



July 12, 2016

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

RE: Transwestern Pipeline Company, LLC  
Docket No. RP16-329-\_\_\_ Compliance Filing

Dear Ms. Bose:

In compliance with the Order Following Technical Conference issued on June 30, 2016, by the Federal Energy Regulatory Commission (Commission) in Docket Nos. RP16-329-000 (Order),<sup>1</sup> Transwestern Pipeline Company, LLC (Transwestern) hereby submits for filing with the Commission the following revised tariff records to its FERC NGA Gas Tariff, Fifth Revised Volume No. 1 (Tariff), proposed to become effective July 1, 2016.

<u>Version</u>	<u>Description</u>	<u>Title</u>
5.0.0	GT&C Section 1.	Definitions
3.1.0	GT&C Section 2.	Quality
1.0.0	14. Default OBA	Form of Agreement

## STATEMENT OF NATURE, REASONS AND BASIS

The purpose of this filing is to comply with the Commission's Order to file actual tariff records implementing the *pro forma* revisions described in the Order and set out in Transwestern's April 15, 2016 filing in the subject docket. Specifically, the revisions (1) amend Section 2.4 of Transwestern's General Terms and Conditions (GT&C) to exclude delivery points in the West of Thoreau area of the Transwestern system from the proposed maximum heating value specification of 1110 Btu/scf; (2) add Section 2.7 to Transwestern's GT&C to allow a point operator to aggregate natural gas volumes received from receipt points located in the same area of the Transwestern system for the purpose of determining the maximum total heating value of gas received from those points; and (3) add an exhibit to the Operator Balancing Agreement that will allow a point operator to list receipt points it chooses to aggregate for the purpose of determining the maximum total heating value of gas in accordance with the GT&C. The revised tariff language submitted herewith is identical to the *pro forma* tariff revisions included in Transwestern's April 15, 2016 filing in the subject docket.

---

<sup>1</sup> 155 FERC ¶ 61,321 (2016).

## **IMPLEMENTATION AND WAIVER REQUESTED**

Pursuant to Section 154.7(a)(9) of the Commission's regulations, Transwestern requests that the tariff records submitted herein be accepted effective July 1, 2016, the effective date of the previously filed tariff record in the subject docket.

Transwestern respectfully requests 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 the instant filing to become effective on July 1, 2016.

## **CONTENTS OF THE FILING**

This filing is made in electronic format in compliance with Section 154.4 of the Commission's Regulations. The eTariff XML filing package contains:

- The proposed tariff records in RTF format with metadata attached
- This transmittal letter in PDF format
- A clean version of the proposed tariff records in PDF format for publishing in eLibrary
- A marked version of the proposed Tariff changes pursuant to Section 154.201(a) of the Commission's regulations in PDF format
- A copy of the complete filing in PDF format for publishing in eLibrary.

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 Transwestern's office at 1300 Main Street, Houston, Texas 77002. In addition, copies of this filing are being served on all parties on the service list in the subject docket. Transwestern has posted a copy of this filing on its Internet web site accessible via <http://twtransfer.energytransfer.com> under Informational Postings, Regulatory.

Pursuant to Section 385.2011(c)(5) of the Commission's regulations, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of her knowledge and belief, and possesses full power and authority to sign such filing.

Respectfully submitted,

TRANSWESTERN PIPELINE COMPANY, LLC

*/s/ Deborah A. Bradbury*

Deborah A. Bradbury  
Sr. Director, Regulatory Tariffs & Reporting

---

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

Except as otherwise indicated, the following terms when used herein or in any agreement incorporating these General Terms and Conditions in this Tariff are intended, used and shall be construed to have the following meaning:

**"Agent"** shall mean one who is authorized, in writing, to act for a Shipper or Operator, and who may do and perform any such authorized acts as may be required to be performed by a Shipper or Operator under this Tariff (including, but not limited to, nominating, scheduling, and/or confirming quantities of gas for transportation; receiving bills; and reconciling and clearing imbalances), as if the same were being performed by the Shipper or Operator itself.

**"Alternate Delivery Point"** for service under Rate Schedule FTS-1, LFT, FTS-2, FTS-3 or FTS-5 shall mean the point(s) of delivery points within the direction of flow of Shipper's Primary Path on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement, other than Primary Delivery Points, where Shipper nominates quantities; provided, however, that service to such alternate point(s) shall be on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under Shipper's Service Agreement.

**"Alternate Receipt Point"** shall mean all eligible receipt points within the direction of flow of Shipper's Primary Path on Transporter's system and volumes in excess of Primary Receipt Point volumes, from which Shipper under Rate Schedule FTS-1, LFT, FTS-2, FTS-3 or FTS-5 may nominate volumes to be received on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under its FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement.

**"Area"** shall mean those receipt/delivery point areas defined in Section 28 of the General Terms and Conditions.

**"British Thermal Unit"** (Btu) shall mean the amount of heat required to raise the temperature of one (1) pound of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit.

**"Business day (business day)"** is defined as Monday through Friday, excluding Federal Banking Holidays.

**"Central Clock Time"** shall mean Central Standard Time throughout the year, as adjusted for Central Daylight Time.

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

**"Cubic foot (cubic foot)"** shall mean the volume of gas which occupies one cubic foot of space measured at 14.73 pounds per square inch absolute at a temperature of 60 degrees Fahrenheit in accordance with Section 4 hereof.

**"Customer Activities Website"** shall mean the Uniform Resource Locator (URL) of Transporter's electronic communication mechanism on the Internet at <https://transfer.energytransfer.com/customeractivities/TW>.

**"Day (day)"** shall mean mean 9 a.m. to 9 a.m. (Central Clock Time).

**"Dekatherm"** (dth) shall mean the quantity of heat energy which is equivalent to 1,000,000 British Thermal Units. One "dekatherm of gas" shall mean the quantity of gas which contains one dekatherm of heat energy.

**"Elapsed Pro-rata Capacity"** (EPC) shall mean the portion of the capacity (under capacity release) that would have theoretically been available for use prior to the effective time of the intraday recall based on a cumulative uniform hourly use of the capacity.

**"Execution" or "executed"** or any other form of the root word "execute" when used with respect to any Service Agreement, amendment to Service Agreement, or any other contract shall include electronic execution pursuant to the procedures established by Transporter.

**"Hydrocarbon Dew point"** shall mean cricondenthem, the highest temperature at which the vapor-liquid equilibrium may be present. The Hydrocarbon Dew point (cricondenthem) calculations are performed using the Peng-Robinson equation of state.

**"Internet Website" or "Transporter's Internet Website"** shall mean the Uniform Resource Locator (URL) containing Transporter's informational postings on the Internet at <http://twtransfer.energytransfer.com>.

**"Logical Points"** shall mean points on Transporter's system which may be used by a Shipper as receipt or delivery points which are not physical points as defined in this Tariff.

**"Maximum Daily Transportation Quantity"** (MAXDTQ) shall mean the maximum quantity of natural gas provided in the Service Agreement that Shipper is entitled to receive and Transporter is obligated to deliver on any day.

**"Mcf"** shall mean 1,000 cubic feet of gas.

**"Merchantability"** refers to a gas stream which is commercially salable and fit for the market, and of a quality which will bring the then current market price without additional treatment or processing. Gas that meets the quality specifications in this Tariff shall be deemed to be Merchantable.

**"Month (month)"** shall mean the period beginning at nine o'clock a.m. Central Clock Time on the first day of a calendar month and ending at the same hour on the first day of the next succeeding calendar month.

**"Monthly Index Price (MIP)"** shall mean the index price calculated in accordance with Section 27.2 herein.

**"NAESB Standards"** are the business practices and electronic standards adopted by the Wholesale Gas Quadrant ("WGQ") of North American Energy Standards Board ("NAESB") and by Section 284.12 of the Commission's Regulations.

