



September 26, 2014

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

**Re: Florida Southeast Connection, LLC, Docket No. CP14-____-000
Application for a Certificate of Public Convenience and Necessity and for
Related Authorizations**

Dear Ms. Bose:

Florida Southeast Connection, LLC ("FSC") hereby submits for filing with the Federal Energy Regulatory Commission ("Commission") an Application for a Certificate of Public Convenience and Necessity and for Related Authorizations ("Application") regarding its FSC Project. The FSC Project is a new approximately 126-mile interstate natural gas pipeline that will extend from a point near Intercession City, Florida to an end point at the existing Florida Power & Light Company ("FPL") Martin Clean Energy Center electric generation plant in Martin County, Florida. The purpose of the FSC Project is to (i) meet the natural gas fuel supply needs of FPL by May 2017 and other natural gas users in Florida; (ii) add a new natural gas transmission pipeline to enhance the reliability of the existing pipeline system serving Florida; and (iii) to create new pipeline infrastructure to allow for potential additional natural gas-fired electric generation sites, industrial users and gas local distribution companies to be directly served with minimal need for additional facilities.

Included herewith are four volumes. Volume 1 is comprised of the Application and the exhibits, except Exhibit F-1. FSC is submitting two exhibits in Volume I as privileged and confidential. Exhibits G-I and G-II are being submitted as Critical Energy Infrastructure Information ("CEII") pursuant to the Commission's regulations in 18 C.F.R. § 388.112 (2014). Exhibit I (precedent agreement) contains commercially sensitive information and is being filed as privileged and confidential pursuant to the Commission's regulations in 18 C.F.R. § 388.112 (2014). The four copies provided to Commission Staff contain the information filed as CEII and/or privileged and confidential and this information should not be released to the public.

Volumes II-A and II-B contain the environmental reports, Volume III contains the supporting drawings and maps in Appendix 1A to Resource Report 1 and Volume IV contains additional privileged and confidential information and is comprised of Appendix 1D (landowner lists) and Appendix 4B (cultural resource reports). The four copies provided to Commission Staff contain the information filed as privileged and confidential and this information should not

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be released to the public. Questions pertaining to any of the privileged and confidential information should be directed to the undersigned.

The individual residential construction plans in Appendix 8A and the Migratory Birds Conservation Plan in Appendix 3C are being finalized and are not included herein and FSC will file both as soon as the documents are final.

In accordance with Rule 2011(c)(5) of the Commission's Rules and Regulations of Practice and Procedure, 18 C.F.R. § 2011 (c)(5), I hereby state that I have read the hard copy version of the filing and am familiar with the contents thereof; that the paper copies contain the same information as the electronic filing, and that all the statements contained therein are true and correct, to the best of my knowledge, information, and belief.

If you have any questions regarding this filing, please contact the undersigned or for environmental matters, Jena Mier at 561-691-2209.

Sincerely

/s/ William Lavarco

Senior Attorney

Florida Southeast Connection, LLC

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Cc: John Peconom
Jessica Harris

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Florida Southeast Connection, LLC)

Docket No. CP14-___-000

**APPLICATION OF FLORIDA SOUTHEAST CONNECTION, LLC FOR
AUTHORIZATION TO CONSTRUCT AND OPERATE PIPELINE FACILITIES
UNDER THE NATURAL GAS ACT**

Pursuant to Section 7(c) of the Natural Gas Act (“NGA”), as amended, 15 U.S.C. § 717f(c), and Parts 157 and 284 of the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) regulations, 18 C.F.R. Parts 157 and 284, Florida Southeast Connection, LLC (“FSC”) hereby respectfully requests that the Commission issue a certificate of public convenience and necessity authorizing FSC to construct, own and operate a new natural gas pipeline and related compression and appurtenant facilities under Part 157, Subpart A of the Commission’s regulations (the “FSC Project” or “Project”). In addition, FSC requests that the Commission issue to FSC: (i) a blanket certificate authorizing FSC to construct, operate, and abandon certain facilities (self-implementing routine activities) under Part 157, Subpart F of the Commission’s regulations; (ii) a blanket certificate authorizing FSC to transport natural gas, on an open access and self-implementing basis, under Part 284, Subpart G of the Commission’s regulations; and (iii) authorizations necessary to charge initial recourse rates for certain services to be rendered by FSC (the “Application”).

FSC respectfully requests that the Commission issue the requisite authorizations no later than November 1, 2015 in order for FSC to meet the May 1, 2017 in-service date in its agreement with its shipper. In light of the substantial work completed to date by FSC, Commission Staff, and the many stakeholders as part of the Commission’s National Environmental Policy Act of 1969 (“NEPA”) pre-filing process in Docket No. PF14-2-000,

many potential issues have been identified and addressed prior to the filing of this Application. The NEPA pre-filing process resulted in constructive feedback received from the public at open houses and scoping meetings, as well as from Commission Staff regarding the Resource Reports found in Exhibit F-I and the environmental analysis contained therein.

In support of this Application and in accordance with the Commission's regulations, FSC respectfully states the following:

I.
EXECUTIVE SUMMARY

The FSC Project involves construction of a new natural gas pipeline system consisting of approximately 126 miles of pipe, associated valves, piping, and appurtenant facilities commencing at an interconnection with the proposed Sabal Trail Transmission, LLC ("Sabal Trail") pipeline near Intercession City, Florida¹, and terminating at a delivery point at the Florida Power & Light Company ("FPL") Martin Clean Energy Center ("Martin"), near Indiantown, Florida. FSC will have an initial transportation capacity of 640,000 dekatherms per day ("Dth/d"). To date, FSC has commitments for approximately 94% of its capacity through a binding precedent agreement with FPL for 400,000 Dth/d beginning May 1, 2017, increasing to 600,000 Dth/d on May 1, 2020. FSC has been in discussions with additional potential shippers and anticipates that it will be able to subscribe the remaining available capacity prior to, or shortly after, commencing service. FSC has a May 1, 2017 scheduled in-service date.

¹ Sabal Trail Transmission, LLC, a joint venture between affiliates of Spectra Energy Partners, LLC ("Spectra") and NextEra Energy, Inc. ("NextEra"), will file an application for a certificate of public convenience and necessity for its project, Sabal Trail, extending approximately 460 miles from Tallapoosa County, Alabama a new interconnection hub ("Central Florida Hub") in Osceola County, Florida with initial capacity of 800,000 dekatherms per day ("Dth/d") that will increase to approximately 1,100,000 Dth/d by 2021.

The purpose of the FSC Project is to (i) meet the natural gas fuel supply needs of FPL by May 2017 and other natural gas users in Florida; (ii) add a new natural gas transmission pipeline to enhance the reliability of the existing pipeline system serving Florida; and (iii) to create new pipeline infrastructure to allow for potential additional natural gas-fired electric generation sites, industrial users and gas local distribution companies to be directly served with minimal need for additional facilities. The FSC Project may also permit natural gas local distribution companies to expand natural gas service to additional parts of Florida. In conjunction with Sabal Trail, FSC will allow diversified access to growing natural gas supplies for natural gas users in Florida, increase the overall reliability of the region's natural gas transmission grid, reduce reliance on offshore supply sources and lessen the vulnerability to supply disruptions that can result from severe weather in the Gulf of Mexico.

In addition to providing increased gas deliverability to meet the region's growing natural gas needs, FSC will also benefit the state of Florida by providing increased competition for gas transportation needs, as well as delivering economic benefits to Florida. These features of the FSC Project should positively impact the economics of the state's overall natural gas supply portfolio, benefitting all gas consumers in Florida.

The North American natural gas market has seen enormous growth in production and demand in recent years. The Energy Information Agency ("EIA") projects that U.S. total natural gas consumption will increase from 25.6 trillion cubic feet ("Tcf") in 2012 to 31.6 Tcf in 2040, with a large portion of this increased demand occurring in the electric generation sector.² The Florida Reliability Coordinating Council ("FRCC") has reported that natural gas-fired electric generation has grown from less than 40% of total electric generation in 2007 to

² See: http://www.eia.gov/forecasts/aeo/MT_naturalgas.cfm#natgas_prices?src=Natural-bl

approximately 63% in 2013 and is expected to continue near this level for the next ten years.³ In the upcoming decade, it is projected that there will be more than 8,000 megawatts of new gas-fired generation added in Florida by the three investor-owned electric utilities, Duke Energy Florida, Tampa Electric Company, and FPL.⁴ Yet, unlike many other parts of the country where gas-fired generation is prevalent, e.g., Texas and California, Florida has no natural gas storage, almost no natural gas production and the two existing pipelines that serve the majority of the state are at or nearing their full capacity. Cognizant of this fact, the Florida Public Service Commission (“FPSC”) determined that “increased gas transportation infrastructure is needed to meet future electricity needs, given the uncertainty surrounding both coal-fired and nuclear generation” in the state of Florida⁵. FSC will therefore provide a valuable addition to the gas infrastructure and result in the concomitant reliability benefits for the state of Florida.

FSC plans to commence construction of the Project in Spring 2016 to meet a requested in-service date of May 1, 2017. This in-service date is market driven and is based on the requirements of FSC’s shipper, FPL. FPL will use the capacity on FSC to serve its natural gas-fired electric generation system needs. FPL is the largest electric utility in Florida, serving approximately 4.7 million customer accounts along much of the eastern and southwestern coasts of the state. FPL’s peak demand periods occur during the coldest winter periods and from early summer to early fall as electric heating and air-conditioning needs drive electricity

³ See FRCC 2013 Load and Resource Assessment Report-Dated July 9, 2013 at p. 40, *available at*: <https://www.frcc.com/Reliability/Shared%20Documents/FRCC%20Reliability%20Assessments/FRCC%202013%20Load%20and%20Resource%20Reliability%20Assessment%20Report%20Approved%20070913.pdf>

⁴ See FPSC, Ten-Year Site Plans, *available at*: <http://www.psc.state.fl.us/utilities/electricgas/10yrsiteplans.aspx>

⁵ FPSC Order No. PSC-09-0715-FOF-EI, In re: Petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company at 5, FPSC Docket No. 090172-EI (issued October 28, 2009).

consumption. FPL has a system-wide need for additional natural gas transportation and its capacity utilization has been steadily increasing since 2013, as FPL has converted oil-burning electric generation facilities at its Cape Canaveral and Riviera Beach sites into natural gas-fired electric generation facilities and is conducting a similar modernization at its Port Everglades site, which is expected to be completed in 2016.⁶ In addition, Florida's economy and population continues to grow and is forecasted to grow further in the coming years, increasing the need for electricity. The availability of FSC supplies prior to the summer peak season in 2017 is extremely important to FPL. As such, FSC requests a final order approving the project as proposed herein no later than November 1, 2015.

II. **INFORMATION REGARDING APPLICANT**

The exact legal name of FSC is Florida Southeast Connection, LLC. FSC is an indirect wholly-owned subsidiary of NextEra Energy, Inc. FSC is a Delaware limited liability company, and FSC's headquarters and principal place of business are located at 700 Universe Blvd., Juno Beach, Florida 33408.

FSC is a newly formed company and currently does not own any existing pipeline facilities and is not engaged in any natural gas operations. Upon Commission approval of the authorizations requested herein, and after completion of construction of the proposed pipeline facilities and commencement of operations, FSC will be a "natural gas company," as defined by Section 2(6) of the NGA,⁷ engaged in the transportation of natural gas in interstate commerce and will be subject to the Commission's jurisdiction under the NGA.

⁶ These new generation plants are state-of-the-art gas-fired facilities that replaced less efficient natural gas and oil-fired facilities at the same sites.

⁷ 15 U.S.C. § 717a(6).

III.
CORRESPONDENCE

The persons to whom correspondence and communications concerning this Application should be directed and upon whom service is to be made are as follows:

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IV.
OPEN SEASON AND MARKET DEMAND

FSC is the result of a Request for Proposals (“RFP”) and open season process. Prior to the open season, FPL issued an RFP seeking new pipeline capacity into Florida. FPL’s RFP was held in response to a 2009 order by the FPSC directing FPL to hold an RFP to seek proposals for a new pipeline into Florida to accommodate its long-term natural gas needs.⁸ The RFP was issued in December 2012 and bids were due by April 3, 2013. In order to maximize the number of bidders, the RFP sought bids for an upstream pipeline from Transco

⁸ *Id.*

Station 85 to central Florida where a new Central Florida Hub would be created interconnecting the new upstream pipeline to the existing Gulfstream Natural Gas System, LLC (“Gulfstream”) and Florida Gas Transmission Company, LLC (“FGT”) pipelines, as well as to a new downstream pipeline from the Central Florida Hub to Martin.

As a result of the RFP, FPL selected FSC to construct the downstream pipeline and Sabal Trail to construct the upstream pipeline. Consistent with the RFP, FPL entered into a binding precedent agreement with FSC for 400,000 Dth/d beginning May 1, 2017, increasing to 600,000 Dth/d beginning May 1, 2020, for a primary contract term of 25 years. FPL and FSC agreed to a negotiated rate, where the rate declines on an annual basis in order to provide an approximately fixed return to FSC over the term of the contract. The Commission has previously accepted declining rate negotiated rates.⁹

FSC held an open season from August 26, 2013 to September 25, 2013 to gauge additional interest in the FSC Project. During the open season, FSC offered potential shippers a recourse rate, as well as the ability to enter into a negotiated rate agreement at a fixed rate, or on a declining basis similar to the FPL rate. FPL is also an FSC anchor shipper, which for purposes of the open season was a contract for at least 100,000 Dth/d for a term of 15 years or more. FSC engaged in discussions with several potential shippers, but none have signed up for capacity at this time. In summary, FSC has entered into agreements for approximately 600,000 Dth/d of FSC’s initial transportation capacity of 640,000 Dth/d, which shows ample market demand for the Project. FSC further believes that the remaining capacity will be subscribed prior to or shortly after commencement of service.

⁹ See *Guardian Pipeline, LLC*, 91 FERC ¶ 61,285 (2000).

On July 26, 2013, FPL filed a petition with the FPSC to obtain an advance prudence determination that contracting for volumes on FSC and Sabal Trail was necessary to serve its growing demand and that the costs of doing so would be recoverable in its fuel clause. On October 28, 2013, the FPSC issued an order finding that FPL had demonstrated a need for 400,000 Dth/d of additional firm capacity by 2017.¹⁰ FSC has filed the FPSC order in Docket No. PF14-2-000 and has included it again in Exhibit Z-1 hereto.

FPL's precedent agreement and service agreement are included herewith in Exhibit I. Consistent with other certificate applications, FSC is filing FPL's precedent agreement as privileged and confidential pursuant to 18 C.F.R. § 388.112 (2014) and requests that the Commission not release this agreement to the public, as doing so could result in competitive harm to FSC.¹¹

V. DETAILED DESCRIPTION OF PROPOSED FACILITIES

In order to create the capacity and provide the firm transportation services requested by FSC's shipper, FSC plans to commence construction of the Project in Spring 2016, or sooner, to meet the requested in-service date of May 1, 2017. All pipeline and above-ground Project facilities are listed in Tables 1.2-1 and 1.2-2 and descriptions of these facilities are presented in section 1.5 of Resource Report 1, Exhibit F-I. A Project overview map is provided as Figure 1.2-1. Full-size and quad excerpts of USGS 7.5-minute series topographic maps identifying the Project components are located in Appendix 1A of Resource Report 1, Exhibit F-I. Additionally, Appendix 1A of Exhibit F-I provides aerial alignment sheets of the

¹⁰ See In re: Petition for prudence determination regarding new pipeline system by Florida Power & Light Company, Docket No. 130198-EI, Order No. PSC-13-0505-PAA-EI (issued Oct. 28, 2013).

¹¹ See, e.g., Abbreviated Application of Rockies Express Pipeline LLC for a Certificate of Public Convenience and Necessity, Docket No. CP14-498-000 (filed June 10, 2014).

proposed pipeline and aboveground facilities.

The proposed jurisdictional facilities of the Project include the following:

- Approximately 77 miles of 36-inch pipeline extending from an interconnect with Sabal Trail at the Central Florida Hub in Osceola County, Florida to Okeechobee County, Florida;
- Approximately 49 miles of 30-inch pipeline extending from Okeechobee County, Florida to an interconnect with Martin in Martin County, Florida;
- A meter station at Martin; and
- Pig launching and receiving facilities, mainline valves and other appurtenant pipeline facilities.

The Project will provide a facility that is safe, efficient, and capable of being operated and maintained with minimal effects on the environment. All facilities will be designed and constructed in accordance with governing federal and state regulations. The Project will be designed, constructed, operated and maintained in accordance with the U.S. Department of Transportation's Minimum Federal Safety Standards at 49 C.F.R. Part 192, "Transportation of Natural and Other Gas by Pipeline."

VI. **PROPOSED SERVICES**

FSC will offer firm and interruptible transportation services, on a self-implementing, non-discriminatory, open access basis, consistent with Commission policies with service available at both recourse and negotiated rates. Firm transportation service will be offered under Rate Schedule FTS and interruptible transportation service will be offered under Rate Schedule ITS. The two rate schedules are set forth in FSC's *pro forma* tariff attached to this Application as Exhibit P. The FSC Project will be built without compression facilities and, at

least initially, has only one receipt point at the interconnection with Sabal Trail at the Central Florida Hub and one delivery point at Martin. Accordingly, FSC cannot offer segmentation at this time and consistent with Commission precedent requests waiver of the Commission's segmentation policies.¹² To the extent FSC adds intermediate receipt or delivery points, it will also revise its tariff to provide for segmentation.

VII. **COSTS AND FINANCING**

FSC estimates that the total capital cost of constructing the pipeline and appurtenant facilities will be approximately \$537 million. This cost estimate is detailed in Exhibit K. FSC proposes to finance the Project costs with 60% equity capital and 40% debt. FSC's debt cost is estimated to be 7.0% and, in consideration of all of its risk factors, FSC's initial return on equity incorporated into its recourse rates is 13.0%, lower than the typical 14.0% the Commission traditionally allows for new pipeline projects.¹³ This level is within the range the Commission has recently found to be acceptable for new facilities.¹⁴ FSC's weighted average cost of capital under its proposed capital structure is 10.60%.

¹² See *Sierrita Pipeline, LLC*, 147 FERC ¶ 61,192 at P 56 (2014).

¹³ See *MarkWest Pioneer, LLC*, 125 FERC ¶ 61,165 at P 27 (2008) (explaining that for new pipelines, the Commission has approved equity returns of up to 14% as long as the equity component of the capitalization is no more than 50%).

¹⁴ See *Southern Natural Gas Co., L.L.C. et al.*, 139 FERC ¶ 61,237 at P 153 (2013) (approving 12.99 % return on equity for pipeline facilities with a 70% equity component).

VIII. **RATES**

The calculation of FSC's initial rates for service is detailed in Schedules 1–7 of Exhibit P. The usage rate for interruptible service is a 100% load factor derivative of the firm service rate. FSC's maximum reservation recourse rate for Rate Schedule FTS is \$0.4485 per Dth/d, and its maximum rate for Rate Schedules ITS is \$0.4485 per Dth. FSC does not propose to credit any costs to interruptible services, Rate Schedules ITS, but rather proposes to credit any such revenues to its recourse rate customers.¹⁵

IX. **TARIFF**

Exhibit P to this Application contains FSC's *pro forma* FERC Gas Tariff including the GT&C that will govern all transportation services provided by FSC. After the Commission approval of the authorizations requested herein, FSC will file to make its tariff effective upon the in-service date. FSC developed its *pro forma* tariff to be consistent with the tariff of Sabal Trail. Drafting the FSC *pro forma* tariff to be consistent with the Sabal Trail *pro forma* tariff allows for uniform terms and conditions of service from Transco Station 85 through the Central Florida Hub to the terminus of the FSC Project at Martin. Since FSC is filing its certificate Application prior to Sabal Trail filing its certificate application, to the extent that the Sabal Trail *pro forma* tariff differs from FSC's tariff and such differences are relevant to FSC, i.e., impact system operations, FSC will make such changes prior to commencing service.

FSC's GT&C complies with the Commission's requirements and policies established by Order Nos. 636 *et seq.* and 637 *et seq.*, as well as the standards recommended by the North

¹⁵ See Florida Southeast Connection, LLC, FERC Gas Tariff, General Terms and Conditions ("GT&C") Section 39.

American Energy Standards Board (“NAESB”) and adopted by the Commission. Pertinent provisions of Version 2.1 of the NAESB Standards are incorporated by reference as appropriate. With respect to NGA Section 7 application requirements in FERC’s recent Gas Quality Policy Statement,¹⁶ FSC’s gas quality requirements took into consideration the gas quality specifications of the *pro forma* Sabal Trail tariff as well as the gas quality specifications currently in effect in the Gulfstream and FGT FERC Gas Tariffs. FSC’s gas quality specifications are designed to ensure that gas flowing into FSC will be fully interchangeable with gas flowing on Sabal Trail and other pipelines located in close proximity to FSC, including Gulfstream and FGT.

FSC will provide its transportation services on an unbundled, open-access basis under terms and conditions that are not unduly discriminatory.

A. FSC Service Agreement for Phased Capacity

FSC’s service arrangement with FPL provides for initial firm service of 400,000 Dth/d of capacity starting May 2017, increasing to 600,000 Dth/d in May 2020. Rather than expanding the FSC Project at a later date to meet this future FPL demand, FSC and FPL determined it was commercially appropriate for the FSC Project to be designed to accommodate the full FPL volumes when the Project first commences service. This decision also is environmentally beneficial, as it ensures that the FSC Project is initially sized to meet its future shipper’s needs as specified in its contract and does not need to be subsequently expanded via compression or looping that would result in environmental disturbance.¹⁷ Consistent with Commission policy, FSC will make the 200,000 Dth/d subscribed by FPL beginning May 1,

¹⁶ See *Natural Gas Interchangeability*, “Policy Statement of Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs,” 115 FERC ¶ 61,325 at P 45 (2006).

¹⁷ See, e.g., *Cameron Interstate Pipeline, LLC*, 117 FERC ¶ 61,297 at P 14 (2006).

2020 available to other shippers on a short-term basis, i.e., less than two years, and any such short-term shipper will not be able to exercise a right of first refusal such that the future contracted capacity cannot be made available to FPL.¹⁸

B. FSC Anchor Shipper Rights

Consistent with Commission precedent, FSC has provided its foundation shipper, FPL, with certain rights. These rights include a most-favored nation clause, the ability to request future expansions, and a unilateral extension right for up to three five (5)-year terms. The Commission has approved these types of incentives for shippers to make large, long-term commitments to new projects.

In *Rockies Express Pipeline*, the pipeline distinguished among three classes of shippers: Foundation Shippers, Anchor Shippers, and Standard Shippers. The one Foundation Shipper in *Rockies Express Pipeline* was given the most beneficial negotiated reservation rates and contractual rights, including most favored nation status with respect to rates, contractual rollover rights at the same rate and quantity in their service agreements, and a one-time right of first refusal.¹⁹ Anchor Shippers received beneficial treatment as well.²⁰ The Commission explained that where rate and contractual incentives are transparent and clearly defined and all potential shippers have an opportunity to take advantage of such incentives, a pipeline can offer those incentives to shippers on a number of grounds without them being unduly discriminatory.²¹ FSC respectfully requests that the Commission, consistent with *Rockies Express Pipeline*, find that the rights offered by FSC are permissible.

¹⁸ *Southeast Supply Header, LLC*, 119 FERC ¶ 61,153 at P 52 (2007).

¹⁹ *Rockies Express Pipeline LLC*, 116 FERC ¶ 61,272, at P 23 (2006) (“*Rockies Express Pipeline*”).

²⁰ *Id.* at PP 24-25.

²¹ *Id.* at PP 72-73.

X.
OTHER REQUESTED AUTHORIZATIONS

A. Part 284 Subpart G Blanket Certificate

FSC requests a blanket certificate under Part 284, Subpart G of the Commission's regulations, 18 C.F.R. §§ 284.221 *et seq.*, authorizing FSC to provide transportation services on an open-access basis on behalf of others. FSC will comply with the conditions set forth in Subpart A of Part 284 of the Commission's regulations. For the reasons set forth in this Application, FSC's proposal is in the public interest and required by the present and future public convenience and necessity.

B. Part 157 Subpart F Blanket Certificate

FSC also requests a blanket certificate under Part 157, Subpart F of the Commission's regulations, 18 C.F.R. Part 157 Subpart F, authorizing FSC to perform routine activities as set forth in sections 157.201 *et seq.* of the Commission's regulations in connection with the construction, maintenance, and operation of the facilities proposed in this Application. Upon approval of the authorizations requested, FSC will become a natural gas company subject to the Commission's jurisdiction under the NGA, and FSC agrees to comply with the terms, conditions, and procedures specified in Subpart F.

XI.
PUBLIC CONVENIENCE AND NECESSITY

The Project satisfies the requirements contained in the Commission’s Certification of New Interstate Natural Gas Pipeline Facilities Statement of Policy (“Certificate Policy Statement”) addressing new interstate pipeline facilities.²² The Certificate Policy Statement establishes criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. In deciding whether to authorize the construction of major new facilities, the Commission balances public benefits against any potential adverse consequences resulting from the proposed construction.

The Certificate Policy Statement’s threshold requirement is that a company proposing a new project must be prepared to financially support the project without relying on subsidization from existing customers. The Commission then determines whether the applicant has made efforts to eliminate or minimize any adverse effects the project may have on applicant’s existing customers, existing pipelines in the market and their captive customers, and landowners and affected communities. If the benefits of a proposed project outweigh its adverse effects on economic interests, the Commission will then complete the environmental analysis of the project as part of the certification process.

The Commission has explained that its “goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant’s responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of

²² *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *Order Clarifying Statement of Policy*, 90 FERC ¶ 61,128, *Order Further Clarifying Statement of Policy*, 92 FERC ¶ 61,094 (2000).

eminent domain in evaluating new pipeline construction.”²³

The Project will be constructed in a manner that mitigates environmental impacts while bringing the benefits of new sources of natural gas supply to the region to increase reliability and to meet growing demand.

A. The FSC Project Will Not Result in Subsidization

FSC is a new pipeline company. As such, it has no existing customers who might be adversely affected by costs or risks of recovery of costs of the proposed pipeline facilities. The threshold requirement of no subsidization therefore is not applicable to FSC.²⁴

B. The FSC Project Will Have No Adverse Effects on Existing Pipelines Serving the Market and their Captive Customers

The FSC Project is not expected to have an adverse impact on existing pipelines or their customers. FSC’s purpose is to provide a new pipeline with new incremental capacity to meet increased demand for natural gas, and is not expected to displace existing service providers. The two existing interstate pipelines that serve central and southern Florida are either fully or near fully subscribed. Although FGT presently has a small amount of its Phase VIII capacity unsubscribed, given the growth in demand for gas in Florida, it is likely that FGT will be fully subscribed by May 2017.

C. The FSC Project Minimizes Impacts on Landowners and Other Stakeholders

As detailed in the Resource Reports in Exhibit F-I, the proposed pipeline will be constructed in a manner that mitigates potential adverse environmental impacts and impacts on landowners while bringing the benefits of new sources of natural gas supply to meet the region’s growing demand. Since the Project’s inception, FSC has worked with landowners,

²³ See *Transcontinental Gas Pipe Line LLC*, 147 FERC ¶ 61,042 at P 13 (2014).

²⁴ *Sierrita Pipeline, LLC*, 147 FERC ¶ 61,192 at P 23 (2014).

governmental agencies, public officials, and other stakeholders to identify issues and respond to them. FSC will minimize impacts on landowners and seek to minimize the use of eminent domain to the greatest extent possible by negotiating easement agreements for permanent easements and the temporary workspace necessary to construct the Project. All landowners will be compensated for their property.

FSC held six open houses and the Commission held three scoping meetings in the vicinity of the FSC Project. These open houses and scoping meetings have been beneficial. The resulting discussions have led to actions to reduce and/or minimize impacts to landowners and communities, including route adjustments. The results of these discussions are set forth in the monthly status reports and responses to scoping meeting concerns which FSC has submitted in Docket No. PF14-2-000. FSC will continue to work cooperatively with all affected landowners to address their concerns and to minimize, to the extent possible, any adverse impacts. The Commission's Staff has had an opportunity to begin the process of conducting its environmental analysis of this project utilizing this NEPA pre-filing process. In addition, multiple other parties have had an opportunity to submit comments on the Project to FERC, and to review the public filings of the drafts of the Resource Reports. These comments, to the greatest extent practicable, have been incorporated into the final Resource Reports.

FSC certifies that it will incorporate all environmental information and NEPA compliance requirements into contract bid documents and, as needed, give appropriate instruction and training to contractors and inspectors in carrying out the Commission's guidelines. In addition to its adoption of all applicable environmental guidelines and its extensive pre-filing consultations, FSC will continue to be in contact with federal, state and local authorities regarding measures to mitigate adverse environmental impacts along its route.

FSC will employ an Environmental Inspector(s) during construction to ensure that all operations are in compliance with applicable federal, state and local environmental permits and regulations. The presence of such an on-site Environmental Inspector(s) will assist in assuring that all construction is undertaken in accordance with the conditions included in the Commission's certificate order.

In constructing its facilities, FSC will use applicable established industry methods so as to minimize environmental disturbances.

D. The Public Benefits of the Project Outweigh any Potential Adverse Effects

The FSC Project was designed and will be managed to avoid or minimize adverse effects on relevant public interests. Although it is not possible to eliminate all effects of the Project, FSC has mitigated adverse effects to the extent practicable. Moreover, the public benefits provided by the Project clearly outweigh the adverse effects.

The FSC Project is nearly fully subscribed. FSC will provide FPL and Florida with access to new supplies of natural gas via Sabal Trail. The new infrastructure will improve reliability of the gas infrastructure grid in Florida, a particularly important benefit given the increased demand for natural gas for electric generation. The FRCC has recognized this reliability benefit that a new pipeline will provide to Florida.²⁵ The FSC Project will further provide an opportunity to serve commercial and industrial load in existing and new areas of Florida currently not served with natural gas. FSC introduces competition into the Florida market, which ultimately may lead to lower costs to customers. Local communities and the environment will continue to benefit as FSC will allow FPL to continue to increase its

²⁵ See the FRCC 2013 Load and Resource Assessment Report-Dated July 9, 2013 at p. 17, available at: <https://www.frcc.com/Reliability/Shared%20Documents/FRCC%20Reliability%20Assessments/FRCC%202013%20Load%20and%20Resource%20Reliability%20Assessment%20Report%20Approved%20070913.pdf>

utilization of natural gas as a fuel in lieu of much more expensive and polluting oil.

For the reasons set forth herein, the public benefits that the Project offers are clearly more substantial than the adverse effects. Therefore, the FSC Project is consistent with the Certificate Policy Statement and the public convenience and necessity requires the issuance of the authorizations requested herein.

XII. **LANDOWNER NOTIFICATION**

Section 157.6(d) of the Commission's regulations requires applicants proposing to construct facilities to notify all affected landowners and certain other stakeholders. See 18 C.F.R. § 157.6(d). Affected landowners include owners of land that is directly crossed by, and owners of land that abuts the right-of-way. Although FSC has already attempted to notify all of the affected landowners as a result of its participation in the Commission's pre-filing NEPA process, FSC will serve all affected landowners specified in the Commission's Order Nos. 609 and 609-A²⁶ with the required landowner notification letter. Such Notice will be mailed within three days after the Commission issues its Notice of this Application. In addition, FSC will publish a notice of its filing in local newspapers of general circulation within 14 days after the date that a docket number is assigned to this Application.²⁷

XIII. **RELATED APPLICATIONS**

FSC is not aware of any other related applications pending before the Commission that bear on this Application. FSC does note, however, that Sabal Trail has yet to file its certificate

²⁶ *Landowner Notification, Expanded Categorical Exclusions, and Other Environmental Filing Requirements*, Order No. 609, FERC Stats. & Regs. ¶ 31,082 (1999), *order on reh'g*, Order No. 609-A, FERC Stats. & Regs. ¶ 31,095 (2000).

²⁷ See 18 C.F.R. § 157.6(d)(1).

application with the Commission. Sabal Trail is related to FSC in such that absent Sabal Trail, FSC will not have an interconnection by which to receive natural gas (absent FSC constructing an alternative interconnection with Gulfstream or FGT). In addition to the authorizations requested herein, FSC will require other federal, state and local authorizations or permits for the proposed facilities. A listing of the particular permits and approvals required (to the extent that the state or local permits or approvals do not conflict the Commission's certificate and associated conditions) is shown in Table 1.11-1 of Resource Report 1, Exhibit F-I.

XIV. **WAIVERS**

FSC submits that this Application may be granted based upon their submissions and without a trial-type evidentiary hearing. In accordance with Rule 801 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.801 (2014), FSC waives oral hearing in this proceeding. FSC further requests that the Commission grant any additional waivers that the Commission may deem necessary to grant the relief and issue the certificates and approvals requested herein.

XV. **TIMING AND SHORTENED PROCEDURE**

FSC plans to commence construction of the Project in Spring 2016 or sooner with an anticipated in-service date of May 1, 2017. This in-service date is required by FSC's shipper and is critical due to the Florida peak electric generation market as well as supply reliability. FSC requests that the Commission issue its certificate authorizations by November 1, 2015 to enable FSC to complete construction and be in-service by May 1, 2017.

FSC respectfully requests that this Application be processed in accordance with the shortened procedures set forth in Rules 801 and 802 of the Commission's Rules of Practice and

Procedure.²⁸ FSC has participated in the Commission’s NEPA pre-filing process, allowing for early discussions with agencies, landowners, and other interested parties. The NEPA pre-filing process is intended to elicit environmental concerns early, so that FSC would have the opportunity to address such concerns prior to filing the Application. FSC believes that the NEPA pre-filing process was very successful, and no significant issues have been identified in that process. In order to meet this timeline, FSC commits to responding to any data requests as quickly as possible.

XVI. **EXHIBITS**

Pursuant to Section 157.6(b)(6) of the Commission’s Regulations, set forth below is the listing of exhibits which are included, unless stated otherwise, in this Application in compliance with Sections 157.5 through 157.18.

<u>Notice</u>	Form of Notice for <i>Federal Register</i>
<u>Exhibit A</u>	FSC LLC Agreement, as amended
<u>Exhibit B</u>	FSC State Authorization
<u>Exhibit C</u>	FSC Company Officials
<u>Exhibit D</u>	FSC Subsidiaries and Affiliations
<u>Exhibit E</u>	Other Pending Applications and Filings. Omitted. FSC has no other pending applications or filings; however as explained herein Sabal Trail is related to FSC and will file an application with FERC in the near future.
<u>Exhibit F</u>	Map Showing the Location of the Facilities
<u>Exhibit F-I</u>	Environmental Report
<u>Exhibits G–G-II</u>	Flow Diagram. Exhibit G omitted as FSC has no existing facilities. Exhibits G-I and G-II are being submitted as Critical Energy Infrastructure Information (“CEII”) pursuant to 18 C.F.R. §388.112 (2014).

²⁸ 18 C.F.R. §§ 385.801-385.802.

<u>Exhibit H</u>	Gas Supply Data. Omitted. The Project will be a transportation-only pipeline and shippers will contract for supplies accessible to the Project.
<u>Exhibit I</u>	FSC Precedent Agreement. Submitted as Privileged and Confidential pursuant to 18 C.F.R. §388.112 (2014).
<u>Exhibit J</u>	Federal Authorizations
<u>Exhibit K</u>	Cost Estimate
<u>Exhibit L</u>	FSC Financing
<u>Exhibit M</u>	Construction, Operation and Management. Omitted. Affiliates of FSC are providing construction management services and will cause the proposed facilities to be constructed and will manage and operate the proposed facilities.
<u>Exhibit N</u>	FSC Revenues, Expenses and Income
<u>Exhibit O</u>	Depreciation and Depletion
<u>Exhibit P</u>	FSC Rate Derivation and <i>Pro Forma</i> Tariff Exhibit
<u>Exhibit Z-1</u>	FPSC Prudence Order

XVII.
SPECIFIC AUTHORIZATION REQUESTED

In summary, FSC requests that the Commission grant the following:

- i. A certificate of public convenience and necessity by November 1, 2015, under Section 7(c) of the NGA and 18 C.F.R. Part 157, Subpart A, authorizing FSC to construct, own, and operate a new natural gas pipeline facility, as specifically described in this Application;
- ii. A blanket certificate of public convenience and necessity by November 1, 2015, under 18 C.F.R. Part 157, Subpart F, authorizing FSC to engage in construction- related activities;
- iii. A blanket certificate of public convenience and necessity by November 1, 2015, under 18 C.F.R. Part 284, Subpart G, authorizing FSC to transport natural gas on behalf of

others, on an open-access and self-implementing basis, consistent with the Commission's regulations and FSC's tariff;

iv. Approval of FSC's initial rates and *pro forma* tariff;

v. Waivers of the Commission's regulations and policies as set forth herein or as deemed necessary by the Commission to grant the relief and issue the certificates and approvals requested; and

vi. Approval without a trial-type evidentiary hearing in accordance with 18 C.F.R. § 385.801.

XVIII. **CONCLUSION**

WHEREFORE, for the foregoing reasons, FSC respectfully requests that the Commission issue certificates of public convenience and necessity, and any other authorizations the Commission deems necessary, including applicable waivers, so that FSC can site, construct and operate the proposed pipeline, as discussed herein.

Respectfully submitted,

By: /s/ William Lavarco

William Lavarco
Attorney for Florida Southeast Connection, LLC
(202) 347-7127

Dated: September 26, 2014

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Florida Southeast Connection, LLC

Docket No. CP14-_____

NOTICE OF APPLICATION FOR CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY

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Take notice that on September 26, 2014, Florida Southeast Connection, LLC (“FSC”), having its principal place of business at 700 Universe Blvd, Juno Beach, Florida, 33408, filed with the Federal Energy Regulatory Commission (“Commission”) an application pursuant to Section 7(c) of the Natural Gas Act (NGA) and Part 157 of the Commission’s Regulations, for a certificate of public convenience and necessity to construct and operate approximately 77 miles of 36-inch and 49 miles of 30-inch diameter pipeline and related facilities. The FSC Project pipeline will start in Osceola County and will traverse Polk, Osceola, Okeechobee, St. Lucie, and Martin Counties, Florida. FSC further requests that the Commission grant FSC a blanket certificate authorizing FSC to construct, operate, and abandon certain facilities under Part 157, Subpart F, of the Commission’s regulations and a blanket certificate authorizing FSC to provide transportation services on an open access and self-implementing basis under Part 284, Subpart G, of the Commission’s regulations, all as more fully set forth in the application, which is on file with the Commission and open to public inspection.

Any questions regarding this application should be directed to Robert E. Sharra, Director, Business Development, Florida Southeast Connection, LLC, 700 Universe Blvd, Juno Beach, Florida, 33408, or by calling (561) 691-7274 (telephone) or (561) 304-5233 (fax) robert.sharra@nee.com.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 CFR §§ 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicant. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 5 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, DC. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on (insert date).

Kimberly D. Bose,
Secretary.



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

ARTICLES OF INCORPORATION AND BYLAWS

EXHIBIT A

**SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
FLORIDA SOUTHEAST CONNECTION, LLC,
A DELAWARE LIMITED LIABILITY COMPANY
DATED FEBRUARY 21, 2014**

**SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
FLORIDA SOUTHEAST CONNECTION, LLC**

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**SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
FLORIDA SOUTHEAST CONNECTION, LLC,
A DELAWARE LIMITED LIABILITY COMPANY**

This Second Amended and Restated Limited Liability Company Agreement of Florida Southeast Connection, LLC, a Delaware limited liability company, is made and entered into, and shall be effective on February 21, 2014, by NextEra Energy Capital Holdings, Inc., a Florida corporation, as Member, and as successor in interest to NextEra Energy, Inc., a Florida corporation (the "Original Member").

Pursuant to that certain Certificate of Formation filed with the Secretary of State of the State of Delaware on March 7, 2013, the Company was organized as NextEra Energy Gas Transmission of Florida, LLC.

On June 26, 2013, the Original Member filed a Certificate of Amendment with the Secretary of State of the State of Delaware changing the name of the Company to Florida Southeast Connection, LLC.

The Original Member entered into that certain Limited Liability Company Agreement of the Company dated March 14, 2013, with an effective date of March 7, 2013 (the "Prior Agreement"), and entered into an Amended and Restated Limited Liability Company Agreement dated August 13, 2013 (the "Existing Agreement") .

On January 22, 2014, pursuant to an Assignment and Assumption of Membership Interest, the Original Member contributed 100% of the membership interest in the Company to the Member.

Accordingly, the Member desires to amend and restate the terms and provisions of the Existing Agreement intending that this Agreement shall replace and supersede the Existing Agreement and the Member therefore hereby agrees as follows:

ARTICLE I - DEFINITIONS

Except as otherwise expressly provided herein, or unless the context otherwise requires, capitalized terms not otherwise defined shall have the meaning set forth in this Article I when used herein, as follows:

"Act" - The Delaware Limited Liability Company Act (6 Del. C. section 18-101, et. seq.) as amended from time to time.

"Agent" – Any Person acting on behalf of the Company's Member, managers, or Officers, as applicable, in accordance with applicable law. The singular term "Agent" as defined herein shall also include the plural form "Agents", if applicable.

“Second Amended and Restated Agreement” or **“Agreement”** – This Second Amended and Restated Limited Liability Company Agreement, including exhibits and attachments (if any), as originally executed and as may be subsequently amended from time to time.

“Certificate” - The Certificate of Formation of Florida Southeast Connection, LLC, as filed with the Delaware Secretary of State on March 7, 2013, as amended June 26, 2013, and as may be subsequently amended from time to time.

“Company” – Florida Southeast Connection, LLC, a Delaware limited liability company formed under and pursuant to the Act and other relevant laws of the State of Delaware, and owned and operated pursuant to the terms of this Agreement.

