Releasing Shipper's invoice credit by a negotiated marketing fee.

15.9 Requests to Purchase Releasable Capacity

Any party may initiate a request to purchase releasable firm capacity by following the instructions posted on Panhandle's Informational Postings Web Site located at <http://peplmessenger.energytransfer.com> under "Notices, Request to Purchase Releasable Capacity." The form shall specify the terms and conditions of the request and the location of the posting on Panhandle's Informational Postings Web Site. Such offer to purchase released capacity shall be posted on Panhandle's Web Site for 30 Days.

GENERAL TERMS AND CONDITIONS

24. FUEL REIMBURSEMENT ADJUSTMENT

The Fuel Reimbursement Percentages under Rate Schedules FT, EFT, SCT, IT, EIT, IOS, FS, IIOS, IFS and LFT shall be adjusted downward to reflect reductions and may be adjusted upward to reflect increases in fuel usage, including miscellaneous fuel usage, and lost and unaccounted for Gas in accordance with this Section 24. For purposes of this Section 24, the term "miscellaneous fuel usage" shall pertain to fuel use volumes other than FERC Account No. 854, Gas for Compressor Station Fuel, which are accounted for in FERC Account Nos. 819, 823, 853 and 856.

24.1 Filing of Fuel Reimbursement Adjustment

(a) Effective Date of Adjustment

The effective date of each Fuel Reimbursement Adjustment shall be November 1 and April 1.

(b) Filing Procedure

At least thirty (30) Days prior to the effective date of adjustment, Panhandle shall file with the Commission and post, as defined by Section 154.2(d) of the Commission's Regulations, a schedule of effective Fuel Reimbursement Quantities, as determined in accordance with Section 24.2 hereof, together with supporting documentation. Such filing shall be in lieu of any other rate change filing required by the Commission's Regulations under the Natural Gas Act.

(c) Fuel Reimbursement Adjustment Period

The Fuel Reimbursement Adjustment Period shall be billing periods beginning with each effective Date of Adjustment.

24.2 Computation of Effective Fuel Reimbursement Percentage

The effective Fuel Reimbursement Percentage shall be the sum of the current Fuel Reimbursement Percentage and the Annual Fuel Reimbursement Surcharge.

24.3 Computation of Current Fuel Reimbursement Percentage

The current Fuel Reimbursement Percentage shall be determined on the basis of (1) the estimated Quantities of Gas delivered to Panhandle for the account of Shippers under Rate Schedules FT, EFT, SCT, IT, EIT, IOS, FS, IIOS, IFS and LFT and (2) the projected Quantities of Gas that shall be required for fuel usage, including miscellaneous fuel usage, and the lost and unaccounted for Gas.

24.4 Computation of the Annual Fuel Reimbursement Surcharge

- (a) The Annual Fuel Reimbursement Surcharge shall be computed by dividing the balance four (4) Months prior to November 1 of the Deferred Fuel Reimbursement Account by Panhandle's estimated Quantities of Gas for Transportation and Storage under Rate Schedules FT, EFT, SCT, IT, EIT, IOS, FS, IIOS, IFS and LFT for the Recovery Period.
- (b) The Recovery Period for the Annual Fuel Reimbursement Surcharge shall be the 12 billing Months beginning November 1.
- (c) Panhandle shall maintain a Deferred Fuel Reimbursement Account with appropriate subaccounts, beginning with the effective date of this Section 24. For each billing Month, the applicable subaccounts shall be increased or decreased for a positive or negative change in Fuel Reimbursement for the billing Month.
- (d) A change in Fuel Reimbursement for each billing Month shall be the difference between (1) the applicable currently effective Fuel Reimbursement percentage for the billing Month multiplied by Panhandle's Transportation Quantity received and Storage Quantities injected and withdrawn during the billing Month and (2) the actual Quantities of Gas expended for fuel usage, including miscellaneous fuel usage, and lost and unaccounted for Gas during the billing Month.

GENERAL TERMS AND CONDITIONS

29. CREDITWORTHINESS

29.1 Prior to execution of a Service Agreement or as a condition for continuation of service, a Shipper or prospective shipper shall be required to establish and maintain creditworthiness on an on-going basis with Panhandle. Panhandle shall apply consistent evaluation practices to all similarly situated shippers to determine the Shipper's financial ability to satisfy the payment obligations due to Panhandle over the term of the requested service agreement. Panhandle shall not be required to: (1) execute a Service Agreement providing for service on behalf of any Shipper who fails to meet Panhandle's standards for creditworthiness; or (2) initiate service for a Shipper who fails to meet Panhandle's standards for creditworthiness; or (3) continue service on behalf of any Shipper who is or has become insolvent or who, at Panhandle's request, fails to demonstrate creditworthiness pursuant to Panhandle's standards in this Section 29.

29.2 A Shipper shall be deemed creditworthy when Shipper meets the creditworthiness criteria in this Section 29.2.

(a) If Shipper is rated by Standard & Poor's or its successor (S&P), and/or by Moody's Investors Service, Inc. or its successor (Moody's), Panhandle may establish creditworthiness if:

- (1) (i) In the event Shipper is rated by both S&P and Moody's, Shipper's long-term senior unsecured debt securities are rated at least BBB- by S&P and at least Baa3 by Moody's, provided, however, that if the Shipper's rating is at BBB- and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper is rated only by S&P, Shipper's long-term senior unsecured debt securities are rated at least BBB-, provided, however, that if the Shipper's rating is at BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper is rated by only Moody's, Shipper's long-term senior unsecured debt securities are rated at least Baa3, provided, however, that if the Shipper's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
- (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth.

In the event Shipper is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. For the purposes of this Section 29.2, the term "tangible net worth" shall mean for a corporation the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and

other intangible assets. Only actual tangible assets are included in Panhandle's assessment of creditworthiness. If a Shipper has multiple Service Agreements with Panhandle, then the total contract commitment and imbalance exposure or potential exposure of all such Service Agreements shall be considered in determining creditworthiness.

- (b) If Shipper cannot demonstrate creditworthiness pursuant to Section 29.2(a) above, Panhandle may establish creditworthiness based upon:
- (1) (i) In the event Shipper's parent is rated by both S&P and Moody's, the Shipper's parent having a senior unsecured debt rating of at least BBB- by S&P and Baa3 by Moody's, provided, however, that if the Shipper's parent's rating is at BBB- and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper's parent is rated by only S&P, the Shipper's parent having a senior unsecured debt rating of at least BBB-, provided, however, that if the Shipper's parent's rating is a BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper's parent is rated by only Moody's, the Shipper's parent having a senior unsecured debt rating of at least Baa3, provided, however, that if the Shipper's parent's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
 - (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's parent's tangible net worth; and
 - (3) Shipper's parent issues a guaranty acceptable to Panhandle.

In the event Shipper's parent is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. If a Shipper's parent has multiple Service Agreements with Panhandle or multiple subsidiaries with Service Agreements with Panhandle in addition to Shipper's Service Agreements, then the total contract commitment and imbalance exposure or potential exposure of all of those Service Agreements shall be considered in determining creditworthiness.

- (c) In the event Shipper is a cooperative or a municipal Shipper and Shipper cannot demonstrate creditworthiness pursuant to Section 29.2(a) or 29.2(b) above, Panhandle may establish creditworthiness based upon:
- (1) Shipper's issuer and/or revenue bond rating is a rating that has the equivalent rank of those listed in Section 29.2(a)(1) above; or

- (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth, or Shipper's preceding calendar year revenues are at least six (6) times Panhandle's anticipated charges for the ensuing 12-month period.

29.3 To permit Panhandle to conduct an initial or ongoing creditworthiness review, Panhandle may request and a Shipper shall provide within five (5) Business Days any or all of the following:

- (a) (i) Audited financial statements for the most current two (2) fiscal years prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America or, for non-U.S. based Shippers, prepared in accordance with equivalent standards, or (ii) if Shipper's fiscal year-end financial statements are unaudited, an attestation by its Chief Financial Officer that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with GAAP or equivalent or (iii) for non-public entities, any existing sworn filing, which provides the most recent available interim financial statements and annual financial reports filed with any applicable regulatory authority, showing the Shipper's current financial condition;
- (b) List of corporate affiliates, parent companies, and subsidiaries, if applicable;
- (c) Publicly available information from credit reports of credit and bond rating agencies;
- (d) A bank reference and at least three (3) trade references, a check of which show along with any credit reports submitted herein that Shipper's undisputed obligations are being paid in a timely manner;
- (e) Statement of legal composition;
- (f) Statement of the length of time the business has been in operation;
- (g) For state-regulated utility local distribution companies, documentation from their respective state regulatory commission (or an equivalent authority) of an authorized gas supply cost recovery mechanism;
- (h) Confirmation by Shipper that Shipper is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditor, or any informal creditors' committee agreement;
- (i) Such other information as may be mutually agreed to by Shipper and Panhandle; and/or

- (j) In the case of a joint action agency which acts as Shipper for other public agencies which have aggregated their firm service agreements into a single Service Agreement pursuant to the aggregation provisions of the settlement filed and approved in Docket No. RS92-16-000, the foregoing information shall be provided by each member public agency who in turn shall guarantee the obligations of the joint action public agency to the extent of each such member's share of the total firm entitlement of such joint action public agency.

29.4. If Shipper or Shipper's parent does not meet the criteria described in Section 29.2 above, then credit appraisal shall be based upon Panhandle's evaluation of any or all of the following information and credit criteria:

- (a) Any information received pursuant to Section 29.3 above;
- (b) Consistent and nondiscriminatory financial statement analysis to determine the acceptability of Shipper's or Shipper's parent's current and future financial strength. Financial statements shall be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability;
- (c) S&P, Moody's, Dun & Bradstreet and other credit reporting agency ratings, opinions, watch alerts, and rating actions shall be considered in determining creditworthiness;
- (d) Results of credit reports and of bank and trade reference checks must demonstrate that a Shipper is paying its obligations in a timely manner;
- (e) Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws and there must not be pending any petition for involuntary bankruptcy; an exception may be made for a Shipper who is a debtor-in-possession operating under Chapter XI of the Federal Bankruptcy Act whereby adequate assurance is provided under purview of by the bankruptcy court having jurisdiction over such debtor-in -possession that the service billings will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment;
- (f) Whether Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent;
- (g) Shipper's ongoing business relationship, if any, with Panhandle with consideration being given to whether Shipper has or has had any delinquent balances outstanding for services provided by Panhandle, gas imbalances, and gas loans due Panhandle and whether Shipper is paying and has paid its account balances promptly according to the terms established in its Service Agreements (excluding amounts as to which there is a good faith dispute);

- (h) Shipper's ability to recover the costs of Panhandle's services through filings with regulatory agencies or otherwise to pass on such costs to its customers, as applicable; and/or
- (i) Any other information, including any information provided by Shipper, that is reasonably relevant to Shipper's current and future financial strength and Shipper's ability to make full payment over the term of the Service Agreement(s).

29.5 If a Shipper fails to establish or maintain creditworthiness or if Shipper's credit limit as determined by Panhandle is insufficient to cover Shipper's total contractual obligations, Shipper may still obtain or continue service hereunder if Shipper, except to the extent otherwise agreed, provides credit support in an amount sufficient to cover three months service as determined in accordance with Section 29.5(b)(1) plus the value of imbalance gas and loaned gas as determined in Section 29.5(b)(2) under one of the following options.

- (a) Forms of Credit Support. Shipper may select from the following forms of credit support (Credit Support) and Panhandle shall not unreasonably discriminate in the forms of Credit Support it determines to accept from Shippers.
 - (1) Guaranty. A Shipper may provide a guaranty of financial performance in a form satisfactory to Panhandle from a corporate parent, corporate affiliate or a third party that meets the creditworthiness standards above.
 - (2) Deposit. A shipper may provide a cash deposit. If Panhandle is required to draw down these funds, Panhandle will notify Shipper and Shipper must replenish such funds within three (3) Business Days after receipt of such notice.
 - (3) Standby Irrevocable Letter of Credit drawn on a bank which is a U.S. bank or a U.S. branch of a foreign bank with an S&P Debt Rating of at least A or Moody's Debt Rating of at least A2.
 - (4) Security Interest or lien in collateral found to be satisfactory to Panhandle.
 - (5) Other security acceptable to Panhandle.
- (b) Credit Support Requirements. Credit Support required for non-creditworthy shippers shall be an amount sufficient to cover service for three months and a value for imbalance and loaned gas as specified below.
 - (1) Three months service. The amount of Credit Support for firm transportation Service Agreements must be sufficient to cover the highest three (3) months of reservation charges during the previous 12 month period. The amount of Credit Support for interruptible services shall be based upon the highest three (3) months of usage during the previous twelve (12) month period for all rates

and charges. If the Shipper has not contracted for or utilized interruptible transportation during the previous 12 month period, Panhandle will establish the Credit Support requirement based upon Shipper's estimated usage for a three (3) month period as determined by Shipper and Panhandle's marketing representative.

- (2) Imbalance and Loaned Gas. In addition to the Credit Support requirements set forth in Section 29.5(b)(1) above, Panhandle shall have the right to seek Credit Support to cover the value of any imbalance and/or loaned gas owed to Panhandle by a non-creditworthy Shipper. Panhandle may require Credit Support from a non-creditworthy Shipper for the value of imbalance Gas owed to Panhandle under Rate Schedules FT, EFT, SCT, LFT, IT, and/or EIT. Such Credit Support amount shall equal the non-creditworthy Shipper's largest monthly imbalance quantity owed to Panhandle over the most recent 12 month period valued in accordance with Section 12.11(a)(2) of these General Terms and Conditions. For a non-creditworthy Shipper with a new Service Agreement or a Service Agreement in effect for less than 12 months, the imbalance quantity shall be the greater of (i) 10% of Shipper's estimated monthly usage as determined by Shipper and Panhandle's marketing representative or (ii) Shipper's largest monthly imbalance owed to Panhandle. The imbalance quantity shall be valued in accordance with Section 12.11(a)(2) of these General Terms and Conditions. The Credit Support requirement for loaned Gas associated with Rate Schedule GPS shall equal the maximum loaned quantity specified in Shipper's Service Agreement valued in accordance with Section 12.11(a)(2) herein.