**"Natural gas (natural gas)"** shall mean either natural gas unmixed, or any mixture of natural and artificial gas.

**"NGA"** shall mean the Natural Gas Act of 1938, as amended.

**"Operator"** shall mean a party which physically operates facilities connected to Transporter's pipeline system for deliveries of gas into or out of Transporter's system or a third-party designated in writing by the Operator physically operating such facility to sign an Operator Balancing Agreement for the interconnect point(s). Such Operator or third-party Operator must meet on a continuing basis the creditworthiness requirement of Transporter's Tariff, must execute an Operator Balancing Agreement in place of such Operator(s), and must agree to assume all of the Operator's rights, duties and obligations under the Operator Balancing Agreement for the designated interconnect point(s).

**"Operator Balancing Agreement"** shall mean a contract between two parties which specifies the procedures to manage operating variances at an interconnect pursuant to GT&C Section 15 herein.

**"Physical Points"** shall mean points on Transporter's system at which gas is actually received into or actually delivered out of Transporter's system.

**"Pooling (pooling)"** shall mean: (1) the aggregation of gas from multiple Physical and/or Logical Points to a single Physical or Logical Point; and/or (2) the dis-aggregation of gas from a single Physical or Logical Point to multiple Physical and/or Logical Points.

**"Pre-Arranged Shipper"** shall mean the entity designated by Releasing Shipper prior to the released capacity being posted on the Customer Activities Website. The Pre-Arranged Shipper will become a Replacement Shipper upon selection of its bid as the best bid.

**"Primary Delivery Point"** shall mean those delivery point(s) on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary delivery point result in a lower reservation charge.

**"Primary Path"** shall mean the most direct route on Transporter's system between the Primary Receipt Point(s) and Primary Delivery Point(s). The direction of flow for such path shall be from the Primary Receipt Point(s) to the Primary Delivery Point(s) as indicated in the FTS-1, LFT, FTS-3 and FTS-5 Service Agreements. A Shipper under Rate Schedules FTS-1, LFT, FTS-3 and FTS-5 may change such Primary Receipt Point(s) or Primary Delivery Point(s) or use an Alternate Receipt Point(s) or Alternate Delivery Point(s) outside its Primary Path subject to the negotiation with Transporter of such points and rates, not to exceed the maximum applicable tariff rate.

**"Primary Receipt Point"** shall mean those receipt points on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary receipt point result in a lower reservation charge.

**"Quantity of gas"** shall mean the number of units of gas expressed in dekatherms unless otherwise specified.

**"Recourse Rate"** shall mean the Commission approved maximum tariff rates set forth in the Currently Effective Rates for the applicable Rate Schedule as modified from time to time.

**"Releasing Shipper"** shall mean a firm Shipper that releases capacity pursuant to Section 30 herein.

**"Replacement Shipper"** shall mean any entity that obtains capacity from a Releasing Shipper pursuant to Section 30 herein.

**"Service Agreement"** shall mean the written executed agreement, in the form prescribed in this Tariff, applicable to the particular Rate Schedule under which service is being provided, including a Capacity Release Service Agreement.

**"Shipper"** shall mean any party purchasing services from Transporter under any of the Rate Schedules in this Tariff.

**"Supply Pooling Points"** shall mean Logical Points established by Transporter which may be used by Shippers to aggregate supplies pursuant to the provisions of Rate Schedule SP-1.

**"Tariff"** shall mean Transporter's currently effective FERC NGA Gas Tariff.

**"Total heating value"** means:

- A. For Shippers receiving service from Transporter to the Needles and/or Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state in accordance with rules set forth in "Public Utilities Commission of the State of California General Order No. 58-B" or any other methods of determination as may be mutually agreed upon.
- B. For Shippers receiving service for gas delivered at any delivery point except the Needles and Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state, or any other methods of determination as may be mutually agreed upon.

**"Transport Fuel"** shall mean the fuel charge for transmission, company use gas, and lost and unaccounted for gas and recovered on an "in kind" basis, as set forth in the Currently Effective Rates for the applicable Rate Schedule of this Tariff.

**"Transporter"** shall mean Transwestern Pipeline Company, LLC.

**"Written" or "in writing"** or any other combination of words indicating a requirement that a document be in a physically written form shall include any Service Agreement, amendment to Service Agreement, or any other contract or document which has been electronically executed pursuant to the procedures established by Transporter.

---

GENERAL TERMS AND CONDITIONS

2. QUALITY

- 2.1 The gas stream delivered into Transporter's pipeline system by Shipper or Shipper's designee at receipt points shall conform to each of the following quality specifications:
- A. shall be commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with the intended purpose or Merchantability of the gas, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow;
  - B. shall contain not more than seven (7) pounds/MMcf of water at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
  - C. shall contain no hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
  - D. shall contain not more than 0.1% by volume of oxygen;
  - E. shall contain not more than 2.0% by volume of carbon dioxide;
  - F. shall contain not more than a combined total of 3.0% by volume of carbon dioxide plus nitrogen;
  - G. shall contain not more than one quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet of gas;
  - H. shall contain not more than 0.3 grains of mercaptan sulfur per one hundred (100) cubic feet of gas;
  - I. shall contain not more than 0.75 grains of total sulfur per one hundred (100) cubic feet of gas;
  - J. shall not contain any toxic or hazardous substance in concentrations which, in the normal use of the gas, may be hazardous to health, injurious to pipeline facilities, or be a limit to Merchantability or be contrary to applicable government standards;
  - K. shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per cubic foot, and shall have a maximum total heating value of not more than eleven hundred and ten (1110) Btu's per cubic foot; and



- L. shall have a temperature of not less than forty (40) degrees Fahrenheit, and not more than one hundred twenty (120) degrees Fahrenheit.
- 2.2 Transporter may not refuse to accept receipt of gas with a Hydrocarbon Dew point equal to or less than 15 degrees Fahrenheit provided that such gas satisfies all other applicable provisions of Transporter's Tariff. This standard shall be referred to as Transporter's Hydrocarbon Dew Point Safe Harbor.
- A. Transporter may, from time to time, as operationally necessary, establish and post on its Internet Website a limit on Hydrocarbon Dew point for receipts on specified segments or other specified locations on its system to prevent hydrocarbon liquid fallout, or to ensure that gas will be accepted for delivery into interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies; provided, however, Transporter may not make a posting that sets a Hydrocarbon Dew point limitation of less than 15 degrees Fahrenheit.
  - B. When Transporter determines there is an operational necessity to post a Hydrocarbon Dew point on a specific line segment or location, Transporter shall post on its Internet Website each blended Hydrocarbon Dew point Transporter calculates for a line segment or location within 24 hours of such calculation, and the method by which the Hydrocarbon Dew point value was calculated. Transporter will include in such posting the anticipated duration of the limitation as well as an explanation of the basis for the Hydrocarbon Dew point limitation.
  - C. Transporter will provide as much prior notice as reasonably practicable and will attempt to provide such notice at least two (2) days prior to the effective date of the limitation.
  - D. When Transporter posts a Hydrocarbon Dew point limit for a particular pipeline segment or location, all gas receipts into the affected area from interconnects or from any adjacent pipeline segments feeding gas directly into the affected pipeline segment must meet the posted Hydrocarbon Dew point limit for the affected pipeline segment.
  - E. Transporter shall post Hydrocarbon Dew point limitations for a given line segment or location only 1) to the extent necessary to prevent liquid fallout from occurring, 2) in order to manage and operate Transporter's system in a safe and reliable manner, and 3) as required to ensure that gas will be accepted for delivery at interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies. Such posted Hydrocarbon Dew point limitations shall remain in effect no longer than necessary.