“Electronic Transmission” - Any form of communication not directly involving the physical transmission of paper that creates a record that may be retained, retrieved, and reviewed by a recipient thereof and that may be directly reproduced in paper form by such a recipient through an automated process.

“Member” - The Person signatory hereto and any other Person who may subsequently be designated as a Member of the Company pursuant to the terms of this Agreement. The singular term “Member” as defined herein shall also include the plural term “Members”, if applicable.

“Membership Interest” – All interests of the Member in the Company, including the share of profits and losses, gains, deductions, credits, cash, assets and other distributions (liquidations and otherwise) and allocations of a Member or, in the case of an assignee, the rights of the assigning Member. The singular term “Membership Interest” as defined herein shall also include the plural term “Membership Interests”, if applicable.

“Officer” - Any individual appointed by the Member to serve as an officer of the Company, which individual shall be assigned a title and shall have the right, power, and authority to manage and oversee the day-to-day operations of the Company as set forth in Section 8.1 hereof. The singular term “Officer” as defined herein shall also include the plural term “Officers”, if applicable.

“Person” - An individual, business entity, trust, business trust, joint venture, or any other legal or commercial entity. The singular term “Person” as defined herein shall also include the plural term “Persons”, if applicable.

ARTICLE II - ORGANIZATION OF THE COMPANY

Section 2.1 Name. The name of the limited liability company is “Florida Southeast Connection, LLC”.

Section 2.2 Qualification. The Member, acting on its own behalf or acting through any of the Company’s duly authorized Officers or Agents, if applicable, shall execute, deliver and file any certificates (and any amendments and/or restatements thereof)

necessary for the Company to qualify to do business in any and all jurisdictions in which the Company may wish to conduct business.

Section 2.3 Purpose. The purpose for which the Company is formed is the transaction of any or all lawful business for which a limited liability company may be formed under the Act. The Company shall have all powers, which are provided to a limited liability company under the Act, which are related to such purpose and necessary, convenient or advisable to accomplish such purpose.

Section 2.4 Term. The term of the Company commenced on the date of filing of the Certificate, and shall have perpetual existence, unless sooner terminated in accordance with the terms of the Agreement.

Section 2.5 Principal Place of Business. The principal place of business of the Company shall be located at 700 Universe Boulevard, Juno Beach, Florida 33408, or at such other location or locations as may hereafter be determined by the Member.

Section 2.6 Registered Agent: The name and address of the registered agent of the Company in the State of Delaware is:

The Corporation Trust Company
1209 Orange Street
Wilmington, New Castle County, Delaware 19801.

The Member may, in its sole and absolute discretion, change the registered agent to another Person who qualifies as a registered agent under the Act.

ARTICLE III - MEMBER

Section 3.1 Member. There shall be at least one Member of the Company. The name and mailing address of the Member is as follows:

<u>Name:</u>	<u>Address</u>
NextEra Energy Capital Holdings, Inc.	700 Universe Blvd Juno Beach, Florida 33408

Section 3.2 Original Member. The Original Member of the Company was admitted as a Member of the Company upon formation of the Company and subsequently assigned its Membership Interest to the Member.

Section 3.3 Additional Members. Subsequent to formation, a Person acquiring an interest directly from the Company is admitted as a Member (an "Additional Member") at the time provided in and upon compliance with the Certificate of Formation, the Act, and any written agreement. If none of these so provide, then such Additional Member is admitted upon the consent of the Member and when such Person's admission is reflected in the records of the Company.

Section 3.4 Meetings; Actions by Written Consent. The Member, the Officers, or other Agents, as applicable, may conduct meetings by means of conference telephone or other communications equipment so long as all persons participating in the meeting can hear one another. On any matter that is to be voted on, consented to or approved by the Member, Officers, or Agents, as applicable, action may be taken without a meeting, without prior notice and without a vote if consented to, in writing or by electronic transmission, by the Member having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which the Member entitled to vote thereon was present and voted. A consent transmitted by electronic transmission by the Member, Officers, Agents or any Person authorized to act on behalf of the Member shall be deemed to be written and signed for purposes of this Section.

Section 3.5 Other Business. The Member may engage in or possess an interest in other business ventures (unconnected with the Company) of every kind and description, independently or with others. The Company shall not have any rights to any income or profit derived from any such other business venture of the Member.

Section 3.6. Ownership of Other Entities. Unless otherwise determined by the Member, the President, any Vice President and the Treasurer of the Company shall each have the power to vote and to otherwise act on behalf of the Company, in person or by proxy, at any meeting of holders, or with respect to any action of holders, of any other domestic or foreign corporation, limited liability company or partnership in which the Company may hold securities, membership or other ownership interests and otherwise to exercise any and all rights and powers that the Company may possess by reason of its ownership of interests in such other entity.

ARTICLE IV - LIMITED LIABILITY

Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Member shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member.

ARTICLE V - CAPITAL

Section 5.1 Capital Contributions. The Member is deemed admitted as a Member of the Company upon Member's execution and delivery of this Agreement. The Member has contributed \$100.00 to the Company.

Section 5.2 Additional Capital Contributions. The Member is not required to make additional capital contributions to the Company. However, the Member may make additional capital contributions to the Company in its discretion.

ARTICLE VI - DISTRIBUTIONS TO MEMBER

Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Notwithstanding the preceding sentence or any other provision to the contrary contained in this Agreement, the Company shall not make a distribution to the Member on account of its interest in the Company if such distribution would violate Section 18-607 of the Act or other applicable law.

ARTICLE VII - MANAGEMENT

Section 7.1 Member Management. In accordance with Section 18-402 of the Act, management of the Company shall vest in the Member.

Section 7.2 Management Rights and Authority. The Member shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by members of a limited liability company under the laws of the State of Delaware to the extent such powers are consistent with the terms of this Agreement and are appropriate or useful in carrying out the purposes of the Company as set forth in this Agreement, including, without limitation, the power:

- (i) To borrow money and, as security therefor, to mortgage, pledge or otherwise encumber any and all assets of the Company, including the rights of the Company under any agreements;
- (ii) To cause to be paid all amounts due and payable by the Company to any Person and to collect all amounts due to the Company; and to make contributions to subsidiaries of the Company to be used to pay amounts due or to become due and payable by the subsidiaries;
- (iii) To employ or cause a subsidiary of Company to employ such Agents, employees, managers, accountants, attorneys, consultants and other Persons, necessary or appropriate to carry out the business and affairs of the Company or subsidiary, and to pay such fees, expenses, salaries, wages and other compensation to such Person as the Member shall determine;
- (iv) To pay, extend, renew, modify, adjust, submit to arbitration, prosecute, defend or compromise, upon such terms as the Member may determine and upon such evidence as it may deem sufficient, any obligation, suit, liability, cause of action or claim, including taxes, either in favor of or against the Company or any subsidiary thereof;
- (v) To pay any and all fees and to make any and all expenditures which the Member deems necessary or appropriate in connection with the organization of the Company and subsidiaries, the management of the affairs of the Company and subsidiaries and the carrying out of its obligations and responsibilities under this Agreement and the Act, and to enforce all rights of the Company;

- (vi) To take all actions, undertake all obligations and responsibilities and exercise all rights and privileges which the Company, as the member of any subsidiary, has under its organizational documents and the law under which such subsidiary is organized, including, but not limited to, making, on behalf of the Company, contributions to and accepting on behalf of the Company, distributions from subsidiaries;
- (vii) To prosecute, protect and defend or cause to be protected and defended all patents, patent rights, trade names, trademarks and service marks, and all applications with respect thereto, which may be held by the Company or a subsidiary thereof and to take all reasonable and necessary actions to protect the secrecy of and the proprietary rights with respect to any trade secrets, know-how, secret processes or other proprietary information and to prosecute and defend all rights of the Company or a subsidiary in connection therewith;
- (viii) To enter into, execute, acknowledge and deliver any and all contracts, agreements or other instruments necessary or appropriate to carry on the business of the Company as set forth herein;
- (ix) To cause to be paid any and all taxes, charges and assessments that may be levied, assessed or imposed upon any of the assets of the Company, or that arise as a result of the activities of the Company, unless the same are contested by the Company in good faith;
- (x) To file all applications by the Company for, or accept, necessary permits, licenses and other governmental approvals, or any amendment to or withdrawal or termination of such applications or governmental approvals;
- (xi) To establish and maintain one or more accounts for the Company in such financial institutions as the Member may from time to time designate pursuant to the Company's banking resolutions;
- (xii) To make distributions to the Member;
- (xiii) To cause the Company to make or revoke any of the elections under the United States Internal Revenue Code of 1986, as amended, that are made at the Company level and to cause the Company to request and obtain interpretative or exemptive advice and orders from federal and state regulatory authorities;
- (xiv) To maintain liability and casualty insurance in amounts and with coverages consistent with prudent commercial standards and with insurers of recognized responsibility;
- (xv) To invest funds not immediately needed in the operation of the business;
- (xvi) To borrow funds from the Member or any of Member's affiliates;

- (xvii) To acquire and dispose of real, personal, intangible and mixed property and interests herein; and
- (xviii) To appoint Officers or other Agents who shall manage the Company and have the power to bind the Company in all transactions, subject to contrary provisions or limitations in this Agreement and to delegate all its powers and authorities to any of these Officers or other authorized representatives or Agents.

ARTICLE VIII – OFFICERS/AGENTS

Section 8.1 Appointment of Officers/Agents. The Member may, from time to time as it deems advisable, appoint Officers or Agents of the Company and assign in writing titles (including without limitation President, Vice President, Secretary, and Treasurer) to any such Officer. Unless the Member decides otherwise, if the title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, the assignment of any such title shall constitute the delegation to such person of the authorities and duties that are normally associated with that office. The Officers of the Company shall be each of the persons listed below opposite the offices to which he or she is hereby appointed, to serve as such until his or her successor shall have been appointed or until his or her earlier resignation, retirement, removal from office, or death.

<u>Name:</u>	<u>Title:</u>
TJ Tuscai	Chairman and Chief Executive Officer
Morris White	Chief Financial Officer
Lawrence A. Wall, Jr.	President
Mitchell S. Ross	Vice President
Mark R. Sorensen	Vice President
Kathy A. Beilhart	Treasurer
Melissa A. Plotsky	Secretary
W. Scott Seeley	Assistant Secretary

Section 8.2 Removal of Officers/Agents. Any appointment made pursuant to Section 8.1 may be amended or revoked at any time by action of the Member.

Section 8.3 Prohibited Acts. The Officers, either individually or with others, shall have the right to participate in other business ventures of every kind, whether or not such other business ventures compete with the Company; *provided, however*, that (i) the Officers shall not engage in any activity that is detrimental to the interest of the Company and (ii) nothing in this Section shall infer any limit on the duties an Officer may have as an employee of the Company or any of its affiliates. The Officers, acting in the capacity of officers, shall not be obligated to offer to the Company or to the Member any opportunity to participate in any such other business venture. Neither the Company nor the Member shall have any right to any income or profit derived from any such other business venture of the Officers. The Member acknowledges that the Officers may, from time to time, be employees of third parties unconnected with the Company and shall only be required to

dedicate such time to the affairs of the Company, as each Officer, in his or her sole discretion, deems necessary.

ARTICLE IX - EXCULPATION AND INDEMNIFICATION

Section 9.1 Exculpation. Neither the Member nor any Officer shall be liable to the Company, or to any other Person who has an interest in the Company, for any loss, damage or claim incurred by reason of any act or omission performed or omitted by the Member or Officer in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on the Member or Officer by this Agreement, except that the Member or Officer shall be liable for any such loss, damage or claim incurred by reason of its willful misconduct.

Section 9.2 Indemnification. To the full extent permitted by applicable law and this Agreement, the Member and each Officer shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Member or Officer by reason of any act or omission performed or omitted by such Member or Officer in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on the Member or Officer by this Agreement, except that neither the Member nor the Officer shall be entitled to be indemnified in respect of any loss, damage or claim incurred by it, him or her by reason of willful misconduct with respect to such acts or omissions; *provided, however*, that any indemnity under this Section shall be provided out of and to the extent of Company assets only, and the Member shall have no personal liability on account thereof. The Company may purchase and maintain insurance on behalf of any Member, Officer, or Agent against any liability asserted and incurred by any Member, Officer or Agent, to the extent the Company would have the power to indemnify them against such liability under the provision of this Agreement and the laws of Delaware.

ARTICLE X - WITHDRAWAL AND ASSIGNMENTS

Section 10.1 Withdrawal of Member. The Member may withdraw from the Company as provided in this Section and upon satisfaction of the provisions of this Section. If the Member is permitted to withdraw pursuant to this Section, such withdrawal shall not be effective until a new Member shall be admitted to the Company in the place and stead of the withdrawing Member and such new Member shall have executed an instrument signifying its agreement to be bound by the terms and conditions of this Agreement. A withdrawal will not result in dissolution of the Company. Any admission shall be deemed effective immediately prior to the withdrawal, and, immediately following such admission, the withdrawing Member shall cease to be a Member of the Company.

Section 10.2 Assignment of Membership Interest. The Member may assign its Membership Interest in the Company in whole or in part, and such an assignment will not dissolve the Company. If the Member transfers its entire Membership Interest pursuant to this Section, the transferee shall be admitted to the Company as the Member and shall exercise all the rights and powers of the transferor Member (the "Transferor") upon the execution by the transferee of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement. Such admission shall be deemed effective

immediately prior to the transfer, and, immediately following such admission, the Transferor shall cease to be the Member. A pledge of, grant of security interest in, lien against, or other encumbrance in or against any or all of a Member's Membership Interest shall neither cause the Member to cease to be a Member nor to cease to have the power to exercise any rights or powers of a Member.

ARTICLE XI – DISSOLUTION/BANKRUPTCY

Section 11.1 Dissolution. The Company shall dissolve, and its affairs shall be wound up, upon the first to occur of the following: (a) the written consent of the Member, (b) the dissolution of the Member or the occurrence of any other event which involuntarily terminates the continued membership of the Member in the Company unless the business of the Company is continued in a manner permitted by the Act and this Agreement, or (c) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order or priority, set forth in Section 18-804 of the Act.

Section 11.2 Bankruptcy. The bankruptcy or other event described in Section 18-304 of the Act with respect to the Member will not cause such Member to cease to be a Member of the Company and, upon the occurrence of such an event, the business of the Company shall continue without dissolution.

ARTICLE XII - MISCELLANEOUS

Section 12.1 Entire Agreement. This Agreement constitutes the entire agreement of the Member with respect to the subject matter hereof.

Section 12.2 Amendments. This Agreement may not be modified, altered, supplemented, or amended except pursuant to a written agreement executed and delivered by the Member.

Section 12.3 Severability. Each provision of this Agreement shall be considered separable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable, or illegal under any existing or future law, such invalidity, unenforceability, or illegality shall not impair the operation of or affect those portions of this Agreement, which are valid, enforceable, and legal.

Section 12.4 Uniform Commercial Code. Membership Interests shall be deemed to be securities governed by Article 8 of the Uniform Commercial Code as in effect from time to time in the State of Delaware. The Membership Interests are not evidenced by certificates, and will not be evidenced by certificates. The Company is not authorized to issue certificated interests. The Company will keep a register of Membership Interests, in which it will record all transfers of Membership Interests.

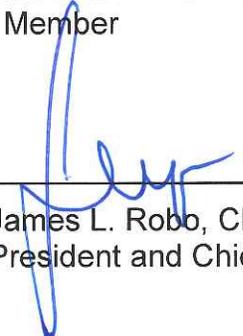
Section 12.5 Governing Law. The terms of this Agreement and the laws of the State of Delaware (without regard to principles of conflicts of law) shall govern the operation of this Company. In the event of a direct conflict between the provisions of this Agreement and the mandatory provisions of the Act, such mandatory provisions of the Act shall be controlling.

Section 12.6 Headings. The captions, definitions, and table of contents in this Agreement are inserted solely for convenience of reference and shall not affect its interpretation and in no way define or describe the scope of the Agreement or the intent of any provisions thereof.

[SIGNATURE APPEARS ON NEXT PAGE]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Second Amended and Restated Agreement.

NEXTERA ENERGY CAPITAL HOLDINGS, INC.,
Sole Member

By:  _____

James L. Robo, Chairman of the Board,
President and Chief Executive Officer



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

STATE AUTHORIZATION

EXHIBIT B



June 28, 2013

FLORIDA DEPARTMENT OF STATE

Division of Corporations

FLORIDA SOUTHEAST CONNECTION, LLC
700 UNIVERSE BLVD
JUNO BEACH, FL 33408

Re: Document Number M13000001505

The Amendment to the Application of a Foreign Limited Liability Company for NEXTERA ENERGY GAS TRANSMISSION OF FLORIDA, LLC which changed its name to FLORIDA SOUTHEAST CONNECTION, LLC, a Delaware limited liability company authorized to transact business in Florida, was filed on June 27, 2013.

This document was electronically received and filed under FAX audit number H13000145903.

Should you have any questions regarding this matter, please telephone (850) 245-6051, the Registration Section.

Jeraline Saulsberry
Regulatory Specialist II
Division of Corporation

Letter Number: 513A00016171

**APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY TO FILE
AMENDMENT TO APPLICATION FOR AUTHORIZATION TO TRANSACT
BUSINESS IN FLORIDA**

SECTION I (1-3 must be completed)

1. Name of limited liability company as it appears on the records of the Florida Department of State: NextEra Energy Gas Transmission of Florida, LLC
2. Jurisdiction of its organization: Delaware
3. Date authorized to do business in Florida: March 8, 2013

SECTION II (4-7 complete only the applicable changes)

4. If the amendment changes the name of the limited liability company, when was the change effected under the laws of its jurisdiction of organization? June 26, 2013
5. New name of the limited liability company: Florida Southeast Connection, LLC
(must end with "Limited Liability Company," "L.L.C.," or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida and attach a copy of the written consent of the managers or managing members adopting the alternate name. The alternate name must end with "Limited Liability Company," "L.L.C." or "LLC.")

6. If the amendment changes the period of duration, indicate new period of duration:
N/A
7. If the amendment changes the jurisdiction of organization, indicate new jurisdiction:
N/A
8. If the amendment corrects any false statement, indicate the statement being corrected and the correction: N/A
9. Attached is an original certificate, no more than 90 days old, evidencing the aforementioned amendment(s), duly authenticated by the official having custody of records in the jurisdiction under the law of which this entity is organized.


Signature of a member or the authorized representative of a member

Alissa E. Ballot, Secretary
Typed or printed name of signee

Filing Fee: \$25.00

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT THE SAID "NEXTERA ENERGY GAS TRANSMISSION OF FLORIDA, LLC", FILED A CERTIFICATE OF AMENDMENT, CHANGING ITS NAME TO "FLORIDA SOUTHEAST CONNECTION, LLC", THE TWENTY-SIXTH DAY OF JUNE, A.D. 2013, AT 1:56 O'CLOCK P.M.

5299351 8320

130819086



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 0543747

DATE: 06-26-13



March 11, 2013

FLORIDA DEPARTMENT OF STATE

Division of Corporations

NEXTERA ENERGY GAS TRANSMISSION OF FLORIDA, LLC
700 UNIVERSE BLVD
JUNO BEACH, FL 33408

Qualification documents for NEXTERA ENERGY GAS TRANSMISSION OF FLORIDA, LLC were filed on March 8, 2013, and assigned document number M1300001505. Please refer to this number whenever corresponding with this office.

Your limited liability company is authorized to transact business in Florida as of the file date.

This document was electronically received and filed under FAX audit number H13000054622.

To maintain "active" status with the Division of Corporations, an annual report must be filed yearly between January 1st and May 1st beginning in the year following the file date or effective date indicated above. If the annual report is not filed by May 1st, a \$400 late fee will be added.

A Federal Employer Identification Number (FEI/EIN) will be required when this report is filed. Contact the IRS at 1-800-829-4933 for an SS-4 form or go to www.irs.gov.

Please notify this office if the limited liability company address changes.

Should you have any questions regarding this matter, please contact this office at the address given below.

Jeraline Saulsberry
Regulatory Specialist II
Registration Section
Division of Corporations

Letter Number: 813A00005655

APPLICATION BY FOREIGN LIMITED LIABILITY COMPANY FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 608.503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. NextEra Energy Gas Transmission of Florida, LLC
(Name of Foreign Limited Liability Company; must include "Limited Liability Company," "L.L.C.," or "LLC.")

(If name unavailable, enter alternate name adopted for the purpose of transacting business in Florida and attach a copy of the written consent of the managers or managing members adopting the alternate name. The alternate name must include "Limited Liability Company," "L.L.C.," "LLC.")

2. Delaware 3. Applied For
(Jurisdiction under the law of which foreign limited liability company is organized) (FEI number, if applicable)

4. 03/07/2013 5. Perpetual
(Date of Organization) (Duration: Year limited liability company will cease to exist or "perpetual")

6. N/A
(Date first transacted business in Florida, if prior to registration.)
(See sections 608.501 & 608.502 F.S. to determine penalty liability)

7. 700 Universe Blvd
Juno Beach, FL 33408
(Street Address of Principal Office)

8. If limited liability company is a manager-managed company, check here

9. The name and usual business addresses of the managing members or managers are as follows:
NextEra Energy, Inc.
700 Universe Blvd
Juno Beach, FL 33408

10. Attached is an original certificate of existence, no more than 90 days old, duly authenticated by the official having custody of records in the jurisdiction under the law of which it is organized. (A photocopy is not acceptable. If the certificate is in a foreign language, a translation of the certificate under oath of the translator must be submitted.)

11. Nature of business or purposes to be conducted or promoted in Florida: _____
Transaction of any and all lawful business for which a limited liability company may be formed

Charles Lande
Signature of a member or an authorized representative of a member.

(In accordance with section 608.408(3), F.S., the execution of this document constitutes an affirmation under the penalties of perjury that the facts stated herein are true. I am aware that any false information submitted in a document to the Department of State constitutes a third degree felony as provided for in s.817.155, F.S.)

Charles Lande, Authorized Representative
Typed or printed name of signee

**CERTIFICATE OF DESIGNATION OF
REGISTERED AGENT/REGISTERED OFFICE**

PURSUANT TO THE PROVISIONS OF SECTION 608.415 or 608.507, FLORIDA STATUTES,
THE UNDERSIGNED LIMITED LIABILITY COMPANY SUBMITS THE FOLLOWING
STATEMENT TO DESIGNATE A REGISTERED OFFICE AND REGISTERED AGENT IN THE
STATE OF FLORIDA.

1. The name of the Limited Liability Company is:

NextEra Energy Gas Transmission, LLC

If unavailable, the alternate to be used in the state of Florida is:

2. The name and the Florida street address of the registered agent and office are:

J.E. Leon

(Name)

4200 W. Flagler Street

Florida Street Address (P.O. Box NOT ACCEPTABLE)

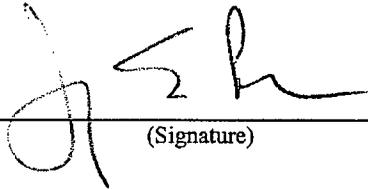
Miami

FL

33134

City/State/Zip

Having been named as registered agent and to accept service of process for the above stated limited liability company at the place designated in this certificate, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent as provided for in Chapter 608, Florida Statutes.



(Signature)

Delaware

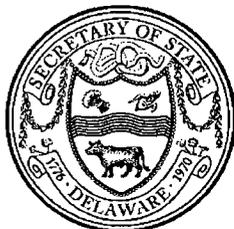
PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "NEXTERA ENERGY GAS TRANSMISSION OF FLORIDA, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTH DAY OF MARCH, A.D. 2013.

5299351 8300

130287304



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 0266141

DATE: 03-07-13



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

COMPANY OFFICIALS

EXHIBIT C

Florida Southeast Connection, LLC

Name	Title
Tuscai, TJ	Chairman and Chief Executive Officer
White, Morris	Chief Financial Officer
Wall, Lawrence A. Jr.	President
Ross, Mitchell S.	Vice President
Sorensen, Mark R.	Vice President
Beilhart, Kathy A.	Treasurer
Plotsky, Melissa A.	Secretary
Seeley, W. Scott	Assistant Secretary



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

SUBSIDIARIES AND AFFILIATIONS

EXHIBIT D

EXHIBIT D

Subsidiaries and Affiliations

Florida Southeast Connection, LLC is a Delaware limited liability company. The member of Florida Southeast Connection, LLC is NextEra Energy Capital Holdings, Inc., a Florida corporation. NextEra Energy Capital Holdings, Inc. is wholly owned by NextEra Energy, Inc., a Florida corporation. NextEra Energy, Inc. is a publicly traded company listed on the New York Stock Exchange.



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

LOCATION OF FACILITIES

EXHIBIT F



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

ENVIRONMENTAL REPORT

PROVIDED IN VOLUMES II-IV

EXHIBIT F-1



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

FLOW DIAGRAMS AND FLOW DIAGRAM DATA

EXHIBIT G-I and G-II

**Filed as Critical Energy Infrastructure Information (CEII) pursuant to
18 CFR §388.112**

OMITTED FROM PUBLIC VERSION



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

MARKET DATA

EXHIBIT I

Filed as Privileged and Confidential pursuant to 18 C.F.R. §388.112 (2014)

OMITTED FROM PUBLIC VERSION



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

FEDERAL AUTHORIZATIONS

EXHIBIT J



Major Permits, Approvals, and Consultations for the FSC Project			
Agency	Permit/Approval/ Consultation	Contact	Status
FEDERAL			
Federal Energy Regulatory Commission	Section 7(c) of the Natural Gas Act	John Peconom (202) 502-6352 Jessica Harris (202) 502-6805	Filed September 2014, expected November 2015
U.S. Environmental Protection Agency (EPA) Region 4	Oversight of Federal and State delegated permits	Heinz Muller (404) 562-9611 Beth Walls (404) 562-8309	Ongoing during Federal and State regulatory process, clearance anticipated August 2015
U.S. Army Corps of Engineers (USACE) Jacksonville District (JAX)	Dredge and Fill Permit under Section 404 (CWA) and Section 10 (Rivers and Harbors Act) Section 408 Authorization	Mark Evans (904) 232-2028	Submitted March 2014, expected October 2015
U.S. Department of Interior, Fish and Wildlife Service (USFWS) (Florida Field Office)	Section 7 of Endangered Species Act Consultation Migratory Bird Treaty Act Coordination	Ted Martin (772) 469-4232 Annie Dziergowski (904) 731-3089	Initiated Informal Consultation 2013 Ongoing during FERC NEPA process, clearance anticipated August 2015
U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), National Marine Fisheries Service	Section 7 of Endangered Species Act for Marine Mammals Essential Fish Habitat Consultation	Bob Hoffman (727) 824-5312	Confirmed no EFH or marine species impacted by the Project
STATE (FLORIDA)			
Florida Department of Environmental Protection (FDEP)	Environmental Resource Permit (ERP) Coastal Zone Consistency 401 Water Quality Certification NPDES permit for construction stormwater discharges Trench dewatering and hydrostatic test dewatering NPDES permit (if into surface waters) Turbidity Variance	Lisa Prather (407) 897-2847	Submitted March 2014, expected November 2014
Florida Board of Trustees of the Internal Improvement Trust Fund	Sovereign Submerged Lands Easements Easement over State-owned Uplands	Lisa Prather (407) 897-2847 Scott Woolam (850) 245-2806	SSL Submitted March 2014, expected November 2014 Upland Easement Received September 2014

Major Permits, Approvals, and Consultations for the FSC Project

Agency	Permit/Approval/ Consultation	Contact	Status
Florida Department of State, Division of Historic Resources (SHPO)	NHPA, Section 106 Consultation	Robert Bendus (850) 245-6319	Submitted Reports in March and July 2014, received approval of CRA reports in April and August 2014
Florida Fish and Wildlife Conservation Commission (FWCC)	State listed species consultation. Threatened and Endangered Species relocation/ handling permit	Ben Shepard (407) 858-6170, Ext 226	Initiated Informal Consultation 2013 Anticipate submitting December 2015, expected April 2016
FL Department of Agriculture and Consumer Services	State T&E plant species clearance	TBD	Initiated Informal Consultation 2013
St. Johns River Water Management District	Consumptive Water Use Permit Trench Dewatering Permit Canal/ Lands Crossing Permits and Easements	Hans Tanzler (386) 329-4500	Anticipate Filing December 2015, expected April 2016
Southwest Florida Water Management District	Consumptive Water Use Permit Trench Dewatering Permit Canal/Lands Crossing Permits and Easements	Robert Beltran (352) 796-7211	Anticipate Filing December 2015, expected April 2016
South Florida Water Management District	Consumptive Water Use Permit Trench Dewatering Permit Canal/Lands Crossing Permit	Nicholas Vitani (561) 686-8800	Anticipate Filing December 2015, expected April 2016
Florida Department of Transportation (FDOT)	State road, highway, or interstate crossing permits	TBD	Consulted with FDOT Districts 1, 4 & 5 in June 2014 Prior to Construction December 2015, expected April 2016



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

COST OF FACILITIES

EXHIBIT K

Florida Southeast Connection Pipeline
Exhibit K
Estimated Cost of Facilities

Note: All cost estimates are based on requests for information from various suppliers, actual cost estimates received for the project and historical experience.

<u>Line No.</u>	<u>Description</u> (A)	<u>Costs</u> (B) (\$)
1	ROW & Damages	\$56,292,768
2	Environmental	\$13,394,110
3	Materials	\$123,709,840
4	Installation & Labor	\$202,444,408
5	Metering	\$7,931,020
6	Engineering	\$10,502,818
7	Line Pack	\$3,114,009
8	Overhead	\$25,344,895
9	AFUDC	\$38,055,848
10	Contingency	\$56,470,283
11	<u>Legal Fees 1/</u>	-
12	Total Estimated Cost	<u>\$537,260,000</u>
13	<u>Footnotes</u>	
14	1/ Included in the other line items	



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

FINANCING

EXHIBIT L

Florida Southeast Connection Pipeline
Exhibit L
Financing

Florida Southeast Connection, LLC

Preliminary Statement

Florida Southeast Connection, LLC (FSC) is a wholly owned subsidiary of NextEra Energy Capital Holdings, Inc. (NEECH), itself a wholly owned subsidiary of NextEra Energy, Inc. FSC was formed to construct, own, operate and maintain a new 126.4 mile natural gas pipeline originating near Intercession City, FL and terminating at Florida Power & Light Company's Martin Clean Energy Center near Indiantown, FL.

Financing During Construction

It is anticipated that 40% of the construction of the Project will be funded by an intercompany loan from FSC's parent company, NEECH, and 60% by equity. The interest rate on the intercompany loan will be set at LIBOR + 1.25% to reflect construction financing terms that, based on discussions with lenders, FSC believes it would be able to obtain from the capital markets were external financing pursued. For purposes of AFUDC Debt calculations, the project assumes that the interest rate will vary from 1.55% to 3.25% throughout the course of construction. For purposes of AFUDC Equity calculation, the project assumes a constant rate of return on equity of 10.50% throughout construction. AFUDC is assumed to compound semi-annually.

Financing After In-Service Date

It is anticipated that the initial and ongoing capital structure of FSC on the in-service date of May 1, 2017 will consist of 40 percent debt and 60 percent equity. No sooner than 18 months prior to the in-service date or soon thereafter, as market conditions warrant, the intercompany construction loan will be replaced with long term debt from external sources. The terms and conditions will depend on the market conditions at the time the debt funding is secured. The interest rate of 7.0 percent used in calculating the recourse rate is based on FSC's projections of interest rates that will prevail on or soon after the in-service date based on forward projections of US Treasury bond rates and credit spreads of similar risk investments that exist as of the date of this filing. The proposed rate of return on equity is 13.00 percent. This rate is reasonable given the risks associated with constructing and operating the proposed facilities. The total rate of return of 10.60 percent is also consistent with those of recently approved similar projects.

Supporting Schedules

The following pro forma schedules for the the first three years of operation are provided in support of this filing:

Schedule 1 - Statement of Cash Flows

Schedule 2 - Balance Sheet (End of Year)

Schedule 3 - Income Statement

Florida Southeast Connection Pipeline
Exhibit L
Schedule 1 - Pro-Forma Statement of Cash Flows
First Three Years of Operation

Line No.	Description	Period of Construction	Year of Facility In-Service		
			Year 1	Year 2	Year 3
			(C)	(D)	(E)
	(A)	(B)	(C)	(D)	(E)
		(\$)	(\$)	(\$)	(\$)
1	Funds Provided:				
2	Net Income		\$17,392,759	\$17,765,218	\$18,197,219
3	Depreciation		\$8,954,333	\$8,954,333	\$8,954,333
4	Deferred Income Taxes 1/		\$6,635,691	\$15,528,218	\$13,650,907
5	Intercompany Debt	\$216,071,214			
6	Long-Term Debt		\$216,071,214		
7	Parent Equity Contribution 2/	\$291,561,485			
8	Total Funds	\$507,632,699	\$249,053,997	\$42,247,770	\$40,802,460
9	Funds Applied:				
10	Capital Expenditures	\$507,632,699			
11	Working Capital Increases				
12	Debt Repayments 3/		\$222,307,224	\$9,793,021	\$9,042,096
13	Distribution to Parent		\$26,746,774	\$32,454,749	\$31,760,364
14	Total Funds Applied	\$507,632,699	\$249,053,997	\$42,247,770	\$40,802,460

15 Footnotes

16 1/ See Exhibit P Schedule 2

17 2/ Excludes AFUDC-Equity of \$32,545,336

18 3/ Payments required to maintain constant 40% debt ratio. Year 1 includes full repayment of Intercompany Debt.

Florida Southeast Connection Pipeline
Exhibit L
Schedule 2 - Pro-Forma Balance Sheet
First Three Years of Operation

Line No.	Description	Period of Construction	Year of Facility In-Service		
			Year 1	Year 2	Year 3
	(A)	(B)	(C)	(D)	(E)
		(\$)	(\$)	(\$)	(\$)
1	<u>Assets</u>				
2	Construction Work in Progress	\$537,260,000			
3	Gross Gas Plant in Service	-	\$537,260,000	\$537,260,000	\$537,260,000
4	Less: Accumulated Depreciation	-	(\$8,954,333)	(\$17,908,667)	(\$26,863,000)
5	Net Plant	\$537,260,000	\$528,305,667	\$519,351,333	\$510,397,000
6	Working Capital	-	-	-	-
7	Regulatory Assets 1/	\$20,438,524	\$20,097,882	\$19,757,240	\$19,416,598
8	Total Assets	<u>\$557,698,524</u>	<u>\$548,403,549</u>	<u>\$539,108,573</u>	<u>\$529,813,598</u>
9	<u>Liabilities and Capitalization</u>				
10	Deferred Income Taxes 1/	\$17,520,489	\$23,815,538	\$39,003,115	\$52,313,380
11	Intercompany Debt	\$216,071,214			
12	Long-Term Debt	-	\$209,835,204	\$200,042,183	\$191,000,087
13	Equity	\$324,106,821	\$314,752,806	\$300,063,275	\$286,500,131
14	Total Capitalization	\$540,178,035	\$524,588,010	\$500,105,458	\$477,500,218
15	Total Liabilities and Capitalization	<u>\$557,698,524</u>	<u>\$548,403,549</u>	<u>\$539,108,573</u>	<u>\$529,813,598</u>
16	<u>Footnotes</u>				
17	1/ See Exhibit P Schedule 2				

Florida Southeast Connection Pipeline
Exhibit L
Schedule 3 - Pro-Forma Income Statement
First Three Years of Operation

Line No.	Description (A)	<u>Year of Facility In-Service</u>		
		Year 1 (B) (\$)	Year 2 (C) (\$)	Year 3 (D) (\$)
1	Operating Revenue 1/	\$65,481,000	\$65,481,000	\$65,481,000
2	<u>Operating Expenses</u>			
3	Operation and Maintenance	\$3,811,503	\$3,898,787	\$3,988,069
4	Taxes Other than Income Taxes	\$9,152,357	\$9,019,725	\$8,886,373
5	Depreciation	\$8,954,333	\$8,954,333	\$8,954,333
6	Total Operating Expenses	<u>\$21,918,193</u>	<u>\$21,872,845</u>	<u>\$21,828,776</u>
7	Operating Income	<u>\$43,562,807</u>	<u>\$43,608,155</u>	<u>\$43,652,224</u>
8	Interest Expense	\$14,906,725	\$14,345,709	\$13,686,479
9	Income before Income Taxes	\$28,656,082	\$29,262,446	\$29,965,745
10	<u>Income Taxes</u>			
11	Current	\$4,627,632	(\$4,030,990)	(\$1,882,382)
12	Deferred	\$6,635,691	\$15,528,218	\$13,650,907
13	Total Income Taxes	<u>\$11,263,323</u>	<u>\$11,497,228</u>	<u>\$11,768,526</u>
14	Net Income	<u><u>\$17,392,759</u></u>	<u><u>\$17,765,218</u></u>	<u><u>\$18,197,219</u></u>

15 Footnotes

16 1/ See Derivation of Revenues on Exhibit N Schedule 2



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

REVENUES—EXPENSES—INCOME

EXHIBIT N

Florida Southeast Connection Pipeline
Exhibit N
Schedule 1 - Pro-Forma Income Statement
First Three Years of Operation

Line No.	Description	<u>Year of Facility In-Service</u>		
		Year 1	Year 2	Year 3
	(A)	(B)	(C)	(D)
		(\$)	(\$)	(\$)
1	Operating Revenue 1/	\$65,481,000	\$65,481,000	\$65,481,000
2	<u>Operating Expenses</u>			
3	Operation and Maintenance	\$3,811,503	\$3,898,787	\$3,988,069
4	Taxes Other than Income Taxes	\$9,152,357	\$9,019,725	\$8,886,373
5	Depreciation	\$8,954,333	\$8,954,333	\$8,954,333
6	Total Operating Expenses	\$21,918,193	\$21,872,845	\$21,828,776
7	Operating Income	\$43,562,807	\$43,608,155	\$43,652,224
8	Interest Expense	\$14,906,725	\$14,345,709	\$13,686,479
9	Income before Income Taxes	\$28,656,082	\$29,262,446	\$29,965,745
10	<u>Income Taxes</u>			
11	Current	\$4,627,632	(\$4,030,990)	(\$1,882,382)
12	Deferred	\$6,635,691	\$15,528,218	\$13,650,907
13	Total Income Taxes	\$11,263,323	\$11,497,228	\$11,768,526
14	Net Income	\$17,392,759	\$17,765,218	\$18,197,219

15 Footnotes

16 1/ See Derivation of Revenues on Exhibit N Schedule 2

Florida Southeast Connection Pipeline
Exhibit N
Schedule 2 - Derivation of Revenues
First Three Years of Operation

Line No.	Description (A)	Year of Facility In-Service		
		Year 1 (B) (\$)	Year 2 (C) (\$)	Year 3 (D) (\$)
1	<u>Reservation</u>			
	Year 1 (400,000 Dth/d x \$0.4485 x 365 days)	\$65,481,000		
	Year 2 (400,000 Dth/d x \$0.4485 x 365 days)		\$65,481,000	
	Year 3 (400,000 Dth/d x \$0.4485 x 365 days)			\$65,481,000
2	Total Reservation Revenue	\$65,481,000	\$65,481,000	\$65,481,000
3	Total Commodity Revenue	-	-	-
4	Total Revenue	<u>\$65,481,000</u>	<u>\$65,481,000</u>	<u>\$65,481,000</u>

5 Footnotes

6

1/ Volumes are per the shipper's Precedent Agreement and assume its rate equals the recourse rate



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

DEPRECIATION AND DEPLETION

EXHIBIT O

Florida Southeast Connection Pipeline
Exhibit O
Depreciation

For purposes of developing the proposed recourse rate set forth in Exhibit P and the annual depreciation expense set forth in Exhibits L & N, the depreciable life of the proposed pipeline has been set at sixty (60) years, so as to produce an annual book depreciation rate of 1.67% for the proposed assets.



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

TARIFF

EXHIBIT P

Florida Southeast Connection Pipeline
Exhibit P
Tariff

PREFACE TO EXHIBIT P

This Exhibit P contains the rate base, pre-tax return, cost of service and development of the reservation recourse rates for the Florida Southeast Connection, LLC Pipeline (“FSC”). In addition to a reservation rate, the FSC shippers will be charged the applicable fuel retention, ACA surcharge and any other applicable charges under Rate Schedule FTS.

Schedule 1 of Exhibit P shows the calculation of Rate Base, Cost of Service, FTS, ITS and PALS Recourse Rates. The cost of service has been calculated using FSC's estimated cost of facilities, engineering estimates for operation and maintenance expenses based on estimates for similar facilities and prior experience. An overall depreciation rate of 1.67% has been used, which assumes a 60 year service life and 0% salvage value. The taxes other than income taxes (i.e. property taxes) are calculated using the latest assessment ratios and millage rates for the counties in which the facilities are located. Additional explanatory footnotes are found on Schedule 1.

Schedule 2 of Exhibit P shows the derivation of the Effective Income Tax Rate and Deferred Taxes. The effective income tax rate uses the current corporate Federal Income Tax rate of 35%, plus a calculated effective State Income Tax Rate of 5.50% (3.575% Net of Federal). 15 Year MACRS will be utilized for the calculation of annual tax depreciation expense.

Schedule 3 of Exhibit P shows the calculation of the Capital Structure and the overall Rate of Return. As explained on page 1 of Exhibit L, it is anticipated that the initial and ongoing capital structure of FSC as of the in service date of May 1, 2017 will consist of 40% Debt and 60% Equity. No sooner than 18 months prior to the in-service date or soon thereafter, it is anticipated that the intercompany construction loan will be replaced with long-term debt from external sources bearing a rate of 7.0 percent. This projection is based on forward US Treasury bond rates and credit spreads of similar risk investments that exist as of the date of this filing. The proposed rate of return on equity is 13.00 percent. This rate is reasonable given the risks associated with constructing and operating the proposed facilities. The total rate of return of 10.60 percent is also consistent with those of recently approved similar projects.