29.6 Credit Support for New Receipt or Delivery Facilities

In the event Panhandle constructs new interconnect facilities to accommodate a Shipper under Section 13 of these General Terms and Conditions, Panhandle may (unless otherwise agreed or unless Shipper reimburses Panhandle for the cost of the facilities) require from the Shipper Credit Support in an amount up to the cost of the facilities. Such Credit Support may be in any of the forms available under Section 29.5(a) of these General Terms and Conditions, at Shipper's choice. As Panhandle recovers the cost of these facilities through its rates, the Credit Support required shall be reduced accordingly. Specifically, Credit Support provided by Shipper related to new facilities shall be returned to that Shipper in equal Monthly amounts over the term of its contract for service related to the new facilities or as otherwise mutually agreed by Panhandle and Shipper. Where facilities are constructed to serve multiple Shippers, an individual Shipper's obligation hereunder shall be for no more than its proportionate share of the cost of the facilities. This requirement is in addition to and shall not supersede or replace any other rights that Panhandle may have regarding the construction and reimbursement of facilities.

- 29.7 Panhandle shall have the right to update Shipper's credit file at any time after commencement of service. Such update may be conducted by Panhandle periodically and Shipper shall provide assistance and cooperation. If Panhandle concludes that a Shipper is non-creditworthy or if Shipper fails to maintain Credit Support under Section 29.5 of these General Terms and Conditions, Panhandle shall provide Shipper an initial notice in writing that it has lost its creditworthiness status along with the reasons for such determination and that Shipper has five (5) Business Days after receipt of such initial notice, to provide Panhandle with Credit Support consistent with Section 29.5 of these General Terms and Conditions which is adequate to cover all charges for one Month's advance service. A Shipper may challenge Panhandle's determination by providing a written rebuttal to Panhandle's explanation within ten (10) days after the initial notification and explanation is provided by Panhandle. Panhandle shall respond to such a rebuttal in writing within ten (10) days. Any reevaluation of creditworthiness by Panhandle in response to such a rebuttal by the Shipper shall be based on the creditworthiness criteria set out in Section 29.4 and shall be performed as provided in Section 29.4 of these General Terms and Conditions. If Panhandle determines after such reevaluation that Shipper is creditworthy, the Credit Support to cover all charges for one Month's advance service shall be released to Shipper within five (5) Business Days after such determination. In the event Panhandle concludes after reevaluation that Shipper remains non-creditworthy, Shipper shall comply with the requirement in the initial notice to provide, within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, the means for adequate assurance of future performance, covering the full level of Credit Support provided for under Section 29.5 of these General Terms and Conditions. If the Shipper has not satisfied either requirement in the initial notice to provide specified Credit Support within five (5) Business Days or to provide the additional specified Credit Support within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, Panhandle may without further notice immediately suspend service to Shipper.
- 29.8 Any suspension of service hereunder shall continue until Panhandle is reasonably satisfied that Shipper is creditworthy under Section 29.2 or 29.4 of these General Terms and Conditions or until Shipper has provided Credit Support under Section 29.5 of these General Terms and Conditions. A Shipper shall not be obligated to pay any reservation charges for suspended service attributable to the period when that service is suspended. During the period of suspension, such Shipper may not release or recall capacity.
- 29.9 In addition to suspension, Panhandle may terminate service if the Shipper fails to provide Credit Support consistent with Section 29.5 of these General Terms and Conditions no earlier than sixty (60) days after Panhandle has provided its initial notice to Shipper pursuant to Section 29.7 herein. Any such termination requires thirty (30) days' prior notice to Shipper, Releasing Shipper, if any, and the Commission. To avoid termination, the Shipper must satisfy Section 29.5 of these General Terms and Conditions within this notice period. If the Service Agreement is terminated, Panhandle shall net and/or set off, as allowed by law, all positions calculated in accordance with the provisions of the applicable Rate Schedule (i.e., invoiced transportation amounts, invoiced imbalance amounts, park and loans, rate refunds, etc.) against outstanding account balances due the Shipper. Panhandle shall have the right to

assert any liens or other interests, consistent with applicable law, against any gas remaining on its System. Panhandle may not take any action under this Section 29 which conflicts with any order of the U. S. Bankruptcy Court.

- 29.10 At any time after a Shipper is determined to be non-creditworthy by Panhandle, the Shipper may request a creditworthiness reevaluation by Panhandle pursuant to NAESB WGQ Standard Nos. 0.3.8 and 0.3.9 as incorporated in Section 26 of these General Terms and Conditions. If Panhandle determines after such reevaluation that Shipper is creditworthy without Credit Support, any Credit Support requirements under Section 29.5 of these General Terms and Conditions shall be terminated and any deposit amounts shall be released to Shipper within five (5) Business Days after such determination.
- 29.11 Notwithstanding the above, Panhandle may agree with a Shipper in an executed precedent agreement, for service on new or expanded facilities to be constructed by Panhandle, to creditworthiness provisions which differ from one or more of the provisions in this Section 29, and which, in addition to the other provisions of this Section 29, govern service provided to the Shipper pursuant to the precedent agreement.

MARKED VERSION

RATE SCHEDULE IOS
IN/OUT STORAGE SERVICE

1. AVAILABILITY

This Rate Schedule is available for Natural Gas Storage service performed by Panhandle Eastern Pipe Line Company, LP (hereinafter called Panhandle) for any party (hereinafter called Shipper) which has executed a Service Agreement in the form prescribed under this Tariff for service under this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to Gas made available by Shipper to Panhandle under firm, interruptible or third party transportation agreements at the IOS Point and nominated for Storage under this Rate Schedule, subject to the General Terms and Conditions herein and the further provisions of the Service Agreement.

The service provided hereunder consists of the injection by Panhandle of Shipper's Gas into Storage, Storage in Panhandle's Field Area Storage Facilities and the subsequent withdrawal from Storage of Shipper's Gas, all on a firm basis. Injections may be made at any time, subject to daily nomination by Shipper and available Maximum Stored Quantity. The Maximum Daily Injection Quantity (MDIQ) shall be 1/200th of the Maximum Stored Quantity. Withdrawals may be made at any time, subject to daily nomination by Shipper and available Stored Volume. The Maximum Daily Withdrawal Quantity (MDWQ) shall be 1/100th of the Maximum Stored Quantity. Shipper's Maximum Stored Quantity shall be a uniform quantity throughout the term of the Service Agreement, except that Panhandle may, but shall not be obligated to, agree on a not unduly discriminatory basis to certain differing levels in Shipper's Maximum Stored Quantity for specified periods during the term of the Service Agreement. The effective period of each Maximum Stored Quantity level shall be specified in the executed Service Agreement.

The available Stored Volume shall be increased, up to the Maximum Stored Quantity, by the Quantity of Gas Shipper transfers into IOS Storage in accordance with Section 14.2 of the General Terms and Conditions. The available Stored Volume shall be reduced by the Quantity of Gas Shipper transfers out of IOS Storage in accordance with Section 14.2 of the General Terms and Conditions.

In no event shall Panhandle be obligated to provide any Storage service for which capacity is not available or which would require the construction or acquisition of new facilities or the modification or expansion of existing facilities.

3. RATES

The rates and charges for Storage service under this Rate Schedule shall be as follows:

3.1 Capacity Charge

Shipper shall pay a Monthly Capacity Charge which shall be the product of 1/~~365~~¹²th the Maximum Stored Quantity times the capacity charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS multiplied by the number of days in the Month.

3.2 Deliverability Charge

Shipper shall pay a Monthly Deliverability Charge which shall be the product of the Maximum Daily Withdrawal Quantity times the deliverability charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS multiplied by the number of days in the Month.

3.3 Injection Charge

Shipper shall pay an Injection Charge which shall be the product of the Quantity of Gas actually delivered at the IOS Point and injected into Storage during the Month times the injection charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS.

3.4 Withdrawal Charge

Shipper shall pay a Withdrawal Charge which shall be the product of the Quantity of Gas actually withdrawn from Storage and delivered to Shipper at the IOS Point during the Month times the withdrawal charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule IOS.

3.5 Surcharges

Shipper shall pay all surcharges specified in the General Terms and Conditions or which otherwise may be applicable to service under this Rate Schedule from time to time.

3.6 Overrun Charge and Unauthorized Overrun Penalty

Shipper shall pay the overrun charge and, if applicable, the Unauthorized Overrun Penalty per Dt. of Gas actually delivered at the IOS Point and injected into Storage or withdrawn from Storage and delivered at the IOS Point during any Day in excess of the MDIQ and MDWQ set out in the Service Agreement, as applicable. The Overrun Charge per Dt. shall be as set forth on the Currently Effective Rates for Rate Schedule IOS and the Unauthorized Overrun Penalty shall be as set forth in Sections 12.16 and 12.17 of the General Terms and Conditions.

3.7 Range of Rates

Unless otherwise agreed to in writing by Shipper and Panhandle, any rate applicable to a Shipper for service hereunder, by reference to the Currently Effective Rates for Rate Schedule IOS shall be the applicable Maximum Rate(s) set forth thereon. If an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be applicable prospectively.

3.8 Fuel Reimbursement

Shipper shall reimburse Panhandle in kind for fuel usage and lost or unaccounted for Gas pursuant to the terms and conditions of the Service Agreement and as stated on the Currently Effective Rates for Rate Schedule IOS for service hereunder.

3.9 Negotiated Rates

Shipper and Panhandle may agree, on a prospective basis, to a Negotiated Rate with respect to the charges identified in Sections 3.1, 3.2, 3.3 and 3.4 herein which may be less than, equal to or greater than the Maximum Rate; shall not be less than the Minimum Rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity. Such Negotiated Rate shall be set forth on Exhibit A of the executed Service Agreement and on the Currently Effective Rates for Negotiated Rates. The Maximum Rate shall be available to any Shipper that does not choose a Negotiated Rate.

Shippers paying a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of scheduling, curtailment and interruption, and calculating the economic value of a request for unsubscribed firm capacity. In addition, a Shipper that does not agree to pay any surcharges will not be granted a scheduling preference that deems such surcharges have been paid. Replacement Shippers are not eligible for Negotiated Rates. Replacement Shippers may bid or pay a rate greater than Maximum Rate if the release of capacity is for a period of one year or less and the release is to take effect on or before one year from the date on which Panhandle is notified of the release.

In the event that capacity subject to a Negotiated Rate which is based on a rate design other than straight fixed variable is released, Shipper and Panhandle may agree on billing adjustments to the Releasing Shipper that may vary from or are in addition to those set forth in Section 15.6 of the General Terms and Conditions in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. Such payment obligation and crediting mechanism for capacity release shall be set forth on Exhibit A of the executed Service Agreement. Nothing in this Section 3.9 shall authorize Panhandle or Shipper to negotiate terms and conditions of service.

4. MONTHLY BILL

The Monthly Bill for service under this Rate Schedule shall be equal to the capacity charge, the deliverability charge, the injection charge, the withdrawal charge, any overrun charges plus all applicable surcharges.

5. RESERVATIONS

Panhandle reserves the right from time to time to unilaterally make any changes to, or to supersede, the rates and charges and other terms in this Rate Schedule and the other provisions of Panhandle's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder.

6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Panhandle's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

RATE SCHEDULE FS
FLEXIBLE STORAGE SERVICE

1. AVAILABILITY

This Rate Schedule is available for Natural Gas Storage service performed by Panhandle Eastern Pipe Line Company, LP (hereinafter called Panhandle) for any party (hereinafter called Shipper) which has executed a Service Agreement in the form prescribed under this Tariff for service under this Rate Schedule for Storage service from either Panhandle's Market Area Storage Facilities or Field Area Storage Facilities.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to Gas made available by Shipper to Panhandle under firm, interruptible or third party transportation agreements at the applicable FS Point and nominated for Storage under this Rate Schedule, subject to the General Terms and Conditions herein and the further provisions of the Service Agreement. In addition, where Shipper is utilizing a third party to make Gas available for Storage in Panhandle's Market Area Storage Facilities under this Rate Schedule, the Shipper may designate as the FS Point an off-system Market Area Storage Facility that Panhandle has leased from a third party, subject to operational feasibility, the terms and conditions applicable to Panhandle's agreement with the third party providing the off-system storage, the General Terms and Conditions herein, and the further provisions of the Service Agreement.

The service provided hereunder consists of the injection of Shipper's Gas into Storage at the applicable FS Point in Panhandle's Market Area Storage Facilities or Field Area Storage Facilities, as elected by the Shipper in the Service Agreement, and the subsequent withdrawal from Storage of Shipper's Gas, at the applicable FS Point, all on a firm basis. Injections may be made in accordance with the FS Storage Agreement, subject to daily nomination by Shipper and available Maximum Stored Quantity. Withdrawals may be made in accordance with the FS Storage Agreement, subject to daily nomination by Shipper and available Stored Volume. Injections and withdrawals, other than as specifically provided for in the FS Storage Agreement will be permitted on an interruptible basis, subject to Panhandle's management of Storage to preserve deliverability. Maximum Daily Withdrawal Quantities (MDWQ) and Maximum Daily Injection Quantities (MDIQ) shall be in accordance with the FS Storage Agreement. Shipper's Maximum Stored Quantity shall be a uniform quantity throughout the term of the Service Agreement, except that Panhandle may, but shall not be obligated to, agree on a not unduly discriminatory basis to certain differing levels in Shipper's Maximum Stored Quantity for specified periods during the term of the Service Agreement. The effective period of each Maximum Stored Quantity level shall be specified in the executed Service Agreement. Available withdrawal quantities will vary according to the percentage of Shipper's Stored Volume to the Maximum Stored Quantity in accordance with the FS Storage Agreement.

The available Stored Volume shall be increased, up to the Maximum Stored Quantity, by the Quantity of Gas Shipper transfers into FS Storage in accordance with Section 14.2 of the General Terms and Conditions. The available Stored Volume shall be reduced by the Quantity of Gas Shipper transfers out of FS Storage in accordance with Section 14.2 of the General Terms and Conditions.