- F. Transporter shall perform Receipt Point Hydrocarbon Dew point calculations for this Section 2.2 using the Peng-Robinson equation of state and C6+ assumptions consistent with industry practices. Upon a Shipper's request, Transporter shall conduct a C9+ analysis; provided that in no event shall Transporter be required to conduct such C9+ analysis at any one receipt point more frequently than once every twelve months. Transporter shall post on its Internet Website the chromatograph data available at not less than four (4) locations, including West of Thoreau, San Juan, Panhandle and West Texas mainlines, to monitor the gas quality of the blended gas stream existing in the mainline system. These gas quality monitoring locations shall be at points where the aggregated gas stream encompasses all or most of the gas from the West of Thoreau, San Juan, Panhandle and West Texas mainlines, respectively.
- 2.3 Transporter may refuse to accept any gas stream from Shipper or Shipper's designee which fails to conform with the gas quality specifications itemized in Sections 2.1 and 2.2. above; however Transporter, in its reasonable discretion exercised on a not unduly discriminatory basis, may accept any gas stream received into its pipeline system at receipt points, provided that such gas will not result in a blended gas stream which does not comply with the gas quality specifications listed in Sections 2.1 and 2.2 above (provided however, that the blended gas stream for deliveries in the East of Thoreau area may contain not more than 2.0% by volume of carbon dioxide and a combined total of up to 5.0% by volume of carbon dioxide plus nitrogen), or will not prevent delivery of the blended gas stream into a downstream pipeline and other points of delivery, and in the reasonable judgment of Transporter, will not adversely impact Transporter's facilities, pipeline integrity or operations. Transporter may, but is not obligated to, process or treat the gas stream on its system to assure that the gas stream meets Transporter's gas quality specifications.
- Any Shipper on Transporter's system shall have the option of: (i) processing the volumes it owns or (ii) entering into contractual arrangements with third-party plant operators for such processing.
- 2.4 Except as provided in Section 2.5 below, the gas stream delivered to Shipper or Shipper's designee by Transporter at the delivery points shall conform to each of the gas quality specifications set forth in Sections 2.1, 2.2, and 2.3 above, except that delivery points that are located in the West of Thoreau Area shall not have a maximum heating value limitation as reflected in Section 2.1.K, subject to the presence of substances in Transporter's pipeline system as of January 1, 1990. If the gas delivered by Transporter to any downstream pipeline meets the quality specifications of Transporter but does not meet the downstream pipeline specifications, then Transporter shall use reasonable efforts to work with such downstream pipeline to resolve such differences to allow gas deliveries and the downstream pipeline shall have the continuing right to refuse to accept such gas deliveries.

- 2.5 If the gas stream delivered by Transporter to Shipper or Shipper's designee shall fail at any time to conform to any of the quality specifications set forth above, Shipper will notify Transporter of such deficiency and if Transporter fails to remedy such deficiency promptly, Shipper may, at its option, refuse to accept further delivery pending correction by Transporter.
- 2.6 If the gas offered for transportation hereunder shall fail at any time to conform to the quality provisions set forth in the Service Agreement between Transporter and Shipper, or if in Transporter's sole judgment such gas may cause harm to its facilities, then Transporter shall notify Shipper and Operator of such deficiency and may, at its option, refuse to accept receipt pending correction by Shipper or Operator.
- 2.7 With respect only to the maximum total heating value quality specification set forth in Section 2.1.K, Transporter and a point operator that operates multiple receipt points delivering gas into Transporter's pipeline system may agree that the volumes from designated receipt points will be considered in the aggregate for purposes of determining whether such volumes comply with the maximum total heating value quality specification. Any volumes to be aggregated shall be subject to the following conditions:
- i. All such designated receipt points shall be in the same area of Transporter's system (i.e., either West Texas Lateral, Panhandle Lateral, or San Juan Lateral); and
  - ii. All volumes from such designated receipt points shall be adequately blended in Transporter's system, as determined by Transporter in its reasonable discretion exercised on a not unduly discriminatory basis, prior to delivery to any downstream delivery point affected by such volume.

When the aggregated heating value, calculated on a volume weighted average basis per day, is below the maximum total heating value set forth in Section 2.1.K, each of the designated receipt points therein shall be deemed to be in compliance with the maximum total heating value quality specification set forth in Section 2.1.K.

Contract No. \_\_\_\_\_

DEFAULT  
OPERATOR BALANCING AGREEMENT  
FORM OF AGREEMENT  
between  
Transwestern Pipeline Company, LLC  
and  
[Company]

THIS AGREEMENT ("OBA" or "Agreement") made and entered into by and between  
TRANSWESTERN PIPELINE COMPANY, LLC ("Transporter") and \_\_\_\_\_ ("Company"),  
(collectively the "Parties" or individually as "Party"), this \_\_\_ day of \_\_\_\_\_, \_\_\_\_.

WITNESSETH

WHEREAS, the facilities operated or to be operated by Transporter and Company interconnect  
at a point or points specified in the Exhibit 1 attached hereto and incorporated herein by this reference  
(hereinafter referred to as "Interconnect Point, whether one or more"); and

WHEREAS, Transporter and/or Company (at times hereinafter referred to as the "Parties" or  
individually as a "Party") have entered into one or more agreements with third party shippers  
(hereinafter referred to as "Shipper" or "Shippers") for the transportation of gas to or from the  
Interconnect Point on their respective systems (said agreements hereinafter referred to as "Shipper  
Agreements"); and

WHEREAS, from time to time, the quantities of gas confirmed by Company and scheduled by  
Transporter to be delivered to or received from the Interconnect Point (said quantities hereinafter  
referred to as the "Scheduled Quantities") may be greater or lesser than the quantities of gas which are  
actually delivered at the Interconnect Point, resulting in inadvertent over- or under-deliveries relative to  
Scheduled Quantities; and

WHEREAS, the Parties desire to implement a balancing agreement in order to facilitate more  
efficient operations, accounting, and systems management at the Interconnect Point and on the Parties'  
respective systems.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the  
Parties agree as follows:

1. Prior to the effective date of Shipper nominations at each Interconnect Point, the Parties shall  
reconcile and confirm nominations received by each Party from Shippers for whom the Parties  
will be delivering or receiving gas at that point. Such reconciliation and confirmation between

the Parties shall be made verbally with subsequent confirmation in writing, unless otherwise mutually agreed to by the Parties. Except as provided in Section 3 below, any changes to such Scheduled Quantities during the month shall be effective only if requested by Shipper or Company and agreed to in writing by both Parties. Such written communication provided by the Parties regarding changes shall be in a form mutually agreeable to the Parties. All nominations and confirmations must be made in accordance with the requirements of Section 22 of the General Terms and Conditions of Transporter's Tariff. Provided further, the terms and provisions of this OBA shall be subject to Sections 1 - Definitions; 2 - Quality; 4 - Measurement; and 5 - Measurement Stations, of the General Terms and Conditions of Transporter's Tariff, as may be revised from time to time.

2. The Parties intend that the volume of gas actually delivered and received each day at each Interconnect Point will equal the Scheduled Quantities (including Transport Fuel) for that point. Each Party will allocate volumes which are to be delivered and received at an Interconnect Point among the Shipper Agreements on its system pursuant to the Scheduled Quantities received for that point. Any Operational Imbalance created, when the actual physical flow is different than the Scheduled Quantities (on a monthly basis), will be the "Operational Imbalance," which will be the responsibility of the Parties to eliminate pursuant to this Agreement.
3. Estimated operating quantities flowing at each Interconnect Point shall be used on a daily basis during any current month to determine the estimated Operational Imbalance at such Interconnect Point, with physical flow adjustments to be made during that current month as mutually agreed to by both Parties to attempt to maintain or achieve an Operational Imbalance of zero at such point; provided, however, nothing herein shall affect Transporter's right to unilaterally re-schedule quantities upon 2-hour notice by Transporter to the Shipper (except in the case of operational distress) under Section 22.3 of the General Terms and Conditions of its Tariff, as may be revised from time to time.
4.
  - a) The actual physical flow at each Interconnect Point each month will be determined and communicated in writing by the Interconnect Point Operator to the non-operating Party no later than the 12th of the succeeding month. The Interconnect Point Operator shall be the Party which operates the meter at each Interconnect Point ("Interconnect Point Operator"). Any Operational Imbalance for any calendar month shall be determined on a dekatherm basis and shall be dollar-valued as provided for in Section 5 herein.
  - b) In the event the parties fail to resolve an Operational Imbalance within ninety (90) days from the end of the month in which the imbalance occurs, or within such other time period which has been mutually agreed to by the Parties, interest shall accrue on the dollar value of the Operational Imbalance from the first day of the first month after the imbalance occurred until the date of payment, in kind or in cash, at the interest rate set forth in 18 CFR 154.67(c)(2)(iii)(A), as may be amended from time to time; provided however, such interest charges shall not be assessed if Transporter is unable to schedule payback gas or Company is unable to receive payback gas from Transporter. Additionally, with respect to Operational Imbalances resulting from under-deliveries by Company which are not resolved within the time specified herein, all subsequent