Schedule 4 shows a comparison of Cost of Service Revenues to Projected Revenues

FSC proposes that the rates under Rates Schedule ITS and PALS be equivalent to the 100% load factor derivative of Rate Schedule FTS. FSC anticipates having no variable costs due to the absence of compression.

Florida Southeast Connection Pipeline
Exhibit P
Schedule 1 - Projected Rate Base, Cost of Service and Recourse Reservation Rate

Line No.	Description (A)	<u>Year of Facility In-Service</u>		
		Year 1	Year 2	Year 3
		(B) (\$)	(C) (\$)	(D) (\$)
1	<u>Beginning Rate Base:</u>			
2	Gross Plant in Service 1/	\$537,260,000	\$537,260,000	\$537,260,000
3	Less: Accumulated Depreciation 2/	-	(\$8,954,333)	(\$17,908,667)
4	Net Plant	\$537,260,000	\$528,305,667	\$519,351,333
5	Working Capital	-	-	-
6	Regulatory Asset 3/	\$20,438,524	\$20,097,882	\$19,757,240
7	Deferred Income Taxes 3/	(\$17,520,489)	(\$23,815,538)	(\$39,003,115)
8	Beginning Rate Base	\$540,178,035	\$524,588,010	\$500,105,458
9	<u>Ending Rate Base:</u>			
10	Gross Plant in Service	\$537,260,000	\$537,260,000	\$537,260,000
11	Less: Accumulated Depreciation	(\$8,954,333)	(\$17,908,667)	(\$26,863,000)
12	Net Plant	\$528,305,667	\$519,351,333	\$510,397,000
13	Working Capital	-	-	-
14	Regulatory Assets	\$20,097,882	\$19,757,240	\$19,416,598
15	Deferred Income Taxes	(\$23,815,538)	(\$39,003,115)	(\$52,313,380)
16	Ending Rate Base	\$524,588,010	\$500,105,458	\$477,500,218
17	Average Rate Base (50% x (Line 8 + Line 16))	\$532,383,022	\$512,346,734	\$488,802,838
18	<u>Cost of Service</u>			
19	10.60% Return on Average Rate Base 4/	\$56,432,600	\$54,308,754	\$51,813,101
20	Less: Interest Expense 5/	(\$14,906,725)	(\$14,345,709)	(\$13,686,479)
21	AFUDC Equity Depreciation Allowance 3/	\$542,422	\$542,422	\$542,422
22	Income Tax Base	\$42,068,298	\$40,505,468	\$38,669,044
23	Income Tax Factor (38.58%/(1-38.58%)) 3/	0.6280	0.6280	0.6280
24	Income Tax Allowance	\$26,418,960	\$25,437,500	\$24,284,222
25	Pre-Tax Return on Rate Base (Line 19 + Line 24)	\$82,851,560	\$79,746,253	\$76,097,323
26	Operation and Maintenance 6/	\$3,811,503	\$3,898,787	\$3,988,069
27	Taxes Other than Income Taxes 7/	\$9,152,357	\$9,019,725	\$8,886,373
28	Depreciation 8/	\$8,954,333	\$8,954,333	\$8,954,333
29	Total Cost of Service	\$104,769,754	\$101,619,099	\$97,926,099
30	Billing Determinant (640,000 Dth/day x 365 days) 9/	233,600,000		
31	Recourse Reservation Rate (\$/Dth)	\$0.4485		
32	<u>Footnotes</u>			
33	1/ See Exhibit K			
34	2/ See Exhibit L Schedule 2			
35	3/ See Exhibit P Schedule 2			
36	4/ See Exhibit P Schedule 3			
37	5/ See Exhibit L Schedule 3			
38	6/ Includes direct field related O&M and A&G costs and annual inflation estimate of 2.3%			
39	7/ Property Taxes assessed by counties in which facilities are located			
40	8/ Assumes a straight line depreciation rate of 1.67 percent. See Exhibit O			
41	9/ See Exhibit G for discussion of billing determinant			

Florida Southeast Connection Pipeline
Exhibit P
Schedule 2 - Effective Income Tax Rate, Regulatory Asset and Deferred Income Taxes

Line No.	Description (A)	Period of Construction	Year of Facility In-Service		
			Year 1	Year 2	Year 3
			(B) (\$)	(C) (\$)	(D) (\$)
1	Effective Income Tax Rate				
2	Federal Income Tax Rate	35.00%			
3	Effective State Income Tax Rate (net of Federal)	3.58%			
4	Total Effective Income Tax Percentage	<u>38.58%</u>			
5	AFUDC Equity 1/	\$32,545,336			
6	Income Tax Factor (38.58%/(1-38.58%))	0.6280			
7	Regulatory Asset/Deferred Tax Liability - AFUDC Equity	<u>\$20,438,524</u>	\$20,438,524	\$20,097,882	\$19,757,240
8	Annual Reduction of Deferred Tax on AFUDC Equity	-	<u>(\$340,642)</u>	<u>(\$340,642)</u>	<u>(\$340,642)</u>
9	Regulatory Asset/Deferred Tax on AFUDC Equity	<u>\$20,438,524</u>	<u>\$20,097,882</u>	<u>\$19,757,240</u>	<u>\$19,416,598</u>
10	Deferred Tax Related to Timing Differences				
11	Gross Gas Plant in Service - Book Basis 2/		\$537,260,000	\$537,260,000	\$537,260,000
12	Book Depreciation Rate 3/		1.67%	1.67%	1.67%
13	Book Depreciation Expense		<u>\$8,954,333</u>	<u>\$8,954,333</u>	<u>\$8,954,333</u>
14	Gross Gas Plant in Service - Tax Basis 4/		\$512,279,239	\$512,279,239	\$512,279,239
15	15-YR MACRS Tax Depreciation Rate		5.00%	9.50%	8.55%
16	15-YR MACRS Tax Depreciation Expense		<u>\$25,613,962</u>	<u>\$48,666,528</u>	<u>\$43,799,875</u>
17	Annual Book vs. Tax Depreciation Subtotal (Line 16 - Line 13)		\$16,659,629	\$39,712,194	\$34,845,542
18	AFUDC Equity Depreciation Allowance 1/		<u>\$542,422</u>	<u>\$542,422</u>	<u>\$542,422</u>
19	Total Annual Book vs. Tax Depreciation Difference		\$17,202,051	\$40,254,617	\$35,387,964
20	Total Effective Income Tax Percentage		38.58%	38.58%	38.58%
21	Annual Deferred Tax Expense		<u>\$6,635,691</u>	<u>\$15,528,218</u>	<u>\$13,650,907</u>
22	Gross Gas Plant in Service - Book Basis 2/	\$537,260,000			
23	Less: AFUDC Equity 1/	<u>(\$32,545,336)</u>			
24	Gross Gas Plant in Service - Book Basis for Deferred Tax	<u>\$504,714,664</u>			
25	Gross Gas Plant in Service - Tax Basis 4/	<u>\$512,279,239</u>			
26	Basis Difference - AFUDC Debt vs. Tax Capitalized Interest	<u>(\$7,564,574)</u>			
27	Total Effective Income Tax Percentage	38.58%			
28	Deferred Tax due to Timing Differences - Beginning of Period	<u>(\$2,918,035)</u>	<u>(\$2,918,035)</u>	<u>\$3,717,657</u>	<u>\$19,245,875</u>
29	Deferred Tax due to Timing Differences - End of Period (Line 21 + Line 28)	<u>(\$2,918,035)</u>	<u>\$3,717,657</u>	<u>\$19,245,875</u>	<u>\$32,896,782</u>
30	Total Deferred Income Taxes (Line 9 + Line 29)	<u>\$17,520,489</u>	<u>\$23,815,538</u>	<u>\$39,003,115</u>	<u>\$52,313,380</u>
31	Footnotes				
32	1/ See Exhibit L Schedule 1. Assumes 60 year depreciation				
33	2/ See Exhibit K				
34	3/ See Exhibit O				
35	4/ Gross Gas Plant in Service Less Total AFUDC Plus Tax Capitalized Interest				

Florida Southeast Connection Pipeline
Exhibit P
Schedule 3 - Capital Structure and Rate of Return

Line No.	Description (A)	Percentage of Capital (B)	Cost (C)	Weighted Cost of Capital (D)
1	Long-Term Debt	40.00%	7.00%	2.80%
2	Common Equity	<u>60.00%</u>	13.00%	<u>7.80%</u>
3	Total Capitalization	<u><u>100.00%</u></u>		<u><u>10.60%</u></u>

Florida Southeast Connection Pipeline
Exhibit P
Schedule 4 - Comparison of Cost of Service Revenues to Projected Revenues

Line No.	Description	<u>Year of Facility In-Service</u>		
		Year 1	Year 2	Year 3
	(A)	(B)	(C)	(D)
		(\$)	(\$)	(\$)
1	Total Cost of Service	\$104,769,754	\$101,619,099	\$97,926,099
2	Total Revenue	\$65,481,000	\$65,481,000	\$65,481,000
3	Annual (Under)/Over Cost of Service	<u>(\$39,288,754)</u>	<u>(\$36,138,099)</u>	<u>(\$32,445,099)</u>
4	Cumulative (Under)/Over	(\$39,288,754)	(\$75,426,852)	(\$107,871,951)

***PRO FORMA* FERC GAS TARIFF**
ORIGINAL VOLUME NO. 1
OF
FLORIDA SOUTHEAST CONNECTION, LLC
FILED WITH THE
FEDERAL ENERGY REGULATORY COMMISSION

Communications Concerning the Tariff Should
Be Addressed To:

Chris Freitas
Director, Business Management
NextEra Energy, Inc.
700 Universe Boulevard EX1/JB
Juno Beach, Florida 33408
Phone: 561-691-7564
Facsimile: 561-304-5233

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PRELIMINARY STATEMENT

Florida Southeast Connection, LLC (“Transporter”) owns and operates a natural gas pipeline company engaged in the business of transporting natural gas in interstate commerce under authorization granted by, and subject to the jurisdiction of, the Federal Energy Regulatory Commission. Its pipeline system extends in a southeasterly direction from the an interconnection with Sabal Trail Transmission, LLC near Intercession City, Florida terminating at an interconnection at Florida Power & Light Company’s (“FPL”) Martin generation plant near Indiantown, Florida.

The location of Transporter’s system is shown on the map included herein.

Services will be provided under specific Agreements and rate schedules and Transporter reserves the right to limit its Agreements for transportation of gas to Shippers acceptable to it after consideration of its existing commitments, delivery capacity, Delivery Point, credit-worthiness of Shippers, and other factors deemed pertinent by Transporter, consistent with the terms and conditions of this Tariff.

Nothing in this Tariff is intended to inhibit the development of, or discriminate against the use of, Imbalance Management Services provided by third parties or Transporter's Shippers. Any party interested in providing Imbalance Management Services must coordinate with Transporter.

SYSTEM MAP

[TBD]

STATEMENTS OF RATES

INDEX

DESCRIPTION/TITLE

1. Statement of Transportation Rates
2. Statement of Additional Charges and Surcharges
3. Statements of Negotiated Rates

STATEMENT OF TRANSPORTATION RATES

Rate Schedule	Maximum Rate Per Dth	Minimum Rate Per Dth
 RATE SCHEDULE FTS 1/ -----		
1. Reservation Rate Per Day Per Dth of MDQ	\$0.4485	\$ 0.0000
2. Usage Rate Per Dth	\$0.0000	\$ 0.0000
3. Authorized Overrun Service	\$0.4485	\$ 0.000
 RATE SCHEDULE ITS 1/ -----		
1. Usage Rate Per Dth	\$ 0.4485	\$ 0.0000
 RATE SCHEDULE PALS -----		
1. Usage Rate Per Dth Per Day	\$ 0.4485	\$ 0.0000

1/ Backhaul rate is equal to the Forward haul rate.

STATEMENT OF ADDITIONAL CHARGES AND SURCHARGES

ADDITIONAL CHARGES AND SURCHARGES APPLICABLE TO FTS AND ITS SERVICE -----	Maximum Rate Per Dth -----	Minimum Rate Per Dth -----
1. Annual Charge Adj. (ACA)	\$ 0.0018	\$ 0.0018
2. Gas for Transporter's Use (%)	0.5 Percent	

STATEMENTS OF NEGOTIATED RATES

STATEMENT OF NEGOTIATED RATES
FOR TRANSPORTATION OF NATURAL GAS

Customer Name:

Service Agreement Number:

Term of Negotiated Rate: Primary Term of

Rate Schedule:

MDQ:

Reservation Rate:

Usage Rate:

Primary Receipt Point:

Primary Delivery Point:

Conflict: Transporter has filed with FERC the negotiated rate contract which this Statement of Negotiated Rates for Transportation of Natural Gas summarizes. If there is deemed a conflict between any portion of this statement and the negotiated rate contract, the terms of the negotiated rate contract control.

RATE SCHEDULES

INDEX

DESCRIPTION/TITLE

1. Rate Schedule FTS - Firm Transportation Service
2. Rate Schedule ITS - Interruptible Transportation Service
3. Rate Schedule PALS – Parking and Lending Service

RATE SCHEDULE FTS
Firm Transportation Service

1. AVAILABILITY

This Rate Schedule is available to any Shipper for the Transportation of Gas by Transporter, subject to the following limitations:

- (a) Transporter has determined that it has sufficient available and uncommitted capacity to perform service requested by Shipper; and
- (b) Shipper and Transporter have executed an Agreement under this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

- (a) This Rate Schedule shall apply to all Transportation Service rendered by Transporter for Shipper pursuant to the executed Agreement under this Rate Schedule.
- (b) Transportation Service under this Rate Schedule shall consist of: (1) the receipt of Gas on behalf of Shipper, (2) the Transportation of Gas, and (3) the Tender of Gas for delivery by Transporter to Shipper, or for Shipper's account up to Shipper's MDQ.
- (c) Transportation Service rendered under this Rate Schedule shall be firm, up to the Transportation Path MDQ specified in the executed Agreement.

3. RATES

Each Month, Shipper shall pay to Transporter the following rates:

3.1 Reservation Rates.

- (a) A Reservation Rate, as stated in the Statements of Rates, shall be paid each Month for each Dekatherm of Shipper's MDQ.

3.2 Usage Rates.

- (a) The Usage Rate, as stated in the Statements of Rates, multiplied by that portion of the total quantity of Gas deliveries on any Day pursuant to the MDQ in effect under the Agreement.
- (b) Other Applicable Charges or Surcharges. All applicable surcharges

or charges, including, but not limited to those contained in Sections **8** and **22** of the General Terms and Conditions, and as stated in the Statement of Additional Charges and Surcharges multiplied by each Dekatherm of Gas delivered.

- 3.3 **Transporter's Use.** Each Shipper will furnish Transporter fuel at the nominated Receipt Point(s). The amount of fuel furnished to Transporter will be based on the applicable percentage for Transporter's Use, as calculated pursuant to Section 22.2 of the General Terms and Conditions and as stated in the Statement of Additional Charges and Surcharges.
- 3.4 **Negotiated Rates.** Shipper and Transporter may mutually agree, pursuant to the provisions of Section 30 of the General Terms and Conditions, to a Negotiated Rate, which rate shall be less than, equal to, or greater than Transporter's Maximum Recourse Rate, but shall not be less than the Minimum Recourse Rate. Any such rates may be based upon a rate design other than straight fixed variable (SFV). Such Negotiated Rate shall be documented as set forth in Section 30.7 of the General Terms and Conditions and included as a Statement of Negotiated Rates Agreement in Transporter's Tariff.
- 3.5 **Discounted Rates.** Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any and all of the Transportation Paths for which a Maximum Recourse Rate and Minimum Recourse Rate are stated in the Statements of Rates of this Tariff or a superseding Tariff; provided, however, that such adjusted rate(s) shall not exceed the applicable Maximum Recourse Rate(s), nor shall they be less than the Minimum Recourse Rate(s), set forth on such Statement of Rates. Transporter shall have the right to charge the Maximum Recourse Rate at any time as a condition for new service, or for continuation of service under an existing Agreement. Transporter shall make all information filings and/or postings on the Internet Website as required by the Commission's regulations with respect to any charges at less than the Maximum Recourse Rate.
- 3.6 **Failure to Deliver.** If on any Day in a Month, due to an event of Force Majeure, Transporter is unable to tender for delivery Transportation volumes, up to Shipper's MDQ scheduled pursuant to Section 6 of the General Terms and Conditions, Transporter shall calculate a credit for such Day to be included in Shipper's invoice for that Month; provided, however, Transporter shall not be obligated to credit Shipper's invoice when Transporter's failure to deliver occurs within (10) ten Days following a Force Majeure event.

For Shippers paying Recourse Rates, such credit shall be the product of the 100% load factor ("LF") reservation-based portion of the rate stated in the Statements of Rates and the difference between the quantity of Gas scheduled

for Transportation Service, up to the MDQ and the quantity actually delivered by Transporter for the account of Shipper during such Day. For Shippers paying less than the Maximum Recourse Rate, the amount of the adjustment, if any, shall be consistent with the Discount Confirmation between Shipper and Transporter. For Shippers paying Negotiated Rates, unless otherwise agreed to in the Negotiated Rate Agreement, such credit shall be the product of (1) the 100% LF reservation-based portion of the applicable Negotiated Rate in effect for the period of non-delivery, and (2) the difference between the quantity of Gas scheduled for Transportation Service up to the MDQ and the quantity actually delivered by Transporter for the account of Shipper during such Day.

4. RECEIPT AND DELIVERY POINTS

- 4.1 Shipper's Primary Receipt Point(s) and/or Shipper's Transportation Path will be listed in Exhibit A attached to Shipper's Agreement. Shipper shall have the right to utilize all other Receipt Point(s) as Secondary Receipt Point(s), subject to available capacity and the provisions of the General Terms and Conditions.
- 4.2 Shipper's Primary Delivery Point(s) and/or Shipper's Transportation Path will be listed in Exhibit B attached to Shipper's Agreement. Shipper shall have the right to utilize all other Delivery Point(s) as Secondary Delivery Point(s), subject to available capacity and the provisions of the General Terms and Conditions.
- 4.3 Upon ten (10) Business Days prior notice, Shipper shall have the right to redesignate any points listed on Exhibit B as Primary Delivery Point(s), subject to available capacity and the provisions of the General Terms and Conditions; provided, however, if Shipper is paying a Negotiated Rate for service under the Agreement and requests to change its Primary Delivery Point under the Agreement, then unless otherwise agreed to in writing by Shipper and Transporter the rate applicable for service to such new Primary Delivery Point shall be the Maximum Recourse Rate. Furthermore, Shipper shall have the right to utilize all other Delivery Point(s) as Secondary Delivery Point(s), subject to available capacity and the provisions of the General Terms and Conditions.
- 4.4 Subject to mutual agreement and the provisions of Section 12 of the General Terms and Conditions, Shipper shall agree with Transporter as to the Minimum Delivery Pressure at the Delivery Point. Such pressure shall be set forth in Exhibit B to the Agreement.

5. COMMISSION AND OTHER REGULATORY FEES

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

6. RIGHTS UNDER SECTION 4 OF THE NATURAL GAS ACT

Transporter shall have the unilateral right to seek, through a filing under Section 4 of the Natural Gas Act with the appropriate regulatory authority, to make changes in the (a) rates and charges applicable to its Rate Schedule FTS and/or (b) Rate Schedule FTS pursuant to which this service is rendered. Unless otherwise agreed to by Transporter, Transporter shall have the unilateral right to seek, through a filing under Section 4 of the Natural Gas Act with the appropriate regulatory authority, to make changes in any provisions of the General Terms and Conditions applicable to Rate Schedule FTS. Nothing contained herein shall be construed to deny Shipper any rights it may have under the Natural Gas Act, including the right to participate fully in rate or other proceedings by intervention or otherwise to contest increased rates in whole or in part.

7. AUTHORIZED OVERRUN SERVICE

Upon request of Shipper, Transporter shall, if capacity is available, receive, transport, and deliver on any Day quantities of Gas in excess of Shipper's MDQ under the FTS Agreement when the capacity and operating capability of its system will permit such receipt, transportation and delivery without impairing the ability of Transporter to meet its other obligations of equal or higher priority. In granting requests for Authorized Overrun Service, Transporter shall act in a manner consistent with the service priorities set out in Section 5 of the General Terms and Conditions. If demand by more than one Shipper for such Authorized Overrun Service exceeds the amount available, it shall be allocated on a pro-rata basis equal to the respective MDQ percentage of the total certificated capacity under firm contract by each such Shipper. Shipper shall pay Transporter the applicable rate for Authorized Overrun Service set forth in this Tariff or, if applicable, as set forth in a separate negotiated rate or discount agreement.

8. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions of this Tariff are specifically incorporated into this Rate Schedule.

RATE SCHEDULE ITS
Interruptible Transportation Service

1. AVAILABILITY

This Rate Schedule is available to any Shipper for the Transportation of Gas by Transporter when Shipper and Transporter have executed an Agreement under this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

- (a) This Rate Schedule shall apply to all Transportation Service rendered by Transporter for Shipper pursuant to the executed Agreement under this Rate Schedule.
- (b) Transportation Service under this Rate Schedule shall consist of: (1) the receipt of Gas on behalf of Shipper, (2) the Transportation of Gas, and (3) the Tender of Gas for delivery by Transporter to Shipper, or for Shipper's account.
- (c) Transportation Service rendered under this Rate Schedule shall be interruptible. Interruptible service shall be available only to the extent available capacity is operationally available, under current conditions and shall be offered in accordance with the priorities established in the General Terms and Conditions of Transporter's Tariff.

3. RATES

Each Month, Shipper will pay Transporter the following rates:

- 3.1 The Usage Rate, as stated in the Statements of Rates, multiplied by that portion of the total quantity of Gas deliveries on any Day pursuant to the Shipper's Agreement.
- 3.2 Other Applicable Charges or Surcharges. All applicable surcharges or charges, including, but not limited to, those contained in Sections 8 and 22 of the General Terms and Conditions and as stated in the Statement of Additional Charges and Surcharges multiplied by each Dekatherm of Gas delivered.
- 3.3 Transporter's Use. Each Shipper will furnish Transporter fuel at the nominated Receipt Point(s). The amount of fuel furnished to Transporter will be based on the applicable percentage for Transporter's Use, as calculated pursuant to Section 22.2 of the General Terms and Conditions and as stated in the Statement of Additional Charges and Surcharges.

3.4 Discounted Rates. Subject to Transporter's discretion and any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for any service rendered under this Rate Schedule ITS; provided, however, that Transporter's discretion shall not be exercised on an unduly discriminatory basis and such adjusted rate(s) shall not be less than the Minimum Usage Rate(s), set forth on such Statement of Rates. Transporter shall make all information filings and/or postings on the Internet Website required by the Commission's regulations with respect to any charges rendered under this Rate Schedule ITS.

3.5 Negotiated Rates. Shipper and Transporter may mutually agree, pursuant to the provisions of Section 30 of the General Terms and Conditions, to a Negotiated Rate, which rate shall be less than, equal to, or greater than Transporter's applicable Maximum Recourse Rate, but shall not be less than the Minimum Recourse Rate. Such Negotiated Rate shall be documented as set forth in Section 30.7 of the General Terms and Conditions and included as a Statement of Negotiated Rates in Transporter's Tariff.

4. COMMISSION AND OTHER REGULATORY FEES

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

5. RIGHTS UNDER SECTION 4 OF THE NATURAL GAS ACT

Transporter shall have the unilateral right to seek, through a filing under Section 4 of the Natural Gas Act with the appropriate regulatory authority, to make changes in the (a) rates and charges applicable to its Rate Schedule ITS and/or (b) Rate Schedule ITS pursuant to which this service is rendered. Unless otherwise agreed to by Transporter, Transporter shall have the unilateral right to seek, through a filing under Section 4 of the Natural Gas Act with the appropriate regulatory authority, to make changes in any provisions of the General Terms and Conditions. Nothing contained herein shall be construed to deny Shipper any rights it may have under the Natural Gas Act, including the right to participate fully in rate or other proceedings by intervention or otherwise to contest increased rates in whole or in part.

6. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions of this Tariff are specifically incorporated into this Rate Schedule.

RATE SCHEDULE PALS
Parking and Lending Service

1. AVAILABILITY

This Rate Schedule is available to any Shipper for the parking and lending of Gas from Transporter, subject to the following limitations:

- 1.1 Transporter has determined that it is operationally able to render such service;
- 1.2 Shipper and Transporter have executed an Agreement under this Rate Schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 This Rate Schedule shall apply to service which is rendered by Transporter for Shipper pursuant to an executed Agreement under this Rate Schedule.

2.2 Service under this Rate Schedule shall consist of either parking or lending of Gas during any Day, or part thereof. Service rendered by Transporter under this Rate Schedule shall be interruptible and shall consist of:

- (a) **Parking Service.** Parking Service is an interruptible service which provides for (1) the receipt by Transporter of Gas quantities delivered by Shipper to Receipt Point(s) nominated by Shipper for receipt of parked quantities; (2) Transporter holding the parked quantities on Transporter's pipeline system; and (3) return of the parked quantities to Shipper, provided, however, that Transporter is not obligated to return parked quantities on the same Day and at the same point(s) at which the Gas is parked.
- (b) **Lending Service.** Lending Service is an interruptible service which provides for (1) Shipper receiving Gas quantities from Transporter at Delivery Point(s) nominated by Shipper for delivery of loaned quantities of Gas; and (2) the subsequent return of the loaned quantities of Gas to Transporter, provided, however, that Transporter is not obligated to accept return of loaned Gas on the same Day and at the same point(s) at which the Gas is loaned.
- (c) If the Shipper receives parked quantities or returns loaned quantities at point(s) other than the point(s) at which the park or loan occurred, then Shipper and Transporter shall enter into a separate Transportation Agreement(s) to effectuate receipt or delivery of Gas from or to the new point(s).

- 2.3 Service rendered under this Rate Schedule shall be provided for a minimum of a one (1) Day term. The term shall be set forth on the Agreement executed between Shipper and Transporter.
- 2.4 Transportation of Gas quantities for or on behalf of Shipper to or from the designated point(s) under the Agreement shall not be performed under this Rate Schedule. Shipper shall make any necessary arrangements with Transporter and/or third parties to receive or deliver Gas quantities at the designated point(s) for Parking or Lending Service hereunder.

3. RATES

Each Month, Shipper shall pay to Transporter the following rates:

- 3.1 Usage Rates per Dekatherm per Day.
 - (a) The applicable usage rate, as stated in the Statements of Rates, which shall be paid for each Dekatherm of Gas parked or loaned each Day at each point by Transporter for or on behalf of the account of Shipper multiplied by the highest balance of Gas quantities parked and/or loaned by Shipper on such Day;
 - (b) Other Applicable Charges or Surcharges. All applicable surcharges or charges including, but not limited to, those charges under Sections 8 and/or 22, and as stated in the Statement of Additional Charges and Surcharges multiplied by each Dekatherm of Gas parked or loaned each Day at each point by Transporter for or on behalf of the account of Shipper.
- 3.2 Transporter's Use. Shipper shall not be required to furnish fuel for service under this Rate Schedule.
- 3.3 Negotiated Rates. Shipper and Transporter may mutually agree, pursuant to the provisions of Section 30 of the General Terms and Conditions, to a Negotiated Rate, which rate shall be less than, equal to, or greater than Transporter's Maximum Recourse Rate, but shall not be less than the Minimum Recourse Rate. Such Negotiated Rate shall be documented as set forth in Section 30.7 of the General Terms and Conditions and included as a Statement of Negotiated Rates in Transporter's Tariff.
- 3.4 Discounted Rates. Subject to any limitations agreed to by Shipper and Transporter, Transporter may from time to time and at any time selectively adjust any or all of the rates charged to any individual Shipper for service under this Rate Schedule for which a Maximum Recourse Rate and Minimum Recourse Rate are stated in the Statements of Rates of this Tariff or a superseding Tariff; provided, however, that such adjusted rate(s) shall not

exceed the applicable Maximum Recourse Rate(s), nor shall they be less than the Minimum Recourse Rate(s), set forth on such Statement of Rates. Transporter shall have the right to charge the Maximum Recourse Rate at any time as a condition for new service, or for continuation of service under an existing Agreement. Transporter shall make all information filings and/or postings on the ECM required by the Commission's regulations with respect to any charges at less than the Maximum Recourse Rate.

4. OPERATIONAL REQUIREMENTS OF TRANSPORTER

4.1 Shipper may be required, upon notification from Transporter, to cease or reduce deliveries to, or receipts from, Transporter hereunder within a Day consistent with Transporter's operating requirements. Further, Shipper may be required to return loaned quantities or remove parked quantities upon notification by Transporter. Such notification shall, at a minimum, be provided by posting on the ECM, and may also be provided by other means of communication. Transporter's notification shall specify the time frame within which parked quantities shall be removed and/or loaned quantities shall be returned, consistent with Transporter's operating conditions, but in no event shall the specified time be sooner than the next Day after Transporter's notification, subject to the following conditions:

- (a) In the event that the specified time for removal or return of Gas quantities is the next Day, the time frame for required removal or return shall begin from the time that Shipper receives notice from Transporter. Notices provided after business hours for the next Day will be provided to Shipper via Electronic Communication. In the event that Shipper makes a timely and valid nomination in response to notification by Transporter to remove parked quantities and/or return loaned quantities, Shipper shall be deemed to have complied with Transporter's notification; and
- (b) Unless otherwise agreed by Shipper and Transporter: (i) any parked quantity not nominated for removal within a time frame specified by Transporter's notice shall become the property of Transporter at no cost to Transporter free and clear of any adverse claims; (ii) any loaned quantity not returned within the time frame specified by Transporter's notice shall be sold to Shipper at Transporter's Cashout Price at the >25% Imbalance level for Imbalances Due Transporter, pursuant to Section 8.7(b) of the General Terms and Conditions.

Any penalty revenues received by Transporter as a result of the operation of Section 4.1(b) above will be credited pursuant to Section 23.4(a) of the General Terms and Conditions.

4.2 In the event parked quantities remain in Transporter's pipeline system and/or loaned quantities have not been returned to Transporter's pipeline system at the expiration of any Agreement executed by Shipper and Transporter, Transporter and Shipper may mutually agree to an extended time frame and/or modified terms, including the rate, of such Agreement. In the event that Shipper and Transporter are unable to come to such Agreement, Transporter shall notify Shipper, and Shipper shall nominate for removal of the parked quantities and/or return of the loaned quantities within the time frame specified in Transporter's notice, which in no instance shall be less than one (1) Day. Any parked quantity not nominated for removal within the time frame specified by Transporter's notice shall become the property of Transporter at no cost to Transporter, free and clear of any adverse claims. Any loaned quantities not nominated to be returned within the time frame specified by Transporter's notice shall be sold to Shipper at Transporter's Cashout Price at the >25% Imbalance Level for Imbalances Due Transporter, pursuant to Section 8.7(b) of the General Terms and Conditions.

Any penalty revenues received by Transporter as a result of the operation of Section 4.2 above will be credited pursuant to Section 23.4(b) of the General Terms and Conditions.

5. COMMISSION AND OTHER REGULATORY FEES

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

6. RIGHTS UNDER SECTION 4 OF THE NATURAL GAS ACT

Transporter shall have the unilateral right to seek, through a filing under Section 4 of the Natural Gas Act with the appropriate regulatory authority, to make changes in the (a) rates and charges applicable to its Rate Schedule PALS and/or (b) Rate Schedule PALS pursuant to which this service is rendered. Unless otherwise agreed to by Transporter, Transporter shall have the unilateral right to seek, through a filing under Section 4 of the Natural Gas Act with the appropriate regulatory authority, to make changes in any provisions of the General Terms and Conditions. Nothing contained herein shall be construed to deny Shipper any rights it may have under the Natural Gas Act, including the right to participate fully in rate or other proceedings by intervention or otherwise to contest increased rates in whole or in part.

7. GENERAL TERMS AND CONDITIONS

All of the General Terms and Conditions of this Tariff are specifically incorporated into this Rate Schedule.

GENERAL TERMS AND CONDITIONS

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1. DEFINITIONS

In some instances, definitions are set forth in the Rate Schedules, General Terms and Conditions and the Forms of Service Agreements.

The term "Agreement" shall mean the agreement executed by the Shipper and Transporter and any applicable exhibits, attachments and/or amendments thereto.

The term "Backhaul" shall mean the movement of gas from a Receipt Point to a Delivery Point that is at all times and at all points along the path in a direction opposite to the flow of gas from the Upstream Pipeline Interconnection to the Martin Delivery Point.

The term "Business Day" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the United States.

The term "BTU" shall mean one (1) British thermal unit, 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, (BTU is measured and reported on a dry basis at 14.73 psia and 60 degrees Fahrenheit).

The term "Cashout" shall mean the monetary settlement of quantities of Gas owed to or by Transporter or third parties, as further described in Section 8 of these General Terms and Conditions.

The term "Cashout Party" shall mean any Shipper or other contractually liable entity that has an imbalance under any Agreement, which imbalance will be resolved in accordance with Section 8 of these General Terms and Conditions.

The term "Cashout Price" shall mean the price determined pursuant to Section 8 of these General Terms and Conditions.

The term "Cashout Buy Price" shall mean the price determined pursuant to Section 8 of these General Terms and Conditions.

The term "Cashout Sell Price" shall mean the price determined pursuant to Section 8 of these General Terms and Conditions.

The term "Central Clock Time" or "CCT" shall mean Central Standard Time ("CST") except when Daylight Savings Time is in effect, when it shall mean one hour in advance of CST. All times referenced in Transporter's Tariff shall be in CCT.

The term "Commission" or "FERC" shall mean the Federal Energy Regulatory Commission or any successor regulatory authority.

The term "Day" or "Gas Day" shall mean a period of 24 consecutive hours, beginning at 9:00 a.m. CCT, and ending on the following 9:00 a.m.

The term "Dekatherm" (or "Dth") shall mean the quantity of heat energy which is equivalent to one (1) million (1,000,000) BTU; thus the term Mdth shall mean one (1) thousand (1,000) Dth.

The term "Delivery Point" shall mean an interconnection point on Transporter's pipeline system that Shipper and Transporter shall agree upon, where Gas exits facilities owned by Transporter, and is metered.

The term "Delivery Point Operator" shall mean the party that is responsible for operating the facilities that are immediately downstream of the applicable Delivery Point.

The term "Discount Confirmation" shall mean an electronic mail (e-mail) message sent by Transporter to Shipper to confirm the terms of the discount granted pursuant to Section 35 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

The term "Elapsed Prorata Capacity" shall mean that portion of the capacity that would have theoretically been available for use prior to the effective time of the intraday recall based upon a cumulative uniform hourly use of the capacity.

The term "Elapsed Prorated Scheduled Quantity" shall mean that portion of the scheduled quantity that would have theoretically flowed up to the effective time of the intraday nomination being confirmed, based on a uniform hourly flow rate for each nomination period affected.

The term "Electronic Communication" shall mean communications via the ECM, or via electronic mail communication between Transporter and Shipper using the e-mail addresses provided by Shipper pursuant to Section 16 of the General Terms and Conditions.

The term "Electronic Communications Mechanism" or "ECM" shall mean the Electronic Communication methodology used to transmit and receive data related to Gas transactions. Transporter and Shipper shall designate an electronic "site" at which Shippers and Transporter may exchange data electronically. All data provided at such site shall be considered as being delivered to the appropriate party. Transporter's use and implementation of ECM shall conform to all appropriate NAESB standards.

The term "Force Majeure" as used herein shall mean acts of God, strikes, lockouts, or other industrial disturbances; acts of the public enemy, terrorist attacks, vandalism, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes,

fires, storms (including but not limited to hurricanes or hurricane warnings), crevasses, sinkholes, floods, washouts, arrests and restraints of the government, either Federal or State, civil or military, civil disturbances. Force Majeure shall also mean shutdowns due to power outages and/or for purposes of necessary repairs, relocation, or construction of facilities; failure of electronic data capability; breakage or accident to machinery or lines of pipe; the necessity for testing (as required by governmental authority or as deemed necessary by Transporter for the safe operation thereof), the necessity of making repairs or alterations to machinery or lines of pipe; failure of surface equipment or pipe lines; accidents, breakdowns, inability to obtain necessary materials, supplies or permits, or labor to perform or comply with any obligation or condition of service, rights of way; and any other causes, whether of the kind herein enumerated or otherwise which are not reasonably in Transporter's control. It is understood and agreed that the settlement of strikes or lockouts or controversies with landowners involving rights of way shall be entirely within Transporter's discretion and that the requirement in Section 15.1 of the General Terms and Conditions that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts or controversies with landowners involving rights of way by acceding to the demands of the opposing party when such course is inadvisable in the discretion of Transporter.

The term "Gas" shall mean natural gas, including cap gas, casinghead gas produced with crude oil, gas from gas wells, gas from condensate wells, synthetic natural gas, or any mixture of these gases meeting the quality standards under Section 3 of these General Terms and Conditions.

The term "Governmental Authority" means any federal, state, regional, municipal or other governmental department, commission, board, bureau, agency, administrative body, instrumentality or arbitration panel, or any court or tribunal.

The term "Imbalance Management Services" shall mean the options available to Shippers for resolution of imbalances including the application of the Cashout mechanism set forth in Section 8 of the General Terms and Conditions. These options include service under Imbalance Netting and Trading and, as a final resolution, Cashout.

The term "Internet Website" shall mean the Uniform Resource Locator (URL) of Transporter's ECM accessible via the Internet's World Wide Web located at http://_____.

The term "Martin Delivery Point" shall mean the interconnection between Transporter's system and the facilities of Florida Power & Light Company at its Martin power plant near Indiantown, Florida.

The term "Maximum Daily Quantity" ("MDQ") shall mean the greatest number of Dekatherms that Transporter is obligated to transport, on a firm basis, to or on behalf of Shipper on any Day.

The term "Maximum Daily Hourly Quantity" ("MDHQ") shall mean the greatest number of Dekatherms that Transporter is obligated to transport, on a firm basis, during any given hour to or on behalf of Shipper on any Day, provided such amount does not exceed the MDQ.

The term "Maximum Recourse Rate" shall mean the highest cost based rate that Transporter is allowed to charge a Shipper who executes an Agreement for Transportation Service.

The term "Mcf" shall mean one (1) thousand (1,000) cubic feet of Gas; the term MMcf shall mean one (1) million (1,000,000) cubic feet of Gas. (Mcf is measured on a dry basis at 14.73 psia. and 60 degrees Fahrenheit.)

The term "Minimum Delivery Pressure" shall have the meaning set forth in Section 12.2 of the General Terms and Conditions.

The term "Minimum Recourse Rate" shall mean the lowest cost based rate that Transporter is allowed to charge a Shipper who executes an Agreement for Transportation Service.

The term "Month" shall mean the period beginning on the first Day of a calendar Month and ending at the same hour on the first Day of the next succeeding calendar Month.

The term "Monthly Imbalance" shall mean a Shipper's monthly quantity subject to resolution through the Cashout mechanism described in Section 8 of the General Terms and Conditions, calculated as the difference between (i) allocated quantities received from a Cashout Party for the Month, as determined in accordance with Section 7 of the General Terms and Conditions, adjusted for Transporter's Use, and (ii) allocated quantities delivered to a Cashout Party for the Month, as determined in accordance with Section 7.

The term "Negotiated Rate" shall mean a rate or rate formula for computing a rate for service under a single Agreement. For scheduling and curtailment purposes, a Shipper paying a Negotiated Rate in excess of the Maximum Recourse Rate will be considered to be paying the Maximum Recourse Rate.

The term "Netting" shall be used to describe the process of resolving imbalances for a Shipper within an Operational Impact Area. There are two types of Netting:

- a. Summing is the accumulation of all imbalances above any applicable tolerances for a Shipper or agent.
- b. Offsetting is the combination of positive and negative imbalances above any applicable tolerances for a Shipper or agent.

The term "Non-Offending Shipper" shall be used to describe a Shipper that has not incurred a penalty in a Month in which penalty revenues were generated.

The term "North American Energy Standards Board" or "NAESB" shall mean the accredited organization established to set standards for certain natural gas industry business practices and procedures.

The term "Operational Impact Area" shall describe a Transportation Service Provider's (as defined by the NAESB Standards) designation of the largest possible area(s) on its system in which imbalances have a similar operational impact. For Transporter, the entire pipeline system shall comprise a single Operational Impact Area.

The term "Operational Balancing Agreement" shall mean a contract between two parties which specifies the procedures to manage operating variances at an interconnect.

The term "Operational Flow Order" shall mean an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity of Transporter's system or to maintain operations required to provide efficient and reliable firm service. Whenever Transporter experiences these conditions, any pertinent order shall be referred to as an Operational Flow Order.

The term "Primary Delivery Point" shall mean the Delivery Point(s) as specified in the Exhibit B to Shipper's FTS Agreement.

The term "Primary Receipt Point" shall mean the Receipt Point(s) as specified in Exhibit A to Shipper's FTS Agreement.

The term "Rate Default" shall mean, for index-based capacity release transactions, the non-biddable rate specified in the capacity release offer to be used for invoicing purposes when the result of the index-based formula is unavailable or cannot be computed. If a Rate Default is not otherwise specified, the Rate Floor shall serve as the Rate Default.

The term "Rate Floor" shall mean, for index-based capacity release transactions, the lowest rate specified in the capacity release offer in dollars and cents that is acceptable to the Releasing Customer. The Rate Floor may not be less than Transporter's minimum reservation rate or zero cents where there is no stated minimum reservation rate.