In no event shall Panhandle be obligated to provide any Storage service for which capacity is not available or which would require the construction or acquisition of new facilities or the modification or expansion of existing facilities.

3. RATES

The rates and charges for Storage service under this Rate Schedule from Panhandle's Market Area Storage Facilities and Field Area Storage Facilities shall be as follows:

3.1 Capacity Charge

Shipper shall pay a Monthly Capacity Charge which shall be the product of 1/~~365~~¹²th the Maximum Stored Quantity times the applicable capacity charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS multiplied by the number of days in the month.

3.2 Deliverability Charge

Shipper shall pay a Monthly Deliverability Charge which shall be the product of the Maximum Daily Withdrawal Quantity set out in the FS Storage Agreement times the applicable deliverability charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS multiplied by the number of days in the month.

3.3 Injection Charge

Shipper shall pay an Injection Charge which shall be the product of the Quantity of Gas actually received from Shipper at the FS Point and injected into Storage during the Month times the applicable injection charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS.

3.4 Withdrawal Charge

Shipper shall pay a Withdrawal Charge which shall be the product of the Quantity of Gas actually withdrawn from Storage and delivered to Shipper at the FS Point during the Month times the applicable withdrawal charge per Dt. as set forth on the Currently Effective Rates for Rate Schedule FS.

3.5 Surcharges

Shipper shall pay all surcharges specified in the General Terms and Conditions or which otherwise may be applicable to service under this Rate Schedule from time to time.

3.6 Overrun Charge and Unauthorized Overrun Penalty

Shipper shall pay the applicable Overrun Charge and, if applicable, the Unauthorized Overrun Penalty per Dt. of Gas actually delivered at the applicable FS Point and injected into Storage or withdrawn from Storage and received for transportation at the applicable FS Point during any Day in excess of the MDIQ and MDWQ set out in the Service Agreement, as applicable. The Overrun Charge per Dt. shall be as set forth on the Currently Effective Rates for Rate Schedule FS and the Unauthorized Overrun Penalty shall be as set forth in Sections 12.16 and 12.17 of the General Terms and Conditions. For purposes of computing Overrun Charges and Unauthorized Overrun Penalties applicable to withdrawals in excess of MDWQ when available withdrawal quantities are reduced as a result of Stored Volume being below the levels specified in the FS Storage Agreement, the MDWQ as stated in the FS Storage Agreement shall be deemed to be reduced in accordance with the ratchets, if any, set forth in the FS Storage Agreement. The Overrun Charge will not apply to injections or withdrawals during each specified period as set forth in the FS Storage Agreement, if the Quantities injected or withdrawn are within the MDIQ or MDWQ, as applicable.

3.7 Range of Rates

Unless otherwise agreed to in writing by Shipper and Panhandle, any rate applicable to a Shipper for service hereunder, by reference to the Currently Effective Rates for Rate Schedule FS shall be the applicable Maximum Rate(s) set forth thereon. If an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be applicable prospectively.

3.8 Fuel Reimbursement

Shipper shall reimburse Panhandle in kind for fuel usage and lost or unaccounted for Gas pursuant to the terms and conditions of the Service Agreement and as stated on the Currently Effective Rates for Rate Schedule FS for service hereunder. If the Stored Volume of the Shipper is not reduced to 20% of Maximum Stored Quantity or less prior to the end of the Winter Period of any Contract Year as specified in the Service Agreement, then Panhandle shall retain .25% of the excess Stored Volume over 20% of the Maximum Stored Quantity to compensate for additional compressor fuel required.

3.9 Negotiated Rates

Shipper and Panhandle may agree, on a prospective basis, to a Negotiated Rate with respect to the charges identified in Sections 3.1, 3.2, 3.3 and 3.4 herein which may be less than, equal to or greater than the Maximum Rate; shall not be less than the Minimum Rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity. Such Negotiated Rate shall be set forth on Exhibit A of the executed Service Agreement and on the Currently Effective Rates for Negotiated

Rates. The Maximum Rate shall be available to any Shipper that does not choose a Negotiated Rate.

Shippers paying a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of scheduling, curtailment and interruption, and calculating the economic value of a request for unsubscribed firm capacity. In addition, a Shipper that does not agree to pay any surcharges will not be granted a scheduling preference that deems such surcharges have been paid. Replacement Shippers are not eligible for Negotiated Rates. Replacement Shippers may bid or pay a rate greater than Maximum Rate if the release of capacity is for a period of one year or less and the release is to take effect on or before one year from the date on which Panhandle is notified of the release.

In the event that capacity subject to a Negotiated Rate which is based on a rate design other than straight fixed variable is released, Shipper and Panhandle may agree on billing adjustments to the Releasing Shipper that may vary from or are in addition to those set forth in Section 15.6 of the General Terms and Conditions in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. Such payment obligation and crediting mechanism for capacity release shall be set forth on Exhibit A of the executed Service Agreement. Nothing in this Section 3.9 shall authorize Panhandle or Shipper to negotiate terms and conditions of service.

4. MONTHLY BILL

The Monthly Bill for service under this Rate Schedule shall be equal to the capacity charge, the deliverability charge, the injection charge, the withdrawal charge, any applicable overrun charges plus all applicable surcharges.

5. RESERVATIONS

Panhandle reserves the right from time to time to unilaterally make any changes to, or to supersede, the rates and charges and other terms in this Rate Schedule and the other provisions of Panhandle's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder.

6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Panhandle's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

RATE SCHEDULE EIT
ENHANCED INTERRUPTIBLE TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule is available for Natural Gas Transportation and Gathering service performed by Panhandle Eastern Pipe Line Company, LP (hereinafter called Panhandle) for any party (hereinafter called Shipper):

- (a) which has executed a Service Agreement in the form prescribed under Panhandle's FERC Gas Tariff for service under this Rate Schedule;
- (b) which delivers Natural Gas or causes Natural Gas to be delivered to Panhandle for delivery by Panhandle for the account of Shipper; and
- (c) which receives such Gas from Panhandle at a Point(s) of Delivery on a basis consistent with Section 5, below.

This service is available for interruptible service at a Point(s) of Delivery without regard to the presence of a Flow Control Device.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to the interruptible Transportation and Gathering of Natural Gas on Panhandle's system, subject to the General Terms and Conditions herein and the further provisions of the Service Agreement.

The service provided by Panhandle under this Rate Schedule consists of the receipt of Natural Gas by Panhandle at the Point(s) of Receipt located on Panhandle's system and specified in the executed Service Agreement and the delivery of such Gas, after appropriate reductions, at a Point(s) of Delivery located on Panhandle's system and specified in the executed Service Agreement up to the Maximum Daily Contract Quantity (MDCQ) set out in the executed Service Agreement, subject to the availability of capacity.

In no event shall Panhandle be obligated to provide any Transportation or Gathering service for which capacity is not available or which would require the construction or acquisition of new facilities or the modification or expansion of existing facilities.

3. RATES

The rates and charges for interruptible service under this Rate Schedule shall be as follows:

3.1 Transmission Charge

If Shipper designates interruptible Point(s) of Receipt or interruptible Point(s) of Delivery on the transmission portion of Panhandle's system, Shipper shall pay a Transmission Charge which shall be the product of the actual Quantity of Gas delivered during the Month times the Transmission commodity rate per Dt. as set forth on the Currently Effective Rates for Rate Schedule EIT. If both the Point(s) of Receipt and the Point(s) of Delivery are located within the Field Zone, the applicable rate shall be as set forth on the Currently Effective Rates for Rate Schedule EIT for service within the Field Zone only; if both the Point(s) of Receipt and Point(s) of Delivery are located within the Market Zone, the applicable rates shall be as set forth on the Currently Effective Rates for Rate Schedule EIT for service within the Market Zone only; if the Point(s) of Receipt and the Point(s) of Delivery are located in different zones, the applicable rates shall be derived by adding the effective rates for service in the Field Zone and the Market Zone.

3.2 Gathering Charge

If Shipper designates Point(s) of Receipt or Point(s) of Delivery in the Gathering portion of Panhandle's system or utilizes the Gathering portion of Panhandle's system for interruptible service hereunder, Shipper shall pay a Gathering Charge which shall be the product of the actual Quantity of Gas delivered during the Month times the applicable rate per Dt. as set forth on the Currently Effective Rates for Rate Schedule EIT.

3.3 Transportation Involving Pooling

The rates for interruptible Transportation under Rate Schedule EIT involving pooling, as set forth in Section 14 of the General Terms and Conditions, shall be as specified in this Section 3; provided that the rates charged for service under a Pooling Transportation Agreement shall not include Field Zone Transmission Charges, so long as title to such Gas passes to another Shipper and the Quantities of Gas are delivered for immediate receipt and subsequent Transportation on Panhandle's system under a Service Agreement to which Field Zone Transmission Charges apply. If the Pooling Shipper notifies Panhandle in writing at the time its initial nomination for the Month is submitted that it has agreed to pay the Field Zone charges, such charges shall not apply to the Quantities transported under the Corresponding Transportation Agreement but shall apply to the Pooling Transportation Agreement for such Month. In addition, if the Corresponding Shipper notifies Panhandle in writing at the time its initial nomination for the Month is submitted that it has agreed to pay the Gathering charges, such charges shall not apply to the Quantities transported under the Pooling Transportation Agreement but shall apply to the Corresponding Transportation Agreement for such Month.

3.4 Surcharges

Shipper shall pay all surcharges specified in the General Terms and Conditions or which otherwise may be applicable to service under this Rate Schedule from time to time.

3.5 Takes in Excess of Permissible Hourly Deliveries

If, pursuant to Section 5 hereof, Shipper has been notified that it must limit takes to one-sixteenth of the Quantities nominated and scheduled for delivery at the Point(s) of Delivery, Shipper must use its best efforts to limit its takes to one-sixteenth of the Quantities nominated and scheduled for delivery at the Point(s) of Delivery as soon as possible, but in no event later than two hours following notification. If, after such two hours, the Shipper's takes exceed such hourly limitation for any hour during the next twenty-four hour period, Shipper shall pay the hourly charges as set forth in Section 12.11(g) of the General Terms and Conditions.

3.6 Unauthorized Overrun Penalty for Takes During an OFO

Panhandle may issue an OFO and, if it does so, Panhandle shall notify Shippers via the Messenger® system, the Web Site, telephone or electronic communication. Once issued the OFO shall continue until Panhandle notifies Shippers to the contrary using the above methods. If, during an OFO Shipper has been notified, pursuant to Section 5 hereof, that it must limit takes to one-sixteenth of the Quantities nominated for delivery at the Point(s) of Delivery, Shipper must use its best efforts to limit its takes to one-sixteenth of the Quantities nominated for delivery at the Point(s) of Delivery as soon as possible, but in no event later than two hours following notification. If, after such two hours, the Shipper's takes exceed such hourly limitation for any hour during the next twenty-four hour period, Shipper shall pay the ~~hourly charges~~ Unauthorized Overrun Penalty as set forth in Section 12.17(f)(ii) of the General Terms and Conditions.

3.7 Range of Rates

Unless otherwise agreed to in writing by Shipper and Panhandle, any rate applicable to a Shipper for service hereunder, by reference to the Currently Effective Rates for Rate Schedule EIT shall be the applicable Maximum Rate(s) set forth thereon. If an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be applicable prospectively.

3.8 Fuel Reimbursement

Shipper shall reimburse Panhandle in kind for fuel usage and lost or unaccounted for Gas pursuant to the terms and conditions of the Service Agreement and as stated on the Currently Effective Rates for Rate Schedule EIT for service hereunder.

3.9 Balancing Charges

If balancing charges are incurred in accordance with Section 12 of the General Terms and Conditions, then such balancing charges shall also be applicable.

4. MONTHLY BILL

The Monthly Bill for service under this Rate Schedule shall be equal to the Transmission Charge, the Gathering Charge, any applicable overrun and balancing charges plus all applicable surcharges.

5. HOURLY DELIVERIES

Shipper shall deliver Natural Gas or cause Natural Gas to be delivered for the account of Shipper on a uniform hourly basis as nearly as practicable. At each Point(s) of Delivery Shipper may receive from Panhandle in any hour such Quantities of Gas as it desires or as are consistent with available pipeline pressures at such point(s); provided that Panhandle shall be entitled to require Shipper to restrict takes at any point during any hour to one-sixteenth of the Natural Gas nominated for Transportation to that Point(s) of Delivery on that Day by notifying Shipper via the Messenger® system, the Web Site, telephone or electronic communication.

6. RESERVATIONS

Panhandle reserves the right from time to time to unilaterally make any changes to, or to supersede, the rates and charges and other terms in this Rate Schedule and the other provisions of Panhandle's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act and the Commission's Regulations thereunder.

7. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Panhandle's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

GENERAL TERMS AND CONDITIONS

The following General Terms and Conditions are applicable to any service provided hereunder:

1. DEFINITIONS

~~**Backhaul** shall mean transportation nominated, confirmed and scheduled by Panhandle for Shipper which entails the receipt and delivery of gas at points resulting in the transportation of gas in a direction opposite of the physical flow of gas for the entire transportation path.~~

British Thermal Unit (Btu) shall mean the amount of heat required to raise the temperature of one (1) avoirdupois pound of pure water from 58.5°F to 59.5°F under standard conditions as described in Section 4.2.

Business Day shall mean Monday through Friday from 8:00 A.M. to 5:00 P.M. Central Clock Time excluding Federal Banking Holidays.

Central Time or Central Clock Time shall mean the time in the Central Time Zone, as adjusted for Daylight Savings Time and Standard Time.

Commission or FERC shall mean the Federal Energy Regulatory Commission or any successor regulatory agency.

Contract Year as used in Rate Schedules FT, EFT, SCT, IT, EIT, IOS, IIOS, GDS, TBS, LFT and DVS shall mean an annual period beginning the first Day of the Month following the effectiveness of the Service Agreement and ending twelve Months later; and as used in Rate Schedules FS and IFS shall mean an annual period beginning April 1 and ending the following March 31.