deliveries by Company to Transporter at the Interconnect Point may first be credited by Transporter to the existing Operational Imbalance, and thereafter, to Shippers' scheduled quantities. If the Party owing an Operational Imbalance does not resolve such Operational Imbalance within six months of the last day of the month during which such Operational Imbalance was incurred, then the other Party may, at any time after the expiration of such six month period, submit an invoice to the Party owing such Operational Imbalance for an amount equal to the Dollar Valued Operational Imbalance, as determined and adjusted pursuant to Section 5 below. Such invoice shall be payable in full in accordance with the billing and payment provisions set forth in the General Terms and Conditions.

5. Operational Imbalances shall be indexed to a price (hereinafter referred to as the "Monthly Index Price" or "MIP") which shall be calculated as follows, as may be amended from time to time:
  - (a) Transporter shall first determine any Operational Imbalance quantity for each month on a dekatherm basis. Transporter shall then determine a dollar equivalent utilizing the dekatherm quantity and the established MIP ("Dollar Valued Operational Imbalance").
  - (b) For Dollar-Valued Operational Imbalances remaining from previous month(s), the Dollar- Valued Operational Imbalance remaining from the previous month(s) will be added to the Dollar-Valued Operational Imbalance amount for the Current Month and divided by the current month's MIP to get the volume applicable to the Operation Imbalance for the OBA.
  - (c) The MIP for each month shall equal the average of the daily prices for that month as reported in Gas Daily's table entitled "DAILY PRICE SURVEY" for delivery into Transporter's mainline system \_\_\_\_\_. (If a range of prices is shown for any particular day, the midpoint of such range shall represent that day's price at a particular location.) If, for any reason, Gas Daily ceases to be available for a particular month, the MIP for that month will equal the average of the applicable daily prices for the above-described location for the applicable month as reported in any other generally accepted available industry publication chosen by Transporter.
  - (d) Prices used to calculate the MIP will be prices quoted "into the mainline" in order to eliminate inconsistencies due to varying gathering and treating charges. Transporter will post the MIP for each month on its Internet Website within one (1) business day following the end of the applicable month.
6. Notwithstanding anything herein that may be interpreted to the contrary, in the event that the aggregate Operational Imbalance for all Interconnect Points in any month is outside a 10% tolerance level after completion of all netting and trading activity as outlined in Section 34 of the General Terms and Conditions of Transporter's Tariff (i.e., either exceeds 110% of the quantities scheduled, or is less than 90% of the quantities scheduled), and the Operational

Imbalance exceeds 10,000dth, then Company shall be assessed a penalty as described below or Company and Transporter may agree that quantities may be transferred to Transporter's PNR Service to the extent the Company has an effective PNR Agreement. Company shall be subject to all PNR charges.

Company will be charged 30 cents per dekatherm (\$0.30/dth) for volumes outside the tolerance level, although Company will be granted an automatic waiver of such penalty for the first outside-tolerance month in any six-month period. In addition, if Company's deliveries or receipts are outside the tolerance level due to incorrect measurement data communicated to Company by Transporter, any such penalty will be waived. If any Operational Imbalance is due to an operational request of Transporter (which shall be confirmed in writing), or is otherwise caused by Transporter, no penalty shall be assessed. No imbalance penalty should be imposed when a prior period adjustment applied to the current period causes or increases a current month penalty.

7. The Dollar-Valued Operational Imbalances that may arise from time-to-time shall be resolved at the option of the Party owing such imbalance on either an "equivalent volume" basis (upon mutual agreement of the parties as to the timing and location of payback) or by "cash-out" (payment in cash). Any quantities to be received or delivered by Transporter hereunder in order to resolve an Operational Imbalance must first be scheduled in accordance with Section 22 of the General Terms and Conditions of this Tariff.
8. In the event that a capacity constraint occurs on either Party's system which results in curtailment of quantities through an Interconnect Point, the Party on whose system the constraint has occurred shall determine the reallocation of quantities to the Shippers under the affected Shipper Agreements. Such change in Scheduled Quantities shall be confirmed in writing as required by Paragraph 1 above. If the constraint occurs at the Interconnect Point, the downstream Party shall determine the reallocation of quantities to the Shippers under the affected Shipper Agreements.
9. All quantities of gas hereunder shall be reported in dekatherms, and shall be determined by multiplying each Mcf of dry gas received and delivered by the dry heating value thereof. Any gas received and delivered to correct an Operational Imbalance shall be adjusted for variations in heating value. Unless otherwise mutually agreed, measurement of gas for all purposes hereunder shall be in accordance with the provisions set forth in Transporter's then-effective Tariff.
10. This Agreement is entered into in order to facilitate operations and accounting between the Parties, and shall have no effect upon the Shipper Agreements or upon the effectiveness of any Party's Tariff.
11. Company agrees to immediately notify Transporter upon temporary or permanent cessation of gas flow into Transporter at an Interconnect Point or upon acquisition of a new Interconnect Point, and the Parties agree to timely amend this Agreement to delete or add such Interconnect Points as may be appropriate, by revising Exhibit 1 hereto.

12. Any new Interconnect Points between Transporter and Company shall be added to this Agreement prior to the commencement of any gas flow, or shall otherwise be deemed to have been added to this Agreement upon any gas flow.
13. This Agreement shall become effective on the first day of the month following execution by both Parties and the in-service date of the facilities to be constructed, if any, and shall continue for a primary term of one (1) month from the effective date and month to month thereafter; provided, however, either Party may terminate this Agreement at the end of the primary term, or thereafter by providing thirty (30) days prior written notice to the other Party.
14. Notwithstanding the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within ninety (90) days of termination of this Agreement or such other period of time which is mutually agreed to by the Parties.
15. This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction.
16. In the event a conflict exists or arises between this Agreement and Transporter's Tariff, as amended from time to time, it is agreed and understood that the latter shall control.
17. This Agreement is for accounting and system management purposes only, and is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the Federal Energy Regulatory Commission as a "natural gas company" under the provisions of the Natural Gas Act. If, at any time, it should be determined that such balancing activities do result in such regulation, then this Agreement shall immediately terminate, and any remaining Operational Imbalance shall be resolved by the Parties within ninety (90) days after termination of this Agreement.
18. Any entity which shall succeed by purchase, merger or consolidation to the properties, substantially as an entity, of either Party, shall be subject to the obligations of its predecessor to this Agreement. No other assignment of this Agreement or of any of the rights or obligations hereunder shall be made.
19. AS TO ALL MATTERS OF CONSTRUCTION AND INTERPRETATION, THIS AGREEMENT SHALL BE INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.
20. Any formal notice, request or demand which either Party hereto may desire to give to the other respecting this Agreement shall be by written communication sent to Company at the following address or to Transporter at the address posted on its Internet Website or such other physical or electronic address as either party shall designate by written or electronic communication.