The term "Receipt Point" shall mean an interconnection point on Transporter's pipeline system that Transporter and Shipper shall agree upon, where Gas enters facilities owned by Transporter, and is metered.

The term "Receipt Point Operator" shall mean the party that is responsible for operating the facilities that are immediately upstream of the applicable Receipt Point.

The term "Release" shall mean a relinquishment of firm capacity right(s) by a Shipper pursuant to Section 25 of these General Terms and Conditions.

The term "Reput" shall mean the reinstatement of a capacity release transaction that was recalled.

The term "Secondary Delivery Point" shall mean a Delivery Point that is not specified as a Primary Delivery Point.

The term "Secondary Receipt Point" shall mean a Receipt Point that is not specified as a Primary Receipt Point.

The term "Segment" shall mean the portion of the pipeline on which Shipper has the firm contract right to move from one point to the next point.

The term "Segment Path Right" shall mean the quantity of Gas for which Shipper has the firm contract right to move within the Segment.

The term "Service Day" shall mean the Day during which Shipper receives Transportation Service pursuant to a nomination in accordance with Section 4 of the General Terms and Conditions.

The term "Service Month" shall mean the Month during which Shipper receives services under this Tariff.

The term "Shipper" shall mean any person, corporation, limited liability company, partnership or any other legal entity that enters into an Agreement for service with Transporter.

The term "Tariff" shall mean Transporter's FERC Gas Tariff as effective from time to time.

The terms "Tender Gas" and "Tender of Gas" shall mean that the delivering party is able and willing, and offers, to deliver Gas to the receiving party at the appropriate Receipt Point or Delivery Point.

The term "Title Transfer" shall mean the change of title to Gas between parties at a location.

The term "Title Transfer Tracking" shall mean the process of accounting for the progression of title changes from party to party which process does not effect a physical movement of the Gas.

The term "Title Transfer Tracking Service Provider" or "TTTSP" shall mean a party conducting Title Transfer Tracking activities.

The terms "Transportation" and "Transportation Service" shall mean transportation of Gas by forward haul, displacement or Backhaul, or any combination thereof.

The term "Transportation Path" shall mean (i) for a firm Agreement that is not the result of a capacity release, all Segments between the Primary Receipt Point(s) and the Primary Delivery Point(s) specified in Exhibits A and B to Shipper's FTS Agreement, and (ii) for capacity release transactions, the Segment(s) for which the Segment Path Right is greater than zero.

The term "Transporter" shall mean Florida Southeast Connection, LLC.

The term "Transporter's Use" shall mean the quantity of Gas required by Transporter for compressor fuel, other company use and lost-and-unaccounted for Gas for service under each Agreement, and shall be equal to the Transporter's Use (%) under each such Agreement multiplied by the quantities tendered to Transporter.

The term "Transporter's Use (%)" shall mean the applicable percentage of Transporter's Use, which shall be an allocable amount of Transporter's Use, as calculated pursuant to Section 22.2, The applicable percentage is shown in the Statement of Additional Charges and Surcharges and shall be annually redetermined and filed to be made effective June 1 of each year in accordance with Section 22.2 of these General Terms and Conditions.

The term "Upstream Pipeline Interconnection" shall mean the interconnection between Transporter's facilities and the facilities of Sabal Trail Transmission, LLC near Intercession City, Florida.

2. MEASUREMENT AND MEASUREMENT EQUIPMENT

- 2.1 (a) The volume of Gas delivered at the Receipt Point(s) and at the Delivery Point(s) shall be measured by one of the following devices installed by Transporter at its election, or as agreed to by Transporter and the operator of the interconnecting facilities:
- (1) An orifice meter, designed and installed in accordance with the current edition of American National Standard ANSI/API 2530 (American Gas Association Report No. 3), entitled "Orifice Metering of Natural Gas and Other Related Hydrocarbon Fluids" (hereinafter referred to as "AGA Report No. 3"); or
 - (2) A turbine meter, designed and installed in accordance with the current edition of American Gas Association Transmission Measurement Committee Report No. 7, entitled "Measurement of Gas by Turbine Meters", (hereinafter referred to as "AGA Report No. 7"); or
 - (3) An ultrasonic meter, designed and installed in accordance with the current edition of American Gas Association Transmission Measurement Committee Report No. 9, entitled "Measurement of Gas by Multipath Ultrasonic Meters" (hereinafter referred to as "AGA Report No. 9"); or
 - (4) A positive displacement meter, designed and installed in accordance with generally accepted industry practices.
- (b) Meters shall be maintained and operated, and auxiliary measuring equipment shall be installed, maintained and operated, in accordance with generally accepted industry practices.
- 2.2 (a) The volume of Gas delivered at each Receipt Point and Delivery Point shall be calculated by means of an electronic flow computer located at each Receipt Point or each Delivery Point, in the following manner:
- (1) The volume of Gas delivered through an orifice meter shall be computed in accordance with AGA Report No. 3, properly using all factors set forth therein.
 - (2) The volume of Gas delivered through a turbine meter shall be computed in accordance with AGA Report No. 7, properly using all factors set forth therein.

- (3) The volume of Gas delivered through an ultrasonic meter shall be computed in accordance with AGA Report No. 9, properly using all factors set forth therein.
 - (4) The volume of Gas delivered through a positive displacement meter shall be computed by properly applying, to the volume delivered at flowing Gas pressures and temperatures, correction factors for (i) absolute static pressure, (ii) flowing Gas temperature, and (iii) compressibility ratio.
- (b) The volume of Gas delivered shall be computed using the standards and factors determined as follows:
- (1) The unit of volume for the purpose of measurement shall be one thousand cubic feet of Gas at a temperature of sixty (60) degrees Fahrenheit and a pressure of 14.73 pounds per square inch absolute. For the purpose of pricing hereunder, the Dekatherm equivalent of such unit of volume shall be determined by multiplying each such unit of volume by the total heating value per cubic foot of the Gas Delivered Hereunder (adjusted to a common temperature and pressure base) and by dividing the result by one thousand (1000).
 - (2) The average absolute atmospheric (barometric) pressure at each Receipt Point and each Delivery Point shall be assumed to be 14.7, irrespective of the actual location or elevation above sea level of the Receipt Point or Delivery Point or of variations in actual atmospheric pressure from time to time.
 - (3) The static pressure and temperature of the Gas at flowing conditions through a meter and, where applicable, the differential pressure across the orifice plate of an orifice meter shall be determined by means of instruments of standard manufacture accepted in the industry for these purposes.
 - (4) The supercompressibility factor used in computing the volume of Gas delivered through an orifice meter shall be determined using the procedures presented in American Gas Association Transmission Measurement Committee Report No. 8, entitled "Compressibility Factors of Natural Gas and Other Related Hydrocarbon Gases."
 - (5) The specific gravity of the Gas used in computing the volume of Gas delivered through a meter shall be determined at each Receipt Point and at strategic locations determined by Transporter to be representative for each Delivery Point by standard methods

accepted in the industry for this purpose.

- (6) The compressibility ratio factor "s" used in computing the volume of Gas delivered through a turbine meter, an ultrasonic meter, or a positive displacement meter shall be determined by the equation $s = (Fpv)^2$, in which "Fpv" is the supercompressibility factor determined as described in subparagraph (4) of this subsection (b).

2.3 All flow measuring, testing and related equipment shall be of standard manufacture and type approved by Transporter. If applicable, Transporter or Shipper may install check measuring equipment and telemetering equipment, provided that such equipment shall be so installed as not to interfere with the operations of the operator. Transporter, or Shipper, in the presence of the other party, shall have access to measuring equipment at all reasonable times, but the reading, calibrating, and adjusting thereof shall be done by the operator of the facilities. Transporter or Shipper shall have the right to be present at the time of the installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating or adjusting done by the operator of the measuring equipment. The records from such measuring equipment shall remain the property of the operator, but upon request the other party may request records including charts, together with calculations therefrom for inspection, subject to return within thirty (30) days after receipt thereof. Reasonable care shall be exercised in the installation, maintenance and operation of the measuring equipment so as to avoid any inaccuracy in the determination of the volume of Gas received and delivered.

The accuracy of all measuring equipment shall be verified by operator at least once each year and if requested, in the presence of representatives of the other party, but neither Transporter nor Shipper shall be required to verify the accuracy of such equipment more frequently than once in any thirty (30) Day period. If the operator agrees to verification and test of measuring equipment and fails to perform such verification and testing, then the other party shall have the right to cease or temporarily discontinue service relative to such measuring equipment. If either party at any time desires a special test of any measuring equipment, it will promptly notify the other party and the parties shall then cooperate to secure a prompt verification of the accuracy of such equipment. Transportation and related expenses involved in the testing of meters shall be borne by the party incurring such expenses, provided, however, that Shipper shall not be responsible for such Transportation and related expenses if the special testing reveals that the meter(s) is (are) not operating within the required tolerance level of one percent (1%).

The operator, for purposes of this section, shall be the owner of the equipment referenced herein, or the agent of such owner, or such other person as the parties may agree in writing.

If, upon any test, any measuring equipment is found to be in error, such errors shall be taken into account in a practical manner in computing the deliveries. If the resultant aggregate error in the computed receipts or deliveries is not more than one percent (1%), then previous receipts or deliveries shall be considered accurate. All equipment shall, in any case, be adjusted at the time of test to record correctly. If, however, the resultant aggregate error in computing receipts or deliveries exceeds one percent (1%), the previous recordings of such equipment shall be corrected to zero error for any period which is known definitely or agreed upon, but in case the period is not known definitely or agreed upon, such correction shall be for a period extending over one-half of the time elapsed since the date of the last test.

- 2.4 In the event any measuring equipment is out of service, or is found registering inaccurately and the error is not determinable by test, previous recordings of receipts or deliveries through such equipment shall be determined as follows; provided, however, that the correction period shall be within six (6) Months of the production Month, with a three (3) Month rebuttal period and provided, further, that such standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard:
- (a) by using the registration of any check meter or meters if installed and accurately registering, or in the absence of (a);
 - (b) by correcting the error if the percentage of error is ascertainable by calibration, special test or mathematical calculation, or in the absence of both (a) and (b) then;
 - (c) by estimating the quantity of receipt or delivery based on receipts or deliveries during preceding periods under similar conditions when the meter was registering accurately.
- 2.5 If at any time during the term hereof, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted upon mutual agreement thereto by both parties.
- 2.6 The parties agree to preserve for a period of at least three (3) years or such longer period as may be required by public authority, all test data, if any, and other similar records.

2.7 Shipper or Transporter may install, maintain, and operate odorizing (at a Delivery Point only), regulating, telemetering, heating and fogging equipment at its own expense as it shall desire at each Receipt Point or Delivery Point, and the operator of such equipment at its own expense shall provide the other party a suitable site therefore and allow the other party free access to and use of the site; provided that such equipment shall be so installed, maintained and operated as not to interfere with the operation or maintenance of the operating party's measuring equipment at each Receipt Point or Delivery Point. All such equipment as Shipper or Transporter shall desire to install shall be constructed, installed and operated to conform to the other party's requirements.

3. QUALITY OF GAS

- 3.1 Except as expressly set forth herein to the contrary, the Gas received or delivered by Transporter shall be a combustible Gas consisting of methane and such other hydrocarbon constituents or a mixture of two or more of them which, in any case, meets the following qualify specifications:
- (a) The Gas shall have a total heating value not less than nine hundred eighty (980) BTU per cubic foot of Gas nor greater than eleven hundred (1,100) BTU per cubic foot of Gas;
 - (b) Transporter may not refuse to accept delivery of Gas with a hydrocarbon dew point equal to or less than 25 degrees Fahrenheit, provided that such gas satisfies all other applicable provisions of Transporter's Tariff.
 - (c) The Gas shall be commercially free, under continuous Gas flow conditions, from objectionable odors, solid matter, dust, gums, gum-forming constituents, water or any other solid or liquid matter which might cause damage to or interference with proper operations of the pipeline, compressor stations, meters, regulators or other appliances through which the Gas flows;
 - (d) The Gas shall not have uncombined oxygen content in excess of two-tenths (0.2) of one percent (1%) by volume;
 - (e) The Gas shall not contain more than three (3.0%) by volume, of a combined total of carbon dioxide and nitrogen;
 - (f) The Gas shall not contain more than one-quarter (0.25) grain of hydrogen sulfide per one-hundred (100) cubic feet;
 - (g) The Gas shall not contain more than ten (10) grains of total sulphur, excluding any mercaptan sulphur, per one-hundred (100) cubic feet;
 - (h) The flowing Gas shall not have a temperature of more than one-hundred twenty degrees (120) Fahrenheit.
 - (i) The Gas shall be free of water and hydrocarbons in liquid form at the temperature and pressure at which the Gas is received and delivered.
 - (j) The Gas shall not contain in excess of seven (7) pounds of water vapor per million cubic feet;
 - (k) The Gas shall not contain, either in the Gas or in any liquids with the Gas, any microbiological organism, active bacteria or bacterial agent capable of

contributing to or causing corrosion and/or operational and/or other problems. Microbiological organisms, bacteria or bacterial agents include, but are not limited to, sulfate reducing bacteria (SRB) and acid producing bacteria (APB). Tests for bacteria or bacterial agents shall be conducted on samples taken from the meter run or the appurtenant piping using American Petroleum Institute (API) test method API-RP38 or any other test method acceptable to Transporter and Shipper which is currently available or may become available at any time.

- 3.2 The test equipment and methodology utilized by Transporter to determine whether Gas meets the quality specifications set forth in Section 3.1 shall be posted on its Internet website.
- 3.3 At Transporter's request, Shipper shall use all reasonable efforts to obtain and provide to Transporter all records regarding Gas quality kept by upstream pipelines transporting the Gas received by Transporter for Shipper's account. Shipper shall use all reasonable efforts to ensure and verify for Transporter that such upstream pipelines are using appropriate equipment to monitor compliance with the Gas quality specifications applicable on Transporter's system as stated in this Section 3.
- 3.4 If the Gas tendered for Shipper's account to Transporter shall fail at any time to conform to any of the specifications set forth in this Section 3 or in Transporter's reasonable judgment, may cause harm to its facilities or diminish the quality of Gas in the system, then Transporter shall have the right, after either written, oral or telephonic notice to Shipper, to refuse to accept all or any portion of such quality deficient Gas. In the event Transporter refuses to accept Gas tendered by Shipper because such Gas does not conform to the specifications set forth herein, Shipper shall not be relieved of its obligation to pay any Reservation Charge provided for in Shipper's Agreement. If the Gas tendered by Transporter for Shipper's account shall fail at any time to conform to any of the specifications set forth in this Section 3 then Shipper shall notify Transporter of such deficiency and may, at its option, refuse to accept delivery pending correction by Transporter.
- 3.5 Transporter may waive the requirements set forth in Section 3.1 in order to allow Shipper to tender or cause to be tendered, Gas which does not when injected into Transporter's pipeline meet the quality specifications set forth in Section 3.1; provided that Transporter's acceptance of such Gas shall not adversely impact Transporter's system facilities or operations, and further provided that once such Gas has been blended, to the extent blending occurs, the commingled Gas stream at any Delivery Point on Transporter's system shall be compliant with the quality specifications set forth in Section 3.1. Transporter shall implement this Section 3.5 on a non-discriminatory basis and may cancel any waiver at any time if necessary to assure that the commingled Gas stream is compliant with the quality specifications set forth in Section 3.1 at any Delivery Point on Transporter's system.

3.6 Odorization. Transporter shall have no obligation to odorize the Gas tendered by Shipper other than to conform to the regulations of appropriate governmental authorities having jurisdiction. However, if Transporter odorizes the Gas, such odorization shall be by use of a malodorant agent of such character as to indicate by a distinctive odor the presence of Gas. Whenever odorized Gas is delivered, the quality and specifications, as set forth in this Section 3, of such Gas shall be determined prior to the addition of malodorant or with proper allowance for changes or additions due to such malodorant. Such odorization of the Gas by Transporter shall be for the purpose of detection of the Gas only during the time when the Gas is in the possession of Transporter, prior to delivery to the Shipper.

4. NOMINATIONS

4.1 Shipper may submit to transporter nominations twenty-four (24) hours a day via the ECM. All nominations must contain the mandatory data elements included in the NAESB standards and any additional business-conditional or mutually agreeable data elements applicable to Transporter's services. All nominations shall include Shipper defined begin dates and end dates. All nominations excluding intra-day nominations should have roll-over options. Specifically, Shippers have the ability to nominate for several Days, Months, or years, provided the nomination begin and end dates are within the term of the Shipper's Agreement. Nominations under Rate Schedule ITS or PALS and nominations for Authorized Overrun Service must be specify that the nomination is being done pursuant to such service an specify the daily scheduled quantity, and all quantities must be stated in Dekatherms. At the end of each Day, Transporter will provide the final scheduled quantities for the just completed Day. With respect to the implementation of this process via NAESB Standard No. 1.4.x scheduled quantity related standards, Transporter should send an end of Day Scheduled Quantity document. Receivers of the end of Day Scheduled Quantity document can waive the sender's sending of the end of Day Scheduled Quantity document.

(a) All nominations for Gas to flow at the beginning of a Service Day must be submitted to Transporter via the ECM, unless another method of communication is mutually agreed upon by Transporter and Shipper, and must be submitted in accordance with the standard nomination timelines for the Timely and Evening Nomination Cycles set forth in this Section 4.1(a). All nominations are considered original nominations and will be replaced when changed. When a nomination for a date range is received, each day within that range is considered an original nomination. When a subsequent nomination is received for one or more days within that range, the previous nomination is superseded by the subsequent nomination only for the Day(s) specified in such revised nomination. The days of the previous nomination outside the range of the subsequent nomination are unaffected. Nominations have a prospective effect only.

(1) The Timely Nomination Cycle: (All times are CCT on the day prior to the Service Day)

11:30 a.m. Latest time that nominations may leave control of the nominating party;

11:45 a.m. Receipt of nominations by Transporter (including from Title Transfer Tracking Service Providers (TTTSPs));

- 12:00 p.m. Transporter sends quick response;
- 3:30 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;
- 4:30 p.m. Receipt of scheduled quantities by Shipper and point operator.

Scheduled quantities resulting from the Timely Nomination Cycle shall be effective at 9:00 a.m. CCT on the next Service Day.

(2) The Evening Nomination Cycle (All times are CCT on the Day prior to the Service Day.)

- 6:00 p.m. Latest time that nominations may leave control of the nominating party;
- 6:15 p.m. Receipt of nominations by Transporter (including from TTTSPs);
- 6:30 p.m. Transporter sends quick response;
- 9:00 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;
- 10:00 p.m. Transporter to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from an Evening Nomination that does not cause another Shipper on Transporter to receive notice that it is being bumped shall be effective at 9:00 a.m. CCT on the next Service Day; and when an Evening Nomination causes another Shipper on Transporter to receive notice that it is being bumped, the scheduled quantities shall be effective at 9:00 a.m. CCT on the next Service Day.

For purposes of Sections 4.1(a)(1) and 4.1(a)(2), "provide" shall mean, for transmittals pursuant to NAESB Standard No. 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

- (b) Shipper shall include in its nominations the desired order of priority of receipts and deliveries under each Agreement which Transporter will use when taking action to change receipts and/or deliveries according to

Sections 5.2, 5.3 and 5.4. The order of priority shall indicate that a priority of one (1) shall be the last to be affected by changes. Nominations with the same priority will be adjusted pro rata.

- (c) If Shipper completes and resubmits an otherwise incomplete nomination, then Transporter will process the nomination in the first nomination cycle that occurs where the Shipper's complete nomination meets the deadline for nominations.
- (d) Variations by Shipper of actual receipts and deliveries from the nominated receipts and deliveries shall be kept to a minimum. Under no circumstances shall Transporter be obligated to deliver to any Shipper, on any Day, a quantity of Gas under any Agreement greater than Transporter received at the Receipt Point(s) on behalf of such Shipper under such Agreement.

4.2 Implementation of Intra-day Nominations.

- (a) Intra-day nominations may be submitted twenty-four (24) hours a Day and will be processed in the same manner as other nominations. All intra-day nominations for Gas to flow subsequent to the beginning of a Service Day for the remainder of that Service Day must be submitted to Transporter via the ECM unless another method of communication is mutually agreed upon by Transporter and Shipper. Such intra-day nomination must be submitted up to sixty minutes in advance (or at least fifteen minutes in advance for intra-day nominations submitted via electronic data interchange) to be effective on any hour of the day between 10:00 a.m. CCT and 8:00 a.m. CCT. Transporter shall schedule intra-day nomination changes subject to the restrictions set forth in this Section 4.2. Subject to the restrictions set forth in this Section 4.2 and provided that Transporter, Shipper and the upstream/downstream connected parties mutually agree in advance to the adjusted gas flow, Transporter shall adjust gas flow for the next hourly effective time. Nominations received after the nomination deadline will be scheduled after the nominations received before the nominations deadline.
- (b) All nominations, including intra-day nominations, shall be based on a daily quantity; thus, an intra-day nominator need not submit an hourly nomination. Intra-day nominations shall include an effective date and time. The interconnected parties shall agree on the hourly flows of the intra-day nomination, if not otherwise addressed in Transporter's contract or Tariff. Intra-day nominations do not rollover (i.e. intra-day nominations span one day only). Intra-day nominations do not replace the remainder of a standing nomination. There is no need to re-nominate if an intra-day nomination modifies an existing nomination.

- (c) Subject to upstream and downstream operators' confirmations and Transporter's operating conditions, an intra-day nomination submitted pursuant to this Section 4.2 can be used to request increases or decreases in total flow, changes to Receipt Points, or changes to Delivery Points of scheduled Gas.
- (d) With respect to intraday nominations for reductions in previously scheduled quantities, Transporter will accept, subject to the limitations set forth in Section 4.1(a), any explicitly confirmed quantity, down to and including zero, for such intraday nomination; provided, however, if such intraday nomination requires confirmation from an upstream and/or downstream interconnected pipeline then any intraday nomination to reduce previously scheduled quantities will be subject to, and limited to, the reduced quantity confirmed by such upstream and/or downstream interconnected pipeline.
- (e) Transporter shall allow Shipper to alter the order of priority of receipts and deliveries upon which Transporter shall rely in taking actions to adjust receipts and/or deliveries under Section 4.1 above, provided that such changes are submitted via the ECM in accordance with the nomination deadlines set forth in 4.1(a), above.
- (f) Notice. For purposes of providing notice of any nomination changes (including where an interruptible Shipper's nomination is bumped by a firm Shipper's intra-day nomination) to a Shipper and/or Shipper's agent, Transporter shall use Electronic Communication.
- (g) In the event that the more flexible intra-day nomination timeline set forth in Section 4.2(a) above is inapplicable for any reason, intra-day nominations shall be submitted and processed in accordance with the minimum standard timelines for intra-day nominations set forth in this Section 4.2(g).

(1) The Intra-day 1 Nomination Cycle: (All times are CCT on the Service Day.)

- 10:00 a.m. Latest time that nominations may leave control of the nominating party;
- 10:15 a.m. Receipt of nominations by Transporter (including from TTTSPs);
- 10:30 a.m. Transporter sends quick response;
- 1:00 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;

2:00 p.m. Transporter to provide scheduled quantities to affected Shippers and point operators, and to provide scheduled quantities to bumped parties (notice to bumped parties).

Scheduled quantities resulting from the Intra-day 1 Nomination Cycle shall be effective at 5:00 p.m. CCT on the same Service Day.

(2) The Intra-Day 2 Nomination Cycle: (All times are CCT on the Service Day.)

5:00 p.m. Latest time that nominations may leave control of the nominating party;

5:15 p.m. Receipt of nominations by Transporter (including from TTTSPs);

5:30 p.m. Transporter sends quick response;

8:00 p.m. Receipt of completed confirmations by Transporter from upstream and downstream connected parties;

9:00 p.m. Transporter to provide scheduled quantities to affected Shippers and point operators.

Scheduled quantities resulting from the Intra-Day 2 Nomination Cycle shall be effective at 9:00 p.m. CCT on the same Service Day. Bumping is not allowed during the Intra-Day 2 Nomination Cycle.

For purposes of Sections 4.2(g)(1) and 4.2(g)(2) "provide" shall mean, for transmittals pursuant to NAESB Standard No. 1.4.x, receipt at the designated site, and for purposes of other forms of transmittal, it shall mean send or post.

(h) Bump Protection: Transporter shall not schedule an intra-day or hourly nomination change, if the result of scheduling such nomination would be to bump flowing and/or scheduled service under any firm primary or secondary service. Transporter shall give an intra-day nomination submitted by a firm Shipper priority over nominated and scheduled volumes for Shippers flowing volumes with a priority below secondary firm service. Transporter will not permit bumping of any services, including interruptible services, for intra-day nominations submitted after the Intra-day 1 Nomination Cycle deadline. Once all or a portion of a

Shipper's nomination is accepted and scheduled during any nomination period, such scheduled service shall not be interrupted unless: (1) such capacity is required to provide a higher priority service prior to the end of the Intra-day 1 Nomination Cycle as described in Section 4.2(g)(1) above; or (2) curtailment is necessary pursuant to the provisions of Section 6.3 of the General Terms and Conditions. Transporter shall provide bump notice to bumped Shippers by 2:00 p.m. CCT as to intra-day nominations submitted by the Intra-day 1 Nomination Cycle and by 10:00 p.m. CCT as to intra-day nominations submitted by the Evening Nomination Cycle. Transporter shall provide bump notice to the bumped Shippers by the notice procedures set forth in Section 13.5 of the General Terms and Conditions.

5. PRIORITY OF SERVICE

- 5.1 Transporter shall have the right to curtail or discontinue services, in whole or in part, on all or a portion of its system at any time for reasons of Force Majeure or when capacity or operating conditions so require, or it is necessary to make modifications, repairs or operating changes to its system. Transporter shall provide Shipper notice of such curtailment as is reasonable under the circumstances. Notwithstanding anything to the contrary contained in this Section 5.1, Transporter will schedule routine repairs and maintenance in a manner that to the greatest extent possible will not disrupt the flow of quantities scheduled and confirmed in accordance with Section 4 of the General Terms and Conditions.
- 5.2 Throughput Scheduling Priority: For each nomination cycle, Transporter shall allocate throughput capacity pursuant to Sections 6.1 and 6.2 of these General Terms and Conditions utilizing the priorities of service described below:
- (a) Priority Class One. Among Rate Schedule FTS nominations where such nomination (or portion thereof) utilizes a Primary Receipt Point and Primary Delivery Point at which the nominated quantity is within the MDQ and MDHQ;
 - (b) Priority Class Two. Among Rate Schedule FTS nominations where each nomination (or portion thereof) utilizes a Secondary Receipt Point and/or a Secondary Delivery Point at which the nominated quantity is within the MDQ and MDHQ;
 - (c) Priority Class Three. Among Rate Schedule FTS nominations where each nomination (or portion thereof) is a Backhaul (a nomination on a Backhaul contract that has a direction of flow that is opposite of the contractual path is considered a backhaul for the purpose of scheduling priority);
 - (d) Priority Class Four. Rate Schedule ITS, Rate Schedule PALS, Authorized Overrun Service, incidental purchases and sales;
 - (e) Priority Class Five. Make-up Gas scheduled at Transporter's discretion.

5.3 Overlapping Nominations

For the purposes of Sections 5.2 above, in the event that a Releasing Shipper and/or its Replacement Shipper(s) submit overlapping nominations which in sum exceed in any segment or at any point the level of entitlement for which the Releasing Shipper originally contracted, the relative priority of each nomination shall be determined first according to the scheduling procedures in Sections 5.2 of the General Terms and Conditions, as applicable, and then by applying the overlap priorities provided in the Releasing Shipper's offer to release capacity pursuant to Section 25.1(h)(15) of the General Terms and Conditions.

6. SCHEDULING AND CURTAILMENT

6.1 Scheduling Capacity during a Start of Day Nomination Cycle.

(a) Transporter shall allocate its pipeline capacity as well as each Receipt Point and each Delivery Point capacity on the basis of the priority classes listed in Section 5 above as follows:

- (i) pro rata for Priority Class One nominations; then
- (ii) pro rata for Priority Class Two; then
- (iii) pro rata for Priority Class Three; then
- (iv) on the basis of Confirmed Price for Priority Class Four; then
- (v) make-up Gas for FTS Agreements, then make-up Gas for ITS Agreements.

(b) Ties within any Priority Class shall be allocated pro rata based on nominations.

6.2 Scheduling Available Capacity during an Intra-day Nomination Cycle. Transporter shall schedule available capacity during each of the Intra-day Nomination Cycles in accordance with Section 6.1 above. Bumping of service is not allowed during the Intra-Day 2 Nomination Cycle which is effective at 9:00 p.m. CCT on the same Service Day and all cycles thereafter for the remainder of the Service Day.

6.3 Curtailment of Scheduled Volumes during a Day. If, at any time, Transporter determines that the capacity of its system, or portion(s) thereof, is insufficient to serve all scheduled service, or to accept the quantities of Gas tendered, capacity which requires curtailment shall be curtailed so as to provide the service which is feasible in the order prescribed for Scheduling in Section 6.1 above; provided, however, once scheduled, Priority Class Two and Priority Class Three will have the same curtailment priority as Priority Class One; and provided, further, if a capacity constraint occurs on the upstream or downstream system which results in a curtailment, the upstream or downstream operator shall determine the change in scheduled nominations of its Shippers. Such change in scheduled nominations shall be confirmed via the ECM. To enable prompt action in an emergency situation where capacity is insufficient, Transporter shall have the authority to take all necessary and appropriate actions, as then may appear necessary, to preserve the operational integrity of its system. Transporter shall notify Shippers of the existence of any such emergency situation by use of Electronic Communication, as soon as it is reasonably practicable.

6.4 Segmentation of Capacity by Nomination. To the extent that Transporter has multiple Receipt Points and/or Delivery Points, any Shipper receiving Transportation Service under Rate Schedule FTS, including any Releasing

Shipper, shall have the right to segment its firm capacity by utilizing multiple Receipt Points and Delivery Points. The right to segment is subject to the requirement that a Shipper's firm capacity utilization pursuant to its Rate Schedule FTS Agreement and, if such Agreement is the result of capacity release, the firm capacity utilization of all other Shippers of capacity rights derived from the initial Rate Schedule FTS Agreement, does not exceed, in the aggregate (based on all relevant Shipper firm capacity utilization), the contract entitlements of the initial Rate Schedule FTS Agreement in any Segment or at any point (including, without limitation, the relevant MDQ) where the nominated Segments overlap. For the purpose of determining whether there is an overlap of MDQ, a forward haul and a Backhaul nominated to the same Delivery Point at the same time shall not be deemed to be an overlap at that point. For the purpose of determining whether there is an overlap of MDQ on a Segment, a forward haul and a Backhaul nominated on the same Segment at the same time shall be deemed to be an overlap on the Segment. As a general matter, Shipper will have the right to segment its capacity so long as it is utilizing its Primary Receipt Point(s) and Primary Delivery Point(s), as well as all Secondary Receipt Points and Secondary Delivery Points, as long as such use does not impair Transporter's ability to render firm Transportation Service, does not adversely affect Shippers' firm Transportation Service rights, and/or does not adversely affect the safe and reliable operation of Transporter's pipeline system.

6.5 Scheduling of Maintenance

Transporter shall have the right to curtail, interrupt, discontinue, or not schedule service in whole or in part on all or a portion of its system from time to time to perform repair and maintenance on Transporter's system as necessary to maintain the operational capability of Transporter's system or to comply with applicable regulatory requirements, except that Transporter shall not have the right to curtail service that Shipper has nominated and Transporter has scheduled in order to perform routine repair or maintenance. Transporter shall exercise due diligence to schedule routine repair and maintenance so as to minimize disruptions of service to Shipper and shall provide reasonable notice of the same to Shipper.

7. DETERMINATION OF DAILY ALLOCATED RECEIPTS AND DELIVERIES

- 7.1 Allocation of Receipts/Deliveries. To the extent possible, all quantities received by Transporter each Service Day at a point of receipt shall be allocated in accordance with the scheduled and confirmed quantity at such point (Scheduled Receipts). For purposes of this section "overage" shall be defined as daily or monthly Scheduled Receipts in excess of actual daily or monthly measured quantities received, and "underage" shall be defined as daily or monthly Scheduled Receipts below actual daily or monthly measured quantities received. Overages and underages under this section shall include Prior Period Adjustments, as determined in accordance with Section 7.3. In the event actual quantities received by Transporter do not equal the Scheduled Receipts for such point, any overage or underage shall be allocated as follows:
- (a) To the extent Transporter has entered into an Operational Balancing Agreement as set forth in Section 20 below which covers the point of receipt, any overages or underages at such point of receipt shall not be allocated to Shippers, but shall be resolved in accordance with the OBA;
 - (b) To the extent there is not an OBA for the subject receipt point, Transporter and the interconnecting party will agree as to which party is responsible for the predetermined allocation ("PDA") and to the extent the interconnecting party has agreed to submit the PDA to Transporter, such PDA shall be provided under Section 7.2 below for the allocation period, Transporter shall allocate underages or overages in accordance with the PDA;
 - (c) To the extent there is no OBA or PDA, Transporter shall allocate any overage or underage pro-rata based on scheduled and confirmed quantities at the receipt point.
- 7.2 Predetermined Allocation Statements. Any PDAs established by an upstream interconnecting party must be submitted to Transporter in writing or by Electronic Communications following the NAESB Standards before the first day of the allocation period in which the PDA is to be effective. To the extent an interconnecting party submits a PDA by Electronic Communication, Transporter shall send a Quick Response, as such term has been defined by NAESB, confirming the receipt of such PDA. The PDA shall specify how any underage or overage from the confirmed quantity is to be allocated at a contract or such lower level of detail which is provided on the nomination level. The PDA methods shall include ranked, pro rata, percentage, swing, and operator provided value, as such terms are used in the NAESB Standards and the PDA methods shall be available at any receipt point except those covered by on OBA. The PDA may require new allocation detail as nomination changes occur. Transporter shall be entitled to rely exclusively on an effective PDA in allocating gas

received at a point and the interconnecting party holds Transporter harmless against actions taken and allocations made in reliance upon such PDA. No retroactive changes to a PDA may be made unless Transporter and all affected parties agree in writing.

- 7.3 Prior Period Adjustments. In accordance with the provisions of Sections 2 and 11 of these General Terms and Conditions, Transporter shall use the best information available to close its allocation of quantities for a Service Month five (5) Business Days after such Service Month. To the extent that adjustments are made after the date of such close, such adjustments ("Prior Period Adjustments" or "PPA") shall be treated under this Section 7.3. If the PPA is due to the correction of measurement data or allocations, such adjustments shall be processed within six (6) Months of the applicable Service Month. If the affected party disputes the as-adjusted quantity, it is entitled to rebut the basis for the PPA, but only if it does so within three (3) Months of the processing of the PPA. Notwithstanding the above-specified deadlines for processing/rebutting PPAs, such deadlines shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not be diminished by this standard. In addition, for a period of up to six (6) months after the end of the applicable Service Month, Transporter will accept an adjustment for a scheduled nomination and/or allocation methodology provided that the requested change (i) is agreed upon in writing, including email, (or if such adjustment is within three (3) business days after the Gas Day in which such adjustment is requested, such adjustment must be agreed upon electronically in the ECM) by all affected upstream and/or downstream parties and Transporter and (ii) does not impact Transporter in a detrimental manner.
- 7.4 Unauthorized Gas. Gas that is received by Transporter during a Service Month at a Receipt Point for which there is no valid nomination shall be considered Unauthorized Gas. If Transporter receives Unauthorized Gas during a Service Month, it shall post such fact on the ECM, including the location and quantity of such Unauthorized Gas, for a period of thirty (30) Days after the end of the Service Month. The owner of such Unauthorized Gas may claim such Gas by informing Transporter in writing of such fact and by having the ownership verified by the Operator of the facilities upstream of the Receipt Point. Upon receiving a valid claim of ownership, Transporter shall first give the claimant the opportunity to move the Gas off of Transporter's system upon payment of the applicable Transportation charges. Alternatively, the claimant may request payment of an amount (as full consideration, inclusive of taxes and any other amounts) equal to the product of the quantity of Unauthorized Gas times the Cashout Buy Price (as determined pursuant to Section 8.7 of the General Terms and Conditions) for the Service Month in which the Unauthorized Gas was received. If there is no valid claim for such Unauthorized Gas within such thirty (30) day posting period, Transporter shall be allowed to retain such Unauthorized Gas.

7.5 Conversion of Gas. Any party that takes Gas without Transporter's authorization shall be liable for paying the Cashout Sell Price (as determined pursuant to Section 8.7 of the General Terms and Conditions) for the Month in which the Gas was taken, in addition to any other costs, losses, and damages attributable to such taking, in addition to any legal remedies otherwise available.

8. IMBALANCE RESOLUTION PROCEDURES

- 8.1 For the purposes of this Section 8, "Receipt" or "Receipts" shall mean quantities of Gas allocated pursuant to Section 7 of these General Terms and Conditions, net of Transporter's Use, and "Delivery" or "Deliveries" shall mean quantities of Gas allocated pursuant to Section 7. After the end of each Service Month, Transporter shall render to Cashout Party a statement detailing any imbalance between Monthly Receipts and Monthly Deliveries under all of Cashout Party's Transportation Agreements ("Imbalance Statement"). Such Imbalance Statement shall be rendered on an electronic basis by email notification to Cashout Party that the Imbalance Statement is available on Transporter's ECM pursuant to Section 9 of these General Terms and Conditions.
- 8.2 Cumulative Daily Transportation Imbalances shall be subject to the following imbalance resolution procedures.
- (a) Definition of Transportation Imbalance: "Transportation Imbalance" shall mean the difference between a Shipper's allocated Receipts, adjusted for Transporter's Use, and allocated Deliveries under any firm or interruptible Agreement. All imbalances will be calculated on a daily basis and designated to be at the applicable Receipt Point.
 - (b) Definition of an Imbalance Due Cashout Party: "Due Cashout Party" shall mean that Deliveries under an Agreement at the Delivery Point are less than Receipts at the Receipt Point, adjusted for Transporter's Use; such difference in quantity is "Due To" a Cashout Party (or its Agent).
 - (c) Definition of an Imbalance Due Transporter: "Due Transporter" shall mean that Deliveries under an Agreement at the Delivery Point exceed Receipts at the Receipt Point, adjusted for Transporter's Use; such difference in quantity is "Due From" a Cashout Party (or its Agent).
- 8.3 Netting: For each Month, all cumulative Transportation Imbalances within an Operational Impact Area will be netted among each of Cashout Party's firm and interruptible Agreements.
- 8.4 Trading: Posting and trading of the previous Month's netted Transportation Imbalances will be allowed within each Operational Impact Area between imbalance agents (or the Cashout Party, if no imbalance agent exists) from the first calendar Day of the current Month until the end of the 17th Business Day of the current Month. Imbalances to be posted for trading should be authorized by the Cashout Party. Authorizations to post imbalances that are received by Transporter by 11:45 A.M. should be effective by 8:00 A.M. the next Business Day (Central Clock Time). Imbalances previously authorized for posting should be posted on or before the ninth Business Day of the Month. Transporter should

provide the ability to view and, upon request, download posted imbalances. Transporter should not be required to post zero imbalances. When trading imbalances, a quantity should be specified. Trading will be allowed only when (i) imbalances are within the same Operational Impact Area and (ii) the resulting trade will reduce the imbalances for each Cashout Party or its imbalance agent. Transporter shall allow Cashout Parties to trade imbalances with other Cashout Parties within the same Operational Impact Area if the two Cashout Parties' imbalances are offsetting balances such that the net imbalance for each Cashout Party after the completion of the trade would be reduced to a quantity closer to zero. Transporter should enable the imbalance trading process by receiving the request for imbalance trade, receiving the imbalance trade confirmation, sending the imbalance trade notification, and reflecting the trade prior to or on the next monthly Shipper Imbalance Statement or Cashout statement. After receipt of an imbalance trade confirmation, Transporter should send the imbalance trade notification to the initiating trader and the confirming trader no later than noon (Central Clock Time) the next Business Day. Imbalance trades can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. Imbalance trades are considered final when confirmed by the confirming trader and effectuated by Transporter.

- 8.5 Final Resolution of Transportation Imbalances: If Cashout Party has a Transportation Imbalance remaining after the close of the trading period, such Transportation Imbalance will be cashed out in accordance with the Cashout provisions set forth in Section 8 herein.
- 8.6 All balancing shall be based on the applicable Delivery Point within an Operational Impact Area. Cashout Party or its Agent(s) may nominate transactions (in accordance with Section 4 of the General Terms and Conditions) during the Month to correct Transportation Imbalances within an Operational Impact Area. Transporter's ability to receive or deliver imbalance quantities shall be dependent upon Transporter's physical operations, and Transporter is under no obligation to allow Receipt or Delivery of such quantities for resolution of Transportation Imbalances if it determines, such activity would jeopardize pipeline operations.
- 8.7 Cashout Provision. At the time Transporter tenders an invoice(s) to Cashout Party for Transportation Service during the previous Month, Transporter shall invoice Cashout Party, or credit Cashout Party's invoice, as appropriate, to resolve in cash any net Monthly Imbalance remaining between actual Receipts, adjusted for Transporter's Use, and actual Deliveries after the period during which the relevant Transportation Imbalance quantities have been subjected to the imbalance resolution mechanisms set forth in this Section 8. Transporter will send with each invoice an Imbalance Statement detailing the unresolved imbalance amount and detailing the amount due in accordance with the following calculations.