Corresponding Transportation Agreement shall mean a Transportation Agreement that identifies a Pool Point as a Point of Receipt and provides for further delivery downstream of the Pool Point.

Corresponding Shipper shall mean a Shipper that nominates receipts of Gas at a Pool Point for subsequent delivery under a Corresponding Transportation Agreement.

Daily Scheduling Charge shall mean the charge that applies to a Transportation Agreement when the difference between the sum of the actual Quantities of Gas delivered at any Point of Delivery and the sum of Quantities of Gas nominated at such point exceeds the tolerance level. The Daily Scheduling Charge under normal conditions is set forth in Section 12.11(h) of the General Terms and Conditions and the Daily Scheduling Charge that applies when Panhandle issues an OFO is set forth in Section 12.17 of the General Terms and Conditions.

Day shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 A.M. Central Clock Time. The reference date for any Day shall be the date of the beginning of such Day.

Dekatherm (Dt.) shall mean one thousand cubic feet of Gas (Mcf) with a heat content of 1,000 Btu per cubic foot on a measurement basis specified under Section 4 herein and based on the same pressure base as the volumes.

DVS Party shall mean the entity that has executed a Service Agreement under Rate Schedule DVS with Panhandle.

Electronic Funds Transfer shall mean payments made or effected by wire transfer (Fedwire, CHIPS, or Bank Book Entry) or Automated Clearing House (ACH) or any other recognized electronic or automated payment mechanism that is agreed upon by Shipper and Panhandle in the future.

Electronic Gas Measurement (EGM) shall mean that form of measurement equipment which may consist of a computerized remote terminal unit, transducers and other associated power, radio and sensing and other electronic devices to accomplish Gas measurement and transfer of data, without the use of charts.

Field Area Storage Facilities shall mean the storage facilities Panhandle owns and leases located upstream of the suction side of Panhandle's Haven, Kansas Compressor Station.

Field Zone shall mean the portion of Panhandle's system located on the suction side of Panhandle's Haven, Kansas Compressor Station and extending westward through Kansas, Oklahoma and Texas.

Flow Control Device shall mean a physical valve at a Point of Receipt or Point of Delivery on Panhandle's pipeline which provides Panhandle with control over flowing volumes at that point.

Former Tariff shall mean Panhandle's FERC GAS TARIFF, Original Volume No. 1.

~~**Forwardhaul** shall mean transportation nominated, confirmed and scheduled by Panhandle for Shipper which entails the receipt and delivery of gas at points resulting in the transportation of gas in the same direction of the physical flow of gas for any part of the transportation path.~~

FS Point shall mean the point at which Gas is received for injection into Storage and Gas withdrawn from Storage is delivered to Panhandle under Rate Schedule FS or IFS. If Shipper's Service Agreement provides for Storage service under Rate Schedules FS or IFS from Panhandle's Market Area Storage Facilities, the FS Point shall be at a point near the Michigan and Ohio state line traversed by Panhandle's pipeline facilities; if Shipper's Service Agreement provides for Storage service under Rate Schedules FS or IFS from Panhandle's Field Area Storage Facilities, the FS Point shall be at a point near Panhandle's Haven, Kansas Compressor Stations.

Fuel Reimbursement shall mean the reimbursement of Panhandle by Shipper in kind for fuel usage and lost or unaccounted for Gas.

Gathering shall mean the receipt by Panhandle of Natural Gas from a wellhead or other facility connected to Panhandle's Gathering facilities and its Transportation to the outlet side of Panhandle's facilities at the terminus of any portion of Panhandle's Gathering system or such other mutually agreeable point(s) on Panhandle's Gathering system as set forth in the Transportation Agreement.

IOS Point shall mean the point near Panhandle's Haven, Kansas Compressor Station at which Gas is received for injection into Storage and Gas withdrawn from Storage is delivered to Panhandle under Rate Schedules IOS and IIOS.

Long-Term Agreement shall mean a Transportation or Storage Agreement with a primary term of one year or more from the effective date of the Agreement.

Market Area Storage Facilities shall mean the storage facilities Panhandle owns and leases located downstream of the discharge side of Panhandle's Haven, Kansas Compressor Station.

Market Zone shall mean the portion of Panhandle's system located on the discharge side of Panhandle's Haven, Kansas Compressor Station and extending eastward through Kansas, Missouri, Illinois, Indiana, Ohio and Michigan.

Master Delivery Point List (MDPL) shall mean the current list of meter stations and points available to Shippers as Points of Delivery as posted on the Messenger® system at any time.

Master Parking Point List (MPPL) shall mean the current list of points available to Shippers as Parking points as posted on the Messenger® system at any time.

Master Receipt Point List (MRPL) shall mean the current list of meter stations and points available to Shippers as Points of Receipt as posted on the Messenger® system at any time.

Maximum Daily Contract Quantity (MDCQ) shall mean the maximum Quantity of Gas which Panhandle is obligated to deliver on any Day at a Point of Delivery to Shipper as specified in an executed Transportation Agreement.

Maximum Daily Injection Quantity (MDIQ) shall mean the maximum Quantity of Gas which Panhandle is obligated to inject into Storage for the account of Shipper on any Day as specified in an executed Storage Agreement.

Maximum Daily Variance Quantity (MDVQ) shall mean the maximum Quantity of Gas that Panhandle is obligated to manage under Rate Schedule DVS.

Maximum Daily Withdrawal Quantity (MDWQ) shall mean the maximum Quantity of Gas which Panhandle is obligated to withdraw from Storage for the account of Shipper on any Day as specified in an executed Storage Agreement.

Maximum Rate shall mean the applicable maximum rate as set forth on the Currently Effective Rates for the applicable Rate Schedule plus all surcharges specified in the General Terms and Conditions as may be applicable from time to time.

Maximum Stored Quantity (MSQ) shall mean the maximum Quantity of Gas which Shipper is permitted to have in Storage at any time during the Contract Year as specified in an executed Storage Agreement.

Messenger® shall mean the electronic communication system offered by Panhandle on a nondiscriminatory basis to any Shipper that has compatible equipment for electronic transmission of data, provided that such Shipper has been assigned a USERID and password and agrees to comply with the procedures for access to Messenger® and with the procedures for use of the Messenger® system.

Minimum Rate shall mean the applicable minimum rate as set forth on the Currently Effective Rates for the applicable Rate Schedule.

Month shall mean the period beginning at 9:00 a.m. Central Time on the first Day of the calendar Month and ending at 9:00 a.m. Central Clock Time on the first Day of the next succeeding calendar Month.

Mcf shall mean 1,000 cubic feet of Gas.

Mmcf shall mean 1,000,000 cubic feet of Gas.

Natural Gas or Gas shall mean either Natural Gas unmixed, or a mixture of natural and artificial Gas.

Negotiated Rate shall mean the rate agreed to by Shipper and Panhandle which may be less than, equal to or greater than the Maximum Rate but shall not be less than the Minimum Rate. The Negotiated Rate may be based on a rate design other than straight fixed variable and may include a minimum quantity.

Operational Flow Order (OFO) shall mean an order issued by Panhandle in the circumstances specified in Section 12.17 requiring a Shipper(s) to take a certain action(s) or to refrain from taking a certain action(s).

Overrun Charge shall mean the charge that applies when a Shipper takes Quantities of Gas in excess of the MDCQ as stated in Shipper's Service Agreement under Rate Schedules FT, EFT, SCT and LFT. Overrun Charge shall also mean the charge that applies when Shipper exceeds the MDIQ or MDWQ under Shipper's Service Agreement as reflected in Section 3.6 of Rate Schedules IOS and FS.

Panhandle shall mean Panhandle Eastern Pipe Line Company, LP.

Parking shall mean the receipt by Panhandle of Gas from or for the account of Shipper, the holding of such Gas for a period of time and the subsequent redelivery to Shipper.

Parking Agreement shall mean an agreement for Parking service provided under Rate Schedule GPS.

Point of Delivery shall mean a point at the outlet side of Panhandle's facilities at a point of interconnection between the facilities of Panhandle and the facilities of Shipper or Shipper's designee, a Pool Point or such other mutually agreeable point as set forth in the Service Agreement. Point(s) of Delivery located on the Gathering and transmission portions of Panhandle's system shall be identified in the Service Agreement.

Point of Receipt shall mean a point at the inlet side of Panhandle's facilities at a point of interconnection between the facilities of Panhandle and facilities of Shipper or Shipper's designee, a Pool Point or such other mutually agreeable point as set forth in the Service Agreement. Point(s) of Receipt located on the Gathering and transmission portions of Panhandle's system shall be identified in the Service Agreement.

Pool Point shall mean a point on Panhandle's system located at or west of Panhandle's Haven, Kansas Compressor Station which has been identified as a Point of Receipt in a Corresponding Transportation Agreement, subject to Section 14 herein. A Pool Point may not be located at a point where Gas physically enters or leaves Panhandle's system.

Pooling Shipper shall mean a Shipper under a Pooling Transportation Agreement.

Pooling Transportation Agreement shall mean a Transportation Agreement under Rate Schedules FT, EFT, IT, EIT or LFT that designates a Pool Point as the sole Point of Delivery.

Primary Path shall mean the portion of capacity physically located between the designated Primary Points of Receipt and Delivery.

Quantity of Gas or any other substantially similar phrase shall be the number of units of Gas expressed in Dekatherms (Dt.).

Seasonal Storage shall mean Storage service provided under Rate Schedules FS or IFS.

Service Agreement shall mean a Transportation Agreement, Storage Agreement, Parking Agreement, or Delivery Variance Service Agreement.

Shipper shall mean the entity that has executed a Service Agreement with Panhandle for any capacity release or any Transportation or Storage service.

Storage shall mean the receipt by Panhandle of Gas from or for the account of Shipper, the retention by Panhandle of that Gas for a period of time in an underground facility and the redelivery to Shipper.

Storage Agreement shall mean an agreement for Storage service provided under Rate Schedules IOS, IIOS FS or IFS.

Stored Volume shall mean the Quantity of Gas held by Panhandle in Storage for Shipper's account at any time.

Summer Period shall mean the period from April 1 through October 31.

Thermal or Thermally Equivalent shall mean an equal number of Btu's.

Transportation shall mean forwardhaul, backhaul or any other method of transport of Gas as defined in the FERC's Regulations, except Storage.

Transportation Agreement shall mean an agreement for Transportation service provided under Rate Schedule FT, EFT, SCT, IT, EIT, LFT or GPS.

Unauthorized Gas shall mean any Quantity of Gas, either received or delivered by Panhandle which cannot be identified as being received or delivered pursuant to a Transportation or Storage withdrawal nomination on behalf of an existing Shipper.

Unauthorized Overrun Penalty shall mean the penalty that applies when, on any Day, Shipper takes Quantities of Gas in excess of the MDCQ as stated in the Transportation Agreement or Quantities of Gas in excess of the MDIQ or MDWQ as stated in the Storage Agreement and such excess Quantities have not been scheduled by Panhandle.

Web Site shall mean Panhandle's HTML page accessible via the Internet's World Wide Web located at <http://peplmessenger.energytransfer.com>.

Winter Period shall mean the period November 1 through March 31 of the next year.

GENERAL TERMS AND CONDITIONS

7. CONTRACTING FOR SERVICE RIGHTS

This Section 7 governs the order in which requests for Transportation or Storage service rights shall be accommodated where capacity is not available for all valid requests. It does not govern scheduling, which is governed by Section 8 herein.

7.1 Order For Accommodating Firm Service Rights

(a) Request for Available Capacity

Subject to the provisions of Section 7.2 hereof, as firm capacity becomes available for (1) Transportation, (2) Storage from Field Area Storage Facilities under Rate Schedule IOS or FS, or (3) Storage from Market Area Storage Facilities under Rate Schedule FS, requests for firm services shall be fulfilled first, commencing with the requested service offering the greatest economic value for the capacity available. If the economic values, as determined below, of separate service requests are equal, then service shall be offered in sequence starting with the request for such service with the earliest date. If separate service requests have equal economic values and the same date of request, service shall be offered to such requests on a pro rata basis.

(b) Economic Value of Requests

The economic value of request(s) for service rights shall be the net present value of the reservation charges, capacity charges and deliverability charges that Shipper would pay at the rates Shipper has requested, which shall not be less than the Minimum Rate nor greater than the Maximum Rates as stated on the Currently Effective Rates governing such service, over the term of service specified in the request(s), utilizing as the annual discount factor the prime interest rate in accordance with Section 154.501(d) of the Commission's Regulations as posted on the Commission's web site. The prime interest rate utilized shall be the rate in effect on the date the open season notice is posted. The net present value for capacity awarded in an open season pursuant to Section 7.1(f) or(g) below, may be calculated on a per Dt. basis or on an aggregate basis as stated in the open season notice. For purposes of determining the economic value of request(s) for service rights under Rate Schedule SCT, the net present value will be determined using the applicable reservation rate per Dt. under Rate Schedule EFT at a load factor of 100%. Shippers requesting service at a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of determining the economic value of request(s) for service rights.

(c) Service Agreement

Panhandle shall tender Service Agreements to potential Shipper(s) whose request(s) for firm service can be accommodated through the capacity that becomes available in accordance with the order established under Section 7.1(a).

If Panhandle tenders a Service Agreement, but does not receive the executed Service Agreement within fifteen (15) Days from the date the Service Agreement is sent, the request for service rights shall expire without prejudice to the prospective Shipper's right to submit a new request for service rights, provided, however, that Panhandle and Shipper may agree to extend the foregoing deadline. In the event the prospective Shipper returns a Service Agreement with a rate less than that used to determine the economic value of the request or with a term less than that used to determine the economic value of the request or both, Panhandle shall redetermine the economic value of the Shipper's request in accordance with Section 7.1(b) hereof. If the request continues to qualify for service, and Panhandle agrees to the rate, Panhandle shall execute the Service Agreement. If the request does not continue to qualify for service, the Service Agreement shall be deemed null and void, and the prospective Shipper's request shall be modified in accordance with the terms proposed by the prospective Shipper.