[Company]

\_\_\_\_\_  
ATTN: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 21. Transporter and Company may agree to aggregate Interconnect Points identified on Exhibit 2 for the purpose of calculating the maximum total heating value quality specification in accordance with Section 2.7 of the General Terms and Conditions in Transporter’s Tariff.
- 22. A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

TRANSWESTERN PIPELINE COMPANY, LLC

\_\_\_\_\_  
[Company]

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Contract No. \_\_\_\_\_

DEFAULT  
OPERATOR BALANCING AGREEMENT  
FORM OF AGREEMENT

EXHIBIT 1

To the Operator Balancing Agreement

Between

TRANSWESTERN PIPELINE COMPANY, LLC

and

[Company]

\_\_\_\_\_  
Dated \_\_\_\_\_

Interconnect Point(s)  
Between Transwestern Pipeline Company, LLC, and [Company]

Transporter  
POI No

Description

Contract No. \_\_\_\_\_

DEFAULT  
OPERATOR BALANCING AGREEMENT  
FORM OF AGREEMENT

EXHIBIT 2

To the Operator Balancing Agreement

Between

TRANSWESTERN PIPELINE COMPANY, LLC  
(Transporter)

and

\_\_\_\_\_  
(Company)

Dated \_\_\_\_\_

Transporter and Company agree to aggregate the following Interconnect Points for the purpose of calculating the maximum total heating value quality specification in accordance with Section 2.7 of the General Terms and Conditions of Transporter's Tariff.

Transporter  
POI No

Description

TRANSWESTERN PIPELINE COMPANY, LLC

\_\_\_\_\_  
[Company]

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

MARKED VERSION

---

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

Except as otherwise indicated, the following terms when used herein or in any agreement incorporating these General Terms and Conditions in this Tariff are intended, used and shall be construed to have the following meaning:

**"Agent"** shall mean one who is authorized, in writing, to act for a Shipper or Operator, and who may do and perform any such authorized acts as may be required to be performed by a Shipper or Operator under this Tariff (including, but not limited to, nominating, scheduling, and/or confirming quantities of gas for transportation; receiving bills; and reconciling and clearing imbalances), as if the same were being performed by the Shipper or Operator itself.

**"Alternate Delivery Point"** for service under Rate Schedule FTS-1, LFT, FTS-2, FTS-3 or FTS-5 shall mean the point(s) of delivery points within the direction of flow of Shipper's Primary Path on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement, other than Primary Delivery Points, where Shipper nominates quantities; provided, however, that service to such alternate point(s) shall be on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under Shipper's Service Agreement.

**"Alternate Receipt Point"** shall mean all eligible receipt points within the direction of flow of Shipper's Primary Path on Transporter's system and volumes in excess of Primary Receipt Point volumes, from which Shipper under Rate Schedule FTS-1, LFT, FTS-2, FTS-3 or FTS-5 may nominate volumes to be received on an interruptible basis (i.e., may be interrupted only by a firm shipper using the point(s) as a primary point(s)) under its FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement.

**"Area"** shall mean those receipt/delivery point areas defined in Section 28 of the General Terms and Conditions.

**"British Thermal Unit"** (Btu) shall mean the amount of heat required to raise the temperature of one (1) pound of water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit.

**"Business day (business day)"** is defined as Monday through Friday, excluding Federal Banking Holidays.

**"Central Clock Time"** shall mean Central Standard Time throughout the year, as adjusted for Central Daylight Time.

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

**"Cubic foot (cubic foot)"** shall mean the volume of gas which occupies one cubic foot of space measured at 14.73 pounds per square inch absolute at a temperature of 60 degrees Fahrenheit in accordance with Section 4 hereof.

**"Customer Activities Website"** shall mean the Uniform Resource Locator (URL) of Transporter's electronic communication mechanism on the Internet at <https://transfer.energytransfer.com/customeractivities/TW>.

**"Day (day)"** shall mean mean 9 a.m. to 9 a.m. (Central Clock Time).

**"Dekatherm"** (dth) shall mean the quantity of heat energy which is equivalent to 1,000,000 British Thermal Units. One "dekatherm of gas" shall mean the quantity of gas which contains one dekatherm of heat energy.

**"Elapsed Pro-rata Capacity"** (EPC) shall mean the portion of the capacity (under capacity release) that would have theoretically been available for use prior to the effective time of the intraday recall based on a cumulative uniform hourly use of the capacity.

**"Execution" or "executed"** or any other form of the root word "execute" when used with respect to any Service Agreement, amendment to Service Agreement, or any other contract shall include electronic execution pursuant to the procedures established by Transporter.

**"Hydrocarbon Dew point"** shall mean cricondenthem, the highest temperature at which the vapor-liquid equilibrium may be present. The Hydrocarbon Dew point (cricondenthem) calculations are performed using the Peng-Robinson equation of state.

**"Internet Website" or "Transporter's Internet Website"** shall mean the Uniform Resource Locator (URL) containing Transporter's informational postings on the Internet at <http://twtransfer.energytransfer.com>.

**"Logical Points"** shall mean points on Transporter's system which may be used by a Shipper as receipt or delivery points which are not physical points as defined in this Tariff.

**"Maximum Daily Transportation Quantity"** (MAXDTQ) shall mean the maximum quantity of natural gas provided in the Service Agreement that Shipper is entitled to receive and Transporter is obligated to deliver on any day.

**"Mcf"** shall mean 1,000 cubic feet of gas.

**"Merchantability"** refers to a gas stream which is commercially salable and fit for the market, and of a quality which will bring the then current market price without additional treatment or processing. Gas that meets the quality specifications in this Tariff shall be deemed to be Merchantable.

**"Month (month)"** shall mean the period beginning at nine o'clock a.m. Central Clock Time on the first day of a calendar month and ending at the same hour on the first day of the next succeeding calendar month.

**"Monthly Index Price (MIP)"** shall mean the index price calculated in accordance with Section 27.2 herein.

**"NAESB Standards"** are the business practices and electronic standards adopted by the Wholesale Gas Quadrant ("WGQ") of North American Energy Standards Board ("NAESB") and by Section 284.12 of the Commission's Regulations.

**"Natural gas (natural gas)"** shall mean either natural gas unmixed, or any mixture of natural and artificial gas.

**"NGA"** shall mean the Natural Gas Act of 1938, as amended.

**"Operator"** shall mean a party which physically operates facilities connected to Transporter's pipeline system for deliveries of gas into or out of Transporter's system or a third-party designated in writing by the Operator physically operating such facility to sign an Operator Balancing Agreement for the interconnect point(s). Such **Operator or** third-party Operator must meet on a continuing basis the creditworthiness requirement of Transporter's Tariff, must execute an Operator Balancing Agreement in place of such Operator(s), and must agree to assume all of the Operator's rights, duties and obligations under the Operator Balancing Agreement for the designated interconnect point(s).

**"Operator Balancing Agreement"** shall mean a contract between two parties which specifies the procedures to manage operating variances at an interconnect pursuant to GT&C Section 15 herein.

**"Physical Points"** shall mean points on Transporter's system at which gas is actually received into or actually delivered out of Transporter's system.

**"Pooling (pooling)"** shall mean: (1) the aggregation of gas from multiple Physical and/or Logical Points to a single Physical or Logical Point; and/or (2) the dis-aggregation of gas from a single Physical or Logical Point to multiple Physical and/or Logical Points.

**"Pre-Arranged Shipper"** shall mean the entity designated by Releasing Shipper prior to the released capacity being posted on the Customer Activities Website. The Pre-Arranged Shipper will become a Replacement Shipper upon selection of its bid as the best bid.

**"Primary Delivery Point"** shall mean those delivery point(s) on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary delivery point result in a lower reservation charge.

**"Primary Path"** shall mean the most direct route on Transporter's system between the Primary Receipt Point(s) and Primary Delivery Point(s). The direction of flow for such path shall be from the Primary Receipt Point(s) to the Primary Delivery Point(s) as indicated in the FTS-1, LFT, FTS-3 and FTS-5 Service Agreements. A Shipper under Rate Schedules FTS-1, LFT, FTS-3 and FTS-5 may change such Primary Receipt Point(s) or Primary Delivery Point(s) or use an Alternate Receipt Point(s) or Alternate Delivery Point(s) outside its Primary Path subject to the negotiation with Transporter of such points and rates, not to exceed the maximum applicable tariff rate.