- (a) **Cashout Price.** The Cashout Price shall be determined on a daily and monthly basis. The Cashout Sell Price shall be determined by use of the highest daily price for the Month and the first seven Days of the subsequent Month as published in Platts Gas Daily "Daily Price Survey" for common prices for "Florida city-gates." The Cashout Buy Price shall be determined by use of the lowest daily price for the Month and the first seven Days of the subsequent Month as published in Platts Gas Daily "Daily Price Survey" for common prices for "Florida city-gates." The average Midpoint price shall be determined by the arithmetical average of Platts Gas Daily "Daily Price Survey" "Midpoint" price for "Florida Gates" for the Month and the first seven days of the subsequent Month. Unless otherwise stated, all references to "Cashout Price" in these General Terms and Conditions refer to the "Midpoint" price contemplated in this Section 8.7(a).

If on any Day, the reported prices referenced above are not published, Transporter shall use the most recent Cashout Prices available or, if no such reported prices have been published for at least five (5) days, using another similar publication selected by Transporter, in its reasonable judgment, that is broadly published and widely accepted within the natural gas industry as a reliable source for the quotation of Gas prices.

- (b) **Imbalance Due Transporter.** In the event a Monthly Imbalance is an Imbalance Due Transporter, Transporter shall charge Cashout Party the Cashout Sell Price for such excess Deliveries multiplied by the factors below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
5% to 20%	1.10
Greater than 20%	1.20

For OBA imbalances that are resolved pursuant to this Section 8, the calculation of Cashout charges relating to excess Deliveries shall also include a Transportation imbalance charge, which shall be calculated by multiplying the excess Delivery quantity by the actual weighted average of all applicable usage rates owed on all quantities of Gas delivered during the Month to that OBA Party.

- (c) **Imbalance Due Cashout Party.** In the event a Monthly Imbalance is an Imbalance Due Cashout Party, Transporter shall make a payment to Cashout Party to the Cashout Party. Transporter may elect to make such a payment by providing a credit on the invoice. The payment due to the Imbalance Due Cashout Party shall be the Cashout Buy Price for such excess Receipts received multiplied by the factors below:

<u>Imbalance Level</u>	<u>Factor</u>
0% to 5%	1.00
5% to 20%	0.90
Greater than 20%	0.80

For OBA imbalances that are resolved pursuant to this Section 8, the calculation of the amount due the Cashout Party relating to excess Receipts shall also include a Transportation imbalance credit, which shall be calculated by multiplying the excess Receipt quantity by the actual weighted average of all applicable usage rates owed on all quantities of Gas delivered during the Month to that OBA Party. Transporter shall have no responsibility for the distribution of funds beyond the initial distribution, in accordance with this resolutions procedure, to the Cashout Party.

- (d) A Cashout of Transportation Imbalances at prices above or below the average Midpoint price shall not occur if it has been determined that such Transportation Imbalances are due to Transporter's negligence. Additionally, a Cashout of Transportation Imbalances due to Imbalance Due Transporter quantities or Imbalance Due Cashout Party quantities shall be limited to the average Midpoint price if such imbalances occurred during circumstances of Force Majeure that directly affect the Transporter's or upstream or downstream facilities over which Gas is transported under the applicable Agreement, or during circumstances of Force Majeure that directly affect Shipper's facilities for the period until Shipper has an opportunity to adjust its nominations (Shipper shall give written notice within forty-eight (48) hours of such Force Majeure event), or were the direct result of an OFO issued to the Shipper or its supplier.

- 8.8 Cashout of Transportation Imbalances at Agreement Expiration. At the time of expiration of an Agreement, all Transportation Imbalances shall be resolved pursuant to the provisions of Section 8.7 above.
- 8.9 Annual System Cashout Mechanism. Transporter shall establish an annual mechanism to determine the costs of implementing this Cashout provision. Such mechanism shall calculate, on a system-wide basis, the annual gross balance (positive or negative) derived from the Cashout program, which will be accounted for and disposed of in accordance with Section 22.3 of the General Terms and Conditions.

9. BILLING

- 9.1 Transporter shall render an invoice(s) to Shipper for each Month for (i) all Transportation Services provided pursuant to this Tariff during the preceding Month; and (ii) any other charges for which Shipper is liable under the Tariff or Shipper's other obligations. Such invoice shall be delivered to Shipper or its agent by posting Shipper's final invoice on Transporter's ECM and posting a general notice of the availability of the final invoices on Transporter's Informational Postings Web site. Transporter will provide an e-mail notification, if an e-mail address has been designated by Shipper, contemporaneously with the posting of the final invoice on Transporter's ECM. It is the Shipper's responsibility to furnish to Transporter e-mail address information for receipt of invoices and to update such e-mail information as necessary. Shipper may designate an agent to receive invoices and may designate such agent to receive the e-mail notifications of the availability of Shipper's final invoice on Transporter's ECM.
- 9.2 The Imbalance Statement shall be rendered prior to or with the Transportation invoice(s), and the Transportation invoice(s) shall be prepared on or before the 9th Business Day after the end of the Service Month. Rendered is defined as postmarked, time-stamped, and delivered to the designated site or designated as approved or final on the ECM. Prior Period Adjustment time limits shall be twelve (12) Months from the date of the initial Transportation invoice(s) with a 3-Month rebuttal period, excluding government-required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard. Prior Period Adjustments shall be reported by production date, but do not have to be invoiced separately by production Month nor is each production Month a separate paper invoice page.
- 9.3 With respect to Cashout invoices, an Imbalance Statement and associated invoice shall be rendered in the second Month after the Monthly Transportation Imbalance occurs, which shall reflect the amount Due Transporter or a credit, to extent applicable, for the amount Due Cashout Party, as determined in Section 8 herein will be rendered with the Monthly Transportation invoice.
- 9.4 Both Transporter and Shipper shall have the right to examine at any reasonable time the applicable records of the other to the extent necessary to verify the accuracy of any statement made under or pursuant to the provisions of the Agreement. Upon receipt of a request, the recipient will either send the relevant information to the requestor or will provide the requestor the right to review such information in the recipient's offices.

10. PAYMENTS

- 10.1 All payments for invoices due to Transporter by Shipper shall be made by Shipper to a depository designated by Transporter via electronic funds transfers within ten (10) days of the day the invoice is rendered, (the "Payment Due Date"). Shipper shall submit any necessary supporting documentation with its payment except as provided below; Transporter shall apply payment per supporting documentation provided by Shipper, and if payment differs from the invoiced amount, remittance detail shall be provided with the payment except when payment is made by electronic funds transfer ("EFT"), in which case, the remittance detail is due within two Business Days of the payment date. Invoice number(s) shall be identified on all payments. If presentation of an invoice to Shipper is delayed after the 10th day of the Month, the Payment Due Date shall be extended by an equal number of days, unless Shipper is responsible for such delay.
- 10.2 Should Shipper fail to pay all of the amount of any invoice as herein provided, on or before the Payment Due Date, Shipper shall pay a charge for late payment which shall be included by Transporter on the next regular Monthly bill rendered to Shipper under this Section 10. Such charge for late payment shall be determined by multiplying (a) the unpaid portion of the invoice, by (b) the ratio of the number of days from the Payment Due Date to the date of actual payment to 365 (366 in a leap year), by (c) the interest rate determined in accordance with Section 154.501(d) of FERC's regulations. If such failure to pay continues for 30 days after the Payment Due Date, Transporter, in addition to any other remedy it may have under the relevant Agreement, may terminate such Agreement and suspend further delivery of Gas, provided Transporter provides Shipper and the Commission with 30 days prior written notice of such termination and provided further such termination shall not be effective if, prior to the date of termination Shipper complies with the billing dispute procedure in Section 10.4 of the General Terms and Conditions of Transporter's Tariff.
- 10.3 In the event an error is discovered in the amount billed in any statement rendered by Transporter, such error shall be adjusted within 30 days of the determination of the error; provided that any claim therefore shall have been made within 60 days of discovery of such error and, in any event, within 6 Months from the date of the statement claimed to be in error. Billing errors shall be corrected as follows:
- (a) Where Shipper has been overcharged and has paid the statement, in the event the overcharge is not the result of Transporter's negligence or bad faith, fraud or willful misconduct, the amount of the overpayment will be refunded to Shipper without interest provided the overpayment is refunded within 30 days. Overpayments not refunded within 30 days will be subject to interest charges at the interest rate determined in accordance

with Section 154.501(d) of FERC's regulations from the date of the overpayment to the date of the refund. Where the refund is provided to Shipper by way of credit on a subsequent invoice rendered to Shipper by Transporter, the overpayment will be deemed to have been refunded on the date the credited invoice was received by Shipper.

- (b) Where Shipper has been undercharged by Transporter, Shipper will pay the amount of the undercharge without interest provided the undercharge is paid within 30 days. Undercharge amounts not paid within 30 days will be subject to interest charges at the interest rate determined in accordance with Section 154.501(d) of FERC's regulations from the date of the statement. Shipper shall have the right to review all records pertaining to its performance under Shipper's Agreement to verify the amount payable by Shipper to Transporter under the Agreement in any Month, so long as such review shall be completed within two years following the end of the calendar year in which such amount is payable. Such review shall be conducted during normal business hours, upon written request to Transporter and at Shippers' own expense.

10.4 If an invoice is in dispute, Shipper shall pay the portion not in dispute and provide documentation identifying the basis for the dispute. If Shipper in good faith:

- (a) disputes the amount of any such bill or part thereof;
- (b) pays to Transporter such amounts as it concedes to be correct;
- (c) provides Transporter with a written notice including a full description of the reasons for the dispute, together with copies of supporting documents; and
- (d) at any time thereafter within 30 days of a demand made by Transporter furnishes good and sufficient surety bond, guaranteeing payment to Transporter of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Transporter shall not be entitled to suspend further services because of such non-payment pursuant to Section 10.2 unless and until default be made in the conditions of such bond.

10.5 In the event that Shipper does not pay the full amount due Transporter in accordance with this Section 10, Transporter, without prejudice to any other rights or remedies it may have, shall have the right to withhold and set off payment of any amounts of monies due or owing by Transporter to Shipper, against any and all amounts or monies due or owing by Shipper to Transporter for Transportation Services provided.

10.6 Any payments received under this Section 10 shall first be applied to accrued interest, then to additional charges due, then to the previously outstanding principle, and lastly, to the most current principle due.

11. POSSESSION OF GAS

Unless otherwise provided in the Agreement or applicable Rate Schedule, as between Transporter and Shipper, Shipper shall be deemed to be in exclusive control and possession of the Gas (i) prior to receipt by Transporter at the Receipt Point(s) and (ii) after delivery by Transporter at the Delivery Point(s); otherwise, Transporter shall be in exclusive control and possession of the Gas. The party which shall be in exclusive control and possession of the Gas shall be responsible for all injury or damage caused thereby to any third party except any injury or damage caused by Gas provided by Shipper that fails to conform with the specifications set forth in Section 3 of these General Terms and Conditions. In the absence of bad faith or willful misconduct on the part of Transporter, Shipper waives any and all claims and demands against Transporter, its officers, employees or agents, arising out of or in any way connected with (i) the quality, use or condition of the Gas after delivery from Transporter for the account of such Shipper, (ii) any losses or shrinkage of Gas during or resulting from Transportation hereunder, and (iii) all other claims and demands arising out of Transporter's performance of its duties hereunder.

12. RECEIPT AND DELIVERY POINT PRESSURE

- 12.1 All Gas tendered by or on behalf of Shipper to Transporter will be delivered at Receipt Points at a pressure sufficient to enter Transporter's system up to Transporter's Maximum Allowable Operating Pressure. If Transporter and Shipper otherwise agree on the Minimum Receipt Pressure at a Receipt Point(s), it will be set forth on Exhibit A of the Agreement.
- 12.2 Unless otherwise agreed to, Transporter will redeliver Gas at the Delivery Points nominated by Shipper at Transporter's prevailing line pressure of no less than 250 pounds per square inch, gauge pressure ("Minimum Delivery Pressure"). If Transporter and Shipper otherwise agree on an alternative Minimum Delivery Pressure at a Delivery Point(s), it will be set forth on Exhibit B of the Agreement.

13. OPERATIONAL FLOW ORDERS (“OFOs”)

- 13.1 Notification of Conditions that May Require the Issuance of an OFO or Action Alert: Transporter shall provide prior notice, via posting on the ECM and to affected Shippers and point operators through Electronic Communication of upcoming events that may affect Transporter's pipeline system such as anticipated weather patterns or operational situations that may necessitate the issuance of an OFO pursuant to this Section 13.
- 13.2 Circumstances Warranting Issuance of an Operational Flow Order: Transporter shall have the right to issue Operational Flow Orders as specified in this Section 13 that require actions by Shippers/point operators in order (1) to alleviate conditions that threaten to impair Transporter's ability to provide reliable service, (2) to maintain pipeline operations at the pressures required to provide efficient and reliable service, (3) to have adequate Gas supplies in Transporter's system to receive and deliver Gas consistent with its firm Transportation Service obligations, (4) to maintain Transportation Service to all firm Shippers and for all firm Transportation Services, and (5) to maintain Transporter's system in balance for the foregoing purposes. Transporter shall lift any effective Operational Flow Order, promptly upon the cessation of operating conditions that caused the relevant system problem(s). Routine repairs and maintenance will not be used as a basis for issuing OFOs. Transporter will plan routine repairs and maintenance by scheduling such activities in advance.
- 13.3 Voluntary Actions to be Taken to Avoid Issuance of an Operational Flow Order: Transporter shall, to the extent practicable, take all reasonable actions necessary to avoid issuing an Operational Flow Order. Such actions may include (1) working with point operators to temporarily adjust, by mutual agreement, receipts and/or deliveries at relevant Receipt Point(s) or Delivery Point(s), (2) working with Shippers/point operators to adjust, by mutual agreement, scheduled flows on Transporter's system, (3) issuing an Action Alert designed to mitigate the conditions which, if continued, would require the issuance of an Operational Flow Order, or (4) taking any other reasonable action designed to mitigate the system problem. After taking all such reasonable actions to avoid issuing an Operational Flow Order, Transporter will have the right to issue Operational Flow Orders, if necessary, in the circumstances described in Sections 13.2 and 13.7.
- 13.4 Applicability of Operational Flow Orders or Action Alerts: Transporter shall issue an Operational Flow Order or Action Alert as localized as is reasonably practicable based on Transporter's good faith judgment concerning the situations requiring remediation such that an Operational Flow Order or Action Alert will be directed (1) to Shippers/point operators causing the problem necessitating the Operational Flow Order or Action Alert or transporting Gas in the area of Transporter's system in which there is an operational problem, and (2) to those Shippers/point operators transporting Gas in the area of Transporter's system

where action is required to correct the problem necessitating the Operational Flow Order or Action Alert. Transporter will tailor the Operational Flow Order or Action Alert to match the severity of the known or anticipated operational problem requiring remediation as more fully set forth in subsections 13.6 and 13.7.

- 13.5 Notice: All Operational Flow Orders and Action Alerts will be issued via posting on the ECM to be followed by facsimile or telephone notification to the affected Shippers and point operators and notification to the affected parties through Electronic Communication. The Operational Flow Order/Action Alert will set forth (1) the time and date of issuance and effectiveness, (2) the actions a Shipper/point operator is required to take, (3) the time by which a Shipper/point operator must be in compliance with the Operational Flow Order/Action Alert, (4) the anticipated duration of the Operational Flow Order/Action Alert, and (5) any other terms that Transporter may reasonably require to ensure the effectiveness of the Operational Flow Order or Action Alert. Each Shipper and point operator must designate one or more persons, but not more than three persons, for Transporter to contact on operating matters at any time, on a 24-Hour a day, 365-day a year basis. Such contact persons must have adequate authority and expertise to deal with such operating matters. If Transporter cannot contact any Shipper/point operator because that Shipper/point operator has failed to designate a contact person or Shipper's/point operator's contact person is unavailable, Transporter shall not be responsible for any consequences that result from its subsequent actions taken to alleviate the system problem. Transporter, however, will make reasonable continuing efforts to notify the affected Shipper/point operator. In addition to the other information contemplated by this Section 13.5, such notice shall also include information about the status of operational variables that determine when an Operational Flow Order or Action Alert will begin and end, and Transporter shall post periodic updates of such information, promptly upon occurrence of any material change in the information. Transporter will post a notice on the ECM informing the Shipper/point operator when any Operational Flow Order or Action Alert in effect will be cancelled and specifying the factors that caused the Operational Flow Order or Action Alert to be issued and then lifted, to the extent such factors are known.
- 13.6 Action Alerts: In the event that, in Transporter's judgment, action is required to avoid a system integrity issue, Transporter may issue Action Alerts.
- (a) Issuance of Action Alerts: Action Alerts will be noticed in accord with the procedures set forth in Section 13.5 and will be issued a minimum of four hours, or such shorter period of time as Transporter deems reasonable under the circumstances, prior to the required action by the Shipper/point operator.
- (b) Required Actions: Action Alerts can be issued to effect any of the following:

- (i) curtailment of interruptible services;
- (ii) restrictions of receipts or deliveries at specific Receipt or Delivery Point(s) covered by an Operational Balancing Agreement to the aggregate MDQ under the firm Agreements whose Primary Receipt Points and/or Primary Delivery Points are at the affected locations;
- (iii) forced balancing such that point operators will be required to assure that nominations equal flows or that receipts and deliveries fall within the tolerance level designated in the Action Alert; and/or
- (iv) any action required to maintain the integrity of Transporter's System.

13.7 Operational Flow Orders: In the event that (1) Shipper/point operator does not respond to an Action Alert, or (2) the actions taken thereunder are insufficient to correct the system problem for which the Action Alert was issued, or (3) there is insufficient time to carry out the procedures with respect to Action Alerts, Transporter may periodically take unilateral action, including the curtailment of firm Transportation Service, to maintain the operational integrity of Transporter's system (or any portion thereof). For purposes of this Section 13.7, the operational integrity of Transporter's system shall encompass the integrity of the physical system and the preservation of physical assets and their performance, the overall operating performance of the entire physical system (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of Gas delivered. Notice of an Operational Flow Order will be provided pursuant to and in accordance with Section 13.5 above.

13.8 Penalties: If a Shipper/point operator fails to comply with an Action Alert or Operational Flow Order, the Shipper/point operator shall be subject to a penalty as follows:

Action Alert penalty for each Dekatherm of Gas by which Shipper/point operator deviated from the requirements of the Action Alert equal to the product of 200% times the average Cashout price as determined pursuant to Section 8.7(a) of these General Terms and Conditions, for each Day that said Action Alert is in effect.

Operational Flow Order penalty for each Dekatherm of Gas by which Shipper/point operator deviated from the requirements of the Operational Flow Order equal to the product of 500% times the average Cashout price as determined pursuant to Section 8.7(a) of these General Terms and Conditions, for each Day that said Operational Flow Order is in effect.

Any penalty revenues received by Transporter as a result of the operation of Section 13.8 above will be credited pursuant to Section 23.3 of the General Terms and Conditions.

- 13.9 Liability of Transporter: Transporter shall not be liable for any costs or damages incurred by any Shipper/point operator in complying with an Operational Flow Order. Transporter shall not be liable for any costs or damages that result from any interruption in Shipper's/point operator's service that is a result of a Shipper's/point operator's failure to comply promptly and fully with an Operational Flow Order. Shipper/point operator shall indemnify Transporter against any claims of liability, provided, however, that Transporter shall use reasonable efforts to minimize any such costs or damages.

14. WARRANTY OF TITLE

- 14.1 This section shall apply to all service unless otherwise provided in the applicable Rate Schedule or Agreement.
- 14.2 Shipper warrants for itself, its successors and assigns, that it will have, at the time of delivery of Gas hereunder, good title to the Gas it delivers, that the Gas it delivers hereunder shall be free and clear of all liens, encumbrances and claims whatsoever, that it will indemnify the Transporter and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, and expenses arising from or out of any adverse claims of any and all persons to said Gas and/or to royalties, taxes, license fees, or charges thereon which are applicable for such delivery of Gas and that it will indemnify the Transporter and save it harmless from all taxes or assessments which may be levied and assessed upon such delivery and which are by law payable by and the obligation of the party making such delivery.
- 14.3 If Shipper's title or right to deliver Gas to be transported is questioned or involved in any action, Shipper shall not qualify for or shall be ineligible to continue to receive service until such time as Shipper's title or right to deliver is free from question; provided, however, Transporter shall allow Shipper to qualify for or continue receiving service under this Tariff if Shipper furnishes a bond satisfactory to Transporter.
- 14.4 Title to the Gas received by Transporter at the Receipt Point(s) shall not pass to Transporter, except that title to Gas delivered for Transporter's system fuel and uses and Gas lost and unaccounted for shall pass to Transporter upon delivery at the Receipt Point(s).

15. FORCE MAJEURE

15.1 If either Transporter or Shipper fails to perform any obligations under an Agreement due to an event of Force Majeure, such failure shall be deemed not to be a breach of such obligations and neither party shall be liable in damages or otherwise as a result of an event of Force Majeure. A party that fails to perform any obligations under an Agreement where such failure is caused by an event of Force Majeure shall promptly remedy the cause of the Force Majeure insofar as it is reasonably able to do so.

15.2 Notwithstanding the above provisions, no event of Force Majeure shall:

- (a) relieve any party from any obligation or obligations pursuant to an Agreement unless such party gives notice with reasonable promptness of such event to the other party;
- (b) relieve any party from any obligation or obligations pursuant to an Agreement after the expiration of a reasonable period of time within which, by the use of its due diligence, such party could have remedied or overcome the consequences of such event of Force Majeure; or
- (c) relieve either party from its obligations to make payments of amounts as provided in the applicable Rate Schedule, subject to any credit provided for in the applicable Rate Schedule.

16. NOTICES

Except when the terms of this Tariff require or allow for communication via the ECM, any communication, notice, request, demand, statement, or bill provided for in the Tariff or in an Agreement or OBA, or any notice which either Transporter or Shipper may desire to give to the other, shall be in writing and shall be considered as duly presented, rendered, or delivered when mailed by either post-paid registered or ordinary mail or when sent by express mail service, or such other method mutually agreed upon between the parties, including Electronic Communication. The material so sent shall be addressed to the pertinent party at its last known post office address, or at such other address as either party may designate.

17. MODIFICATION

No modification of the terms and provisions of an Agreement shall be made except by the execution of written contracts.

18. WAIVER

- 18.1 Transporter may waive any of its rights or any obligations of Shipper hereunder as to any specific right or obligation that has already arisen or in advance as to any specific, temporary issue on a case-by-case basis that is not unduly discriminatory.
- 18.2 No waiver by either Transporter or Shipper of any one or more defaults by the other in the performance of any provisions of the Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

19. SCHEDULES AND CONTRACTS SUBJECT TO REGULATION

This Tariff, including these General Terms and Conditions and the respective obligations of the parties under an Agreement, are subject to valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction and are subject to change from time to time by addition, amendment, or substitution as provided by law.

20. OPERATIONAL BALANCING AGREEMENTS ("OBAs")

- 20.1 For the purposes of minimizing operational conflicts between various natural Gas facilities with respect to the delivery of Gas to and from Transporter's facilities, Transporter may negotiate and execute on a not-unduly discriminatory basis mutually agreeable OBAs with appropriate parties that operate natural Gas facilities interconnecting with Transporter's system (hereinafter "OBA Party"). Transporter must enter into OBAs at all points of interconnection between its system and the system of another interstate or intrastate pipeline. Such OBAs shall specify the Gas custody transfer procedures to be followed by Transporter and the OBA Party for the confirmation of scheduled quantities to be received by Transporter at Receipt Point(s) and delivered by Transporter at Delivery Point(s). Such OBAs will provide that any variance between actual quantities and scheduled quantities at the point where the OBA is in place for any Day shall be resolved pursuant to the terms of the OBA. To facilitate such determination of variances on a timely basis, Transporter and the OBA Party will agree in the OBA on necessary measurement and accounting procedures. Transporter shall post on the ECM a list of those Receipt Point(s) and Delivery Point(s) at which an OBA is in effect.
- 20.2 Transporter shall have no obligation to negotiate and execute OBAs with any OBA Party that:
- (a) is not creditworthy as determined pursuant to Section 27 of the GT&C; for purposes of such provision, references to Shipper shall refer to the OBA Party;
 - (b) does not maintain dispatching operations which are staffed on a continuous around-the-clock basis every day of the year;
 - (c) would cause the level of regulation which Transporter is subject to prior to the execution of the applicable OBA to increase; or
 - (d) does not commit to timely determination of variances based on reasonable available measurement technology; or
 - (e) has not demonstrated operational consistency commensurate with the OBA relationship over a minimum period of three years.
- 20.3 If Receipt Point Operators or Delivery Point Operators have not executed an OBA with Transporter as described in Section 20.1, then any variance between actual quantities and scheduled quantities for any Day for that Receipt or Delivery Point shall be cumulated for the Month for the Shipper(s) responsible for the imbalance, and such Monthly Imbalances will be subject to the Cashout of Monthly Imbalances as set forth in Section 8 herein.

- 20.4 Resolution of OBA Imbalance: Transporter and the OBA Party shall resolve any imbalances in accordance with the procedures set forth in the OBA. Unless otherwise agreed, OBA imbalances shall be resolved on a monthly basis by Cashout mechanism.
- 20.5 Nothing in this Section 20 nor any executed OBA shall limit Transporter's rights to take action as may be required to adjust receipts and deliveries under any Agreement to reflect actual experience or to alleviate conditions which threaten the integrity of Transporter's system, including maintenance of service to higher priority Shippers and/or services.

21. NEW FACILITIES POLICY

- 21.1 Unless otherwise mutually agreed to by the parties, Transporter shall not be required to own, construct and install any facilities to perform any service requested by a Shipper under this Tariff. In the event Transporter agrees to own, construct and install facilities to perform services requested including, but not limited to, hot tap, side valve, measurement, Gas supply lateral lines, looping and/or compression facilities, Transporter shall do so on a not unduly discriminatory basis. Shipper shall reimburse Transporter (a) for the costs of such facilities installed by Transporter to receive, measure, transport or deliver natural Gas for Shipper's account and (b) for any and all filings and approval fees required in connection with such construction that Transporter is obligated to pay to the Commission or any other governmental authority having jurisdiction. Nothing in this Section 21 shall require Transporter to file an application for a certificate of public convenience and necessity under Section 7 (c) of the Natural Gas Act. Nothing in this Section 21, further, shall prevent Transporter from contesting an application for service filed pursuant to Section 7 (a) of the Natural Gas Act.
- 21.2 Transporter may waive from time to time, at its discretion, all or a portion of the monetary reimbursement requirement set forth in Section 21.1 if it determines that construction of the facilities would be economic to Transporter, based on Shipper assurance of Transportation throughput through the proposed facilities and other matters, as described below. All requests for waiver shall be handled by Transporter in a manner which is not unduly discriminatory. For purposes of determining whether a project is economic, Transporter will evaluate projects on the basis of various economic criteria, which may include, without limitation, the estimated Transportation throughput, cost of the facilities, operating, maintenance, administrative and general expenses attributable to the facilities, the system net revenues Transporter estimates will be generated subsequent to such construction, and the availability of capital funds on terms and conditions acceptable to Transporter. In estimating the system net revenues to be generated, Transporter will evaluate the existence of capacity limitations of the existing facilities, the marketability of the capacity, the location of the markets, the nature of the Transportation service, and other factors which impact the utilization of Transporter's system.
- 21.3 Any monetary reimbursement due Transporter by Shipper pursuant to this Section 21 shall be due and payable to Transporter prior to Transporter's commencement of construction of facilities to be constructed unless otherwise agreed by Transporter and within ten (10) days of receipt by Shipper of Transporter's invoice(s) for same; provided, however, subject to Transporter's written consent, such monetary reimbursement, plus carrying charges thereon, may be amortized over a mutually agreeable period not to exceed the primary contract term of any Agreement for service between Transporter and Shipper. Carrying charges shall

be computed utilizing interest factors acceptable to both Transporter and Shipper. Unless Transporter and Shipper otherwise agree on interest factors for computing the carrying charges for new facilities, the interest rates determined by the Commission under Section 154.501(d) of the Commission's regulations shall apply.

- 21.4 In order to maintain and expand service and utilization of Transporter's system, Transporter may negotiate Agreements with Shippers in connection with which Transporter could make a contribution in aid of construction ("CIAC") to the Shipper. The Shipper would use such funds to assist in the development of its natural Gas related facilities. For any newly agreed to CIAC, Transporter will post on the ECM for a period of thirty (30) days (1) the amount of the CIAC, (2) the name of the Shipper receiving the CIAC, and (3) the economic feasibility of the CIAC. Such CIACs are includible in Transporter's jurisdictional rate base and amortizable. All CIACs entered into pursuant to this provision shall be subject to review and challenge by the Commission and all parties in a general rate case requesting inclusion of such costs.

22. PERIODIC RATE ADJUSTMENTS

Transporter and Shipper recognize that Transporter will from time to time experience changes in costs related to providing service under this Tariff, including, but not limited to, changes in the cost of labor, benefits, materials and supplies, taxes, required rate of return, costs associated with the resolution of past disputes or outstanding uncertainties concerning amounts owed by Transporter or Shipper or attributable to Transporter or Shipper, and costs generated by decisions of the Commission, the courts or by an arbitration panel or other body having jurisdiction over Transporter. Transporter and Shipper further recognize that it may be appropriate, equitable and consistent with cost responsibility to allocate such costs among Shippers based on or taking into account past period factors, such as contract demand levels, throughput or other factors related to a prior period of time. Shipper agrees that Transporter shall have the right from time to time to make rate change filings which may include such costs and utilize an allocation methodology based in whole or in part on factors related to past periods. Shipper shall have the right to intervene and protest any such filing.

22.1 Annual Charge Adjustment. The purpose of Section 22 is to establish an Annual Charge Adjustment (“ACA”) clause as permitted by Section 154.402 of the Commission’s Regulations under the Natural Gas Act, which allows a natural gas pipeline company to adjust its rates annually to recover from its Shippers annual charges assessed it by the Commission under Part 382 of the Commission’s Regulations.

- (a) Applicable Rate Schedules: The ACA as set forth in the Statement of Additional Charges and Surcharges of this Tariff, is applicable to Transporter's Rate Schedules FTS and ITS.
- (b) Remittance to the Commission. Transporter shall remit to the Commission, not later than forty-five (45) Days after receipt of the Annual Charges Billing, the Total Annual Charge stated on such billing.
- (c) Basics of the Annual Charge Adjustment. The Rate Schedules specified in Section 22.1(a) hereof shall include an increment for an Annual Charge Adjustment for costs specified in Section 22.1, above. Such adjustment shall be the billable charge factor from the Commission, adjusted to the Company's pressure base and heating value, if required, which is stated in the Commission's Annual Charges Billing. The Annual Charge Adjustment shall be reflected in the Statement of Additional Charges and Surcharges of this Tariff.

22.2 Transporter's Use.

- (a) The initial Transporter's Use (%) will be calculated based upon appropriate engineering principles. After one year of operation and each

June 1 thereafter commencing in 2018, Transporter's Use (%) may be re-determined by dividing Transporter's projection for the next 12 Months beginning June 1 of fuel usage and any lost and unaccounted-for Gas by Transporter's projection of applicable deliveries for the account of Shippers for the next 12 Months beginning June 1. The annual redetermination of Transporter's Use (%) will go into effect on June 1. Transporter may file to redetermine Transporter's Use (%) at such other times as Transporter in its reasonable discretion determines necessary based upon operating or other conditions.

- (b) Pursuant to Section 22.3, Transporter shall maintain a separate System Balancing Adjustment account. This account shall be credited for all sales of excess fuel collected under Transporter's Use, debited for all purchases for Transporter's Use and further adjusted for the operational activities enumerated in Section 22.3(a). The under- or over-realization of in-kind compensation gas shall be recorded as a debit or a credit, as the case may be, each Month in the System Balancing Adjustment account. A monetary value shall be assigned to the volume debited to the System Balancing Adjustment account based on amounts paid by Transporter in obtaining gas to support the under realization of in-kind compensation gas. Furthermore, a monetary value shall be assigned to the volume credited to the System Balancing Adjustment account, as determined pursuant to Section 8.7 of the General Terms and Conditions, for purposes of resolving imbalances incurred during the Month.
- (c) To extent that Transporter installs compression facilities powered by electricity or other facilities and Transporter incurs costs relating to the provision of such electricity service, Transporter shall establish an Electric Charge Adjustment which shall recover the actual costs of providing such electricity service. Transporter shall file to recover such cost in conjunction with its Transporter's Use (%) filing made with the Commission.

22.3. System Balancing Adjustment. In order to maintain an operational system balance on its system, Transporter will calculate a system balancing adjustment ("SBA") charge.

- (a) Transporter's SBA balance shall be the sum of:
 - (1) The net annual system Cashout balance determined in accordance with Section 8 of the General Terms and Conditions and OBA cashouts;
 - (2) The net Transporter's Use Adjustment balance, determined in accordance with Section 22.2 of the General Terms and Conditions;

- (3) Any other account balance as may be approved by the FERC.
- (b) The net SBA balance determined in Section 22.3(a), through January 31 of the year in which the filing pursuant to Section 22.3(c) is made will be refunded or recovered from Shipper pursuant to the procedures in this Section 22.3. Upon determining the net SBA balance at the end of the accumulation period, Transporter shall calculate surcharges or refunds designed to allocate such balance to Shippers based upon each Shipper's actual throughput during the twelve-month accumulation period. A Shipper's net debit or credit for the accumulation period shall be due and payable sixty (60) Days after the Commission's acceptance of the filing pursuant to Section 22.3(c). Notwithstanding the immediately preceding sentence, if the net SBA balance results in a surcharge/debit, each Shipper who is allocated a surcharge/debit shall have the right by providing notice to Transporter within the sixty (60)-day period to elect to pay the surcharge/debit ratably over the twelve (12)-Month period, commencing with the first day of the first calendar month following the last Day of the sixty (60)-day period, with interest calculated for each payment from the end of the sixty (60)-day period until the payment is made (at the rate set forth in Section 154.501(d) of the Commission's regulations).
- (c) Transporter shall file on May 1 of each year and each year thereafter, to establish the SBA refund or surcharge determined pursuant to the procedures in this Section 22.3.

23. PENALTIES AND PENALTY CREDITING MECHANISM

23.1 Unauthorized Gas

In the event that Transporter receives penalty revenue from a Shipper as the result of the application of Section 7.4 (Unauthorized Gas) of the General Terms and Conditions, Transporter shall credit the penalty revenue received, net of costs, to any firm or interruptible Shipper that did not cause the Unauthorized Gas to be on the system, the Non-Offending Shipper, pursuant to Section 7.4 of the General Terms and Conditions in the Month for which penalty revenues were received, based on the ratio of the actual quantities taken by the Non-Offending Shipper to the actual quantities taken by all Non-Offending Shippers in such Month. Such credits shall be made within 90 days following each anniversary of the initial in-service date of Transporter's system and shall include interest calculated in accordance with Section 154.501 of the Commission's regulations.

23.2 Conversion of Gas

In the event that Transporter receives penalty revenue from a Shipper as the result of the application of Section 7.5 (Conversion of Gas) of the General Terms and Conditions, Transporter shall credit the penalty revenue received, net of costs, to any firm or interruptible Shipper that did not cause the Conversion of Gas, the Non-Offending Shipper pursuant to Section 7.5 of the General Terms and Conditions in the Month for which penalty revenues were received, based on the ratio of the actual quantities taken by the Non-Offending Shipper to the actual quantities taken by all Non-Offending Shippers in such Month. Such credits shall be made within 90 days following each anniversary of the initial in-service date of Transporter's system and shall include interest calculated in accordance with Section 154.501 of the Commission's regulations.

23.3 Action Alert/Operational Flow Order Penalties

Any penalty revenue collected by Transporter pursuant to Section 13.8 of the General Terms and Conditions will be credited, net of costs, to any firm or interruptible Shipper that did not incur penalties, the Non-Offending Shipper, pursuant to Section 13.8 of the General Terms and Conditions in the Month for which penalty revenues were received, based on the ratio of the actual quantities taken by the Non-Offending Shipper to the actual quantities taken by all Non-Offending Shippers in such Month. Such credits shall be made within 90 days following each anniversary of the initial in-service date of Transporter's system and shall include interest at the rate determined in accordance with Section 154.501 of FERC's regulations.

23.4 Rate Schedule PALS penalties.

- (a) **Penalty for PALS Non-compliance.** In the event that a Shipper incurs a penalty pursuant to Section 4.1(b) of Rate Schedule PALS, which section is applicable if a Shipper does not comply with Transporter's notice given pursuant to Section 4.1(a) of Rate Schedule PALS to either remove Park service quantities or to return Loan service quantities, Transporter shall credit the penalty revenue, net of costs, to any firm or interruptible Shipper that did not incur a penalty pursuant to Section 4.1(b) of Rate Schedule PALS in the Month for which penalty revenues were received, based on the ratio of the actual quantities taken by the Non-Offending Shipper to the actual quantities taken by all Non-Offending Shippers in such Month. Any penalty revenue credited to the System Balancing Adjustment pursuant to this section shall include interest calculated in accordance with Section 154.501 of the Commission's regulations.

- (b) **Balances Remaining Upon PALS Contract Termination.** In the event that Transporter receives penalty revenue from a PALS Shipper as the result of the application of Section 4.2 of Rate Schedule PALS to such PALS Shipper's unresolved balance, Transporter shall credit the penalty revenue received, net of costs, to any firm or interruptible Shipper that did not incur a penalty pursuant to Section 4.2 of Rate Schedule PALS in the Month for which penalty revenues were received, based on the ratio of the actual quantities taken by the Non-Offending Shipper to the actual quantities taken by all Non-Offending Shippers in such Month. Any penalty revenue credited to the System Balancing Adjustment pursuant to this section shall include interest calculated in accordance with Section 154.501 of the Commission's regulations.

24. ELECTRONIC COMMUNICATION MECHANISM (ECM)

24.1 Internet Website. Transporter has established an Internet Website which shall function as the ECM and which provides for the timely transfer of all electronic information provided and electronic transactions conducted by and between Transporter and its Shippers and potential Shippers. The Internet Website will be available on an open and non-discriminatory basis to any party. Public information posted on the Internet Website will be available without password usage; however certain areas of the Internet Website contain information specific to individual Shippers and other parties and require user-id and password access. Any such Shipper or other party desiring such access shall execute the Internet Website Agreement contained in this Tariff. Transporter shall maintain records of all the information displayed on the Internet Website in accordance with Commission requirements.

25. CAPACITY RELEASE PROVISIONS

This section sets forth the terms and conditions that are applicable to the release of firm entitlements under various services that are provided pursuant to this Tariff.

25.1 Procedure. Capacity released shall be subject to the terms and conditions of this Section 25.1.

- (a) Eligibility. Any Shipper ("Releasing Shipper") under Rate Schedule FTS of this Tariff, shall be entitled, subject to the terms and conditions of this Section 25.1, to release any or all of its firm Transportation entitlements held under an Agreement, but only to the extent that the capacity so released is acquired by another Shipper ("Replacement Shipper") pursuant to the provisions of this Section 25.1.
- (b) The sum of the firm entitlements for a given point or Segment across a releasing Agreement and its replacement Agreement(s) shall not exceed the corresponding firm entitlement of the releasing Agreement.
- (c) Released Capacity shall be made available on a basis that is not unduly discriminatory, and any Replacement Shipper shall be entitled to acquire Releasing Shipper's capacity subject to the terms and conditions under this Section 25.1, provided the Replacement Shipper meets all provisions governing eligibility under this Tariff in a timely manner. A Replacement Shipper shall be entitled to release acquired capacity to another Replacement Shipper, subject to the requirement that the original Replacement Shipper satisfies all of the provisions of this Section 25.1 as if such Replacement Shipper were a Releasing Shipper, and the new Replacement Shipper meets all provisions governing eligibility under this Tariff in a timely manner, provided, however, that a Replacement Shipper that acquired released capacity through a volumetric bid shall not be entitled to re-release that capacity.
- (d) Term. Any release under this Section 25 shall not extend beyond the expiration of the initial primary term of the Agreement that is released.
- (e) Recall / Reput Rights.
 - (1) Recall Provisions.

Releasing Shipper's rights to recall capacity on a full Day or partial Day basis shall be stated clearly in Shipper's Notice. Purchase of Gas by a Releasing Shipper from a Replacement Shipper at the Releasing Shipper's Primary Delivery Point(s) shall not be deemed to be the exercise of a recall by the Releasing Shipper.

The Releasing Shipper shall provide capacity recall notification to Transporter via the ECM. The recall notification shall specify the recall notification period for the specified effective Gas Day, as well as any other information needed to uniquely identify the capacity being recalled.

Transporter shall support the following recall notification periods for all released capacity subject to recall rights:

Timely Recall Notification:

- A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 8:00 A.M. CCT on the day that Timely Nominations are due;
- Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 9:00 A.M. CCT on the day that Timely Nominations are due;

Early Evening Recall Notification:

- A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 3:00 P.M. CCT on the day that Evening Nominations are due;
- Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 4:00 P.M. CCT on the day that Evening Nominations are due;

Evening Recall Notification:

- A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 5:00 P.M. CCT on the day that Evening Nominations are due;
- Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 6:00 P.M. CCT on the day that Evening Nominations are due;

Intraday 1 Recall Notification:

- A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 7:00 A.M. CCT on the day that Intraday 1 Nominations are due;

- Transporter shall provide notification of such recall to all affected Replacement Shippers no later than 8:00 A.M. CCT on the day that Intraday 1 Nominations are due; and

Intraday 2 Recall Notification:

- A Releasing Shipper recalling capacity should provide notice of such recall to Transporter and the first Replacement Shipper no later than 2:30 P.M. CCT on the day that Intraday 2 Nominations are due;
- Transporter should provide notification of such recall to all affected Replacement Shippers no later than 3:30 P.M. CCT on the day that Intraday 2 Nominations are due.