(d) Request for Future Service

A request for future service may be received and processed if the request is associated with an open season, new supply being attached to Panhandle's system, termination of an existing contract on another pipeline, a direct-served customer, defined below, who now desires to contract for firm service directly with Panhandle at the direct-served primary delivery point, construction of new facilities required to serve a new receipt or delivery point, or the construction and/or modification of facilities that will result in a material increase in gas usage or production. A direct-served customer shall mean an end-use entity that is directly connected to Panhandle's system at the time of shipper's applicable request for service and is served on a firm basis under a Service Agreement on Panhandle held by a third-party, non-affiliated Panhandle Shipper other than the direct-served customer. A prospective shipper requesting future service must submit written evidence that one of these conditions applies.

(e) Posting

From time to time, Panhandle may post future capacity prior to an open season for unsubscribed capacity or capacity that becomes available due to expiration of a Service Agreement(s) in which any right of first refusal, rollover or other extension rights are expired. The specified future capacity shall be posted on the Web Site for a minimum of five (5) Business Days prior to commencement of an open season.

(f) Open Season Process

Panhandle shall have the right to conduct an open season for particular segments of capacity, whether currently available capacity or future capacity pursuant to GT&C Sections 7.1(d) and (e). The open season will be conducted for a minimum of five (5) Business Days. The description of the capacity and instructions for bidding will be included in the open season posting.

Any party who desires to participate in the open season must meet the requirements of GT&C Section 29 prior to participation in the open season. All bids must be submitted on the binding bid form attached to the open season posting and must indicate whether a bidder is willing to accept a partial award. A bid can be withdrawn or changed during the bidding period; however, any new or changed bid cannot have a lesser net present value than the bidder's previous bid. All bids shall be binding on the bidder upon conclusion of the bidding period. Panhandle reserves the right to reject any and all bids, including bids that detrimentally impact the operational integrity of Panhandle's system, bids that do not satisfy the terms of the open season posting and bids that are incomplete or contain terms and conditions other than those set forth in Panhandle's Tariff. Panhandle may, but shall not be required to, accept bids that are not for continuous service at a constant MDCQ for the entire term of the service. Panhandle's discretion to accept or reject a bid shall be exercised on a not unduly discriminatory basis. Panhandle will promptly notify bidder via electronic communication of its reason(s) for such rejection.

Bids will be evaluated based on the net present value of Shipper's bid calculated pursuant to GT&C Section 7.1(b) above. For the purposes of determining the best bid and allocating capacity, Shippers willing to pay more than the maximum tariff rate will be considered to be paying maximum tariff rate. Bids will be awarded, subject to Section 7.1(g), in order based on the highest net present value calculated pursuant to GT&C Section 7.1(b) above. Bids with an equal net present value will be awarded on a pro rata basis. Following the completion of the open season, if capacity is awarded, Panhandle will post the winning bidder(s) and the methodology used to determine the winning bid(s).

Awards of capacity will be subject to Panhandle's receipt of necessary regulatory approvals. Regulatory approvals pertaining to potential system modifications must be acceptable to Panhandle, at its sole discretion.

(g) Prearranged Deal

Panhandle may individually negotiate a Service Agreement with a prospective shipper for service to commence at some time in the future. Panhandle shall post such prearranged deal for open season bidding to allow other parties an

opportunity to purchase the capacity, whether for service to commence immediately or in the future. Panhandle shall include the terms of the prearranged transaction, if any, in the open season posting. In the event a competing bid for service to commence immediately or in the future, provides a greater net present value than a prearranged deal, Panhandle shall give the prearranged shipper a one-time right to match the higher bid. If matched, the prearranged shipper will obtain the capacity; otherwise Panhandle will award the capacity in order based on the highest net present value calculated pursuant to GT&C Section 7.1(b) above. Bids with an equal net present value will be awarded on a pro rata basis.

(h) Interim Capacity

Capacity that is awarded pursuant to GT&C Sections 7.1(f) and (g), as well as capacity that is reserved pursuant to GT&C Section 7.1(i), will be made available for transportation service on an interim basis up to the commencement date of the Service Agreement for such capacity. For such interim Service Agreements, Panhandle reserves the right to limit Shipper's extension rights, including the right of first refusal, within the interim Service Agreement.

(i) Reserved Capacity

Panhandle may reserve capacity for a future expansion project for which an open season has been held or will be held. Capacity may be reserved for up to twelve (12) months prior to Panhandle filing for certificate approval for construction of proposed expansion project and thereafter until all expansion facilities are placed into service.

7.2 Continuation of Long-Term Agreements for Firm Service; Right of First Refusal

(a) Panhandle shall continue to provide service pursuant to a Long-Term Agreement beyond the term specified in such Agreement if:

- (i) The Long-Term Agreement is extended pursuant to Section 7.7, or
- (ii) If the Long-Term Agreement meets the eligibility standards below and Shipper agrees to match the bid having the greatest economic value, as defined in Section 7.1(b) hereof, for the firm service Shipper receives, or any portion thereof, which Panhandle has been offered in accordance with Section 7.2(b) and executes a new Service Agreement matching those terms. A Long-Term Agreement for firm service is eligible for the right of first refusal provisions in this Section 7.2 if the Long-Term Agreement (1) is in effect prior to August 1, 2000 or (2) commences on or after August 1, 2000 and the Long-Term Agreement provides for twelve (12) or more Months of consecutive service at the Maximum Rate applicable to the service or, if the service is not available for twelve (12) consecutive

Months, the Long-Term Agreement provides for service for more than one year at the Maximum Rate applicable to the service. If a Shipper's Agreement does not qualify for the right of first refusal under this Section 7.2(a)(ii), then Panhandle in a not unduly discriminatory manner may agree otherwise with any such Shipper.

(b) The procedures specified in this Section 7.2(b) shall be followed to determine whether a Long-Term Agreement will be continued in accordance with Section 7.2(a)(ii).

(i) Shipper must give timely notice that it wants to continue service beyond the term of the Agreement. For the notice to be timely, Shipper must notify Panhandle within the following periods:

<u>Stated Contract Term</u>	<u>Months Prior To Contract Expiration</u>
2 years or longer	Not earlier than 18 Months and not later than 12 Months
Less than 2 years	Not earlier than 9 Months and not later than 6 Months

Panhandle shall notify each Shipper not earlier than 45 Days and not later than 30 Days prior to the last Day Shipper can give timely notice hereunder.

- (ii) Upon receipt of the Shipper's notice, Panhandle shall post on the Messenger® system for a period of 45 Days ("Posting Period") the Maximum Daily Contract Quantity under the Shipper's Long-Term Agreement and the primary Point(s) of Receipt and Point(s) of Delivery thereunder.
- (iii) During the Posting Period Panhandle shall accept requests for all or a portion of the Shipper's service rights under the Long-Term Agreement from any prospective Shipper that has submitted a valid request for service rights in accordance with the provisions of Section 6.1 hereof.
- (iv) If, during the Posting Period, Panhandle receives an acceptable offer for all or a portion of the service rights under Shipper's Long-Term Agreement, Panhandle shall notify Shipper in writing of the offer having the greatest economic value, as defined in Section 7.1(b) hereof; provided, that for purposes of value comparisons under this section the rate utilized shall be limited to the Maximum Rate that can be charged to the existing Shipper. If Shipper elects to match the offer, Shipper shall notify Panhandle of such

election in writing within 30 Days after receiving notice from Panhandle and shall execute a new Service Agreement matching the offer within 30 days after Panhandle has tendered the Service Agreement. If Shipper elects not to match the offer or does not execute the Service Agreement within 30 days, Panhandle will tender a Service Agreement to the prospective Shipper submitting the offer having the greatest economic value. If the Service Agreement is not executed within 30 days, the request for service rights shall expire without prejudice to the prospective Shipper's right to submit a new request for service rights. Panhandle shall then notify the Shipper in writing of the acceptable offer, if any, having the next greatest economic value in accordance with the provisions of this Section 7.2(b)(iv). If there is no other acceptable offer, the Shipper may continue service in accordance with Section 7.2(b)(v).

- (v) If no acceptable offers are received, Panhandle shall so notify Shipper within 15 days after the close of the Posting Period. In such event, Shipper may continue to receive service under a new Long-Term Agreement with any term Shipper chooses, at the applicable Maximum Rate or at a rate agreed to by Panhandle and Shipper. Shipper must notify Panhandle of its intent and indicate the term of the new Long-Term Agreement within 15 days of having been notified in writing by Panhandle that no acceptable offer was received. Panhandle will then be obligated to tender the new Long-Term Agreement to Shipper within 15 days of Shipper's notification. If Shipper (1) fails to provide Panhandle the term of the requested new Long-Term Agreement within the required 15 day period, or (2) does not return an executed Service Agreement reflecting such term to Panhandle within 30 days of the date such contract is tendered, then Shipper shall be deemed to have elected not to continue service under a Long-Term Agreement pursuant to the provisions of Section 7.2 herein.
- (vi) Panhandle shall post the winning bid and bidder on the Messenger® system for ninety (90) Days whether or not the bidder executes a Service Agreement.

- (c) If a Long-Term Agreement is not continued in accordance with Section 7.2(a) above, such Agreement shall terminate as specified therein.

7.3 Panhandle shall not be obligated to tender, execute or continue a Service Agreement for service at any rate less than the Maximum Rate set forth in the Currently Effective Rates applicable to the service requested. It shall be Panhandle's sole discretion to tender, execute or continue a Service Agreement at any rate less than the applicable Maximum Rate for the service requested. Panhandle and Shipper must agree to any rate requested at less than the applicable Maximum Rate before Panhandle becomes obligated to tender, execute or continue a Service Agreement for firm service at any rate less than the applicable Maximum Rate.

- 7.4 Once a Service Agreement for firm Transportation or Storage is executed, the economic value of the Service Agreement shall be determined in accordance with Section 7.1(b). During the term of the Service Agreement any change Shipper may make in the terms of the Service Agreement shall not reduce such economic value of the Service Agreement to Panhandle without Panhandle's written consent.

7.5 Termination of Interruptible Service Agreements

Panhandle may terminate Shipper's Service Agreement under Rate Schedules IT, EIT, IIOS, IFS or GPS, upon thirty (30) days prior written notice to Shipper who has not submitted nominations to either transport, store Gas, or park Gas under such Service Agreement within the immediately preceding twelve (12) Months. In addition, Panhandle and Shipper may mutually agree to terminate such interruptible agreement at any time.

7.6 Contract Reduction Rights

Shipper may elect one or more of the following options to reduce its contract quantity (MDCQ, MSQ, MDIQ, MDWQ or MDVQ, as applicable) during the term of its Service Agreement. Shipper's eligibility for a contract quantity reduction option and Shipper's ability to exercise such option is subject to the terms, conditions and procedures specified below including those in Section 7.6(e).

(a) Regulatory Unbundling

(1) Eligibility

Shipper is a local distribution company or its agent under the direct regulation of a state regulatory or legislative body and Shipper is required by a final order of that state body to unbundle its merchant and transportation functions. Such state body does not approve a mechanism to provide Shipper the opportunity to recover costs incurred by Shipper under Shipper's Service Agreement(s).

(2) Notice and Certification

Shipper shall give Panhandle sixty (60) days prior written notice of the anticipated effective date of the requested contract quantity reduction. The notice shall state the reduction sought, the date or anticipated date of a final order requiring unbundling, and the anticipated effective date of the unbundling order. At the time of such notice, Shipper must certify with supporting data that:

- (i) The contract quantity reduction requested is equal to the level of stranded capacity on Panhandle resulting from (1) Shipper

unbundling its distribution/transportation functions from its merchant functions and (2) a net decrease in Shipper's system sales requirements.

- (ii) Shipper has used reasonable efforts to seek state body approval of a mechanism that allows Shipper to recover the costs incurred under Shipper's Service Agreements and that such recovery efforts were unsuccessful prior to requesting its contract quantity reduction.
- (iii) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger[®] system for thirty (30) days at the rate provided for under the relevant Service Agreement(s). Additionally, Shipper has used reasonable efforts to release its capacity to the new merchants of retail service in its service territory and to request that its state body require new merchants to accept release of such capacity for the remaining term of the Service Agreement.

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Panhandle by an amount that qualifies under the above specifications. If Shipper is served by other natural gas pipelines in addition to Panhandle, Shipper may only reduce its contract quantity on Panhandle by an amount that is prorated based on the respective levels of firm transportation service that Shipper holds on Panhandle and such other natural gas pipelines. Unless otherwise agreed, if more than one Service Agreement with Panhandle is used to serve the system sales requirements no longer served by Shipper as a result of unbundling, Shipper shall reduce its contract quantity on the Panhandle Service Agreements pro rata based on the contract quantity of each Service Agreement. Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the later of (i) the effective date of unbundling or the date of a final order requiring unbundling; and (ii) the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice of the anticipated effective date of the reduction.

(b) Loss of Load

(1) Eligibility

Shipper is a local distribution company or its agent or a municipality that experiences a loss of load. Loss of load occurs when any of Shipper's firm customers with daily requirements on facilities owned or operated by Shipper exceeding 100 Dth/day either permanently cease gas consuming operations or reduce such operations to plant protection levels, or by-pass Shipper by directly connecting to Panhandle. Shipper may elect to take the contract quantity reduction described in this paragraph or Shipper may elect to reduce its contract quantity pursuant to FERC's bypass policies in effect at the time the bypass occurs, but not both.

(2) Notice and Certification

Shipper must give Panhandle written notice no more than thirty (30) days after Shipper receives notice from its customer of a loss of load, which notice shall state the contract quantity reduction sought and the date that Shipper anticipates it will lose the load. At the time of such notice, Shipper must certify with supporting data that:

- (i) The load lost was actually served by the Shipper with gas transported by Panhandle on a firm basis as of the date that Shipper's Service Agreement with Panhandle became effective.
- (ii) The reduction requested is equal to or less than the actual load lost.
- (iii) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger® system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

Shipper may reduce its aggregate contract quantity under all of its Service Agreements with Panhandle by an amount up to the firm daily contract quantity that was used to serve the lost load. If the lost load is served by other natural gas pipelines in addition to Panhandle, Shipper may only reduce its contract quantity on Panhandle by an amount that is prorated based on the respective levels of firm transportation service used to serve the lost load that Shipper holds on Panhandle and such other natural gas pipelines. If more than one Service Agreement on Panhandle serves the lost load, any contract quantity reduction shall be applied first to the

Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro-rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the effective date of the lost load or the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice.