**"Primary Receipt Point"** shall mean those receipt points on Transporter's system under Shipper's FTS-1, LFT, FTS-2, FTS-3 or FTS-5 Service Agreement with a specified firm volume, as may be amended upon mutual agreement from time to time, but in no event shall any moving of a primary receipt point result in a lower reservation charge.

**"Quantity of gas"** shall mean the number of units of gas expressed in dekatherms unless otherwise specified.

**"Recourse Rate"** shall mean the Commission approved maximum tariff rates set forth in the Currently Effective Rates for the applicable Rate Schedule as modified from time to time.

**"Releasing Shipper"** shall mean a firm Shipper that releases capacity pursuant to Section 30 herein.

**"Replacement Shipper"** shall mean any entity that obtains capacity from a Releasing Shipper pursuant to Section 30 herein.

**"Service Agreement"** shall mean the written executed agreement, in the form prescribed in this Tariff, applicable to the particular Rate Schedule under which service is being provided, including a Capacity Release Service Agreement.

**"Shipper"** shall mean any party purchasing services from Transporter under any of the Rate Schedules in this Tariff.

**"Supply Pooling Points"** shall mean Logical Points established by Transporter which may be used by Shippers to aggregate supplies pursuant to the provisions of Rate Schedule SP-1.

**"Tariff"** shall mean Transporter's currently effective FERC NGA Gas Tariff.



**"Total heating value"** means:

- A. For Shippers receiving service from Transporter to the Needles and/or Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state in accordance with rules set forth in "Public Utilities Commission of the State of California General Order No. 58-B" or any other methods of determination as may be mutually agreed upon.
- B. For Shippers receiving service for gas delivered at any delivery point except the Needles and Topock delivery points, the number of British Thermal Units evolved by the complete combustion with air, at constant pressure, of one cubic foot of anhydrous (dry) gas under a pressure of 14.73 psia and at a temperature of 60o Fahrenheit and when the products of combustion are cooled to the initial temperature of the gas and air and all of the water formed by combustion is condensed to the liquid state, or any other methods of determination as may be mutually agreed upon.

**"Transport Fuel"** shall mean the fuel charge for transmission, company use gas, and lost and unaccounted for gas and recovered on an "in kind" basis, as set forth in the Currently Effective Rates for the applicable Rate Schedule of this Tariff.

**"Transporter"** shall mean Transwestern Pipeline Company, LLC.

**"Written" or "in writing"** or any other combination of words indicating a requirement that a document be in a physically written form shall include any Service Agreement, amendment to Service Agreement, or any other contract or document which has been electronically executed pursuant to the procedures established by Transporter.

---

GENERAL TERMS AND CONDITIONS

2. QUALITY

- 2.1 The gas stream delivered into Transporter's pipeline system by Shipper or Shipper's designee at receipt points shall conform to each of the following quality specifications:
- A. shall be commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with the intended purpose or Merchantability of the gas, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow;
  - B. shall contain not more than seven (7) pounds/MMcf of water at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
  - C. shall contain no hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;
  - D. shall contain not more than 0.1% by volume of oxygen;
  - E. shall contain not more than 2.0% by volume of carbon dioxide;
  - F. shall contain not more than a combined total of 3.0% by volume of carbon dioxide plus nitrogen;
  - G. shall contain not more than one quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet of gas;
  - H. shall contain not more than 0.3 grains of mercaptan sulfur per one hundred (100) cubic feet of gas;
  - I. shall contain not more than 0.75 grains of total sulfur per one hundred (100) cubic feet of gas;
  - J. shall not contain any toxic or hazardous substance in concentrations which, in the normal use of the gas, may be hazardous to health, injurious to pipeline facilities, or be a limit to Merchantability or be contrary to applicable government standards;
  - K. shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per cubic foot, and shall have a maximum total heating value of not more than eleven hundred and ten (1110) Btu's per cubic foot; and

- L. shall have a temperature of not less than forty (40) degrees Fahrenheit, and not more than one hundred twenty (120) degrees Fahrenheit.
- 2.2 Transporter may not refuse to accept receipt of gas with a Hydrocarbon Dew point equal to or less than 15 degrees Fahrenheit provided that such gas satisfies all other applicable provisions of Transporter's Tariff. This standard shall be referred to as Transporter's Hydrocarbon Dew Point Safe Harbor.
- A. Transporter may, from time to time, as operationally necessary, establish and post on its Internet Website a limit on Hydrocarbon Dew point for receipts on specified segments or other specified locations on its system to prevent hydrocarbon liquid fallout, or to ensure that gas will be accepted for delivery into interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies; provided, however, Transporter may not make a posting that sets a Hydrocarbon Dew point limitation of less than 15 degrees Fahrenheit.
  - B. When Transporter determines there is an operational necessity to post a Hydrocarbon Dew point on a specific line segment or location, Transporter shall post on its Internet Website each blended Hydrocarbon Dew point Transporter calculates for a line segment or location within 24 hours of such calculation, and the method by which the Hydrocarbon Dew point value was calculated. Transporter will include in such posting the anticipated duration of the limitation as well as an explanation of the basis for the Hydrocarbon Dew point limitation.
  - C. Transporter will provide as much prior notice as reasonably practicable and will attempt to provide such notice at least two (2) days prior to the effective date of the limitation.
  - D. When Transporter posts a Hydrocarbon Dew point limit for a particular pipeline segment or location, all gas receipts into the affected area from interconnects or from any adjacent pipeline segments feeding gas directly into the affected pipeline segment must meet the posted Hydrocarbon Dew point limit for the affected pipeline segment.
  - E. Transporter shall post Hydrocarbon Dew point limitations for a given line segment or location only 1) to the extent necessary to prevent liquid fallout from occurring, 2) in order to manage and operate Transporter's system in a safe and reliable manner, and 3) as required to ensure that gas will be accepted for delivery at interconnects with interstate pipelines, intrastate pipelines, end-users or directly connected local distribution companies. Such posted Hydrocarbon Dew point limitations shall remain in effect no longer than necessary.

F. Transporter shall perform Receipt Point Hydrocarbon Dew point calculations for this Section 2.2 using the Peng-Robinson equation of state and C6+ assumptions consistent with industry practices. Upon a Shipper's request, Transporter shall conduct a C9+ analysis; provided that in no event shall Transporter be required to conduct such C9+ analysis at any one receipt point more frequently than once every twelve months. Transporter shall post on its Internet Website the chromatograph data available at not less than four (4) locations, including West of Thoreau, San Juan, Panhandle and West Texas mainlines, to monitor the gas quality of the blended gas stream existing in the mainline system. These gas quality monitoring locations shall be at points where the aggregated gas stream encompasses all or most of the gas from the West of Thoreau, San Juan, Panhandle and West Texas mainlines, respectively.

2.3 Transporter may refuse to accept any gas stream from Shipper or Shipper's designee which fails to conform with the gas quality specifications itemized in Sections 2.1 and 2.2. above; however Transporter, in its reasonable discretion exercised on a not unduly discriminatory basis, may accept any gas stream received into its pipeline system at receipt points, provided that such gas will not result in a blended gas stream which does not comply with the gas quality specifications listed in Sections 2.1 and 2.2 above (provided however, that the blended gas stream for deliveries in the East of Thoreau area may contain not more than 2.0% by volume of carbon dioxide and a combined total of up to 5.0% by volume of carbon dioxide plus nitrogen), or will not prevent delivery of the blended gas stream into a downstream pipeline and other points of delivery, and in the reasonable judgment of Transporter, will not adversely impact Transporter's facilities, pipeline integrity or operations. Transporter may, but is not obligated to, process or treat the gas stream on its system to assure that the gas stream meets Transporter's gas quality specifications.