For recall notification provided to Transporter prior to the recall notification deadline specified above and received between 7:00 A.M. CCT and 5:00 P.M. CCT, Transporter shall provide notification to all affected Replacement Shippers no later than one hour after receipt of such recall notification. For recall notification provided to Transporter after 5:00 P.M. CCT and prior to 7:00 A.M. CCT, Transporter shall provide notification to all affected Replacement Shippers no later than 8:00 A.M. CCT after receipt of such recall notification.

Transporter's notices of recalled capacity to all affected Replacement Shippers shall be provided via ECM, along with written notice via e-mail communication to the individual the Replacement Shipper identified in the Replacement Shipper's bid submitted pursuant to Section 25.1(i) of these General Terms and Conditions. Such notices shall contain the information required to uniquely identify the capacity being recalled, and shall indicate whether penalties will apply for the Gas Day for which quantities are reduced due to a capacity recall. Upon receipt of notification of the recall from Transporter, each affected Replacement Shipper shall revise its nominations within the applicable nomination cycle in order to implement the recall. Each affected Replacement Shipper will be solely responsible for adjusting its supply and Transportation arrangements, which may be necessary as a result of such recall. Replacement Shippers involved in re-release transactions may receive notice slightly after the first Replacement Shipper receives notice. The recalling Releasing Shipper may nominate the recalled capacity consistent with the applicable nomination cycle, pursuant to Section 4 of these General Terms and Conditions.

If, on the Day of a partial day recall, the quantity of Gas delivered to the Replacement Shipper is in excess of the MDQ remaining on the replacement contract after the partial day recall and/or the quantity of Gas delivered to the Releasing Shipper that recalled the capacity is in excess of the MDQ recalled by the Releasing Shipper, then the Shipper(s) to whom such excess Gas is delivered will be charged the applicable Usage Rate pursuant to Section 3.2(a) of Rate Schedule FTS on such excess quantities of Gas in addition to all other applicable charges.

(2) Partial Day Recall Quantity.

The daily contractual entitlement that can be recalled by a Releasing Shipper for a partial day recall is a quantity equal to the lesser of:

- (i) The quantity specified in the Releasing Shipper's notice to recall capacity; or
- (ii) The difference between the quantity released by the Releasing Shipper and the Elapsed Pro rata Capacity.

In the recall notification provided to Transporter by the Releasing Shipper, the quantity to be recalled shall be expressed in terms of the adjusted total released capacity entitlements based upon the Elapsed Pro rata Capacity. In the event of an intra-day capacity recall, Transporter shall determine the allocation of capacity between the Releasing Shipper and the Replacement Shipper(s) based upon the Elapsed Pro rata Capacity only in the case of (ii) above.

The amount of capacity allocated to the Replacement Shipper(s) shall equal the original released quantity less the recalled capacity. This allocated daily contractual quantity shall be used for purposes of nominations, billing, and if applicable, for overrun calculations. As a result of the allocation of capacity described in this section, Transporter shall not be obligated to deliver a combined quantity to the Releasing Shipper and the Replacement Shipper(s) that is in excess of the total daily contract quantity of the release.

(3) Reput Provisions.

Transporter shall support the function of Reputting by the Releasing Shipper. The Releasing Shipper may Reput previously recalled capacity to the Replacement Shipper pursuant to the Reput rights and methods identified in the Releasing Shipper's notice to release capacity, as required by Section 25.1(h)(10) below. When capacity is recalled, such capacity may not be

Reput for the same Gas Day. The deadline for the Releasing Shipper to notify Transporter of a Reput of capacity is 8:00 A.M. CCT to allow the Replacement Shipper to submit timely nominations for Gas to flow on the next Gas Day.

- (f) Bidding Period. Releasing Shipper may specify the date and time that the Bidding Period starts and the date that the Bidding Period ends, provided, however, that the Bidding Period shall not commence or end any later than the times set forth in Section 25.1(g) below. Releasing Shipper's offer shall be posted for the Bidding Period; provided, however, that the Releasing Shipper will have the right to withdraw its Releasing Shipper's Notice any time prior to the close of the Bid Period associated with such Releasing Shipper's Notice where unanticipated circumstances justify the withdrawal and no bids meeting the minimum conditions of Releasing Shipper's Notice have been made.

Offers should be legally binding until notice of withdrawal is received by Transporter via the ECM. Transporter should post offers and bids, including prearranged deals, upon receipt. A Releasing Shipper may request a later posting time for posting of such offer, and Transporter should support such request insofar as it comports with the standard Capacity Release timeline specified in Section 25.1(g) below. Releasing Shipper shall not be allowed to specify an extension of the original bid period or the prearranged deal match period without posting a new release.

- (g) The capacity release timeline applies to all parties involved in the capacity release process provided that (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 Transporter 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. Transporter may complete the capacity release process on a different timeline if Releasing Shipper's offer includes unfamiliar or unclear terms and conditions (e.g., designation of an index not supported by Transporter).

(1) For biddable releases (one (1) year or less):

- Offers should be tendered by 12:00 P.M. on a Business Day;
- Open season ends no later than 1:00 P.M. on a Business Day (evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of best bid is made, and ties are broken);
- Evaluation period ends and award posting if no match required at 2:00 P.M.;

- Match or award is communicated by 2:00 P.M.;
- Match response by 2:30 P.M.;
- Where match required, award posting by 3:00 P.M.; and
- Contract issued within one hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time)

(2) For biddable releases (more than one (1) year):

- Offers should be tendered by 12:00 P.M. four Business Days before award;
- Open season ends no later than 1:00 P.M. on the Business Day before timely nominations are due (open season is three Business Days);
- Evaluation period begins at 1:00 P.M. during which contingency is eliminated, determination of Best Bid is made, and ties are broken;
- Evaluation period ends and award posting if no match required at 2:00 P.M.;
- Match or award is communicated by 2:00 P.M.;
- Match response by 2:30 P.M.;
- Where match required, award posting by 3:00 P.M.; and
- Contract issued within one hour of award posting (with a new contract number, when applicable); nomination possible beginning at the next available nomination cycle for the effective date of the contract. (Central Clock Time)

(3) For non-biddable releases:

Timely Cycle:

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

Evening Cycle:

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

Intraday 1 Cycle:

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

Intraday 2 Cycle:

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

(4) Notwithstanding the standard timelines specified in Section 25.1(g)(3) above, Transporter shall support a process to allow the Releasing Shipper and the Prearranged Shipper to create and finalize prearranged non-biddable capacity release transactions to be effective for a given Gas Day at any time prior to 7:00 a.m. CCT on the calendar day on which that Gas Day ends.

(h) Required Information for the Release of Capacity. The Releasing Shipper shall submit the following information, objectively stated and applicable to all potential Shippers on a non-discriminatory basis, to Transporter via the ECM:

- (1) The Releasing Shipper's legal name, contract number, and the name, e-mail address and phone and fax number of the individual who will authorize the release of capacity for the Releasing Shipper.
- (2) Whether the capacity is biddable.
- (3) The level of daily firm entitlements that the Releasing Shipper elects to release, expressed as a numeric quantity per Day for Transportation, which will be displayed in the ECM posting for prospective Replacement Shippers as the available MDQ.
- (4) The Transportation Path(s) or Segment within such Transportation Path(s), and quantity to be released.
- (5) The requested effective date and the term of the release.
- (6) The minimum acceptable period of release and minimum

acceptable quantities (if any).

(7) The Releasing Shipper's maximum reservation rates (including any demand type surcharges, direct bills, or similar mechanisms), any minimum rate requirement, and whether bids are to be submitted on a reservation or volumetric basis. The Releasing Shipper shall specify which one of the following methods is acceptable for bidding on a given capacity release offer:

- Non-index-based release - dollars and cents,
- Non-index-based release - percentage of maximum rate, or
- Index-based formula as detailed in the capacity release offer.

The bids for the given capacity release offer shall adhere to the method specified by the Releasing Shipper. The bidder may bid the maximum reservation rate, in Transporter's tariff or general terms and conditions, as an alternative to the method specified by the Releasing Shipper, except when the release is index-based for a term of one year or less. The maximum and minimum rates may separately identify surcharges and direct bills, or such amounts can be included in the total rate. For purposes of this Section 25, the maximum reservation rate(s) for Shipper paying a Negotiated Rate will be deemed to be the Maximum Recourse Rate(s) as set forth on the Statements of Rates; provided that any maximum and/or minimum rate specified by the Releasing Shipper can exceed the maximum tariff rate for the applicable service if (i) the term of the proposed release is one (1) year or less, and (ii) the effective date of the proposed release is on or before one (1) year from the date on which Transporter is notified of the release.

(8) Whether the Releasing Shipper is requesting that Transporter actively market the capacity to be released.

(9) The legal name of the Replacement Shipper that is designated in any pre-arranged release ("Prearranged Shipper").

(10) Whether the capacity is to be released on a recallable basis, and, if so, (i) the terms and conditions of such recall, including whether it is recallable on a full Day or a partial Day basis, (ii) whether the Releasing Shipper's recall notification must be provided exclusively on a Business Day, (iii) which recall notification period(s), as identified in Section 25.1(e) above, will be available for use by the parties, and (iv) any Reput methods and rights associated with returning the previously recalled capacity to the Replacement Shipper.

- (11) Whether the capacity to be released is contingent on the release of other capacity, or on certain terms and conditions, and if so, the capacity, terms and/or conditions upon which the release is contingent.
- (12) The terms and conditions under which Releasing Shipper will accept contingent bids, including bids that are contingent upon the Replacement Shipper acquiring Transportation on a pipeline interconnected to Transporter, the method for evaluating contingent bids, what level of proof is required by the contingent bidder to demonstrate that the contingency did not occur, and for what time period the next highest bidder will be obligated to acquire the capacity if the next winning contingent bidder declines the release.
- (13) For the capacity release business timing model, only the following methodologies are required to be supported by Transporter and provided to Releasing Shippers as choices from which they may select and, once chosen, shall be used in determining the awards from the bid(s) submitted. They are: (1) highest rate, (2) net revenue and (3) present value. For index-based capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology. Transporter may also support an alternative Releasing Shipper defined bid evaluation method pursuant to Section 25.1(h)(14) below; provided, however, that Transporter shall not be required to process the capacity release transaction using the standard process timeline should the Releasing Shipper elect an alternative method of bid evaluation.
- (14) At the Releasing Shipper's option and in lieu of Transporter implementing the Best Bid determination stated in Section 25.1(l), the Releasing Shipper may state the bid evaluation method. Such bid evaluation method shall be objectively stated, applicable to all Replacement or Prearranged Shippers and not unduly discriminatory and shall enable Transporter to rank the bids received by utilizing the weight assigned by the Releasing Shipper to each element of the Releasing Shipper's Notice.
- (15) The priorities that Transporter is authorized to utilize in the event that overlapping nominations submitted by the Releasing Shipper and any Replacement Shipper are in excess of the Releasing Shipper's original MDQ.
- (16) Whether the proposed release is to an asset manager as part of an asset management arrangement as defined in Section 284.8(h)(3)

of the Commission's regulations or to a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's regulations, and, if the proposed release is part of an asset management arrangement, the volumetric level of the asset manager's delivery or purchase obligation and the time period during which that obligation is in effect.

- (17) Any other additional information that Transporter deems necessary, from time to time, to effectuate releases hereunder.

Transporter shall not be liable for information provided by Releasing Shipper to Transporter, including any such information that is posted on the ECM.

- (i) Open Bidding Process. Prospective Shippers wishing to acquire capacity available for release ("Bidding Shipper"), shall place a bid on the ECM for the available capacity during the Posting Period. If such bid is not expressly labeled as a contingent bid, such bid shall be binding. The bid shall contain the following information:

- (1) The Bidding Shipper's legal name and the name, phone number and e-mail address of the individual who will authorize the acquisition of the available capacity.
- (2) The level of daily firm entitlements that the Bidding Shipper requests and the minimum quantity it will accept.
- (3) The requested effective date and the term of the acquisition.
- (4) The Bidding Shipper's bid, addressing all criteria required by the Releasing Shipper. The Bidding Shipper shall be entitled to withdraw its bid via the ECM prior to the end of the bidding period. Bidding Shipper cannot withdraw its bid after the Bidding Period ends. If Bidding Shipper withdraws its bid, it may not resubmit a lower bid. If Bidding Shipper submits a higher bid, lower bids previously submitted by Bidding Shipper will be automatically eliminated. A Bidding Shipper may have only one valid bid posted. Transporter shall post all information provided by Bidding Shippers, except the information provided in Section 25.1(h)(1), above.

No bid shall exceed the applicable Maximum Recourse Rates, in addition to any and all applicable fees and surcharges, as specified in this Tariff; provided that the rate specified by the Bidding Shipper may exceed the maximum tariff rate for the applicable

service if (i) the term of the proposed release is one (1) year or less, and (ii) the effective date of the proposed release is on or before one (1) year from the date on which Transporter is notified of the release. The quantity or the requested term of the release of such bid shall not exceed the maximum quantity or primary term specified in the executed Agreement.

- (j) **Pre-Arranged Release.** Releasing Shipper shall have the right to elect not to post a release for bidding (1) if the proposed capacity release has a duration of thirty-one (31) days or less and Releasing Shipper has obtained a Prearranged Shipper, (2) for proposed capacity releases with a term of more than one (1) year for which Releasing Shipper has obtained a Prearranged Shipper and the Prearranged Shipper is paying the Maximum Recourse Rate and all other terms and conditions of the release are met, (3) for any release of capacity to an asset manager (as defined in Section 284.8(h)(3) of the Commission's regulations), or (4) for any release of capacity to a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's regulations. If Releasing Shipper exercises such right, Releasing Shipper must notify Transporter prior to the nomination of the released entitlements, and the Replacement Shipper shall adhere to the requirements set forth in Section 25.2. Releasing Shipper will post the information on the ECM by 9:00 a.m. the Day before the release transaction begins. The Replacement Shipper shall confirm the prearranged release by 9:30 a.m. and meet any eligibility requirements under this Section 25. Transporter will support the creation of prearranged deals on the ECM.
- (k) **Matching Rights.** A Prearranged Replacement Shipper shall have matching rights for a period of thirty (30) minutes following the time the Prearranged Shipper has been notified of the winning bid ("Matching Period"). In the event a higher bid is received, Transporter shall provide the Prearranged Shipper an opportunity during the Matching Period to match such higher bid. No later than 2:00 p.m. CT of the Day prior to the Day nominations are due, the Prearranged Shipper shall be notified via the ECM of the terms and conditions of the higher bid, and shall have the Matching Period to respond via the ECM. Absent a response from the Prearranged Shipper by 2:30 p.m. CT of the Day prior to the Day nominations are due, the capacity shall be awarded to the higher Bidding Shipper no later than 3:00 p.m. CT of the Day prior to the Day nominations are due.
- (l) **Awarding of Capacity Available for Release.** Capacity will be awarded no later than 3:00 p.m. CT of the Day prior to the Day nominations are due. The capacity available for release shall be awarded to the Bidding Shipper with the highest bid ("Best Bid") matching all terms and

conditions provided by the Releasing Shipper. If multiple bids meet the minimum conditions stated in the Releasing Shipper's Notice, Transporter shall award the capacity, best bid first, until all offered capacity has been awarded. If bids are received that do not match all the terms and conditions provided by the Releasing Shipper, bids will be evaluated by the criteria provided by the Releasing Shipper. If no criteria are provided by the Releasing Shipper, the Bidding Shipper bidding the highest present value shall be awarded the capacity. Present value shall be determined based on a 10% discount rate. The ultimate awarding of capacity will be posted on the ECM by 3:00 p.m. CT on the Day prior to the Day nominations are due.

Transporter shall not award capacity release offers to the Replacement Shipper until and unless the Replacement Shipper meets Transporter's creditworthiness requirements applicable to all services that it receives from Transporter, including the service represented by the capacity release.

- (m) Remaining Capacity. In the event that a Releasing Shipper does not release all of its firm entitlements, the Releasing Shipper shall remain responsible for the remaining entitlements and is entitled to utilize the remaining entitlements with the MDQ reduced accordingly by the released capacity quantities.
- (n) No Rollover. When a release of capacity for a period of thirty-one (31) Days or less is not subject to the bidding requirements under this Section 25.1, a Releasing Shipper may not rollover, extend, or in any way continue the capacity release to the same Replacement Shipper which utilizes the same capacity or overlaps such capacity using the thirty-one (31) Days or less bidding exemption described in Section 25.1(j)(1) above until twenty-eight (28) Days after the first release period has ended. The twenty-eight (28) Day hiatus does not apply to any re-release to the same Replacement Shipper that is posted for bidding or that qualifies for any of the other exemptions from bidding described in Section 25.1(j) above.
- (o) Obligations of Replacement or Prearranged Shippers. The Replacement or Prearranged Shipper must satisfy all other provisions of this Tariff governing Shipper eligibility and must execute all required agreements and acknowledgements before it may contract with Transporter for the released capacity. In addition, as a pre-requisite to becoming a Replacement or Prearranged Shipper, a party must have been placed by Transporter on Transporter's pre-approved bidder list that is posted on the ECM. To be placed on such list, a party must have been accepted by Transporter as satisfying the credit standards of Section 27 of these General Terms and Conditions, must have executed a replacement shipper

agreement as such may be provided by Transporter and must continue to satisfy the credit standards of Section 27 when its bid is made and accepted or it is offered as a Prearranged Shipper, as applicable. Transporter shall process requests for credit approval with diligence. Any previously listed party that fails to continue to satisfy the standards of Section 27 shall be deleted from the list. Transporter will waive the credit requirements of Section 27 on a non-discriminatory basis for Replacement or Prearranged Shipper and permit such Replacement or Prearranged Shipper to submit bids, if the Releasing Shipper provides Transporter with a guarantee or other form of credit assurance in form and substance satisfactory to Transporter of all financial obligations of the Replacement or Prearranged Shipper with respect to the capacity being released by Releasing Shipper prior to the commencement of service to the Replacement or Prearranged Shipper if the release is pre-arranged and not subject to bidding or prior to the close of the bid period if the release is subject to bidding requirements of this Section 25. Any bid submitted will legally bind the Replacement or Prearranged Shipper to the terms of the bid if Transporter chooses such bid as the Best Bid until notice of withdrawal is received by Transporter via the ECM. Bids cannot be withdrawn after the bid period ends. Once the Replacement or Prearranged Shipper is awarded capacity, the Replacement or Prearranged Shipper becomes an existing Shipper like any other Shipper and is subject to the applicable provisions of Transporter's Tariff, including, but not limited to, Transporter's billing and payment and operational provisions.

In addition, the Replacement or Prearranged Shipper as an existing Shipper may also release its capacity pursuant to this Section 25. Nominations may be submitted upon the award of capacity, and such nominations will be processed in accordance with the nomination and scheduling requirements of Sections 4 and 6 of these General Terms and Conditions; provided, however, in no circumstances will Gas flow prior to the effective date of the release as specified in the Releasing Shipper's Notice.

25.2 Obligations of the Parties.

- (a) **Contractual Obligations.** All Replacement Shippers shall be required to comply with the provisions of Rate Schedule FTS and these General Terms and Conditions and to accept by a release all Transportation rights and obligations of the Releasing Shipper with respect to the capacity released, including, but not limited to, nominations and Transportation Paths. Furthermore, the Releasing Shipper shall remain fully liable to Transporter for all reservation rates, including reservation type surcharges and direct bills that were due under the Releasing Shipper's Agreement. In the event that the Replacement Shipper invoiced amounts for reservation rates are in arrears by 60 days or more, the Releasing Shipper

shall be responsible for paying all such amounts with the next invoice rendered to the Releasing Shipper by Transporter.

- (b) Billing. Pursuant to Sections 9 and 10, Replacement Shipper shall be billed for all reservation type charges contained within its bid and all usage charges according to Section 3 of Rate Schedule FTS.
- (c) Credits. Except as otherwise agreed to between Transporter and Releasing Shipper, Releasing Shipper shall receive a credit against its Monthly Reservation Charges equal to the amount of reservation rates contained within the Replacement Shipper's bid subject to the obligations of Releasing Shipper under Section 25.2(a).
- (d) Refunds. Releasing Shipper and any Replacement Shipper must track any changes in Transporter's rates approved by the Commission. In the event the Commission orders refunds of any such rates charged by Transporter and previously approved, Transporter and/or Releasing Shipper, as the case may be, must make corresponding refunds to such Releasing Shipper or any Replacement Shipper, to the extent that Releasing Shipper or Replacement Shipper(s) has paid a rate in excess of Transporter's just and reasonable, applicable Maximum Recourse Rates. Transporter shall assume no liability or responsibility whatsoever for the failure of the Releasing Shipper to comply with its obligations under this Section 25.2(d). Releases not subject to the maximum rate cap will be deemed to be a final rate and are not subject to refund if the effective date of the release was on or before one (1) year from the date on which Transporter was notified of the release.

25.3 Posting of Purchase Offers. Transporter shall allow a potential Replacement Shipper to post for at least thirty (30) days its offers to acquire released firm entitlements. The offer must contain the following information:

- (a) The potential Replacement Shipper's legal name and the name, title, address, phone number and e-mail address of the individual who will authorize the acquisition of the available capacity.
- (b) The daily quantities of capacity which the potential Replacement Shipper requests.
- (c) The Receipt Points and/or Delivery Points where capacity is requested, as applicable.
- (d) The requested effective date and the term of the acquisition.
- (e) The maximum rate(s) that the potential Replacement Shipper will pay for the service.

- 25.4 Marketing Fee. Transporter shall be entitled, upon Releasing Shipper's request, to actively market the capacity available for release on Releasing Shipper's behalf. Transporter and Releasing Shipper will negotiate the terms and conditions upon which Transporter will market the Releasing Shipper's capacity.
- 25.5 Permanent Releases. A Shipper which has a currently effective executed Agreement with Transporter under Transporter's Rate Schedule FTS may release, pursuant to the procedures specified in this Section 25, all or any part of its firm capacity to a Replacement Shipper for the remaining primary term of the contract and be relieved of all liability under its Agreement prospectively from the effective date of such release, provided that the following conditions are satisfied:
- (a) The Replacement Shipper submits a request for service electronically via the ECM and executes a new Agreement under the applicable Rate Schedule;
 - (b) The Replacement Shipper agrees that the minimum bid acceptable to Transporter shall be a bid for the remainder of the term of Releasing Shipper's Agreement at the rate(s) Releasing Shipper is obligated to pay Transporter for the capacity to be permanently released and accepts all obligations of the Releasing Shipper;
 - (c) The Replacement Shipper meets all of the creditworthiness requirements contained in Section 27 of the General Terms and Conditions of Transporter's Tariff.
 - (d) Transporter may refuse to allow a permanent capacity release if it has a reasonable basis to conclude that it will not be financially indifferent to the release. If Shipper's request to permanently release capacity is denied by Transporter, Transporter shall notify Shipper via e-mail and shall include in the notification the reasons for such denial.
- 25.6 Transporter's Rights to suspend and/or Terminate Temporary Capacity Release Transactions.
- (a) In the event of a temporary release for which: (i) the Releasing Shipper no longer maintains creditworthiness as outlined in Section 27 of Transporter's General Terms and Conditions and Transporter has terminated Releasing Shipper's Agreement; and(ii) the reservation charge specified in the applicable replacement agreement is less than the level of the reservation charge which the Releasing Shipper was obligated to pay Transporter (or, if the Releasing Shipper is paying a Negotiated Rate, the sum of all reservation-type and commodity-type charges), then Transporter shall be entitled to terminate the service described in the

replacement agreement, upon 30 days' written notice to the Replacement Shipper, unless the Replacement Shipper agrees, at its sole election, prior to the end of said 30-day notice period to pay for the remainder of the term specified in the replacement agreement one of the following: (i) the reservation and commodity charges at levels which the Releasing Shipper was obligated to pay Transporter, (ii) the applicable Maximum Recourse Rate, or (iii) such rate as mutually agreed to by Transporter and Replacement Shipper.

- (b) In the event of a temporary release for which the Replacement Shipper no longer satisfies Transporter's credit requirements as set forth in Section 27 of the General Terms and Conditions: (i) Transporter may notify the Releasing Shipper, without any liability or prior notice to Replacement Shipper, that the Replacement Shipper no longer meets the credit requirements of Transporter's Tariff; and (ii) subject to Transporter exercising its rights under Section 27 of the General Terms and Conditions to suspend and/or terminate such capacity release transaction, the firm capacity subject to the release transaction shall revert to Releasing Shipper immediately upon the effectiveness, and for the duration, of such suspension or permanently if the release transaction is terminated.

25.7 Notices to Releasing Shippers. Transporter shall provide the original Releasing Shipper notification by Electronic Communication reasonably proximate in time with any of the following formal notices given by Transporter to the Releasing Shipper's Replacement Shipper(s), of the following:

- (a) Notice to the Replacement Shipper regarding the Replacement Shipper's past due, deficiency, or default status pursuant to Transporter's Tariff;
- (b) Notice to the Replacement Shipper regarding the Replacement Shipper's suspension of service notice;
- (c) Notice to the Replacement Shipper regarding the Replacement Shipper's contract termination notice due to default or credit-related issues; and
- (d) Notice to the Replacement Shipper that the Replacement Shipper(s) is no longer creditworthy and has not provided credit alternative(s) pursuant to Transporter's Tariff.

25.8 Index-based Capacity Release Transactions

- (a) [Reserved for Future Use]
- (b) For index-based capacity release transactions, Releasing Shipper must specify which one of the following methods is acceptable for bidding on a given index-based capacity release offer:
 - a percentage of the formula,

- a dollars and cents differential from the formula,
- a dollars and cents differential from the Rate Floor, or
- an approved methodology in Transporter's tariff, if any.

When bidding is based upon a dollars and cents differential from the Rate Floor, the invoiced rate for the award shall be calculated as the greater of (i) the result of the formula or (ii) the Rate Floor plus the high bid's differential, both not to exceed Transporter's maximum reservation rate, if applicable.

Releasing Shipper may specify another method in the special terms and conditions; however, the capacity release offer may not be processed within the capacity release timeline specified in Section 25.1(g) above.

- (c) For index-based capacity release transactions, Transporter shall support a Rate Floor to be specified by Releasing Shipper in the capacity release offer.
- (d) Unless otherwise specified in the Transporter's tariff, for index-based capacity release transactions where the result of the award is to be applied on a monthly basis, and the formula detailed in the capacity release award requires calculations on a daily basis, the results of such daily calculations may exceed the applicable maximum daily reservation rate or be less than the applicable minimum daily reservation rate. However, any resulting monthly reservation rate may not exceed Transporter's maximum monthly reservation rate, as applicable, or be less than the Rate Floor specified in the capacity release award.

If the resulting monthly reservation rate exceeds Transporter's maximum reservation rate, as applicable, Transporter's maximum reservation rate shall be used for invoicing. If the resulting monthly reservation rate is less than the Rate Floor, the Rate Floor shall be used for invoicing.

- (e) For invoicing of volumetric index-based capacity release transactions, where the result of the formula detailed in the capacity release award is to be applied on a daily basis, if the calculated daily rate exceeds Transporter's applicable maximum reservation rate or is less than the Rate Floor specified in the capacity release award, Transporter's maximum reservation rate or the Rate Floor, respectively, shall apply.
- (f) Transporter shall support two non-public price index references that are representative of Receipt and Delivery Points on its system for fixed-price transactions with next-day or next-month delivery obligations. In any event, Transporter shall support all price indices it references in its FERC Gas Tariff. In addition, Transporter shall evaluate those publicly available price index references requested by its Shippers that do not require any

license(s)/subscription(s) for their use and support those that are representative of the applicable receipt and delivery points. Further:

- (1) The identity of all supported price index references shall be posted on Transporter's Informational Postings Web site, including the duration of the license(s)/subscription(s) for posted price index reference(s).
- (2) Upon request of a Shipper holding capacity that can be released on Transporter's system, Transporter, in consultation with its Shippers, shall review the price index references (including publicly available price index references), and update the price index references to reflect the agreed upon results of that consultation. All parties shall act reasonably and in good faith in the review process. Transporter shall not unreasonably withhold agreement to such proposed changes. Such review should occur no more frequently than annually.
- (3) Releasing Shippers requesting the use of price index references not supported by Transporter will be responsible for providing/maintaining adequate license(s)/subscription(s) for Transporter for such additional price index reference(s) such that Transporter is able to reasonably determine that it is adequately licensed to fulfill its business responsibilities associated with index-based capacity release transactions. Such license(s)/subscription(s) shall, at a minimum be for the term of the initial release(s) that use such index references or until such index reference becomes generally supported by Transporter as referenced above. These price index reference(s) will then be supported by Transporter and available for index-based capacity release transactions for the duration of the license(s)/subscription(s) and their identity(ies) posted on Transporter's Informational Postings Web site.
- (4) Regarding paragraphs (2) and (3) above, Transporter reserves the right, in its own discretion, to review any license(s)/subscription(s) that would legally bind Transporter and to evaluate the legal propriety of same as it pertains to Transporter. Transporter may, with reasonable cause, require modification of the license(s)/subscription(s) to resolve its concerns relative to any license(s)/subscription(s) that would legally bind Transporter.
- (5) Each party involved in an index-based release activity assumes no liability for the use of price index information by other parties to the release. Transporter's support of any price index reference does not make it responsible for ensuring that Releasing Shipper(s)

or Replacement Shipper(s) possesses any license(s)/subscriptions(s) that may be required to use such price index reference.

- (g) For index-based capacity release transactions, upon mutual agreement between Releasing Shipper and Transporter, Releasing Shipper shall provide Transporter and Replacement Shipper with the detailed calculation of the reservation rate(s). Except as provided below, this rate(s) will be stated on the invoice provided by Transporter to Replacement Shipper pursuant to the capacity release award. The results of Releasing Shipper's calculations shall conform to the capacity release award and/or to Transporter's minimum and maximum reservation rates, as applicable.
- For reservation and monthly volumetric index-based capacity release transactions, the detailed calculation shall be provided in a mutually agreed upon format no later than the second Business Day of the Month following the transportation under the release.
 - For volumetric index-based capacity release transactions requiring a daily rate calculation, the detailed calculation shall be provided in a report pursuant to Section 25.8(j) below.

If the report is not provided by the applicable deadline above or is deficient, Transporter will notify Releasing Shipper to provide Transporter with a correct report within one Business Day. Thereafter, in the absence of a conforming report, Transporter will invoice Replacement Shipper the greater of the Rate Default specified in the capacity release offer or the Rate Floor plus any differential specified in the capacity release award.

Upon notification to Transporter by both Releasing Shipper and Replacement Shipper that prior period adjustments to the calculated reservation rates used in the invoice are appropriate, invoiced amounts can be revised subsequently, upward or downward, to conform to the capacity release award, subject to the standards governing prior period adjustments within the NAESB WGQ Invoicing Related Standards and the provisions of Section 6 of these General Terms and Conditions.

- (h) For index-based capacity release transactions, the rate to be used in the invoice shall be the greater of:
- the results of the calculation of the formula from the capacity release award (if the formula cannot be calculated, the Rate Default specified in the capacity release offer), or

- the Rate Floor plus any differential as specified in the capacity release award.

The rate used in the invoice shall not be greater than Transporter's maximum reservation rate, as applicable.

- (i) For index-based capacity release transactions, Transporter shall support the ability of Releasing Shipper to specify in the capacity release offer a non-biddable Rate Default. The Rate Default cannot be less than the Rate Floor, if any.
- (j) For volumetric index-based capacity release transactions, where Releasing Shipper performs invoicing calculations pursuant to Section 25.8(g) above, Transporter shall provide allocated quantities to Releasing Shipper according to a mutually agreed upon timetable. Releasing Shipper shall have at least one Business Day to process the quantities prior to returning such invoicing information to Transporter in a tabular format.

Transporter shall provide the allocated quantities to Releasing Shipper in a tabular file to be described by Transporter. The first row of the file shall contain the column headers and data shall begin on the second row of the file. In addition, the first column shall contain the applicable Gas Day(s).

26. PROCEDURES FOR CONTRACTING FOR AND ABANDONMENT OF SERVICE

26.1 Specific requests for information concerning service(s) should be directed to:

Florida Southeast Connection, LLC
Attention: Marketing Department
700 Universe Blvd
Juno Beach, Florida 33408
Telephone: _____

Transporter shall provide the requested information orally, or in writing, as appropriate.

26.2 Requests for Service.

- (a) Persons desiring a new service or an amendment to existing service under one of Transporter's Rate Schedules set forth in Volume No. 1 of Transporter's FERC Gas Tariff must be a ECM user pursuant to Section 24 of these General Terms and Conditions and must submit a request for service electronically via the ECM. Persons submitting a bid for firm service under one of Transporter's Open Access Rate Schedules pursuant to Section 28 of the General Terms and Conditions must submit the bid electronically via the ECM.
- (b) A request for a new service or an amendment to an existing service shall contain the information identified on the Request for Service Information List posted on Transporter's Internet Website, as such list may be amended from time to time. Requests to amend existing service that will affect a Shipper's financial obligations to Transporter, without regard to the impact of any applicable discount or Negotiated Rates, are referred to as Billing Amendments. Requests to amend existing service that will not affect a Shipper's financial obligations to Transporter, without regard to the impact of any applicable discount or Negotiated Rates, are referred to as Non-Billing Amendments. A Shipper requesting a new service or an amendment to existing service shall also provide the following to Transporter:
 - (1) Either at the time of the request for new service or an amendment to existing service is submitted to Transporter or at the time of execution of the Agreement, such other information (if any), in writing, as may be required to comply with regulatory reporting or filing requirements; and

- (2) Within ten (10) Business Days of the submittal of the request for new service or a request for a Billing Amendment, any credit information required to be provided pursuant to Section 27 of the General Terms and Conditions.
- (c) If Shipper does not submit the information required in Section 26.2(b) above within the required timeframes, the request for service shall be rejected by Transporter. In addition, Transporter shall reject any request for service created in the ECM by Shipper, but not submitted to Transporter within ninety (90) days of Shipper's creation of such request.
- (d) Neither a request for new service nor a request that would result in a Billing Amendment shall be deemed to have been received by Transporter until Shipper has submitted such request online via the ECM and Transporter has received the information required or requested pursuant to this Section 26.2 and Section 27 of the General Terms and Conditions. A request that would result in a Non-Billing Amendment shall be deemed to have been received on the date such request is submitted in the ECM. If Transporter requests additional information or assurance in accordance with Sections 26.2 and 27 herein, and such additional information or assurance is received within ten (10) Business Days of Transporter's request, Shipper's request for service shall be deemed to have been received on the date on which Shipper's additional financial information is received by Transporter; otherwise, Shipper's request for service shall be rejected by Transporter.

26.3 All firm Transportation requests for service shall be subject to the following conditions:

- (a) No request for Transportation from a Primary Receipt Point or to a Primary Delivery Point shall be considered valid or be granted if to do so would impair Transporter's ability to render existing services pursuant to Transporter's firm service rate schedule(s).
- (b) The date of request for such Shipper's new Receipt Point(s) and/or Delivery Point(s) shall be the date on which Shipper submits the fully completed request for such new Receipt Point(s) and/or Delivery Point(s). However, requests for amendments to any Agreement to increase a daily quantity or change or add a new Receipt Point(s) and/or Delivery Point(s) will be considered a new request for purposes of complying with Section 26.2(d) herein, if such request would result in a Billing Amendment as defined in Section 26.1(b) above.

26.4 Execution of Agreement and Amendments.

- (a) An Agreement and/or an amendment to an existing Agreement shall be executed, as specified in this Section 26.4, by Shipper and Transporter following the completion of the approval process.
- (b) All interruptible Agreements, all interruptible Agreement amendments, firm Agreements with a term of one (1) year or less, and all amendments for firm Agreements with a term of one (1) year or less shall be executed electronically via the ECM by Shipper and Transporter; any agreement that is executed in full utilizing electronic transmission through the ECM is a valid and enforceable contract that is binding on all parties. All firm Agreements with a term of more than one (1) year and all amendments to firm Agreements with a term of more than one (1) year shall be executed in writing. An Agreement shall be executed and, if executed in writing returned to Transporter, within fifteen (15) days of the tender of an Agreement by Transporter. In the event Shipper fails to submit a valid nomination for Transportation pursuant to an interruptible Agreement within ninety (90) days after the later of (i) the date service is to commence, (ii) the date the Agreement is fully executed by Shipper and Transporter, or (iii) the date that the facilities, if any, to be constructed are ready for service, the Agreement and the corresponding Transportation request for service shall be considered null and void.
- (c) For each of Transporter's firm Rate Schedule(s), the Agreement executed in writing or electronically via the ECM, as applicable, by Shipper and Transporter, the Exhibit(s) executed in writing or electronically via the ECM, as applicable, by Shipper and Transporter, the applicable rate schedule, the General Terms and Conditions of this FERC Gas Tariff, and any applicable Negotiated Rate or Discount Confirmation will comprise the entire agreement between Shipper and Transporter.
- (d) For each of Transporter's interruptible Rate Schedule(s), the Agreement executed by Shipper and Transporter, the Exhibit(s) executed by Shipper and Transporter, the applicable rate schedule, the General Terms and Conditions of this FERC Gas Tariff, and any applicable Negotiated Rate or Discount Confirmation will comprise the entire agreement between Shipper and Transporter.

26.5 Extension of Agreements. Prior to the expiration of the term of a Part 284 Agreement and prior to Transporter's posting the availability of capacity

under Transporter's Right of First Refusal provisions, if applicable, Transporter and Shipper may mutually agree to an extension of the term of the Agreement (the exact length of which is to be negotiated on a case-by-case basis, in a not unduly discriminatory manner).

26.6 Allocation of Available Firm Capacity

- (a) Firm capacity that is or becomes available on Transporter's system from time to time shall be allocated pursuant to this Section 26.6.
 - (1) Firm capacity will be allocated to that request(s) generating the highest net present value to Transporter. Net present value will be determined based on the discounted cash flow of revenues to Transporter produced, lost, or affected by the request(s) for service. In determining the highest net present value, Transporter will consider objective criteria only. Such criteria may include, without limitation, the maximum contract quantity requested, the term of the service requested, the date on which the requested service would commence, and such other objective criteria available based on the requests for service received by Transporter. The net present value evaluation shall include only revenues generated by the reservation rate component except that under a negotiated rate agreement with a minimum quantity or bill, the net present value evaluation shall also include the fixed cost component of the usage revenue at the minimum quantity or bill. In determining the highest net present value in connection with a Shipper paying a negotiated rate higher than the maximum recourse rate, such negotiated rate Shipper will be deemed to be paying a rate equal to the maximum recourse rate. In making the determination of net present value, Transporter shall apply the rate, as of the date of the review, stated in accordance with Section 154.501(d) of the Commission's regulations, to all bids.
 - (2) For requests for firm service with a term of less than ninety (90) days, Transporter shall have the right, but shall not be obligated, to post on its ECM notice of request(s) for service received and prescribe a period of time ("open season") for receiving additional requests to be evaluated contemporaneously.
 - (3) For requests for firm service with a term equal to or greater than ninety (90) days, Transporter shall conduct an open season for the purpose of receiving additional requests to be evaluated contemporaneously.

- (4) To the maximum extent possible, Transporter will attempt to structure any such open season posting pursuant to this Section 26.6(a) so as not to identify specifically the Shipper or potential Shipper submitting the request and/or the specific location of the market(s) to be served.
- (5) For any open season conducted pursuant to this Section 26.6(a), such open season shall be held for a minimum of (i) one (1) Business Day for service offerings with a term of less than ninety (90) days; or (ii) five (5) Business Days from the posting of the notice of request for service for the capacity or fifteen (15) Business Days from the date the capacity in question was first posted as being available for contracting, whichever is the later calendar date, for service offerings with a term of ninety (90) days or longer. In no event shall the open season be for a period greater than one (1) calendar month. All open seasons shall end at 2:00 p.m. CT not less than one (1) Business Day prior to the date service would be available.
- (6) Any Shipper desiring to place a bid for any capacity posted pursuant to this Section 26.6 must submit its bid online via the ECM.
- (7) In the event that Transporter receives two (2) or more requests for service which produce an equivalent net present value, whether during an open season or otherwise, any available capacity will be allocated between or among such requests on a pro rata basis; provided, however, if one or more party(s) is offered capacity on a pro rata basis pursuant to this Section 26.6(a) and any party declines, by notifying Transporter in writing, to contract for such capacity, such party's request shall be rejected by Transporter and the available capacity will be reallocated among such requests which produce an equivalent net present value. A party's notification to decline to enter into a contract for the capacity shall be submitted to Transporter online via the ECM.
- (8) Transporter shall post the winning request(s) and the method of evaluating such request(s) on the ECM within twenty-four (24) hours after the award of capacity.
- (9) In the event that the "best bid" is based upon a bid rate that is less than the applicable maximum tariff rate, Shipper must submit a discount request online via the ECM and receive approval from Transporter pursuant to the provisions of Section 35 of these General Terms and Conditions in order for the bid rate to become effective.

- (10) In addition to the procedures set forth in this Section 26.6(a), Transporter shall have the right, but shall not be obligated, from time to time to hold open seasons for potential expansion projects or for available capacity for which no request has been received. During any such open season, Transporter shall allocate the capacity subject to such open season on the basis of the highest net present value to Transporter, as determined pursuant to the method described in Section 26.6(a)(1).
- (11) To the extent Transporter has (i) available capacity or (ii) capacity under expiring or terminating Agreements where such capacity is not subject to a right of first refusal or shipper does not exercise its right of first refusal, Transporter reserves the right, but shall not be obligated, to reserve such capacity for a future expansion project. Transporter may reserve capacity for a future expansion project for which an open season has been held or will be held within twelve (12) months of the date that Transporter posts such capacity as being reserved. Any capacity reserved pursuant to this Section 26.6(a)(11) must first be posted as available capacity on Transporter's Web Site for at least five (5) Business Days. Such posting will indicate that Transporter plans to reserve the posted capacity for a future expansion project to the extent that the posted capacity is not acquired by Shippers during the open season for capacity to be reserved.