(c) Plant Outage

(1) Eligibility

Shipper, an industrial customer of Panhandle, closes its plant or implements a permanent and material reduction in its production output.

(2) Notice and Certification

Shipper must give Panhandle written notice no more than thirty (30) days following a public announcement that its plant will be closed or will permanently and materially reduce its production output. The notice shall state the contract quantity reduction sought and the date that Shipper anticipates that the plant will be closed or permanently and materially reduce plant output. At the time of such notice, Shipper must certify with supporting data that:

- (i) The plant was actually served by the Shipper with gas transported by Panhandle on a firm basis as of the date that Shipper's Service Agreement with Panhandle became effective.
- (ii) The plant closing or reduction of operations and the quantity of any such permanent reduction in plant output has been publicly announced.
- (iii) The delivery point at which Panhandle makes deliveries to the plant is listed as a primary Point of Delivery on Shipper's Service Agreement.
- (iv) Shipper has used reasonable efforts to release its capacity to Replacement Shippers, by posting the capacity on the Messenger[®] system for thirty (30) days at the rate provided for under the relevant Service Agreement(s).

(3) Level of Reduction

In the event of a permanent and material reduction in the plant's output, Shipper may only reduce its contract quantity by a percentage equal to the percentage that the production decrease represents to the total plant output. In the event of a plant closing, Shipper may reduce its aggregate contract quantity under all of its Service Agreements that serve the plant by an amount up to the daily contract quantity delivered to the plant. If Shipper's plant is served by other natural gas pipelines in addition to Panhandle, Shipper may only reduce its contract quantity on Panhandle by an amount that is prorated based on the respective levels of firm transportation service used to serve the plant that Shipper holds on Panhandle and such other natural gas pipelines. If more than one Service Agreement on Panhandle serves such plant, any contract quantity reduction shall be applied first to the Service Agreement with the lowest rate, unless otherwise agreed. Any reduction in contract quantity shall result in a pro rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery, unless otherwise agreed.

(4) Effective Date

The reduction shall take effect on the later of the first calendar day of the month following the sixtieth (60th) day after Shipper's written notice or the effective date of the plant's permanent and material output reduction or closing.

(d) Buyout

(1) Eligibility

Shipper may elect to reduce some or all of the contract quantity on its firm Service Agreement(s) by making one or more of the following cash payments to Panhandle.

The total amount of the cash payment that Shipper must pay Panhandle shall be 100 percent of the net present value of the reservation charge payments applicable to the reduced quantities that Panhandle would have otherwise received had Shipper continued to pay Panhandle under the remaining term of the Service Agreement. The economic value shall be calculated in accordance with Section 7.1(b) hereof.

(2) Notice

Shipper shall give Panhandle sixty (60) days prior written notice of the date it elects to exercise this contract quantity reduction option.

(3) Level of Reduction

Unless otherwise agreed, any reduction in contract quantity shall result in a pro rata reduction in Shipper's quantities at primary Points of Receipt and primary Points of Delivery.

(4) Effective Date

The reduction shall take effect on the requested date following the sixty (60) days notice period. The payment required under Section 7.6(d)(1) must be received by Panhandle prior to the effective date of the reduction.

- (e) To be eligible for any contract quantity reduction option under this Section 7.6, Shipper's Service Agreement must have a term of five (5) years or more and a remaining term of two (2) years or less, unless otherwise agreed.
- (f) To be eligible for any contract quantity reduction option, any costs that Shipper has agreed to reimburse Panhandle for facilities constructed or installed by Panhandle to provide service under Shipper's Service Agreement(s) shall have been fully reimbursed.
- (g) Shipper must pay all its outstanding invoices before Shipper is eligible for any contract quantity reduction.
- (h) Shipper's Service Agreement(s) shall have a zero imbalance before Shipper is eligible for any contract quantity reduction.
- (i) If Shipper has Storage and related Transportation contracts that are eligible for contract reduction options under this Section 7.6, quantities under the Storage and related firm Transportation services shall be proportionally reduced so that Storage service quantities, including Storage capacity and deliverability quantities, and related Transportation service quantities remain proportionately the same.
- (j) The provisions of Section 7.2(b) of these General Terms and Conditions shall not apply to the quantity reduced pursuant to this Section 7.6.

7.7 Prior to the expiration of the term of an existing Service Agreement and prior to Panhandle's posting the availability of the capacity under Section 7.2(b)(ii), if applicable, Panhandle and the existing Shipper may mutually agree to an extension of the term of the Service Agreement with respect to all or part of the underlying capacity (the exact length of which is to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

7.8 Contract Consolidation

Shipper and Panhandle may mutually agree to consolidate (and terminate, as necessary) multiple existing Service Agreements into one new Service Agreement. The amended or new Service Agreement shall reflect the consolidated rights of the combined Service Agreements. The exact terms of the consolidated Service Agreement, including the length and rate (discounted, negotiated or recourse), are to be negotiated on a case-by-case basis in a not unduly discriminatory manner.

- (a) The consolidated Service Agreement shall have a single termination date and shall be eligible for the right of first refusal pursuant to Section 7.2 herein, if applicable.
- (b) The consolidated Service Agreement shall contain the aggregate quantity of the combined Service Agreements.
- (c) Termination of Service Agreements, if required as part of the consolidation process, shall not initiate right of first refusal procedures or posting of available capacity.
- (d) Capacity Release Service Agreements are not eligible for consolidation.

GENERAL TERMS AND CONDITIONS

15. PROCEDURES FOR CAPACITY RELEASE

15.1 Service Rights That May Be Released

- (a) The Service Agreements of a Releasing Shipper with Service Agreements under Rate Schedule FT, EFT, IOS, FS or LFT may be released, in whole or in part, to a Replacement Shipper for any time period up to the remaining term of the Service Agreement.
- (b) A Releasing Shipper is a Shipper that has executed a Release Notice in accordance with Section 15.2.
- (c) A Replacement Shipper is a party that (1) meets the eligibility criteria for Shippers set forth in Section 6, including the credit standards set forth in Section 29, except that Panhandle shall not require the Replacement Shipper to make the prepayment required by Section 6.5, (2) accepts assignment of the Service Agreement of a Releasing Shipper pursuant to this Section 15, and, (3) executes a Capacity Release Service Agreement as prescribed by this Tariff. Panhandle will issue and execute an Addendum to the Capacity Release Service Agreement when the Releasing Shipper's Service Agreement is awarded to the Replacement Shipper.
- (d) A Replacement Shipper may release, in whole or in part, the Addendum to its Capacity Release Service Agreement as a Releasing Shipper pursuant to this Section 15.

15.2 Initiation of the Release of Service Rights

- (a) A Releasing Shipper may initiate the release of its Service Agreement by electronically submitting a Release Notice in the form prescribed by this Tariff. Such Release Notice shall be posted on the Messenger® system. Panhandle shall accept the upload of prearranged capacity release transactions. A Releasing Shipper may withdraw its Release Notice at any time prior to the close of the posting period where unanticipated circumstances justify and no minimum bid has been made.
- (b) In the Release Notice the Releasing Shipper must specify the term, quantity and Minimum Rate expressed in dollars and cents, percentage of Maximum Rate or the index-based formula as detailed in the capacity release offer that the Releasing Shipper is willing to accept and whether the release is subject to recall and the applicable recall conditions as well as methods and rights associated with returning the previously recalled capacity to the Replacement Shipper.

The Releasing Shipper may specify further objective and nondiscriminatory conditions in its Release Notice, such as alternative economic criteria for evaluating bids which may include highest rate, net revenues or present value, whether volumetrically stated bids will be accepted, whether a volumetric commitment is required, alternative methods for breaking ties, whether contingent bids will be accepted and, if so, the method by which contingent bids will be evaluated and when the contingency must be removed, and whether bids for a portion of the capacity offered will be accepted or whether a prepayment deposit, not to exceed the prepayment deposit set forth in Section 6.5, will be required to be paid to the Releasing Shipper; provided, however, the Releasing Shipper may not specify conditions which are in conflict with the Service Agreement, the applicable Rate Schedule, or these General Terms and Conditions. Releasing Shipper shall also specify whether the Replacement Shipper is (a) an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations and, if so, include the volumetric level of the asset manager's delivery or purchase obligation and the time period during which that obligation is in effect or (b) a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.

Panhandle shall support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Commission.

- (c) The Releasing Shipper may arrange for the release of its Service Agreement to a Designated Replacement Shipper prior to submitting its Release Notice to Panhandle. Such Designated Replacement Shipper must be on the approved bidders list and shall acknowledge the Release Notice through the Messenger[®] system as a prerequisite to the posting of the Release Notice. However, the release will not become effective except as provided in this Section 15.

15.3 Posting

- (a) Shipper will post the information provided in each Release Notice on the Messenger[®] system. The posting will include the MDCQ or MSQ available for release, the Points of Receipt and Delivery and the released quantity for each point, the term of the release, whether the release is firm or recallable and the recall conditions, if applicable, the Minimum Rate expressed in dollars and cents, percentage of Maximum Rate or the index-based formula as detailed in the capacity release offer that the Releasing Shipper will accept, and any other conditions the Releasing Shipper specifies for the release in accordance with Section 15.2(b).
- (b) The posting will commence upon receipt of the Release Notice; unless otherwise specified by the Releasing Shipper.

15.4 Bidding For Capacity Releases

- (a) Except as provided in Section 15.4(b), a party must bid on the Messenger® system to accept release of the Service Agreement under the conditions posted in conjunction with a Release Notice. Bids must be expressed in dollars and cents, percentage of Maximum Rate, or index-based formula as detailed in the capacity release offer, whichever is stated in the Release Notice. The maximum reservation rate that may be bid shall not exceed the Maximum Rate for the applicable service being released as set forth on the applicable Currently Effective Rates; provided, however, no rate limitation applies to the release of capacity for a period of one year or less if the release is to take effect on or before one year from the date on which Panhandle is notified of the release. In order to submit a valid bid, any party, including a Designated Replacement Shipper, must be on the approved bidders list. To be on the approved bidders list, a party must meet the provisions of Section 29 of these General Terms and Conditions and must have executed a Capacity Release Service Agreement with Panhandle in the form as set forth in this Tariff (Capacity Release Service Agreement). A party shall remain on the approved bidders list until such party notifies Panhandle to the contrary, no longer meets the credit qualifications in Section 29 of these General Terms and Conditions or is suspended from the approved bidders list in the event and for such time as such party fails to pay part or all of the amount of any bill for service in accordance with Section 17 of these General Terms and Conditions.
- (b) A release is deemed non-biddable when the Releasing Shipper notifies Panhandle in its Release Notice that it has arranged for the release of its Service Agreement to a Designated Replacement Shipper in accordance with Section 15.2(c) and the capacity release is one of the following:
 - (i) A capacity release for any period of thirty-one (31) Days or less. A Releasing Shipper shall not roll over, extend or in any way continue such capacity release to the same Replacement Shipper until 28 days after the first release period has ended. This 28-day period does not apply to any release to the same Replacement Shipper that is posted for bidding or that qualifies for any of the other exemptions from bidding set forth in Sections 15.4(b)(ii), (iii) or (iv) below.
 - (ii) A capacity release for more than one year at the maximum tariff rate.
 - (iii) A capacity release to an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations.

- (iv) A capacity release to a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.

Such non-biddable releases shall be submitted electronically and shall be posted on the Messenger® system upon confirmation by the Replacement Shipper. The Capacity Release Service Agreement Addendum number shall be provided when such release is posted.

For non-biddable releases:

- The posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle, pursuant to NAESB WGQ Standard No. 1.3.2. The posting deadlines are:
 - Timely Cycle 12:00 Noon
 - Evening Cycle 5:00 p.m.
 - Intraday 1 Cycle 9:00 a.m.
 - Intraday 2 Cycle 1:30 p.m.
 - Intraday 3 Cycle 6:00 p.m.
 - The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
 - Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.
- (c) Bids to accept the released Service Agreement must specifically identify any contingencies and may be made through the Messenger® system only. If the Releasing Shipper requires a prepayment deposit, the party submitting the bid must concurrently submit the prepayment deposit through Electronic Funds Transfer to a designated bank account established by Panhandle.
 - (d) The capacity release procedure is applicable to all parties involved in the Capacity Release process; however, it is only applicable if 1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered, 2) for index-based capacity release transactions, the Releasing Shipper has provided Panhandle with sufficient instructions to evaluate the corresponding bid(s) according to the timeline, and 3) there are no special terms or conditions of the release. Further, Panhandle may complete the capacity release process on a different timeline if the offer includes unfamiliar or unclear

terms and conditions (e.g. designation of an index not supported by Panhandle).
All stated times are Central Clock Time on a Business Day.

- (i) For biddable releases (1 year or less)
 - Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
 - Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
 - Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
 - If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
 - Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon
 - The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
 - Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.
- (ii) For biddable releases (more than 1 year)
 - Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
 - Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
 - Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
 - If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.

- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon.
 - The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
 - Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.
- (iii) For index-based capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology. If the Releasing Shipper specifies a bid evaluation methodology other than highest rate, net revenue or present value, or a permanent release or any other special conditions, the above timelines shall apply; provided, however, one additional Business Day will be added to the evaluation period. Such extended evaluation period will cause Gas flow to be at least one day later than Gas could flow under the timeline set forth in Section 15.4(d)(i) or Section 15.4(d)(ii).
- (e) A party may submit only one bid at a time in response to a Release Notice. Once a party has submitted a bid, it may withdraw the bid through the Messenger® system at any time prior to the close of the posting period specified in Section 15.3(c) without prejudice to its submitting another bid with an economic value equal to or greater than the economic value of the withdrawn bid. If a bid is not withdrawn prior to the close of the posting period, the bid shall be binding on the party submitting the bid, subject to the satisfaction of any contingencies the Releasing Shipper permits to be satisfied after the close of the bidding period.
- (f) Bids to accept releases will be posted on the Messenger® system with any contingencies identified and with the bidder's identity deleted.