Any Shipper on Transporter's system shall have the option of: (i) processing the volumes it owns or (ii) entering into contractual arrangements with third-party plant operators for such processing.

2.4 Except as provided in Section 2.5 below, the gas stream delivered to Shipper or Shipper's designee by Transporter at the delivery points shall conform to each of the gas quality specifications set forth in Sections 2.1, 2.2, and 2.3 above, except that delivery points that are located in the West of Thoreau Area shall not have a maximum heating value limitation as reflected in Section 2.1.K, subject to the presence of substances in Transporter's pipeline system as of January 1, 1990. If the gas delivered by Transporter to any downstream pipeline meets the quality specifications of Transporter but does not meet the downstream pipeline specifications, then Transporter shall use reasonable efforts to work with such downstream pipeline to resolve such differences to allow gas deliveries and the downstream pipeline shall have the continuing right to refuse to accept such gas deliveries.

- 2.5 If the gas stream delivered by Transporter to Shipper or Shipper's designee shall fail at any time to conform to any of the quality specifications set forth above, Shipper will notify Transporter of such deficiency and if Transporter fails to remedy such deficiency promptly, Shipper may, at its option, refuse to accept further delivery pending correction by Transporter.
- 2.6 If the gas offered for transportation hereunder shall fail at any time to conform to the quality provisions set forth in the Service Agreement between Transporter and Shipper, or if in Transporter's sole judgment such gas may cause harm to its facilities, then Transporter shall notify Shipper and Operator of such deficiency and may, at its option, refuse to accept receipt pending correction by Shipper or Operator.

2.7 With respect only to the maximum total heating value quality specification set forth in Section 2.1.K, Transporter and a point operator that operates multiple receipt points delivering gas into Transporter's pipeline system may agree that the volumes from designated receipt points will be considered in the aggregate for purposes of determining whether such volumes comply with the maximum total heating value quality specification. Any volumes to be aggregated shall be subject to the following conditions:

i. All such designated receipt points shall be in the same area of Transporter's system (i.e., either West Texas Lateral, Panhandle Lateral, or San Juan Lateral); and

ii. All volumes from such designated receipt points shall be adequately blended in Transporter's system, as determined by Transporter in its reasonable discretion exercised on a not unduly discriminatory basis, prior to delivery to any downstream delivery point affected by such volume.

When the aggregated heating value, calculated on a volume weighted average basis per day, is below the maximum total heating value set forth in Section 2.1.K, each of the designated receipt points therein shall be deemed to be in compliance with the maximum total heating value quality specification set forth in Section 2.1.K.

Contract No. \_\_\_\_\_

DEFAULT  
OPERATOR BALANCING AGREEMENT  
FORM OF AGREEMENT  
between  
Transwestern Pipeline Company, LLC  
and  
[Company]

---

THIS AGREEMENT ("OBA" or "Agreement") made and entered into by and between  
TRANSWESTERN PIPELINE COMPANY, LLC ("Transporter") and \_\_\_\_\_ ("Company"),  
(collectively the "Parties" or individually as "Party"), this \_\_\_ day of \_\_\_\_\_, \_\_\_\_.

WITNESSETH

WHEREAS, the facilities operated or to be operated by Transporter and Company interconnect  
at a point or points specified in the Exhibit 1 attached hereto and incorporated herein by this reference  
(hereinafter referred to as "Interconnect Point, whether one or more"); and

WHEREAS, Transporter and/or Company (at times hereinafter referred to as the "Parties" or  
individually as a "Party") have entered into one or more agreements with third party shippers  
(hereinafter referred to as "Shipper" or "Shippers") for the transportation of gas to or from the  
Interconnect Point on their respective systems (said agreements hereinafter referred to as "Shipper  
Agreements"); and

WHEREAS, from time to time, the quantities of gas confirmed by Company and scheduled by  
Transporter to be delivered to or received from the Interconnect Point (said quantities hereinafter  
referred to as the "Scheduled Quantities") may be greater or lesser than the quantities of gas which are  
actually delivered at the Interconnect Point, resulting in inadvertent over- or under-deliveries relative to  
Scheduled Quantities; and

WHEREAS, the Parties desire to implement a balancing agreement in order to facilitate more  
efficient operations, accounting, and systems management at the Interconnect Point and on the Parties'  
respective systems.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the  
Parties agree as follows:

1. Prior to the effective date of Shipper nominations at each Interconnect Point, the Parties shall  
reconcile and confirm nominations received by each Party from Shippers for whom the Parties  
will be delivering or receiving gas at that point. Such reconciliation and confirmation between

the Parties shall be made verbally with subsequent confirmation in writing, unless otherwise mutually agreed to by the Parties. Except as provided in Section 3 below, any changes to such Scheduled Quantities during the month shall be effective only if requested by Shipper or Company and agreed to in writing by both Parties. Such written communication provided by the Parties regarding changes shall be in a form mutually agreeable to the Parties. All nominations and confirmations must be made in accordance with the requirements of Section 22 of the General Terms and Conditions of Transporter's Tariff. Provided further, the terms and provisions of this OBA shall be subject to Sections 1 - Definitions; 2 - Quality; 4 - Measurement; and 5 - Measurement Stations, of the General Terms and Conditions of Transporter's Tariff, as may be revised from time to time.

2. The Parties intend that the volume of gas actually delivered and received each day at each Interconnect Point will equal the Scheduled Quantities (including Transport Fuel) for that point. Each Party will allocate volumes which are to be delivered and received at an Interconnect Point among the Shipper Agreements on its system pursuant to the Scheduled Quantities received for that point. Any Operational Imbalance created, when the actual physical flow is different than the Scheduled Quantities (on a monthly basis), will be the "Operational Imbalance," which will be the responsibility of the Parties to eliminate pursuant to this Agreement.
3. Estimated operating quantities flowing at each Interconnect Point shall be used on a daily basis during any current month to determine the estimated Operational Imbalance at such Interconnect Point, with physical flow adjustments to be made during that current month as mutually agreed to by both Parties to attempt to maintain or achieve an Operational Imbalance of zero at such point; provided, however, nothing herein shall affect Transporter's right to unilaterally re-schedule quantities upon 2-hour notice by Transporter to the Shipper (except in the case of operational distress) under Section 22.3 of the General Terms and Conditions of its Tariff, as may be revised from time to time.
4.
  - a) The actual physical flow at each Interconnect Point each month will be determined and communicated in writing by the Interconnect Point Operator to the non-operating Party no later than the 12th of the succeeding month. The Interconnect Point Operator shall be the Party which operates the meter at each Interconnect Point ("Interconnect Point Operator"). Any Operational Imbalance for any calendar month shall be determined on a dekatherm basis and shall be dollar-valued as provided for in Section 5 herein.
  - b) In the event the parties fail to resolve an Operational Imbalance within ninety (90) days from the end of the month in which the imbalance occurs, or within such other time period which has been mutually agreed to by the Parties, interest shall accrue on the dollar value of the Operational Imbalance from the first day of the first month after the imbalance occurred until the date of payment, in kind or in cash, at the interest rate set forth in 18 CFR 154.67(c)(2)(iii)(A), as may be amended from time to time; provided however, such interest charges shall not be assessed if Transporter is unable to schedule payback gas or Company is unable to receive payback gas from Transporter. Additionally, with respect to Operational Imbalances resulting from under-deliveries by Company which are not resolved within the time specified herein, all subsequent

deliveries by Company to Transporter at the Interconnect Point may first be credited by Transporter to the existing Operational Imbalance, and thereafter, to Shippers' scheduled quantities. If the Party owing an Operational Imbalance does not resolve such Operational Imbalance within six months of the last day of the month during which such Operational Imbalance was incurred, then the other Party may, at any time after the expiration of such six month period, submit an invoice to the Party owing such Operational Imbalance for an amount equal to the Dollar Valued Operational Imbalance, as determined and adjusted pursuant to Section 5 below. Such invoice shall be payable in full in accordance with the billing and payment provisions set forth in the General Terms and Conditions.