Any minimum terms and conditions imposed in an open season for capacity to be reserved must not materially differ so as to be more restrictive than the terms and conditions imposed in the expansion project open season. In the event that a subsequent expansion project open season imposes minimum terms and conditions that are materially different from the minimum terms and conditions imposed for the reserved capacity open season, Transporter shall hold another open season for the reserved capacity that uses the same minimum terms and conditions as were imposed for the expansion project open season.

Any capacity reserved under this Section 26.6(a)(11) may be reserved for up to twelve (12) months prior to the time Transporter files for certificate approval for proposed construction of a related project and thereafter until all expansion facilities are placed into service. Any capacity reserved under this Section 26.6(a)(11) shall be made available, pursuant to the provisions of Section 26.6(a)(12) of these General Terms and Conditions, for transportation service on an interim basis up to, but not including, the in-service date of the related expansion project(s). For such

interim service, Transporter reserves the right to limit any Customer's renewal rights that might otherwise apply to such service, including Customer's right of first refusal, if applicable. Any capacity reserved for a future expansion project that does not go forward for any reason shall be reposted as generally available within thirty (30) days of the date the capacity becomes available.

(12) Interim Service. Capacity that is under contract for a future period pursuant to 26.6(a)(11) or this Section 26.6(a)(12) will be made available on an interim basis up to the service commencement date of such contract for a future period ("Interim Capacity"). The availability of Interim Capacity, including any limitations on the renewal rights for such capacity, will be posted on Transporter's ECM in accordance with Section 26.6(a)(5). Any party desiring to submit a bid for such Interim Capacity must submit its bid online via the ECM in accordance with the provisions of Section 26.6(a)(6). Such Interim Capacity shall be available for bidding for at least five (5) business days. Transporter shall award the Interim Capacity and post a notice of the winning bid(s) on the ECM, in accordance with Sections 26.6(a)(7) through 26.6(a)(9). The right of first refusal will not be applicable to any service agreement entered into pursuant to this Section 26.6(a)(12).

- (b) Pipeline will post available capacity before it provides such information to any potential Shipper.
- (c) Transporter reserves the right to reject any request for service (i) at less than maximum rate, (ii) which may detrimentally impact the operational integrity of Transporter's system, (iii) which does not satisfy all the terms of a specific posting and/or (iv) which contains terms and conditions other than those contained in Transporter's FERC Gas Tariff. If Transporter rejects any request for available capacity, Transporter will notify Shipper via e-mail of its reason(s) for such rejection.
- (d) All requests received during an open season remain binding on the requesting party through the end of the open season, unless withdrawn by the requesting party prior to the close of the open season; provided, however, a requesting party may withdraw its previous request and submit a request with a higher net present value during the open season, but neither the requesting party nor an affiliate thereof may submit a request with a lower net present value during the open season. At the end of the open season, all requests either withdrawn or not accepted shall be deemed rejected by Transporter. If the winning bid is submitted by the requesting party and the requesting party has complied with the requirements of Sections 26 and 27 of these General Terms and Conditions, such winning bid shall be binding on the requesting party and an Agreement shall be

executed pursuant to the requirements of Section 26 of these General Terms and Conditions; in the event Shipper does not execute the Agreement as required by Section 26, Shipper shall nonetheless be bound by the terms of its winning bid and the provisions of such Agreement as though it had been fully executed. In the event the winning bidder is not the requesting party, Transporter shall automatically create a request for service on behalf of the winning bidder, and the winning bidder shall be required to comply with the provisions of Section 26; if the winning bidder does not execute the Agreement as required by Section 26.4, such winning bidder shall nonetheless be bound by the terms of its winning bid and the provisions of such Agreement as though it had been fully executed. If Transporter is unable to approve the winning bidder's request for service, the capacity shall be awarded to the party that submits the next highest bid for the posted capacity, subject to the requirements of Sections 26 and 27 of these General Terms and Conditions, unless, within one (1) Business Day of notification of the award of capacity, such party provides Transporter with written notification that it rejects such award.

- (e) Prospective Sale of Available Capacity and Minimum Terms of Any Awards.

Unless otherwise agreed by Transporter, Shipper may request available capacity for service to commence at a future date only within the following timelines:

- (1) For service for a contract term of less than ninety (90) days, the requested service shall commence no later than five (5) days from the date the request is granted or an open season ends, as applicable pursuant to Section 26.6(a)(2) herein;
- (2) For service for a contract term of ninety (90) days or more but less than one (1) year, Transporter shall be obligated to hold an open season pursuant to Section 26.6(a)(3) above only if the requested service would commence no later than thirty (30) days from the date the open season ends; and
- (3) For service for annual contract terms of one (1) year or longer, Transporter shall be obligated to hold an open season pursuant to Section 26.6(a)(3) above only if the requested service would commence no later than six (6) months from the date the open season ends.

In the event that Transporter allows a variation from the schedule defined in this Section 26.6(e), the variation shall be detailed in the open season posting. In addition, unless otherwise agreed to by Transporter, all awards of capacity pursuant to this Section 26.6(e) must be for continuous service

at a constant MDQ at maximum rates for the entire term of the service. If Transporter agrees to consider varying from the schedule described above by conducting an open season, then Transporter is free to reject any bid that meets the minimum terms if the bid is for less than the contract term defined in the open season posting. Any deviations from this schedule or minimum terms shall only be done in a not unduly discriminatory manner consistent with Commission regulations.

26.8 Materially Non-Conforming Service Agreements

The following service agreements are being listed in accordance with Section 154.112(b) of the Commission's regulations. This list of agreements will be updated to reflect new agreements containing material, non-conforming provisions, with the exception of an extension in the term of one of the agreements identified below.

Customer Name	Contract Number	Rate Schedule	Primary Term Begin Date
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27. CREDITWORTHINESS

27.1 General Credit Procedures

- (a) Transporter shall not be required to (i) execute an Agreement providing for service under the applicable Rate Schedule for any Shipper who fails to meet Transporter's standards for creditworthiness, or (ii) initiate service for a Shipper who subsequently fails to meet Transporter's standards for creditworthiness, or (iii) continue service for any Shipper who is or has become insolvent or who, at Transporter's request, fails within a reasonable period to demonstrate creditworthiness pursuant to Transporter's standards.
- (b) To permit Transporter to conduct a creditworthiness review, a Shipper shall, upon request by Transporter, render to Transporter: (i) complete and current financial statements, including annual reports, 10-K reports or other filings with regulatory agencies, prepared in accordance with generally accepted accounting principles, or for non U.S.-based Shippers, prepared in accordance with equivalent principles; (ii) a list of corporate affiliates, parent companies and subsidiaries; and (iii) any credit reports available from credit reporting agencies. In addition to the establishment of creditworthiness: (i) 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 such as an assignment for the benefit of creditors, or any informal creditors' committee agreement; (ii) Shipper should not be subject to the uncertainty of pending liquidation or regulatory proceedings which could cause a substantial deterioration in its financial condition, a condition of insolvency, or the inability of Shipper to exist as an ongoing business entity; (iii) if Shipper has an ongoing business relationship with Transporter, no undisputed delinquent balances should be consistently outstanding for any services performed previously by Transporter, and Shipper must have paid its account in the past according to the credit terms and contract provisions and not made deductions or withheld payment for claims not authorized by contract; and (iv) no significant collection, lawsuits or judgments are outstanding which would adversely impact the ability of Shipper to remain solvent.
- (c) For purposes of Section 27.1(b) above, the insolvency of a Shipper shall be presumed by the filing by such Shipper or any parent entity thereof of a voluntary petition in bankruptcy or the entry of a decree or order by a court having proper jurisdiction adjudging the Shipper or any parent entity thereof bankrupt or insolvent. The insolvency of a Shipper shall also be presumed by the filing by the Shipper or its parent entity of a voluntary or involuntary proceeding, reorganization, receivership, liquidation, a debt reduction procedure, assignment for the benefit of

creditors, formal or informal creditor restructuring agreement, or the filing of any case under the United States Bankruptcy Code, or any other applicable federal or state law.

- (d) If any of the events or actions described in Section 27.1(c) above shall be initiated or imposed during the term of service hereunder, Shipper shall provide notification thereof to Transporter within two (2) Business Days of any such initiated or imposed event or action.

27.2 Credit Requirements for long-term Shippers (contracts greater than 1 year). Shipper shall at all times comply with one of the following creditworthiness requirements:

- (a) Shipper (or an affiliate which guarantees Shipper's obligations under the Agreement) has an investment grade credit rating for its long term senior unsecured debt from Moody's Investor Service of Baa3 or better or from Standard & Poor's of BBB- or better. A Shipper who qualifies under this category initially but is later downgraded below such investment grade will be required to qualify pursuant to Section 27.2(b) below.
- (b) A Shipper whose long term senior unsecured debt does not have an acceptable rating as set forth in Section 27.2(a) above will be accepted as creditworthy if (i) Transporter determines that, notwithstanding the absence of an acceptable rating, the financial position of Shipper (or an affiliate who guarantees Shipper's obligations under the Agreement) is acceptable to Transporter and its lenders; or (ii) the Shipper provides an irrevocable letter of credit in an amount equal to three (3) Months of estimated reservation charges under the Agreement; provided that such amount shall be adjusted annually to reflect any change in the estimated reservation charges under the Agreement for the succeeding three (3) Months or (iii) Shipper provides other security acceptable to Transporter and its lenders, each acting reasonably.

Transporter shall provide such Shipper with a written statement supporting Transporter's request for the security amount requested at the time such security is requested. If Transporter rejects the security provided by Shipper in accordance with Section 27.2(b)(i)-(iii) above, Transporter shall re-issue its request for the security and include a written explanation for the rejection of the security previously provided by Transporter.

- (c) Nothing herein shall be read to preclude Transporter from requiring, and enforcing for the term of the contracts, a greater amount of security in agreements supporting an application for a certificate to construct new or expanded facilities, including any replacement contract entered into upon a permanent release of capacity under such contract, any assignment of

such contract or any resale of capacity subject to such contract in the event of a default.

- (d) **New Construction.** In the event that a precedent agreement for a new or an expansion project contains credit provisions applicable to Shipper's capacity related to such project, the credit requirements applicable to the service agreement related to such project will be the credit requirements set forth in that certain precedent agreement for the new or expansion project between Transporter and Shipper.

27.3 Credit Requirements for short-term Shippers (contracts less than 1 year). Shipper shall establish credit in accordance with Section 27.2.

- (a) If a Shipper fails to establish creditworthiness as provided in Section 27.2, Shipper may still receive Transportation Service if, and only if, Shipper furnishes and maintains in effect one of the following at Shipper's discretion and acceptable to Transporter: (i) a written guarantee for unconditional payment from a third party which is creditworthy as determined above; or (ii) an irrevocable standby letter of credit; or (iii) a prepayment amount equal to the amount which would be charged to Shipper for three (3) Month's service or the term of service, whichever is less, plus an amount equal to the three highest Cashout payments, if any incurred during the previous twelve months, (if no prior history exists between the parties, Transporter shall determine the amount of advance payment hereunder to be deposited with Transporter) or (iv) other security acceptable to Transporter.
- (b) If a Shipper fails to maintain creditworthiness, as determined by Transporter in accordance with Sections 27.2 or 27.3(a), Shipper may continue to receive service for fifteen (15) days after written notice from Transporter of such failure, provided, however, that Shipper furnishes and maintains in effect one of the following at Shipper's discretion and acceptable to Transporter: (i) a written guarantee for unconditional payment from a third party which is creditworthy as determined above; or (ii) an irrevocable standby letter of credit; or (iii) an amount equal to the amount which would be charged to Shipper for three (3) Month's service or the term of service, whichever is less, plus an amount equal to the three highest Cashout payments, if any incurred during the previous twelve months; or (iv) other security acceptable to Transporter. If Shipper fails to provide Transporter with the appropriate credit under this Section 27.3(b) within such fifteen (15) day notice period, then Transporter may, without waiving any rights or remedies it may have, and subject to a 30 day notice to both the Commission and the Shipper, suspend further service until Shipper's compliance with 27.2(b) is obtained, provided, however, that if compliance is not made within the 30 day notice period, Transporter shall no longer be obligated to continue to

provide service to such Shipper.

- (c) Transporter's credit appraisal procedures involve the establishment of dollar credit limits on a standardized nondiscriminatory basis which appraisal shall consider a number of relevant factors including but not limited to the cost of constructing any applicable facilities. To the extent that a Shipper's account(s) with Transporter do not exceed such limits and/or provided no new information regarding Shipper's financial or business position becomes known to Transporter, no new credit approval shall be necessary for Shipper's existing Agreement(s) unless subsequently amended; provided however, that Transporter shall have the right, with Shipper's assistance and cooperation, to update Shipper's credit file at any time.

28. RIGHT OF FIRST REFUSAL

- 28.1 Purpose. The purpose of this Section 28 is to provide the necessary information pertaining to the right of long-term firm Shippers to continue firm Transportation Service at the expiration of their Agreements by exercising a right of first refusal.
- 28.2 Eligibility. Any Shipper with a firm Agreement under a Part 284 Rate Schedule with an initial term of greater than two (2) years must give notice to the Transporter that Shipper desires to continue its Agreement at least two (2) years in advance of the end of the primary term of the Agreement, and any Shipper with a firm Agreement under a Part 284 Rate Schedule with a primary term of (i) at least twelve (12) Months of consecutive Transportation Service, or (ii) firm Transportation Agreements with a primary term of more than one (1) year for service which is not available for twelve (12) consecutive months ("seasonal contracts") must give notice to Transporter that Shipper desires to continue its Agreement at least six (6) months in advance of the end of the primary term of the Agreement. Shipper also must agree that it will match (a) the longest term, up to the maximum term allowed by the Commission, and (b) the highest rate for such Service, up to the Maximum Recourse Rate, that is offered by any other person desiring such capacity; provided, however, that Transporter shall not be obligated to provide service at less than the Maximum Recourse Rate(s). A Shipper paying a Negotiated Rate which exceeds the Maximum Recourse Rate will be considered for purposes of this Section 28.2 to be paying the Maximum Recourse Rate as set forth in the Statements of Rates. Failure of the Shipper to give the notice specified will constitute a waiver of the Shipper's right of first refusal.
- 28.3 Procedure.
- (a) Transporter shall notify Shipper no later than three (3) Months prior to the expiration of the Agreement whether any outstanding bona fide offers exist for Transporter's capacity at a higher rate and/or for a longer term which could be satisfied by the relinquishment of Shipper's capacity. Offers will be deemed bona fide if made in compliance with Section 26 of these General Terms and Conditions. Any party that has an outstanding request for firm service under Section 26 of these General Terms and Conditions shall be notified and given the opportunity to specify the rate and term it is willing to offer for Shipper's capacity. If Transporter has received any such offers, Transporter shall inform Shipper of the rate, up to the Maximum Recourse Rate, and the term, up to a maximum time allowable by the Commission, that has been offered for Shipper's capacity. Shipper shall notify Transporter within ten (10) Business Days after notification whether it desires to match the rate and term offered, and, if so, to provide a binding commitment in writing to Transporter to execute a contract containing said terms within the next

thirty (30) Business Days.

- (b) If Transporter does not notify Shipper of the existence of any offers for Shipper's capacity under Section 28.3(a), Transporter and Shipper may negotiate the terms and conditions of a new Agreement; provided, however, that in no event shall Shipper have any automatic right to renew service at a negotiated or discounted rate; provided further, however, Shipper may select the term of the Agreement after agreeing to pay the Maximum Recourse Rates, and all applicable surcharges.

29. INCORPORATION IN RATE SCHEDULES AND AGREEMENTS

These General Terms and Conditions are incorporated in and are a part of Transporter's Rate Schedules and Agreements. To the extent there is any inconsistency between terms in these General Terms and Conditions and terms in Transporter's Rate Schedules or Agreements, these General Terms and Conditions shall govern.

30. NEGOTIATED RATES

30.1 Availability. Notwithstanding anything to the contrary contained in this Tariff, Transporter and Shipper may mutually agree to a Negotiated Rate and contract term for all or any portion of the capacity under any Part 284 Agreement, provided that Shipper has not acquired its capacity under the capacity release provisions of Section 25. If only a portion of the capacity under any Agreement will be priced at Negotiated Rates, the original Agreement must first be bifurcated, and the existing Maximum Recourse Rates or discounted rates will continue to apply to the Agreement not subject to the Negotiated Rates. If Transporter and Shipper fail to agree to a Negotiated Rate, Shipper may receive service at the applicable Maximum Recourse Rate, including surcharges, for service under the Rate Schedule applicable to the service.

30.2 Capacity Release.

(a) To the extent that Transporter agrees to a Negotiated Rate applicable to usage and/or fuel charges, Transporter will consider, if requested by the Negotiated Rate Shipper, and may agree with the Negotiated Rate Shipper, on a not unduly discriminatory basis, to the terms and conditions pursuant to which Transporter will offer such Negotiated Rate(s) to Replacement Shipper(s). This agreement to flow through the Negotiated Rates for usage and/or fuel charges to a Replacement Shipper will be documented as set forth in Section 30.7(a) below.

(b) Any potential Replacement Shipper that desires to acquire capacity on a temporary basis pursuant to Section 25 of the General Terms and Conditions may request via the ECM to pay the usage and/or fuel charges pursuant to Transporter's Recourse Rates or pursuant to Shipper's Negotiated Rate. Transporter shall grant the request to pay Shipper's Negotiated Rate ("Request") if Transporter determines, in a not unduly discriminatory manner, that Replacement Shipper is similarly situated to Shipper; provided however, any Replacement Shipper acquiring capacity on a temporary basis under a service agreement for which Transporter and Shipper have agreed to the automatic pass-through of the Negotiated Rate pursuant to Section 30.2(a) above will be deemed to be similarly situated to Shipper and Transporter will be deemed to have granted the Request. In the event that Transporter grants such Request and the potential Replacement Shipper's bid is the winning bid, the potential Replacement Shipper's Request will serve as its execution of the Negotiated Rate agreement and Transporter's award of the bid via the ECM will serve as Transporter's execution of the Negotiated Rate agreement for such Negotiated Rates and such agreement will be documented as set forth in Section 30.7(b) below. If Transporter denies such Request or if the potential Replacement Shipper does not request such negotiated rates, Transporter's recourse rates shall be applicable to

any capacity awarded to such potential Replacement Shipper. If Transporter denies such Request, Transporter shall notify the potential Replacement Shipper via email of the reason(s) for the denial of the Request.

- 30.3 Filing Requirement. Transporter will submit to the Commission a Statement of Negotiated Rates stating prior to the commencement of service under a Negotiated Rate agreement or, for those Negotiated Rate agreements between Transporter and a Replacement Shipper that incorporate a Negotiated Rate for usage and/or fuel charges flowed through to the Replacement Shipper pursuant to Section 30.2(b), as soon as reasonably practicable following the award of the capacity to the Replacement Shipper pursuant to Section 25 of the General Terms and Conditions. The Statement of Negotiated Rates will reflect the exact legal name of the Shipper, the Negotiated Rate, the rate schedule, the contract term, the Receipt Point(s), Delivery Point(s), the MDQ, and where applicable, the exact formula underlying a Negotiated Rate for any Negotiated Rate Agreement. Unless Transporter executes and files a non-conforming Agreement, such Statement of Negotiated Rates will contain a statement that the Negotiated Rate Agreement does not deviate in any material respect from the Form of Service Agreement for the applicable Rate Schedule.
- 30.4 Limitations. This Section 30 does not authorize Transporter to negotiate terms and conditions of service.
- 30.5 Right of First Refusal. For purposes of exercising rights to continue service pursuant to Section 28 of these General Terms and Conditions, the highest rate that a Shipper must match if it desires to retain all or a portion of its capacity, and continue to receive firm service under the same rate schedule beyond the expiration date of such long-term firm Agreement, is the recourse rate for such service.
- 30.6 Accounting Treatment. Transporter shall maintain a separate account within Account 489.2, Revenues from Transportation of Gas of others through transmission facilities, for recording all revenues associated with charging Negotiated Rates. Transporter shall record each volume transported, billing determinant, rate component, surcharge, and the revenue associated with its Negotiated Rates so that this information can be filed, separately identified, and separately totaled, as part of and in the format of Statements G, I, and J in Transporter's next Section 4 rate case.
- 30.7 Documentation.
- (a) With the exception of Negotiated Rates agreed upon pursuant to Section 30.2(b) above that are applicable to a temporary release of capacity, any Negotiated Rate agreed to by Transporter and Shipper pursuant to this Section 30 shall be implemented by Transporter's completion of a pro

forma Statement of Negotiated Rates with the applicable Negotiated Rate-related provisions as described in Section 30.3 herein. Transporter shall tender such pro forma Statement of Negotiated Rates to Shipper together with a transmittal letter for counter-execution by Shipper, which transmittal letter shall have the sole purpose of memorializing Transporter's and Shipper's mutual agreement to the rate-related provisions reflected on such attached pro forma Statement of Negotiated Rates. After execution by both Transporter and Shipper, Transporter shall file a Statement of Negotiated Rates with the Commission which shall contain rate-related provisions identical to the rate-related provisions reflected on the pro forma Statement of Negotiated Rates agreed to by Transporter and Shipper.

- (b) Upon the completion of the capacity release process set forth in Section 25 of the General Terms and Conditions and the award of capacity on a temporary basis to Replacement Shipper(s), any Negotiated Rates agreed upon and executed pursuant to Section 30.2(b) above shall be documented by Transporter in a Statement of Negotiated Rates filed with the Commission and provided to the Replacement Shipper(s).

30.8 Effective Date of Negotiated Rate. Any Negotiated Rate agreed to pursuant to this Section 30 shall become effective only after acceptance by the Commission; prior to such date the rate applicable to any such service shall be the maximum Recourse Rate.

31. NORTH AMERICAN ENERGY STANDARDS BOARD ("NAESB") STANDARDS

Transporter has adopted all of the Business Practices and Electronic Communications Standards, NAESB WGQ Version 2.0, which are required by the Commission in 18 CFR Section 284.12(a) in accordance with Order Nos. 587 et al. Standards without accompanying identification or notations are incorporated by reference. Standards that are not incorporated by reference are identified along with the tariff record in which they are located. Standards for which waivers or extensions of time have been granted are also identified.

Standards not Incorporated by Reference and their Location in Tariff:

Pursuant to NAESB's Copyright Procedure Regarding Member and Purchaser Self-Executing Waiver as adopted by the NAESB Board of Directors on April 4, 2013, Transporter may publish in its tariff, compliance filings, in communications with customers or stakeholders in conducting day to day business or in communications with regulatory agencies some or all of the language contained in NAESB standards protected by copyright, provided that Transporter includes appropriate citations in the submission.

Transporter has elected to reproduce only the following Business Practices and Electronic Communications Standards, NAESB WGQ Version 2.0, that are protected by NAESB's copyright. With respect to each reproduced standard, Transporter incorporates the following: ©1996 - 2010 NAESB, all rights reserved.

NAESB WGQ Standard	Tariff Record <i>(Part 6 - General Terms and Conditions unless otherwise specified)</i>	Section
Nominations Related Standards		
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1.2.14	1. Definitions	1
1.2.15	1. Definitions	1
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1.3.2 (iii)	4. Nominations	4.2(g)(1)
1.3.2 (iv)	4. Nominations	4.2(g)(2)
1.3.2 (v)	4. Nominations	4.1(a), 4.2(g)
1.3.3	4. Nominations	4.1
1.3.5	4. Nominations	4.1
1.3.6	4. Nominations	4.2(a)
1.3.7	4. Nominations	4.1(a)
1.3.8	4. Nominations	4.2
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5.3.3	25. Capacity Release Provisions	25.1(h)(13)
5.3.4	25. Capacity Release Provisions	25.1(l)
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5.3.10	25. Capacity Release Provisions	25.1(j)
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Standards:

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Standards for which Waiver of Extension of Time to Comply have been granted

NAESB WGQ

Standard No.	Waiver or Extension of Time
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3.4.3	Extension of Time
3.4.4	Extension of Time

Capacity Release Related Standards:

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5.4.23	Extension of Time

32. DEFAULT AND TERMINATION

- 32.1 Except where different procedures for termination of an Agreement are expressly provided in the General Terms and Conditions, if Transporter or Shipper shall fail to perform any of the covenants or obligations imposed upon it under any Agreement into which these General Terms and Conditions are incorporated, then in such event the other party may, at its option, terminate such Agreement by proceeding as follows: The party not in default shall cause a written notice to be served on the party in default stating specifically the default under the Agreement and declaring it to be the intention of the party giving the notice to terminate such Agreement; thereupon the party in default shall have 30 days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the default notice and if within the said 30 day period the party in default does so remove and remedy said cause or causes and fully indemnifies the party not in default for any and all consequences of such default, then such default notice shall be withdrawn and the Agreement shall continue in full force and effect.
- 32.2 In the event the party in default does not so remedy and remove the cause or causes, or does not indemnify the party giving the default notice for any and all consequences of such default within the said period of 30 days, then, after any necessary authorization by regulatory bodies having jurisdiction, at the option of the party giving such default notice, the Agreement shall terminate.
- 32.3 Any termination of the Agreement pursuant to the provisions of this Section 32 shall be without prejudice to the right of Transporter to collect any amounts then due to it for Gas delivered or service provided prior to the date of termination, and shall be without prejudice to the right of Shipper to receive any Gas which it has not received but the Transportation of which has been paid prior to the date of termination, and without waiver of any other remedy to which the party not in default may be entitled for breaches of the Agreement.

33. STANDARDS OF CONDUCT COMPLIANCE PROCEDURES.

33.1 Complaints: In the event that a Shipper or potential Shipper has a complaint relative to service under this Tariff or Transporter's Standards of Conduct compliance procedures, the Shipper shall provide a description of the complaint, including the identification of the Transportation request (if applicable) and a clear and complete statement of the nature and basis of the complaint, together with supporting documentation, if any, to the appropriate contact personnel whose name(s) shall be posted on Transporter's Internet Website.

Transporter shall respond to a complaint within forty-eight (48) hours, and in writing within thirty (30) days advising Shipper or potential Shipper of the disposition of the complaint. In the event the required date of Transporter's response falls on a Saturday, Sunday, or a holiday that affects Transporter, Transporter shall respond by the next Business Day.

33.2 Informational Postings

All information required to be posted pursuant to the Commission's currently effective Standards of Conduct regulations will be provided on Transporter's Internet Website under Informational Postings. Such information will be updated as required by applicable regulation(s) issued by the Commission.

34. LIMITATION OF LIABILITY OF MEMBERS AND OPERATOR

Shipper acknowledges and agrees that (a) Transporter is a Delaware limited liability company; (b) Shipper shall have no recourse against any member of Transporter with respect to Transporter's obligations under any Agreement and its sole recourse shall be against the assets of Transporter, irrespective of any failure to comply with applicable law or any provision of any Agreement; (c) no claim shall be made against the company operating the business and physical operations of Transporter or its members or the officers, employees, and agents of operator or its members (collectively "Operator"), under or in connection with any Agreement and the performance by Operator of its duties as Operator (provided that this provision shall not bar claims resulting from the gross negligence or willful misconduct of the Operator) and Shipper shall provide the Operator with a waiver of subrogation of Shipper's insurance company for all such claims; and (d) this representation is made expressly for the benefit of the members in Transporter and the Operator.

35. DISCOUNT POLICY

- 35.1 Any Shipper desiring a discount of the Maximum Recourse Rates for service under Transporter's open-access rate schedules must submit a valid request for such discount pursuant to the procedures of this Section 35. To be considered a valid request, Shipper must complete and submit a request for discount via the ECM, specifically including the information for all mandatory fields. Upon receipt of a valid request for a discount, Transporter will log such request and either deny or grant such request.
- 35.2 If and when Transporter discounts the rates applicable for service under any Agreement under Rate Schedules included in Transporter's FERC Gas Tariff, the amount of any such discount shall be accounted for as a reduction of Maximum Recourse Rates in the following sequence to the extent any of the following components are included in the Maximum Recourse Rates; the first item discounted shall be trackable rate components (if any), to the extent not otherwise agreed to in approved settlements, followed by the base rate (maximum less minimum rate and excluding all other components specified here).
- 35.3 In the event that Transporter agrees to discount its Maximum Recourse Rates under any of its open-access rate schedules, Transporter and Shipper may agree to the types of discounts specified herein without such discounts constituting a material deviation from Transporter's pro forma service agreement. Transporter and Shipper may agree that a specified discounted rate will apply:
- (a) only to specified quantities under the Agreement;
 - (b) only if specified quantities are achieved or only with respect to quantities below a specified level;
 - (c) only during specified periods of the year or for a specifically defined period;
 - (d) only to specified points, combination of points, markets, Transportation Paths or other defined geographic area(s);
 - (e) only to reserves committed by Shipper;
 - (f) only in a specified relationship to the quantities actually delivered (i.e., that the reservation charge will be adjusted in a specified relationship to quantities actually delivered);
 - (g) so that the applicable rate may be adjusted in the following manner: when one rate component, which was equal to or within the applicable Maximum Recourse Rates and Minimum Recourse Rates at the time Shipper received the Discount Confirmation pursuant to Section 35.5 below specifying the terms of the discount, subsequently exceeds the applicable Maximum Recourse Rate or is below the applicable Minimum Recourse Rate, so that such rate component must be adjusted downward or upward to equal the new applicable

Maximum Recourse Rate or Minimum Recourse Rate, then other rate components may be adjusted upward or downward to achieve the agreed-upon overall rate, so long as none of the resulting rate components exceed the Maximum Recourse Rate or are below the Minimum Recourse Rate applicable to the rate component (such changes to rate components shall be applied prospectively, commencing with the date a Commission order accepts a revised Statement of Rates; however, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates which had been charged under a Discount Confirmation exceeded rates which ultimately are found to be just and reasonable); and/or

- (h) based upon published index prices for specific Receipt Points and/or Delivery Points or other agreed-upon published pricing reference points for price determination (such discounted rate may be based upon a single published index price or the differential between published index prices or arrived at by formula;

provided that the discounted rate shall not change the underlying rate design, shall not include any minimum bill or minimum take obligation, and shall define the rate component to be discounted). Notwithstanding the foregoing, no discounted rate shall be less than the applicable Minimum Recourse Rate.

- 35.4 In the event that Transporter rejects Shipper's request for a discounted rate, Transporter shall notify Shipper via e-mail of the reason for such rejection.
- 35.5 The terms of any discount request granted by Transporter pursuant to this Section 35 shall be transmitted by e-mail to Shipper in the form of a Discount Confirmation. The Discount Confirmation shall identify the applicable Shipper's name, contract number, rate schedule, term of the discount, discount rate, applicable quantities, Receipt Point(s) and delivery, and/or the pipeline path being discounted. The Discount Confirmation may also include other information required for posting under the Commission's regulations and other conditions consistent with Section 35.3. No particular discount transaction shall be contractually binding on either Transporter or Shipper until Transporter has confirmed the terms of the discount upon Transporter's e-mail to Shipper of the Discount Confirmation for the transaction, subject to the underlying Agreement being fully executed. All discounts granted shall be effective no sooner than the beginning of the next Gas Day following the Gas Day on which the request is granted by Transporter. Once the discount is contractually binding, the Discount Confirmation will constitute an addendum to the underlying Agreement. Each such addendum is an integral part of the underlying Agreement as if executed by both parties and fully copied and set forth at length therein.

35.6 If Transporter's recourse rates are subject to refund at any time during the effectiveness of a Discount Confirmation, with respect to the applicable discounted rate, Shipper shall be entitled to refunds of payments made by Shipper only in the event that the final, non-appealable Maximum Recourse Rate, whether usage-based or reservation-based, as determined by the Commission for a given time period is lower than the rate actually paid by Shipper during such time period. Subject to the condition precedent set forth in the immediately preceding sentence, Shipper's principal refund amount shall be equal to (a) with respect to usage-based rates, the product of (1) the positive difference between the final, non-appealable Maximum Recourse Rate and the discounted rate, and (2) the quantities of Gas delivered to Shipper, or for Shipper's account, during the refund period; and (b) with respect to reservation-based rates, the product of (1) the positive difference between the final, non-appealable Maximum Recourse Rate and the discounted rate, (2) the MDQ covered by the discounted rate, and (3) the number of Months in the refund period (partial Months shall be prorated for the number of Days in the Month that fall within the refund period and a discounted rate that is not a Monthly rate shall be adjusted for purposes of this calculation to reflect the Monthly equivalent of the rate).

36. OFF-SYSTEM PIPELINE CAPACITY

From time to time, Transporter may enter into Transportation and/or storage agreements with other interstate or intrastate pipeline companies (individually, an "off-system pipeline"). In the event that Transporter acquires capacity on an off-system pipeline, Transporter will use such capacity for operational reasons and will only render Transportation Service to Shippers on the acquired capacity pursuant to Transporter's Tariff and subject to Transporter's approved rates, as such Tariff and rates may change from time to time. For purposes of Transportation Service on an off-system pipeline, the "shipper must have title" requirement is waived, permitting a Shipper utilizing such service to have title to the Gas on such off-system pipeline.

37. PERMITTED SHARING OF NON-PUBLIC INFORMATION

Pursuant to FERC Order No. 787 and subject to the requirements of FERC Order No. 787, Transporter shall have the right to share, from time to time on a voluntary basis, non-public operational information with an Independent System Operator, Regional Transmission Organization or public utility that owns, operates, or controls facilities used for transmission of electric energy in interstate commerce (collectively “Electric Transmission Operator”) for the purpose of promoting reliable service or operational planning on either the Transporter’s or Electric Transmission Operator’s system. Transporter’s primary point of contact and the protocols for the sharing of such non-public information will be provided to each Electric Transmission Operator in Transporter’s service territory. All such sharing of non-public operational or planning information will be in accordance with those protocols. A list of the Electric Transmission Operators who have agreed to the protocols will be maintained on Transporter’s Informational Postings website.

38. INCIDENTAL PURCHASES AND SALES

- 38.1 Transporter may purchase or sell operational Gas to the extent necessary to maintain reliable system operations, including but not limited to system pressure, fuel quantities and line pack.
- 38.2 Transporter will post its operational sales quantities for bidding on its ECM in accordance with the applicable bidding provisions contained in GT&C Section 25.
- 38.3 Operational sales are unbundled from transportation service; and,
- 38.4 Transporter will file an annual report for each operational purchase and sale showing the revenues derived from the sale of gas and the crediting of revenues from such sales to shippers and will indicate the source of the purchase or sale, date of the purchase/sale volumes, purchase/sale price, costs and revenues from the purchase/sale, and the disposition of the costs and revenues, an explanation as to the purpose of any operational purchase and or sale, and identification of all entities, including affiliates, from which the pipeline purchases operational gas.

39. INTERRUPTIBLE SERVICE REVENUE CREDITING

39.1 Interruptible Service Revenue Credit. An Interruptible Service Revenue Credit (“Section 39 Credit”) computed in accordance with this Section 39 shall be applied to the Maximum Reservation Rate under Rate Schedule FTS and the Maximum Usage Rate under Rate Schedules ITS and PALS. The Section 39 Credit shall apply to negotiated rate agreements only to the extent such agreements provide that the rates in such agreements shall be adjusted to reflect the factors specified in this Section.

39.2 Filing and Effectiveness of Section 39 Credit

- (a) At least thirty (30) days prior to the Effective Date of each Section 39 Credit, Transporter shall file with the Commission, and post, as defined in Section 154.2(d) of the Commission’s Regulations, a schedule of its Proposed Maximum Recourse Rates to reflect the application of the Section 39 Credit, calculated in the manner described in Section 39.3. Transporter shall provide supporting documentation with its filing.
- (b) The effective date of the Section 39 Credit shall be thirty days after Transporter files revised Tariff Records to implement the provisions of this Section 39. The initial Section 39 Credit effective date, at Transporter’s discretion, shall be the first day of a month between fourteen and sixteen months after the effectiveness of Transporter’s Original Rates. The first day of the same month in each succeeding calendar year shall be the effective date for each subsequent Section 39 Credit. As used in this Section 39, the term “Original Rates” means the rates shown on the Statement of Rates.
- (c) Each Section 39 Credit shall remain in effect for a full twelve month period and no longer. In the event this Section 39 is terminated before the conclusion of any such twelve month period, the Section 39 Credit then in effect shall remain in effect through the end of the full twelve month period.

39.3 Calculation of Proposed Maximum Recourse Rates

- (a) The Proposed Maximum Recourse Rates shall be calculated by subtracting from the maximum recourse rate in effect at the time of the annual Section 39 Credit filing the Section 39 Credit, calculated as described in subsection 39.3(b) hereof.
- (b) The Section 39 Credit shall be determined by:
 - (1) Subtracting from the total revenues Transporter obtained by providing service under Rate Schedules IT and PALS during each

Section 39 Adjustment Period (“Adjustment Period”) the total variable costs incurred during such period for such services.

- (2) Dividing the result by the total of the reservation billing determinants underlying Transporter's Rate Schedule FTS rates in effect at the conclusion of the Adjustment Period and the total of volumes transported under Rate Schedule ITS and served under Rate Schedule PALS during the entirety of such Adjustment Period; and
 - (3) Rounding the result to the nearest hundredth of cent, but if the computation results in an amount that is less than one hundredth of a cent per Dth, the Section 39 Credit shall be deemed to be zero.
- (c) The Adjustment Period shall consist of a twelve month period. The first Adjustment Period shall commence on the effective date of the Original Rates. Each Adjustment Period thereafter shall commence on the succeeding anniversary date.

FORM OF SERVICE AGREEMENTS

INDEX

DESCRIPTION/TITLE

1. FTS Service Agreement
2. ITS Service Agreement
3. PALS Service Agreement
4. Form of Negotiated Rate Agreement

FORM OF SERVICE AGREEMENT
APPLICABLE TO RATE SCHEDULE FTS

Contract No. _____

SERVICE AGREEMENT

This AGREEMENT entered into this ____ day of _____, _____, by and between Florida Southeast Connection, LLC, a limited liability company of the State of Delaware (herein called "Transporter"), and _____ (herein called "Shipper"), [If this Agreement supersedes a previous agreement, the following may be inserted here: This Agreement supersedes and replaces in its entirety that certain _____ [insert type of agreement] by and between _____ and _____, dated _____ (Contract/Agreement No: _____).]

WITNESSETH

WHEREAS, Shipper is interested in obtaining firm transportation service from Transporter and Transporter is willing to provide firm transportation service to Shipper; and

WHEREAS, _____

_____;

WHEREAS, such service will be provided by Transporter for Shipper in accordance with the terms hereof.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Transporter and Shipper do covenant and agree as follows:

1. Type of Service. Transporter agrees to provide and Shipper agrees to take and pay for service under this Agreement pursuant to Transporter's Rate Schedule FTS and the General Terms and Conditions of Transporter's Tariff, which are incorporated herein by reference and made a part hereof. ***[In the event that a precedent agreement for a new or an expansion project contains credit provisions applicable to Shipper's capacity related to such project, the following language shall be included in Shipper's Agreement:*** "The credit requirements applicable to this Agreement are set forth in that certain Precedent Agreement dated _____ between Transporter and Shipper related to this Agreement."
2. Quantity. The Maximum Daily Quantity (MDQ) and, if applicable, the Maximum Daily Hourly Quantity ("MDHQ") for service under this Agreement is stated in Exhibit C attached hereto and incorporated herein.
3. Primary Receipt and Delivery Points. The Primary Receipt Points(s) shall be listed on Exhibit A and the Primary Delivery Point(s) shall be listed on Exhibit B attached hereto and incorporated herein. To the extent applicable, any minimum receipt or delivery pressure shall also be stated on Exhibits A and B.

4. Term. This Agreement shall be effective on _____ and shall continue until _____ ("Primary Term") and from _____ to _____ thereafter (not less than year to year for the secondary term for Agreements with a primary term of more than 1 year) ("Secondary Term(s)") until terminated by Transporter or Shipper upon at least _____ [not less than 1 year]] prior written notice. Any portions of this Agreement necessary to correct or cash-out imbalances under this Agreement as required by the General Terms and Conditions of Transporter's FERC Gas Tariff shall survive the other parts of this Agreement until such time as such balancing has been accomplished.

5. Rate. Maximum rates, charges, and fees shall be applicable to service pursuant to this Agreement except during the specified term of a discounted or Negotiated Rate to which Shipper and Transporter have agreed. Provisions governing such discounted rate shall be as specified in the Discount Confirmation to this Agreement. Provisions governing such Negotiated Rate and term shall be as specified on an appropriate Statement of Negotiated Rates filed, with the consent of Shipper, as part of Transporter's Tariff. [insert sentence if applicable stating that Transporter and Shipper have agreed to a discount or Negotiated Rate].

6. Notice. Unless otherwise required in the Tariff, all notices shall be in writing and mailed to the applicable address below or transmitted via facsimile or electronic mail. Shipper or Transporter may change the addresses or other information below by written notice to the other without the necessity of amending this Agreement:

Transporter:

Shipper:

7. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Florida, excluding conflicts of law principles that would require the application of the laws of a different jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective Officers and/or Representatives thereunto duly authorized to be effective as of the date stated above.

SHIPPER

TRANSPORTER

Florida Southeast Connection, LLC

By: _____

By: _____

Title: _____

Title: _____

FORM OF SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)
(continued)

EXHIBIT A

Point(s) of Receipt

Dated:

To the Agreement under Rate Schedule FTS between Florida Southeast Connection, LLC (Transporter) and _____ (Shipper) concerning Point(s) of Receipt.