15.5 Selection of Replacement Shipper

- (a) The Addendum to the Capacity Release Service Agreement will be issued to the Replacement Shipper whose bid provides the greatest economic value, as defined by the Releasing Shipper in accordance with Section 15.2(b) or, if the Releasing Shipper does not specify a method of determining economic value, the economic value will be determined by utilizing the present value method, and whose bid meets all the conditions placed upon the release by the Releasing Shipper as provided for in Section 15.2(b), provided that if the Releasing Shipper has permitted contingent bids, the selection of a Replacement

Shipper may be delayed in accordance with the contingencies permitted in the Release Notice. If the bids of two or more Replacement Shippers provide the same economic value and both meet all the conditions placed upon the release, Panhandle will tender the Addendum to the Capacity Release Service Agreement to the Replacement Shipper who submitted its bid first unless, in accordance with Section 15.2(b), the Releasing Shipper has specified an alternative method for breaking ties, in which event the method specified by the Releasing Shipper shall be used. If there are multiple bids meeting the minimum conditions, Panhandle shall rank the bids and award the bids, best bid first, until all offered capacity is awarded. The Capacity Release Service Agreement Addendum number shall be assigned when capacity is awarded.

- (b) If the Releasing Shipper has notified Panhandle in the Release Notice that it has arranged a Designated Replacement Shipper and no party is eligible to submit a bid for the release, Panhandle will issue the Addendum to the Capacity Release Service Agreement to the Designated Replacement Shipper.
- (c) If the Releasing Shipper has notified Panhandle in the Release Notice that it has arranged a Designated Replacement Shipper who has agreed to pay less than the applicable Maximum Rate for the service, the Designated Replacement Shipper may match the bid that has the greatest economic value within the time period specified in Section 15.4.
- (d) Panhandle will issue the Addendum to the Capacity Release Service Agreement within one hour of the posting of the award of a release. If all the information provided by the Releasing Shipper, bidder, and Designated Replacement Shipper is valid, the Replacement Shipper is creditworthy, and there are no special terms and conditions, Panhandle will issue and execute the Addendum at the same time.
- (e) Panhandle shall post the winning bid and bidder on the Messenger® system for ninety (90) Days.
- (f) If an Addendum to the Capacity Release Service Agreement is not tendered to a party submitting a prepayment deposit with its bid, the prepayment deposit will be refunded with carrying charges to such party within two (2) Business Days.

15.6 Rights and Obligations of Releasing Shipper

- (a) Except as provided in Section 15.6(e), the Releasing Shipper shall continue to be responsible to Panhandle for all reservation charges and reservation surcharges for Transportation or Storage service provided pursuant to the Shipper's applicable Service Agreement and all other charges and surcharges that would be charged to the Releasing Shipper if the Service Agreement had not been released. The Releasing Shipper will not be responsible for Commodity charges

or volumetric surcharges which are applicable under Panhandle's Tariff to Quantities of Gas actually transported except as provided in Section 15.6(b) below for a Releasing Shipper with a Negotiated Rate.

- (b) A credit will be included on each of the Releasing Shipper's monthly bills to reflect the reservation fee invoiced to Replacement Shippers excluding any reservation charge credit that Replacement Shipper may have received pursuant to Section 28 and excluding any negotiated marketing fee retained by Panhandle pursuant to Section 15.8 provided, however, that Panhandle and Releasing Shipper may, in connection with a Negotiated Rate based on a rate design other than straight fixed variable, agree upon a payment obligation and crediting mechanism that varies from or is in addition to the provisions of this Section 15.6 in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. In the event of a release with a volumetrically stated rate, the rate shall be no greater than the 100% load factor equivalent of Panhandle's maximum reservation charge currently applicable to the service released and shall be credited to the Releasing Shipper's monthly bill for reservation charges applicable to such service. Notwithstanding the above, no 100% load factor equivalent limitation shall apply to a capacity release for a period of one year or less if the release is to take effect on or before one year from the date on which Panhandle is notified of the release.

If a Replacement Shipper fails to pay all or any part of the reservation fee so credited within thirty (30) days of its due date, then such unpaid amount will be charged to the Releasing Shipper's next monthly bill and will be due and payable by the Releasing Shipper in accordance with Section 17 of these General Terms and Conditions.

The payment of the reservation charge by the Replacement Shipper on a one-part volumetric basis shall not relieve Panhandle, the Releasing Shipper or the Replacement Shipper from their obligations to conform to all of the terms and conditions of this Section 15.

- (c) When a Releasing Shipper assigns Transportation service rights under Rate Schedule FT, EFT or LFT, the MAIQ under the Transportation Agreement will be reduced proportionately by the amount of MDCQ released. Any imbalance in excess of this reduced MAIQ must be reduced to the new tolerance level in the month following the completion of the release to avoid balancing charges pursuant to Section 12.11.
- (d) When a Releasing Shipper partially releases its service rights under a Service Agreement by releasing service rights between specific Point(s) of Receipt and Delivery or by releasing only a portion of the Maximum Daily Contract Quantity, the Releasing Shipper's Service Agreement shall be deemed to be modified in

accordance with the release and the Releasing Shipper may not utilize the service rights released during the term of the release.

- (e) If the Releasing Shipper's Service Agreement is released permanently for the remaining term of the agreement, subject to Panhandle's agreement, the Releasing Shipper shall have no further responsibility or obligations under the Service Agreement. Such permanent release shall provide the same economic value as the original underlying agreement, or such difference shall be funded by the Releasing Shipper, unless Panhandle agrees otherwise.
- (f) Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. For the recall notification provided to Panhandle, Panhandle's Tariff should specify whether the quantity should be expressed in terms of a) total released capacity entitlements or b) adjusted total released capacity entitlements based upon the elapsed prorata capacity. The capacity entitlements resulting from the use of either a) or b) should be the same. The recall notification to Panhandle shall specify the Quantity in terms of total released capacity entitlements.

15.7 Rights and Obligations of the Replacement Shipper

- (a) A Replacement Shipper shall have all the rights and obligations specified under the applicable Rate Schedule, Service Agreement, and General Terms and Conditions unless the conditions prescribed for the release require otherwise.
- (b) A Replacement Shipper shall have the right to reserve primary point capacity up to its contract demand, subject to available capacity.
- (c) When the Capacity Release Service Agreement Addendum is issued, a Replacement Shipper may submit nominations pursuant to Section 8 of these General Terms and Conditions for the next available nomination cycle and any nomination cycle thereafter for which the Addendum to the Capacity Release Service Agreement is effective.
- (d) The Replacement Shipper will be responsible for any imbalance between receipts of Gas and deliveries of Gas, and for all costs and all rates, charges, penalties and fees for Transportation or Storage service provided under the Capacity Release Service Agreement.
- (e) Commodity charges and volumetric surcharges which are applicable under Panhandle's Tariff to Quantities of Gas actually transported shall be a separately stated charge on the Replacement Shipper's Monthly Bill and shall be at the Maximum Rate contained on the Currently Effective Rates unless Panhandle agrees to a lesser rate.

- (f) Replacement Shippers for a capacity release with a term of one year or less that are paying a rate which exceeds the Maximum Rate shall be considered to be paying the Maximum Rate for purposes of scheduling and curtailment.
- (g) A Replacement Shipper shall be scheduled utilizing its awarded rate ~~;~~ ~~provided, however, that in the event a Replacement Shipper is designated as an asset manager or a marketer participating in a state-regulated retail access program, then such Shipper shall be scheduled utilizing the rate of the underlying Releasing Shipper's Service Agreement.~~

15.8 Marketing Fee

The Releasing Shipper and Panhandle may agree that, in return for Panhandle actively marketing the Releasing Shipper's Service Agreement, Panhandle will reduce the Releasing Shipper's invoice credit by a negotiated marketing fee.

15.9 Requests to Purchase Releasable Capacity

Any party may initiate a request to purchase releasable firm capacity by following the instructions posted on Panhandle's Informational Postings Web Site located at <http://peplmessenger.energytransfer.com> under "Notices, Request to Purchase Releasable Capacity." The form shall specify the terms and conditions of the request and the location of the posting on Panhandle's Informational Postings Web Site. Such offer to purchase released capacity shall be posted on Panhandle's Web Site for 30 Days.

GENERAL TERMS AND CONDITIONS

24. FUEL REIMBURSEMENT ADJUSTMENT

The Fuel Reimbursement Percentages under Rate Schedules FT, EFT, SCT, IT, EIT, IOS, FS, IIOS, IFS and LFT shall be adjusted downward to reflect reductions and may be adjusted upward to reflect increases in fuel usage, including miscellaneous fuel usage, and lost and unaccounted for Gas in accordance with this Section 24. For purposes of this Section 24, the term "miscellaneous fuel usage" shall pertain to fuel use volumes other than FERC Account No. 854, Gas for Compressor Station Fuel, which are accounted for in FERC Account Nos. 819, 823, 853 and 856.

24.1 Filing of Fuel Reimbursement Adjustment

(a) Effective Date of Adjustment

The effective date of each Fuel Reimbursement Adjustment shall be November 1 and April 1.

(b) Filing Procedure

At least thirty (30) Days prior to the effective date of adjustment, Panhandle shall file with the Commission and post, as defined by Section 154.2(d) of the Commission's Regulations, a schedule of effective Fuel Reimbursement Quantities, as determined in accordance with Section 24.2 hereof, together with supporting documentation. Such filing shall be in lieu of any other rate change filing required by the Commission's Regulations under the Natural Gas Act.

(c) Fuel Reimbursement Adjustment Period

The Fuel Reimbursement Adjustment Period shall be billing periods beginning with each effective Date of Adjustment.

24.2 Computation of Effective Fuel Reimbursement Percentage

The effective Fuel Reimbursement Percentage shall be the sum of the current Fuel Reimbursement Percentage and the Annual Fuel Reimbursement Surcharge.

24.3 Computation of Current Fuel Reimbursement Percentage

The current Fuel Reimbursement Percentage shall be determined on the basis of (1) the estimated Quantities of Gas delivered to Panhandle for the account of Shippers under Rate Schedules FT, EFT, SCT, IT, EIT, IOS, FS, IIOS, IFS and LFT and (2) the projected Quantities of Gas that shall be required for fuel usage, including miscellaneous fuel usage, and the lost and unaccounted for Gas.

24.4 Computation of the Annual Fuel Reimbursement Surcharge

- (a) The Annual Fuel Reimbursement Surcharge shall be computed by dividing the balance four (4) Months prior to November 1 of the Deferred Fuel Reimbursement Account by Panhandle's estimated Quantities of Gas for Transportation and Storage under Rate Schedules FT, EFT, SCT, IT, EIT, IOS, FS, IOS, IFS and LFT for the Recovery Period.
- (b) The Recovery Period for the Annual Fuel Reimbursement Surcharge shall be the 12 billing Months beginning November 1.
- (c) Panhandle shall maintain a Deferred Fuel Reimbursement Account with appropriate subaccounts, beginning with the effective date of this Section 24. For each billing Month, the applicable subaccounts shall be increased or decreased for a positive or negative change in Fuel Reimbursement for the billing Month.
- (d) A change in Fuel Reimbursement for each billing Month shall be the difference between (1) the applicable currently effective Fuel Reimbursement percentage for the billing Month multiplied by Panhandle's Transportation Quantity received and Storage Quantities injected and withdrawn during the billing Month and (2) the actual Quantities of Gas expended for fuel usage, including miscellaneous fuel usage, and lost and unaccounted for Gas during the billing Month.

~~24.5 — Notice of Responsibility of Deferred Amounts~~

~~In the event this Section 24 shall be changed in any manner that adversely affects Panhandle's recovery of the full amount of fuel amounts reflected in its deferred fuel accounts, each Shipper that received transportation service during the period affected by such fuel adjustment deferred account shall be responsible to Panhandle for its proportionate share of the amount of Panhandle's unrecovered deferred fuel amounts for the transportation services which they were provided.~~

GENERAL TERMS AND CONDITIONS

29. CREDITWORTHINESS

29.1 Prior to execution of a Service Agreement or as a condition for continuation of service, a Shipper or prospective shipper shall be required to establish and maintain creditworthiness on an on-going basis with Panhandle. Panhandle shall apply consistent evaluation practices to all similarly situated shippers to determine the Shipper's financial ability to satisfy the payment obligations due to Panhandle over the term of the requested service agreement. Panhandle shall not be required to: (1) execute a Service Agreement providing for service on behalf of any Shipper who fails to meet Panhandle's standards for creditworthiness; or (2) initiate service for a Shipper who fails to meet Panhandle's standards for creditworthiness; or (3) continue service on behalf of any Shipper who is or has become insolvent or who, at Panhandle's request, fails to demonstrate creditworthiness pursuant to Panhandle's standards in this Section 29.

29.2 A Shipper shall be deemed creditworthy when Shipper meets the creditworthiness criteria in this Section 29. ~~2B~~.

(a) If Shipper is rated by Standard & Poor's or its successor (S&P), and/or by Moody's Investors Service, Inc. or its successor (Moody's), Panhandle may establish creditworthiness if:

- (1) (i) In the event Shipper is rated by both S&P and Moody's, Shipper's long-term senior unsecured debt securities are rated at least BBB- by S&P and at least Baa3 by Moody's, provided, however, that if the Shipper's rating is at BBB- and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper is rated only by S&P, Shipper's long-term senior unsecured debt securities are rated at least BBB-, provided, however, that if the Shipper's rating is at BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper is rated by only Moody's, Shipper's long-term senior unsecured debt securities are rated at least Baa3, provided, however, that if the Shipper's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
- (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth.