5. Operational Imbalances shall be indexed to a price (hereinafter referred to as the "Monthly Index Price" or "MIP") which shall be calculated as follows, as may be amended from time to time:
  - (a) Transporter shall first determine any Operational Imbalance quantity for each month on a dekatherm basis. Transporter shall then determine a dollar equivalent utilizing the dekatherm quantity and the established MIP ("Dollar Valued Operational Imbalance").
  - (b) For Dollar-Valued Operational Imbalances remaining from previous month(s), the Dollar- Valued Operational Imbalance remaining from the previous month(s) will be added to the Dollar-Valued Operational Imbalance amount for the Current Month and divided by the current month's MIP to get the volume applicable to the Operation Imbalance for the OBA.
  - (c) The MIP for each month shall equal the average of the daily prices for that month as reported in Gas Daily's table entitled "DAILY PRICE SURVEY" for delivery into Transporter's mainline system \_\_\_\_\_. (If a range of prices is shown for any particular day, the midpoint of such range shall represent that day's price at a particular location.) If, for any reason, Gas Daily ceases to be available for a particular month, the MIP for that month will equal the average of the applicable daily prices for the above-described location for the applicable month as reported in any other generally accepted available industry publication chosen by Transporter.
  - (d) Prices used to calculate the MIP will be prices quoted "into the mainline" in order to eliminate inconsistencies due to varying gathering and treating charges. Transporter will post the MIP for each month on its Internet Website within one (1) business day following the end of the applicable month.
6. Notwithstanding anything herein that may be interpreted to the contrary, in the event that the aggregate Operational Imbalance for all Interconnect Points in any month is outside a 10% tolerance level after completion of all netting and trading activity as outlined in Section 34 of the General Terms and Conditions of Transporter's Tariff (i.e., either exceeds 110% of the quantities scheduled, or is less than 90% of the quantities scheduled), and the Operational



Imbalance exceeds 10,000dth, then Company shall be assessed a penalty as described below or Company and Transporter may agree that quantities may be transferred to Transporter's PNR Service to the extent the Company has an effective PNR Agreement. Company shall be subject to all PNR charges.

Company will be charged 30 cents per dekatherm (\$0.30/dth) for volumes outside the tolerance level, although Company will be granted an automatic waiver of such penalty for the first outside-tolerance month in any six-month period. In addition, if Company's deliveries or receipts are outside the tolerance level due to incorrect measurement data communicated to Company by Transporter, any such penalty will be waived. If any Operational Imbalance is due to an operational request of Transporter (which shall be confirmed in writing), or is otherwise caused by Transporter, no penalty shall be assessed. No imbalance penalty should be imposed when a prior period adjustment applied to the current period causes or increases a current month penalty.

7. The Dollar-Valued Operational Imbalances that may arise from time-to-time shall be resolved at the option of the Party owing such imbalance on either an "equivalent volume" basis (upon mutual agreement of the parties as to the timing and location of payback) or by "cash-out" (payment in cash). Any quantities to be received or delivered by Transporter hereunder in order to resolve an Operational Imbalance must first be scheduled in accordance with Section 22 of the General Terms and Conditions of this Tariff.
8. In the event that a capacity constraint occurs on either Party's system which results in curtailment of quantities through an Interconnect Point, the Party on whose system the constraint has occurred shall determine the reallocation of quantities to the Shippers under the affected Shipper Agreements. Such change in Scheduled Quantities shall be confirmed in writing as required by Paragraph 1 above. If the constraint occurs at the Interconnect Point, the downstream Party shall determine the reallocation of quantities to the Shippers under the affected Shipper Agreements.
9. All quantities of gas hereunder shall be reported in dekatherms, and shall be determined by multiplying each Mcf of dry gas received and delivered by the dry heating value thereof. Any gas received and delivered to correct an Operational Imbalance shall be adjusted for variations in heating value. Unless otherwise mutually agreed, measurement of gas for all purposes hereunder shall be in accordance with the provisions set forth in Transporter's then-effective Tariff.
10. This Agreement is entered into in order to facilitate operations and accounting between the Parties, and shall have no effect upon the Shipper Agreements or upon the effectiveness of any Party's Tariff.
11. Company agrees to immediately notify Transporter upon temporary or permanent cessation of gas flow into Transporter at an Interconnect Point or upon acquisition of a new Interconnect Point, and the Parties agree to timely amend this Agreement to delete or add such Interconnect Points as may be appropriate, by revising Exhibit 1 hereto.

12. Any new Interconnect Points between Transporter and Company shall be added to this Agreement prior to the commencement of any gas flow, or shall otherwise be deemed to have been added to this Agreement upon any gas flow.
13. This Agreement shall become effective on the first day of the month following execution by both Parties and the in-service date of the facilities to be constructed, if any, and shall continue for a primary term of one (1) month from the effective date and month to month thereafter; provided, however, either Party may terminate this Agreement at the end of the primary term, or thereafter by providing thirty (30) days prior written notice to the other Party.
14. Notwithstanding the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within ninety (90) days of termination of this Agreement or such other period of time which is mutually agreed to by the Parties.
15. This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction.
16. In the event a conflict exists or arises between this Agreement and Transporter's Tariff, as amended from time to time, it is agreed and understood that the latter shall control.
17. This Agreement is for accounting and system management purposes only, and is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the Federal Energy Regulatory Commission as a "natural gas company" under the provisions of the Natural Gas Act. If, at any time, it should be determined that such balancing activities do result in such regulation, then this Agreement shall immediately terminate, and any remaining Operational Imbalance shall be resolved by the Parties within ninety (90) days after termination of this Agreement.
18. Any entity which shall succeed by purchase, merger or consolidation to the properties, substantially as an entity, of either Party, shall be subject to the obligations of its predecessor to this Agreement. No other assignment of this Agreement or of any of the rights or obligations hereunder shall be made.
19. AS TO ALL MATTERS OF CONSTRUCTION AND INTERPRETATION, THIS AGREEMENT SHALL BE INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.
20. Any formal notice, request or demand which either Party hereto may desire to give to the other respecting this Agreement shall be by written communication sent to Company at the following address or to Transporter at the address posted on its Internet Website or such other physical or electronic address as either party shall designate by written or electronic communication.

[Company]

\_\_\_\_\_  
ATTN: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

21. Transporter and Company may agree to aggregate Interconnect Points identified on Exhibit 2 for the purpose of calculating the maximum total heating value quality specification in accordance with Section 2.7 of the General Terms and Conditions in Transporter's Tariff.

~~2122.~~ A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

TRANSWESTERN PIPELINE COMPANY, LLC

\_\_\_\_\_  
[Company]

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Contract No. \_\_\_\_\_

DEFAULT  
OPERATOR BALANCING AGREEMENT  
FORM OF AGREEMENT

EXHIBIT 1

To the Operator Balancing Agreement

Between

TRANSWESTERN PIPELINE COMPANY, LLC

and

[Company]

\_\_\_\_\_  
Dated \_\_\_\_\_

Interconnect Point(s)  
Between Transwestern Pipeline Company, LLC, and [Company]

Transporter  
POI No

Description

Contract No. \_\_\_\_\_

DEFAULT  
OPERATOR BALANCING AGREEMENT  
FORM OF AGREEMENT

EXHIBIT 2

To the Operator Balancing Agreement

Between

TRANSWESTERN PIPELINE COMPANY, LLC  
(Transporter)

and

\_\_\_\_\_  
(Company)

Dated \_\_\_\_\_

Transporter and Company agree to aggregate the following Interconnect Points for the purpose of calculating the maximum total heating value quality specification in accordance with Section 2.7 of the General Terms and Conditions of Transporter's Tariff.

<u>Transporter</u>		<u>Description</u>
<u>POI No</u>		

TRANSWESTERN PIPELINE COMPANY, LLC  
\_\_\_\_\_  
[Company]

By: \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_