In the event Shipper is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. For the purposes of this Section 29. ~~2B~~, the term "tangible net worth" shall mean for a corporation the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and

other intangible assets. Only actual tangible assets are included in Panhandle's assessment of creditworthiness. If a Shipper has multiple Service Agreements with Panhandle, then the total contract commitment and imbalance exposure or potential exposure of all such Service Agreements shall be considered in determining creditworthiness.

- (b) If Shipper cannot demonstrate creditworthiness pursuant to Section 29.2(a)~~B-1~~ above, Panhandle may establish creditworthiness based upon:
- (1) (i) In the event Shipper's parent is rated by both S&P and Moody's, the Shipper's parent having a senior unsecured debt rating of at least BBB- by S&P and Baa3 by Moody's, provided, however, that if the Shipper's parent's rating is at BBB- and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper's parent is rated by only S&P, the Shipper's parent having a senior unsecured debt rating of at least BBB-, provided, however, that if the Shipper's parent's rating is a BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper's parent is rated by only Moody's, the Shipper's parent having a senior unsecured debt rating of at least Baa3, provided, however, that if the Shipper's parent's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
 - (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's parent's tangible net worth; and
 - (3) Shipper's parent issues a guaranty acceptable to Panhandle.

In the event Shipper's parent is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. If a Shipper's parent has multiple Service Agreements with Panhandle or multiple subsidiaries with Service Agreements with Panhandle in addition to Shipper's Service Agreements, then the total contract commitment and imbalance exposure or potential exposure of all of those Service Agreements shall be considered in determining creditworthiness.

- (c) In the event Shipper is a cooperative or a municipal Shipper and Shipper cannot demonstrate creditworthiness pursuant to Section 29.2(a)~~B-1~~ or 29.2(b)~~B-2~~ above, Panhandle may establish creditworthiness based upon:
- (1) Shipper's issuer and/or revenue bond rating is a rating that has the equivalent rank of those listed in Section 29.2(a)(1)~~B-1(a)~~ above; or

- (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth, or Shipper's preceding calendar year revenues are at least six (6) times Panhandle's anticipated charges for the ensuing 12-month period.

29.3 To permit Panhandle to conduct an initial or ongoing creditworthiness review, Panhandle may request and a Shipper shall provide within five (5) Business Days any or all of the following:

- (a) (i) Audited financial statements for the most current two (2) fiscal years prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America or, for non-U.S. based Shippers, prepared in accordance with equivalent standards, or (ii) if Shipper's fiscal year-end financial statements are unaudited, an attestation by its Chief Financial Officer that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with GAAP or equivalent or (iii) for non-public entities, any existing sworn filing, which provides the most recent available interim financial statements and annual financial reports filed with any applicable regulatory authority, showing the Shipper's current financial condition;
- (b) List of corporate affiliates, parent companies, and subsidiaries, if applicable;
- (c) Publicly available information from credit reports of credit and bond rating agencies;
- (d) A bank reference and at least three (3) trade references, a check of which show along with any credit reports submitted herein that Shipper's undisputed obligations are being paid in a timely manner;
- (e) Statement of legal composition;
- (f) Statement of the length of time the business has been in operation;
- (g) For state-regulated utility local distribution companies, documentation from their respective state regulatory commission (or an equivalent authority) of an authorized gas supply cost recovery mechanism;
- (h) Confirmation by Shipper that Shipper is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditor, or any informal creditors' committee agreement;
- (i) Such other information as may be mutually agreed to by Shipper and Panhandle; and/or

- (j) In the case of a joint action agency which acts as Shipper for other public agencies which have aggregated their firm service agreements into a single Service Agreement pursuant to the aggregation provisions of the settlement filed and approved in Docket No. RS92-16-000, the foregoing information shall be provided by each member public agency who in turn shall guarantee the obligations of the joint action public agency to the extent of each such member's share of the total firm entitlement of such joint action public agency.

29.4. If Shipper or Shipper's parent does not meet the criteria described in Section 29.2B above, then credit appraisal shall be based upon Panhandle's evaluation of any or all of the following information and credit criteria:

- (a) Any information received pursuant to Section 29.3C above;
- (b) Consistent and nondiscriminatory financial statement analysis to determine the acceptability of Shipper's or Shipper's parent's current and future financial strength. Financial statements shall be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability;
- (c) S&P, Moody's, Dun & Bradstreet and other credit reporting agency ratings, opinions, watch alerts, and rating actions shall be considered in determining creditworthiness;
- (d) Results of credit reports and of bank and trade reference checks must demonstrate that a Shipper is paying its obligations in a timely manner;
- (e) Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws and there must not be pending any petition for involuntary bankruptcy; an exception may be made for a Shipper who is a debtor-in-possession operating under Chapter XI of the Federal Bankruptcy Act whereby adequate assurance is provided under purview of by the bankruptcy court having jurisdiction over such debtor-in -possession that the service billings will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment;
- (f) Whether Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent;
- (g) Shipper's ongoing business relationship, if any, with Panhandle with consideration being given to whether Shipper has or has had any delinquent balances outstanding for services provided by Panhandle, gas imbalances, and gas loans due Panhandle and whether Shipper is paying and has paid its account balances promptly according to the terms established in its Service Agreements (excluding amounts as to which there is a good faith dispute);

- (h) Shipper's ability to recover the costs of Panhandle's services through filings with regulatory agencies or otherwise to pass on such costs to its customers, as applicable; and/or
- (i) Any other information, including any information provided by Shipper, that is reasonably relevant to Shipper's current and future financial strength and Shipper's ability to make full payment over the term of the Service Agreement(s).

29.5 If a Shipper fails to establish or maintain creditworthiness or if Shipper's credit limit as determined by Panhandle is insufficient to cover Shipper's total contractual obligations, Shipper may still obtain or continue service hereunder if Shipper, except to the extent otherwise agreed, provides credit support in an amount sufficient to cover three months service as determined in accordance with Section 29. ~~5(b)(1)E-2(a)~~ plus the value of imbalance gas and loaned gas as determined in Section 29. ~~5(b)(2)E-2(b)~~ under one of the following options.

- (a) Forms of Credit Support. Shipper may select from the following forms of credit support (Credit Support) and Panhandle shall not unreasonably discriminate in the forms of Credit Support it determines to accept from Shippers.
 - (1) Guaranty. A Shipper may provide a guaranty of financial performance in a form satisfactory to Panhandle from a corporate parent, corporate affiliate or a third party that meets the creditworthiness standards above.
 - (2) Deposit. A shipper may provide a cash deposit. If Panhandle is required to draw down these funds, Panhandle will notify Shipper and Shipper must replenish such funds within three (3) Business Days after receipt of such notice.
 - (3) Standby Irrevocable Letter of Credit drawn on a bank which is a U.S. bank or a U.S. branch of a foreign bank with an S&P Debt Rating of at least A or Moody's Debt Rating of at least A2.
 - (4) Security Interest or lien in collateral found to be satisfactory to Panhandle.
 - (5) Other security acceptable to Panhandle.
- (b) Credit Support Requirements. Credit Support required for non-creditworthy shippers shall be an amount sufficient to cover service for three months and a value for imbalance and loaned gas as specified below.
 - (1) Three months service. The amount of Credit Support for firm transportation Service Agreements must be sufficient to cover the highest three (3) months of reservation charges during the previous 12 month period. The amount of Credit Support for interruptible services shall be based upon the highest three

(3) months of usage during the previous twelve (12) month period for all rates and charges. If the Shipper has not contracted for or utilized interruptible transportation during the previous 12 month period, Panhandle will establish the Credit Support requirement based upon Shipper's estimated usage for a three (3) month period as determined by Shipper and Panhandle's marketing representative.

- (2) Imbalance and Loaned Gas. In addition to the Credit Support requirements set forth in Section 29.5(b)(1)~~E-2(a)~~ above, Panhandle shall have the right to seek Credit Support to cover the value of any imbalance and/or loaned gas owed to Panhandle by a non-creditworthy Shipper. Panhandle may require Credit Support from a non-creditworthy Shipper for the value of imbalance Gas owed to Panhandle under Rate Schedules FT, EFT, SCT, LFT, IT, and/or EIT. Such Credit Support amount shall equal the non-creditworthy Shipper's largest monthly imbalance quantity owed to Panhandle over the most recent 12 month period valued in accordance with Section 12.11(a)(2) of these General Terms and Conditions. For a non-creditworthy Shipper with a new Service Agreement or a Service Agreement in effect for less than 12 months, the imbalance quantity shall be the greater of (i) 10% of Shipper's estimated monthly usage as determined by Shipper and Panhandle's marketing representative or (ii) Shipper's largest monthly imbalance owed to Panhandle. The imbalance quantity shall be valued in accordance with Section 12.11(a)(2) of these General Terms and Conditions. The Credit Support requirement for loaned Gas associated with Rate Schedule GPS shall equal the maximum loaned quantity specified in Shipper's Service Agreement valued in accordance with Section 12.11(a)(2) herein.

29.6 Credit Support for New Receipt or Delivery Facilities

In the event Panhandle constructs new interconnect facilities to accommodate a Shipper under Section 13 of these General Terms and Conditions, Panhandle may (unless otherwise agreed or unless Shipper reimburses Panhandle for the cost of the facilities) require from the Shipper Credit Support in an amount up to the cost of the facilities. Such Credit Support may be in any of the forms available under Section 29.5(a)~~E-1~~ of these General Terms and Conditions, at Shipper's choice. As Panhandle recovers the cost of these facilities through its rates, the Credit Support required shall be reduced accordingly. Specifically, Credit Support provided by Shipper related to new facilities shall be returned to that Shipper in equal Monthly amounts over the term of its contract for service related to the new facilities or as otherwise mutually agreed by Panhandle and Shipper. Where facilities are constructed to serve multiple Shippers, an individual Shipper's obligation hereunder shall be for no more than its proportionate share of the cost of the facilities. This requirement is in addition to and shall not supersede or replace any other rights that Panhandle may have regarding the construction and reimbursement of facilities.

- 29.7 Panhandle shall have the right to update Shipper's credit file at any time after commencement of service. Such update may be conducted by Panhandle periodically and Shipper shall provide assistance and cooperation. If Panhandle concludes that a Shipper is non-creditworthy or if Shipper fails to maintain Credit Support under Section 29.~~5E~~ of these General Terms and Conditions, Panhandle shall provide Shipper an initial notice in writing that it has lost its creditworthiness status along with the reasons for such determination and that Shipper has five (5) Business Days after receipt of such initial notice, to provide Panhandle with Credit Support consistent with Section 29.~~5E~~ of these General Terms and Conditions which is adequate to cover all charges for one Month's advance service. A Shipper may challenge Panhandle's determination by providing a written rebuttal to Panhandle's explanation within ten (10) days after the initial notification and explanation is provided by Panhandle. Panhandle shall respond to such a rebuttal in writing within ten (10) days. Any reevaluation of creditworthiness by Panhandle in response to such a rebuttal by the Shipper shall be based on the creditworthiness criteria set out in Section 29.~~4D~~ and shall be performed as provided in Section 29.~~4D~~ of these General Terms and Conditions. If Panhandle determines after such reevaluation that Shipper is creditworthy, the Credit Support to cover all charges for one Month's advance service shall be released to Shipper within five (5) Business Days after such determination. In the event Panhandle concludes after reevaluation that Shipper remains non-creditworthy, Shipper shall comply with the requirement in the initial notice to provide, within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, the means for adequate assurance of future performance, covering the full level of Credit Support provided for under Section 29.~~5E~~ of these General Terms and Conditions. If the Shipper has not satisfied either requirement in the initial notice to provide specified Credit Support within five (5) Business Days or to provide the additional specified Credit Support within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, Panhandle may without further notice immediately suspend service to Shipper.
- 29.8 Any suspension of service hereunder shall continue until Panhandle is reasonably satisfied that Shipper is creditworthy under Section 29.~~2B~~ or 29.~~4D~~ of these General Terms and Conditions or until Shipper has provided Credit Support under Section 29.~~5E~~ of these General Terms and Conditions. A Shipper shall not be obligated to pay any reservation charges for suspended service attributable to the period when that service is suspended. During the period of suspension, such Shipper may not release or recall capacity.
- 29.9 In addition to suspension, Panhandle may terminate service if the Shipper fails to provide Credit Support consistent with Section 29.~~5E~~ of these General Terms and Conditions no earlier than sixty (60) days after Panhandle has provided its initial notice to Shipper pursuant to Section 29.~~7G~~ herein. Any such termination requires thirty (30) days' prior notice to Shipper, Releasing Shipper, if any, and the Commission. To avoid termination, the Shipper must satisfy Section 29.~~5E~~ of these General Terms and Conditions within this notice period. If the Service Agreement is terminated, Panhandle shall net and/or set off, as allowed by law, all positions calculated in accordance with the provisions of the applicable Rate Schedule (i.e., invoiced transportation amounts, invoiced imbalance amounts, park and loans, rate refunds, etc.) against outstanding account balances due the Shipper. Panhandle shall have the right to

assert any liens or other interests, consistent with applicable law, against any gas remaining on its System. Panhandle may not take any action under this Section 29 which conflicts with any order of the U. S. Bankruptcy Court.

- 29.10 At any time after a Shipper is determined to be non-creditworthy by Panhandle, the Shipper may request a creditworthiness reevaluation by Panhandle pursuant to NAESB WGQ Standard Nos. 0.3.8 and 0.3.9 as incorporated in Section 26 of these General Terms and Conditions. If Panhandle determines after such reevaluation that Shipper is creditworthy without Credit Support, any Credit Support requirements under Section 29.~~E~~5 of these General Terms and Conditions shall be terminated and any deposit amounts shall be released to Shipper within five (5) Business Days after such determination.
- 29.11 Notwithstanding the above, Panhandle may agree with a Shipper in an executed precedent agreement, for service on new or expanded facilities to be constructed by Panhandle, to creditworthiness provisions which differ from one or more of the provisions in this Section 29, and which, in addition to the other provisions of this Section 29, govern service provided to the Shipper pursuant to the precedent agreement.