The Primary Receipt Point available to Shipper and any additional Receipt Points constructed after the effective date of this Agreement:

Primary Receipt
Point

Maximum
Receipt Pressure

Minimum
Receipt Pressure

Signed for Identification

Transporter: _____

Shipper: _____

[Supersedes Exhibit A Dated _____]

FORM OF SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)
(continued)

Exhibit B

Point(s) of Delivery

Dated:

To the Agreement under Rate Schedule FTS between Florida Southeast Connection, LLC (Transporter) and _____ (Shipper) concerning Point(s) of Delivery.

The Primary Delivery Points available to Shipper includes the following and any additional Delivery Points constructed after the effective date of this Agreement:

Primary Point of Delivery	Maximum Daily Delivery Obligation	Minimum Delivery Pressure
_____	_____	_____

Signed for Identification

Transporter: _____

Shipper: _____

[Supersedes Exhibit B Dated _____]

FORM OF SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE FTS)
(continued)

Exhibit C

Transportation Quantities

Dated:

To the Agreement under Rate Schedule FTS between Florida Southeast Connection, LLC (Transporter)
and _____ (Shipper) concerning Transportation quantities.

MAXIMUM DAILY QUANTITY (MDQ):
Dth

Period

MAXIMUM DAILY HOURLY QUANTITY (MDQ):
Dth

Period

Signed for Identification

Transporter: _____

Shipper: _____

[Supersedes Exhibit C Dated _____]

FORM OF SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE ITS)

Contract No. _____

SERVICE AGREEMENT

This AGREEMENT entered into this ____ day of _____, _____, by and between Florida Southeast Connection, LLC, a limited liability company of the State of Delaware (herein called "Transporter"), and _____ (herein called "Shipper"), [If this Agreement supersedes a previous agreement, the following may be inserted here: This Agreement supersedes and replaces in its entirety that certain _____ [insert type of agreement] by and between _____ and _____, dated _____ (Contract/Agreement No: _____).]

WITNESSETH

WHEREAS, Shipper is interested in obtaining interruptible transportation service from Transporter and Transporter is willing to provide interruptible transportation service to Shipper; and

WHEREAS, _____

_____ ; and

WHEREAS, such service will be provided by Transporter for Shipper in accordance with the terms hereof.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Transporter and Shipper do covenant and agree as follows:

1. Type of Service. Transporter agrees to provide and Shipper agrees to take and pay for service under this Agreement pursuant to Transporter's Rate Schedule ITS and the General Terms and Conditions of Transporter's Tariff, which are incorporated herein by reference and made a part hereof.
2. Quantity. Maximum Daily Quantity _____ Dth
3. Term. This Agreement shall be effective on _____ and shall continue until _____ ("Primary Term") and month to month thereafter until terminated by Transporter or Shipper upon at least thirty (30) days prior written notice. Any portions of this Agreement necessary to correct or cash-out imbalances under this Agreement as required by the General Terms and Conditions of Transporter's Tariff shall survive the other parts of this Agreement until such time as such balancing has been accomplished.
4. Rate. Unless otherwise agreed in writing, maximum rates, charges, and fees shall be applicable to service pursuant to this Agreement, as such may change from time to time.
5. Notice. Unless otherwise required in the Tariff, all notices shall be in writing and mailed to the applicable address below or transmitted via facsimile. Shipper or Transporter may change the addresses or other information below by written notice to the other without the necessity of

amending this Agreement:

Transporter:

Shipper:

6. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Florida, excluding conflicts of law principles that would require the application of the laws of a different jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective Officers and/or Representatives thereunto duly authorized to be effective as of the date stated above.

SHIPPER

By: _____

Title: _____

TRANSPORTER

Florida Southeast Connection, LLC

By: _____

Title: _____

FORM OF SERVICE AGREEMENT
(APPLICABLE TO RATE SCHEDULE PALS)

Contract No. _____

SERVICE AGREEMENT

This AGREEMENT entered into this ____ day of _____, _____, by and between Florida Southeast Connection, LLC, a limited liability company of the State of Delaware (herein called "Transporter"), and _____ (herein called "Shipper"), [If this Agreement supersedes a previous agreement, the following may be inserted here: This Agreement supersedes and replaces in its entirety that certain _____ [insert type of agreement] by and between _____ and _____, dated _____ (Contract/Agreement No: _____).]

W I T N E S S E T H

WHEREAS, Shipper is interested in obtaining PALS transportation service from Transporter and Transporter is willing to provide PALS transportation service to Shipper; and

WHEREAS, _____

_____;

WHEREAS, such service will be provided by Transporter for Shipper in accordance with the terms hereof.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Transporter and Shipper do covenant and agree as follows:

1. Type of Service. Transporter agrees to provide and Shipper agrees to take and pay for service under this Agreement pursuant to Transporter's Rate Schedule PALS and the General Terms and Conditions of Transporter's Tariff, which are incorporated herein by reference and made a part hereof.
2. Quantity. Maximum Daily Quantity _____ Dth
3. Term. This Agreement shall be effective on _____ and shall continue until _____ ("Primary Term") and month to month thereafter until terminated by Transporter or Shipper upon at least thirty (30) days prior written notice. Any portions of this Agreement necessary to correct or cash-out imbalances under this Agreement as required by the General Terms and Conditions of Transporter's Tariff shall survive the other parts of this Agreement until such time as such balancing has been accomplished.
4. Rate. Unless otherwise agreed in writing, maximum rates, charges, and fees shall be applicable to service pursuant to this Agreement, as such may change from time to time.
5. Notice. Unless otherwise required in the Tariff, all notices shall be in writing and mailed to the applicable address below or transmitted via facsimile. Shipper or Transporter may change the addresses or other information below by written notice to the other without the necessity of amending this Agreement:

Transporter:

Shipper:

6. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Florida, excluding conflicts of law principles that would require the application of the laws of a different jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective Officers and/or Representatives thereunto duly authorized to be effective as of the date stated above.

SHIPPER

TRANSPORTER

Florida Southeast Connection, LLC

By: _____

By: _____

Title: _____

Title: _____

[Agreement/Contract No. _____

Dated: _____

[Date]

[Contact Name]
[CustomerName]
[Address]

Re: Negotiated Rate Letter Agreement to
Service Agreement No. _____ between
FLORIDA SOUTHEAST CONNECTION, LLC
and
[SHIPPER NAME]
dated _____

Dear _____:

This Negotiated Rate Letter Agreement ("Agreement") specifies additional terms and conditions applicable to the referenced service agreement ("Contract") between Florida Southeast Connection, LLC ("Transporter") and [Shipper Name] ("Shipper"). This Agreement is subject to all applicable Federal Energy Regulatory Commission ("FERC") regulations. In the event the language of this Agreement conflicts with the Contract, the language of this Agreement will control. In the event the language of this Agreement conflicts with Transporter's FERC Gas Tariff currently in effect or any superseding tariff ("Tariff"), the language of the Tariff will control.

1. Transporter shall provide _____ [insert type of service] service under the Agreement from Receipt Point(s) to the Delivery Point(s) listed in Exhibit A and Exhibit B of the _____ [insert type of service] Service Agreement executed in conjunction with this Agreement. The rates charged for this service also shall be set forth in Exhibit A.

(a) The Maximum Daily Quantity(ies)("MDQ") and if applicable, Maximum Daily Hourly Quantity ("MDHQ") for this Agreement shall be stated in Exhibit C of the FTS Service Agreement executed in conjunction with this Agreement.

(b) The negotiated rate(s) for each Primary Point is reflected on Exhibit 1 to this Agreement. In addition to the rate(s) set forth in Exhibit A, Transporter shall charge and Shipper shall pay all other applicable charges Transporter is authorized to charge pursuant to its Tariff.

(c) In consideration of the negotiated rate described above, during the term of this Agreement, Shipper will not file, initiate, or support any action filed pursuant to Section 5 of the Natural Gas Act against Transporter that would have the effect of reducing the specific rate(s) agreed to under this Agreement.

2. The rates in Exhibit A are applicable only for transportation service utilizing the Primary Point(s) specifically listed in Exhibit A and Exhibit B of the _____ [insert type of service] Service Agreement, up to Customer's MDQ as stated in Exhibit C of the _____ [insert type of service] Service Agreement. Shipper and Transporter can agree to additional transportation service utilizing the eligible supplemental point(s) specifically listed on Exhibit 2 to this Agreement. If Shipper utilizes any other receipt or delivery point, then the applicable maximum rate(s), including all other applicable charges Transporter is authorized to charge pursuant to its Tariff, shall apply unless the parties amend Exhibits A, B, and/or Exhibit 2 in writing, pursuant to the requirements of the Tariff and prior to nomination, to include such transportation service.

3. This Agreement shall be effective beginning _____ [insert commencement date, which may be drafted to take into consideration the uncertainties of construction] and shall continue in full force and effect through _____ [insert "through" or "for a primary term of"] _____ [insert end date of Agreement or length of primary term].

[Upon _____ written notice prior to the end of the Initial Term of the _____ [insert type of service] Transportation Agreement, this Agreement shall continue as specified in such notice for an additional term of _____ at the applicable rates set forth on the Exhibit(s).]

[To the extent a Contractual Right of First Refusal is agreed to, the following language shall be inserted, as well as any specific terms and conditions related to the contractual right of first refusal that are permitted by Section ____ of the General Terms and Conditions of the Tariff: At the end of this Agreement, Shipper shall be granted a contractual right of first refusal to be exercised in accordance with Transporter's Tariff.]

[To the extent an evergreen provision is agreed to, the parties shall mutually agree upon a notice period, and the following language shall apply: Upon _____ written notice, this Agreement shall continue _____ [insert "through" or "for a term of"] _____ [insert end date of evergreen or length of evergreen term]. Customer shall specify in such notice the receipt and delivery point(s) and MDQ associated with the evergreen term extension.]

4. The rates set forth in this Agreement shall stay in effect for the term of this Agreement without regard to any changes that may occur to Transporter's maximum/minimum rates [Unless otherwise stated, Shipper shall be responsible for all fuel charges and surcharges under Transporter's Tariff, including the ACA]. Transporter shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in the filed rates, charges, and services in Transporter's Tariff, including both the level and design of such rates, charges and services and the general terms and conditions therein.

5. Except as otherwise provided in the FERC's regulations, this Agreement may not be assigned without the express written consent of the other party. Any assignment shall be in accordance with the Tariff and FERC regulations. Such consent shall not be unreasonably withheld. Any assignment made in contravention of this paragraph shall be void at the option of the other party. If such consent is given, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns.

6. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable by any court, regulatory agency, or tribunal of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions, terms or conditions shall not in any way be affected or impaired thereby, and the term, condition, or provision which is held illegal or invalid shall be deemed modified to conform to such rule of law, but only for the period of time such order, rule, regulation, or law is in effect.

7. This AGREEMENT shall be governed by and construed under the laws of the State of Florida, excluding any provision which would direct the application of the laws of another jurisdiction.

[If this Agreement supersedes a previous agreement, the following may be inserted here: 8. This Agreement supersedes and replaces in its entirety that certain _____ [insert type of agreement] by and between _____ and _____, dated _____ (Contract/Agreement No: _____).]

If [Shipper Name] agrees with the terms and conditions, please so indicate by signing the duplicate originals in the appropriate spaces provided below and returning the originals to Transporter.

Very truly yours,

FLORIDA SOUTHEAST CONNECTION, LLC

By: _____
Name: _____
Title: _____
Date: _____

ACCEPTED AND AGREED TO this ____ day of _____, XXXX.
[SHIPPER NAME]

By: _____
Name: _____
Title: _____

EXHIBIT 1

[INSERT NEGOTIATED RATE]

EXHIBIT 2

[INSERT SUPPLEMENTAL RECEIPT/DELIVERY POINTS]

INDEX OF FIRM CUSTOMERS

In accordance with Section 284.13(c) of the Commission's Regulations, Transporter maintains an index of firm customers on its Internet Website in a downloadable format.



FLORIDA SOUTHEAST CONNECTION, LLC

DOCKET NO. CP14- ____-000

FPSC PRUDENCE ORDER

EXHIBIT Z-1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for prudence determination
regarding new pipeline system by Florida
Power & Light Company.

DOCKET NO. 130198-EI
ORDER NO. PSC-13-0505-PAA-EI
ISSUED: October 28, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

PROPOSED AGENCY ACTION ORDER ON FLORIDA POWER & LIGHT COMPANY'S
PROPOSED SABAL TRAIL TRANSMISSION, LLC AND FLORIDA SOUTHEAST
CONNECTION PIPELINES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Case Background

On July 26, 2013, Florida Power & Light Company (FPL) filed its petition in this docket requesting a determination by the Florida Public Service Commission (Commission), that its decision to enter into long-term natural gas transportation contracts is prudent, and that the associated costs are eligible for recovery through the Fuel and Purchased Power Cost Recovery Clause (Fuel Clause). The petition included testimony from five witnesses, with exhibits outlining FPL's need for additional firm natural gas transportation, a description of its request for proposals (RFP) process and the resulting contracts, and a request for approval of its planned cost recovery method. The petition was filed following FPL's selection of two projects to develop new natural gas transportation infrastructure into southern Florida, offering the most cost-effective alternative for its customers. These projects are referred to individually in the petition as the Northern Pipeline Project and the Southern Pipeline Project. The two projects are wholly separate pipelines owned and operated by different entities, and therefore are referred to collectively as a matter of convenience.

The instant docket is the culmination of a process, which began in 2009 when FPL petitioned us to develop, build, and operate the Florida EnergySecure Line. On April 7, 2009, FPL filed its petition in Docket No. 090172-EI requesting a determination of need for its proposed Florida EnergySecure Line, a 280-mile long, 30-inch diameter high pressure natural

gas transmission pipeline that FPL sought to own and operate primarily for supplying natural gas to its newly modernized Cape Canaveral and Riviera Beach generating units. By Order No. PSC-09-0715-FOF-EI, we denied the petition finding that FPL had failed to adequately demonstrate that its Florida EnergySecure Line was the most cost-effective alternative for providing additional natural gas transmission capacity. However, we agreed that additional gas capacity was necessary for assuring the reliability of Florida's electric generating system in the future. In Order No. PSC-09-0715-FOF-EI, we stated, "we agree with the parties that increased gas transportation infrastructure is needed to meet future electricity needs, given the uncertainty surrounding both coal-fired and nuclear generation in the state."¹ Our Order directed FPL to "renew its request for proposals to fulfill its gas transportation capacity needs," and further stated that the "new RFP shall contain a specific, detailed request for proposals for a new pipeline, and specifications of the long term natural gas needs of FPL."² In addition, the Order stated that "[t]he RFP shall be provided to our staff for review prior to its issuance to ensure it is clear and complete."³

FPL provided the RFP for review on November 13, 2012. A public meeting was held on November 26, 2012 so that our staff and any other interested parties could have an opportunity to discuss and review FPL's RFP document prior to its issuance. In addition to our staff, representatives of the Office of Public Counsel (OPC) as well as potential project participants and other interested groups were present at the meeting. There were no objections to FPL issuing the RFP.

FPL issued its RFP on December 19, 2012. The RFP was noticed three times in *Platt's Gas Daily*, a widely distributed industry publication. FPL provided an internet website where interested persons could gather information and ask questions. FPL also held a workshop to facilitate understanding of the RFP and the bidding process prior to the April 3, 2013 due date for responses. An additional meeting was held on June 13, 2013 to discuss the results of the RFP solicitation, FPL's evaluation of the proposals, and the next steps to be taken in the process. Attendees included our staff, OPC, and representatives of the Florida Industrial Power Users Group (FIPUG). Based on discussion at the meeting, FPL provided an outline of topics that would be covered in the direct testimony filed with its petition.

FPL is not obligated by law to obtain our approval to enter into a long-term gas transportation contracts for the projects, as both contracts are governed by the Federal Energy Regulatory Commission (FERC). The contracts would only trigger our action at the time FPL seeks recovery of costs in the fuel clause proceeding. However, due to the substantial financial commitments involved, FPL is seeking our determination that FPL's decision to enter into long-term gas transportation contracts is prudent and that the associated costs are eligible for recovery through the fuel clause. FPL included a provision in its precedent agreement with each pipeline that requires our approval of the agreements. The contracts may be terminated without financial

¹ Order No. PSC-09-0715-FOF-EI, issued October 28, 2009, in Docket No. 090172-EI, In re: Petition to determine need for Florida EnergySecure Pipeline by Florida Power & Light Company, page 5.

² *Id.*, page 6.

³ *Id.*, page 6.

penalty if we do not make a prudence determination satisfactory to FPL. We have jurisdiction over the subject matter by the provisions of Chapter 366, Florida Statutes.

A. Additional Firm Natural Gas Transportation

Description of FPL's Existing Pipeline Capacity

Peninsular Florida is currently served by only two major natural gas pipelines. Florida Gas Transmission Company, LLC (FGT) is the larger of the two pipelines with approximately 3,100 million cubic feet per day (MMcf/day) of total gas deliverability. The second of the two pipelines is owned by Gulfstream Natural Gas System, LLC (Gulfstream) and has a maximum 1,300 MMcf/day of gas deliverability. Currently, FPL has firm contracts with Gulfstream for 53 percent of the design capacity of its system which is 695 MMcf/day. By 2017, FPL will have firm transportation contracts with FGT for 41 percent of its design capacity, a total of 1,274 MMcf/day. The FGT capacity serves approximately 65 percent of FPL's current total gas supply requirements, and Gulfstream serves the remaining 35 percent. However, FPL is not the only firm shipper for either system. The remaining capacity of Gulfstream is currently fully subscribed, and only 6 percent of FGT's capacity (approximately 184 MMcf/day), will *potentially* be available on a long-term firm contractual basis within the 2017 time frame. Additional natural gas transportation capacity will be necessary as FPL's and all of Florida's electric generation systems continue to grow. Nearly 68 percent of the state's electric generation, and more than 72 percent of FPL's total energy, was fueled by natural gas in 2012.

In general, natural gas pipeline transportation capacity availability is firm or non-firm. Firm transportation capacity is acquired through a contract for reservation of a certain portion of a pipe's daily throughput, which is continuously available to a utility to provide fuel for its generators. Utilities typically acquire non-firm transportation capacity by purchasing pipeline capacity that has been temporarily released by another customer, or by purchasing non-reserved capacity. Released capacity becomes available when another customer's need for gas is below their reserved portion. However, this **type** of capacity cannot be relied upon as it is not guaranteed. If a sufficient supply of fuel is not available when required to meet load, a utility risks a situation where it may be unable to fully utilize its generating assets, and it could be forced to increase its use of more expensive alternative fuels, demand response, or even load shedding. For this reason, it is important for FPL to have adequate gas transportation capacity available on a firm basis.

Description of Proposed Pipeline Projects

In its petition, FPL states that 400 MMcf/day of additional firm natural gas transportation capacity is required beginning in 2017. The primary factors driving this increased need are the three modernization projects currently in progress at FPL's Cape Canaveral, Riviera Beach, and Port Everglades natural gas plants to upgrade older, 1960's-era steam combustion turbine generating units to modern, and more efficient combined cycle technology. FPL proposes to meet this need by implementing two new contracts for firm pipeline capacity within the northern and southern portions of the state.

The Northern Pipeline project consists of a joint venture between a subsidiary of Spectra Energy Corporation, called Sabal Trail Transmission, LLC (Sabal Trail) and a newly formed subsidiary of FPL's parent company, Next-Era Energy, called U.S. Southeastern Gas Infrastructure LLC (USSGI). The Southern Pipeline project will be owned by another newly formed affiliate of FPL, called the Florida Southeast Connection (FSC). FPL has signed precedent agreements with these two companies for the initial 400 MMcf/day beginning in 2017, with options to provide additional increments of 200 MMcf/day in 2020 and beyond.

Our review of FPL's need for additional natural gas transportation capacity began by analyzing its customer load forecast for the period 2013 through 2032. Then we evaluated the planned generation resource portfolio identified to meet customer demand and energy requirements. The resulting natural gas requirement was then compared to both existing pipeline resources and the proposed contracts with Sabal Trail and FSC. In addition to a review of the current proposal, we compared each of the current forecasts with those presented in the request for a determination of need for the Florida EnergySecure Line, which proposed a 600 MMcf/day pipeline with a 2014 in-service date.

Load Forecasting

The load forecast contained in FPL's petition consists of two components: a base case forecast for both net energy for load (NEL) and summer peak demand, and a risk adjustment component for both NEL and summer peak demand that increases FPL's base-case forecast in order to reduce the risk of under forecasting FPL's future load growth.

FPL's base case forecast for NEL and summer peak demand are based upon three econometric models: a customer forecast model, a net energy for load per customer model, and a summer peak demand per customer model. These three models are the same as those used by FPL in their normal annual planning cycle and are used to produce projections of anticipated load growth for FPL's Ten-Year Site Plans (TYSPs) and other proceedings before the Commission. Our staff analyzed these models, including replicating the estimated model coefficients and associated statistics, and find them to be appropriate for forecasting purposes. Our staff also reviewed the forecast assumptions of anticipated economic and demographic conditions in FPL's service territory. These assumptions are drawn from reputable independent third party sources, including the University of Florida's Bureau of Economic and Business Research, the Florida Legislature's Office of Economic and Demographic Research, and IHS Global Insight. We reviewed these forecast assumptions and find them to be appropriate. Finally, the forecast produced by these models are adjusted to incorporate the effects of incremental wholesale and retail contracts, as well as the incremental load resulting from electric plug-in vehicles and Economic Development and Existing Facility Riders, which are not otherwise included in FPL's historical load levels.

The second component of FPL's load forecast is a risk adjustment factor designed to reduce the risk of under forecasting future load growth. The company indicated in its petition that because FPL is so highly dependent on natural gas-fired generation, the company's long term system reliability could be jeopardized if actual load growth exceeds forecasted growth.

To quantify this risk of under forecasting, FPL analyzed the long term forecasts contained in its TYSPs from 1988 through 2012 and compared these forecasts to actual load growth. In particular, for each year of the ten-year forecast horizon contained in the TYSPs, FPL calculated the differences between the forecasted values of NEL and summer peak demand and their corresponding actual values. From these differences, FPL was able to calculate a confidence interval of forecast accuracy for each of the ten years in the forecast horizon. These ten confidence intervals allow FPL to calculate how much their base case forecasts must be increased so that there is a 75 percent probability that actual NEL and summer peak demand will be less than or equal to their risk-adjusted forecasts. For the forecasts beyond the ten-year forecast horizon covered by the Ten-Year Site Plans (years 2023 through 2032), FPL utilized a constant adjustment factor associated with the ten-year forecast horizon for its NEL and summer peak demand forecasts. We reviewed the data from which FPL derived its risk adjustment factors and confirmed that the data was correctly taken from prior TYSPs and that the resultant forecast errors, variances, and confidence intervals were appropriately calculated.

In its response to a data request regarding the use of the risk-adjusted forecasting methodology, FPL stated that this project is the first time it has built contingencies into its gas transportation forecasting. FPL responded that “[t]he recent growth in gas usage and FPL’s significant dependence on gas as a primary fuel dictate a measure of conservatism is employed in procuring gas transportation as we go forward.”⁴ FPL further explained that between 2010 and 2012, it exceeded its natural gas consumption forecasts generated that year by 114 MMcf/day, and anticipated this variation to increase to 140 MMcf/day in 2013.

Although we are unaware of any prior proceeding in which a risk-adjusted load forecast was utilized, we find that FPL’s risk adjustment methodology does reasonably account for and adjust for the risk of under forecasting future load growth. This finding is predicated on two factors. First, the specifications of FPL’s three forecasting models discussed above have not significantly changed since 1988. This fact implies that the forecast errors upon which the risk adjustment factors are based must be applicable to the current base case forecasts presented in FPL’s petition. Second, FPL’s methodology of basing the risk adjustment factors on historical forecast accuracy means that the risk adjustment factors include not only the modeling error (the error associated with reducing the complexities of consumer purchasing decisions regarding electricity to a relatively simple econometric model), but also the error associated with not being able to specify precisely what future economic/demographic conditions will prevail over the forecast period. FPL’s proposed risk-adjusted methodology appropriately accounts for both sources of error, and we find it is a reasonable approach for controlling the risk of under forecasting future load growth.

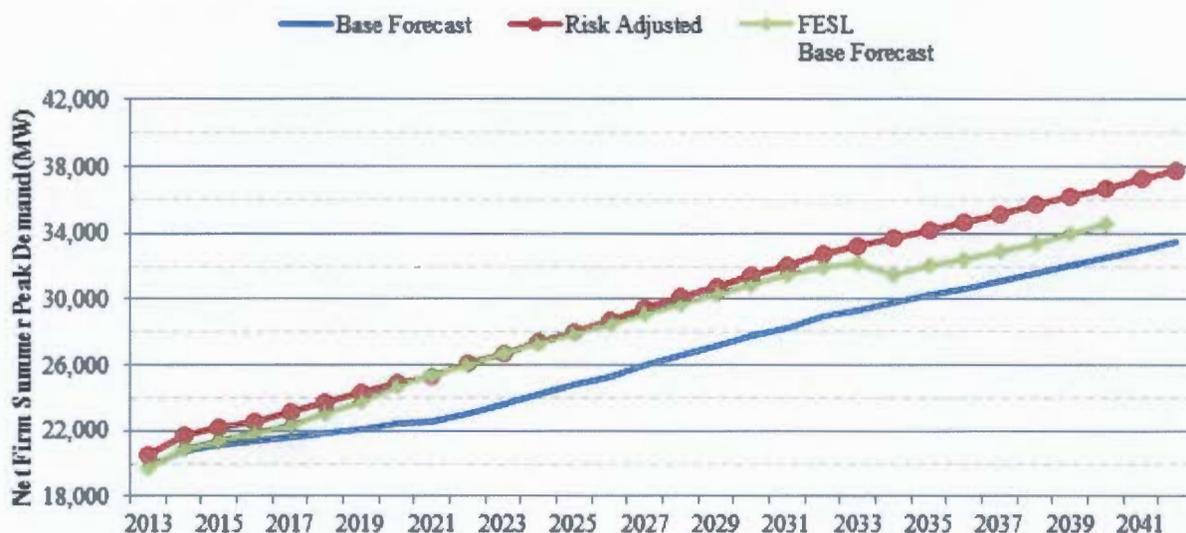
FPL’s choice of selecting a 75 percent confidence interval for its risk adjustment factor is somewhat subjective. For example, FPL could have selected a different confidence interval such as 67 percent confidence interval (with an attendant 33 percent chance of under forecasting), which would lower their risk adjusted forecasts. However, the intuitive appeal of FPL’s

⁴ See Document Number 05759-13, in Docket No. 130198-EI, FPL’s response to Staff’s Second Data Request, number 7, page 1 of 1, issued September 26, 2013.

selection of a 75 percent confidence interval is that it does reduce by half the risk of under forecasting load growth compared to the base case forecasts.

Overall, FPL’s base case forecast for summer peak demand is down from that presented in the Florida EnergySecure Line proceeding. As illustrated in Figure 1, the base case forecast for summer peak demand in 2017 is 7.4 percent lower than the risk-adjusted forecast and 3.7 percent lower than the Florida EnergySecure Line forecast. By 2040, this gap increases to 13.0 percent for the risk-adjusted forecast and 6.3 percent for the Florida EnergySecure Line forecast.

Figure 1: Summer Peak Demand Forecasts (2013 – 2042)



Generation Resource Portfolios

After forecasting the increased future system load, the next step in determining FPL’s future natural gas requirements was to develop projections of the generation resources that will be required to meet the increased load.

In its petition, FPL prepared two generation resource plans to analyze the effects of a potential delay in the construction of the new Turkey Point nuclear units 6 and 7 on natural gas requirements. The first (or base) case is consistent with FPL’s 2013 TYSP and assumes Turkey Point units 6 and 7 enter service in 2022 and 2023, respectively. The second case, called nuclear delay, assumes these two units come into service four years later, in 2026 and 2027. Outside of the ten-year planning horizon, the next planned generating unit is a 3x1 greenfield combined cycle unit, similar in size to the Cape Canaveral, Riviera Beach, and Port Everglades modernized units, with an in-service date of 2025. The nuclear delay case accelerates the need for this unit,

moving its in-service date up to 2022. All further need for new generation is projected to be met by building smaller natural gas-fired combined cycle units. These ‘filler’ units appear for planning purposes, and do not represent any specific unit planned by FPL. We find the use of filler units and the proposed in-service dates for both cases to be reasonable and we expect the resource plans to meet reserve margin requirements over the period reviewed.

Table 1 illustrates the in-service dates of new generating units under both the base case and nuclear delay case scenarios.

Table 1: Generation Addition Forecasts (2013 – 2030)

Planned Generation Additions By Year		
Year	Base Case	Nuclear Delay
2013	Cape Canaveral	Cape Canaveral
2014	Riviera Beach	Riviera Beach
2015		
2016	Port Everglades	Port Everglades
2017		
2018		
2019		
2020		
2021		
2022	Turkey Point unit 6	3x1 CC (1,269 MW)
2023	Turkey Point unit 7	
2024		Filler CC (635 MW)
2025	3x1 CC (1,269 MW)	Filler CC
2026	Filler CC (635 MW)	Turkey Point unit 6
2027	Filler CC	Turkey Point unit 7
2028	Filler CC	
2029	Filler CC	Filler CC
2030	Filler CC	Filler CC

Natural Gas Transportation Requirement

As discussed above, additional natural gas transportation capacity will be necessary within the next few years as more natural gas-fired generating capacity is added. In 2012, FPL consumed more than 600,000 MMcf of natural gas. By 2017, this figure is expected to increase to at least 718,685 MMcf. The total percentage of FPL’s electric power generated by natural gas is expected to be somewhat lower in the next few years, due primarily to increased nuclear production from the recently completed uprate projects of FPL’s nuclear units. However, without having additional gas transportation infrastructure available in South Florida, FPL’s natural gas-fired generating units will not be able to serve its customers efficiently and reliably.

Using the forecast load cases and generation resource portfolios previously discussed, FPL was able to develop forecasts of the resulting natural gas requirements on both an annual and a peak day basis. As only a finite amount of gas can be transported during any one period

and no significant storage capacity for natural gas exists at FPL’s plant sites, natural gas pipelines must be sized to meet peak daily loads.

FPL developed three forecasts for natural gas transportation requirements. We compared the first two forecasts by using the base generation resource plan with the base and risk-adjusted customer load forecasts. As a worst-case scenario for need, we compared the risk adjusted customer load forecast with the nuclear delay generation resource plan. These three scenarios were also compared to the Florida EnergySecure Line base forecast for natural gas requirements. Figure 2 details the peak day natural gas requirements for each of the scenarios.

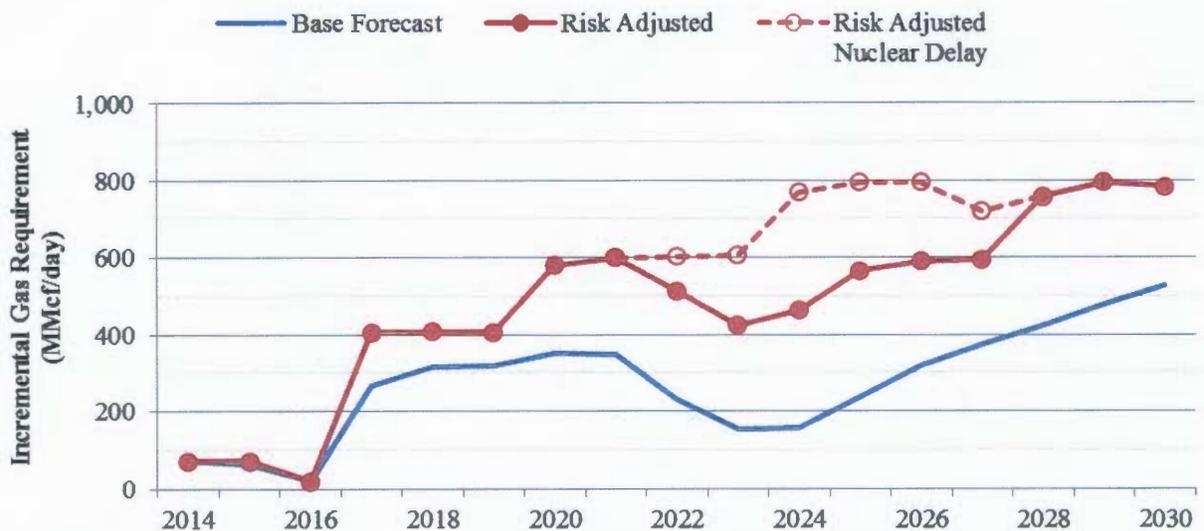
Figure 2: Natural Gas Peak Day Requirements (MMcf/day)



The base forecast projects a substantial increase in natural gas need in 2017 associated with the addition of the Port Everglades Energy Center and the loss of 375 MW of coal-fired capacity from St. John’s River Power Park. The base forecast then indicates a slow increase until 2022, when nuclear generation from Turkey Point unit 6 reduces the need for natural gas. The risk-adjusted case projects a similar trend but gas needs rise to a slightly higher level, about 250 MMcf/day above the base forecast. The risk-adjusted nuclear delay case illustrates the additional fuel that will be required if Turkey Point units 6 and 7 are delayed by four years. These two forecasts differ by up to 300 MMcf/day in 2024, but become equivalent again in 2028 when both new nuclear units are in-service. The Florida EnergySecure Line gas requirement was included as an additional comparison. The lower rate of natural gas demand for the years 2017 through 2021 seen in the Florida EnergySecure Line forecast is primarily due to the earlier in-service date for Turkey Point units 6 and 7 discussed previously. Excepting the earlier inclusion of nuclear generation, the trends for increasing gas requirements are similar.

As seen in each of these scenarios, FPL’s natural gas requirements exceed its existing firm contracted transportation capacity beginning in 2017. Figure 3 provides a closer look at the incremental firm natural gas transportation requirements for the period 2014 through 2030. The proposed contracts match the additional capacity required under the risk adjusted case, with the first optional incremental capacity addition in 2020 matching both risk adjusted cases. This increased gas requirement in 2020 is a result of all three modernization projects (Cape Canaveral, Riviera Beach, and Port Everglades) being online, as well as the loss of coal-fired generation at St. John’s River Power Park.

Figure 3: Incremental Firm Gas Transportation Requirements (MMcf/day)



Decision

We reviewed FPL’s forecast for customer load, its proposed generation resource portfolios, and the comparison of its resulting natural gas requirements with its existing natural gas transportation contracted capacity. Based on this review, we find that FPL has adequately demonstrated a need for an additional 400 MMcf/day of firm natural gas transmission capacity by 2017.

B. Most Cost-Effective Solution

Following the conclusion of the RFP process, FPL began the evaluation of the proposals it received as a result. In order to determine whether the projects selected by FPL were the most cost-effective, our staff reviewed the RFP and the selection process that resulted in FPL signing precedent agreements with Sabal Trail and FSC.

Evaluation of Project Proposals

The RFP requested that bidders provide proposals for 400,000 MMBtu/day (approximately equal to 400 MMcf/day)⁵ of firm gas transportation capacity in 2017 with an incremental 200,000 MMBtu/day of firm capacity in 2020. In addition, FPL requested that the bidders include an optional incremental capacity of up to 400,000 MMBtu/day beyond the 2020 time period. Bidders could submit pricing on either a fixed or an adjustable demand charge, although FPL expressed its strong preference for fixed pricing in order to obtain pricing security for its customers. Any adjustable pricing had to include a price cap in order to limit exposure to price index volatility.

FPL received four bids for the Northern pipeline and one joint bid for the Northern and Southern pipelines. No separate bids for the Southern portion were received. The entities submitting bids (some of which were joint proposals from companies bidding as partners) represent all active pipelines in the Southeastern U.S. FPL also considered three self-build alternatives for the Southern pipeline, consisting of three configurations of pipe diameters: all 30-inch pipe (labeled proposal Ai), a combination of 30-inch and 36-inch pipe (labeled proposal Aii), and all 36-inch pipe (labeled proposal Aiii). Although FPL had specified its strong preference for fixed pricing, all proposals except the self-build options were based on adjustable demand charges. However, to meet bid requirements, all adjustable pricing included a price cap. The joint proposal for the Northern and Southern pipelines had significant deficiencies, which the bidder elected not to modify, so FPL eliminated it from further consideration. This situation left four proposals for the Northern pipeline and the three FPL self-build options for the Southern pipeline.

Table 2 illustrates the combined project reference numbers assigned by FPL during its evaluation of the RFP responses. Each of the four proposals for the Northern pipeline were evaluated using the three configurations of the pipe diameters for the Southern pipeline (proposals Ai, Aii, and Aiii) and assigned reference numbers 1 through 12.

Table 2 – Combined Project Numbers

Combined Project	1	2	3	4	5	6	7	8	9	10	11	12	13
Northern Proposal	1	2	3	4	1	2	3	4	1	2	3	4	1
Southern Proposal	Aii (36"/30")				Ai (30")				Aiii (36")				B

Combined project 13 consists of the Sabal Trail proposal for the Northern pipeline, and the non-compliant bid for the Southern pipeline. It is included for reference purposes only.

⁵ The quantity “MMBtu/day” is equivalent to one million British thermal units of heat energy per day. Because FPL is ultimately concerned with the energy content of the gas, not the volumetric quantity, the contracts will be for units of MMBtu/day rather than MMcf/day (million cubic feet per day). Although the typical heat energy content of one cubic foot of natural gas is approximately one thousand Btus, consistent with industry practice FPL is requiring a quantity of energy to be delivered in its contracts to ensure the necessary amount of electric power can be generated.

The economic evaluation was primarily concerned with a Cumulative Present Value of Revenue Requirements (CVPRR) analysis over a 40-year project term. This type of analysis required that the entire system (including a Northern and a Southern pipeline) be taken into consideration, so FPL created a matrix consisting of each of the four proposals for the Northern pipeline that met the minimum requirements paired with each of the three self-build options submitted by Next-Era Energy for the Southern system. In order to perform the analysis, FPL evaluated the economics of gas transportation using production-cost simulations of its power supply system, including the costs and volumes of gas.

Because only one proposal received for the Southern pipeline was not an FPL self-build option, in order to ensure that the gas transportation charges for the self-build project were reasonably consistent with market prices, FPL performed an economic analysis of the non-compliant proposal using the indicative, non-firm pricing included in that proposal. The result of this analysis was that the non-compliant bid would be between \$69 and \$105 million more expensive than the best of the three compliant proposals.

The simulation model used in the economic analysis employed the same risk-adjusted load forecast utilized for determining the incremental gas transportation capacity requirement. This analysis took into consideration the fixed and variable costs, as well as the volume and timing of the needed gas transportation. After quantifying fuel and other variable costs, a production-cost modeling program was run in order to determine the differences in the CPVRR for each combined project. The analysis was performed under two different generation resource planning scenarios. The first is the base resource plan, and the second is the nuclear delay resource plan. As previously discussed, the nuclear delay case assumes that the in-service dates of the Turkey Point units 6 and 7 will be delayed by four years, meaning the units will come online in 2026 and 2027 instead of 2022 and 2023, respectively.

The evaluation of FPL's CVPRR analysis concluded that the combination of projects selected by FPL is indeed the most cost-effective. The magnitude of savings between the selected project's cost and that of the other potential projects depends on which resource plan, load forecast, and gas price forecast is utilized in the analysis.

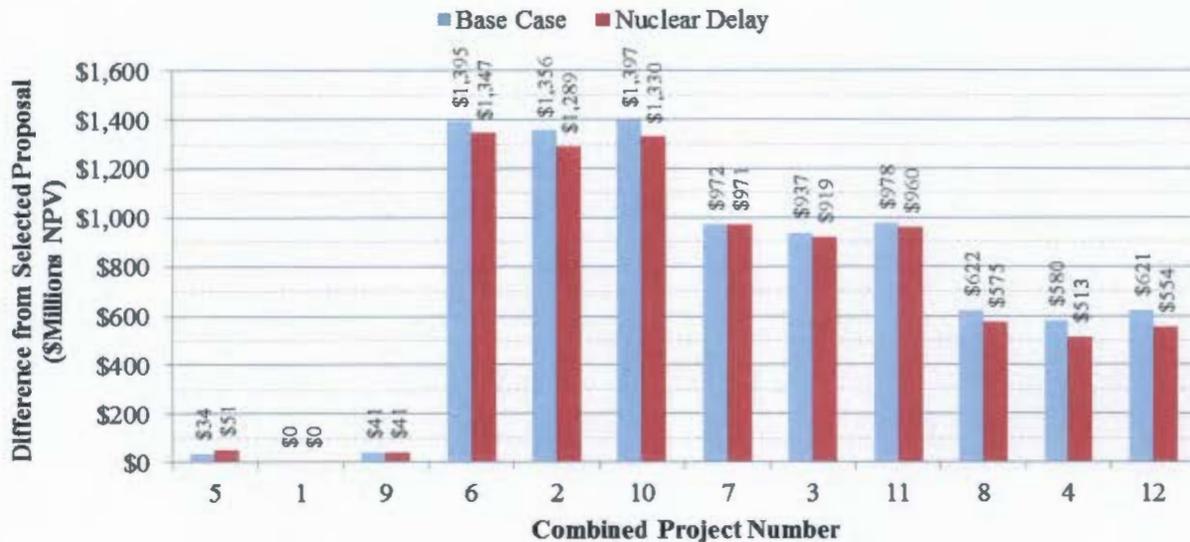
The smallest margin of savings between the selected project and the next-most cost-effective project is \$34 million (using a 40-year term). This comparison is, however, made using the same Northern pipeline proposal paired with two of the FPL self-build options. In fact, the differences between each of the three FPL self-build options are small enough to be insignificant. When using only the FSC for the Southern pipeline, the net present value cost differential between Sabal Trail and the next best Northern pipeline is about \$450 million for a 25-year term and about \$580 million for a 40-year term. Although the results of the various economic analyses differ widely, the conclusion remains the same: the combination of the Sabal Trail and FSC project is clearly the best alternative in terms of cost.

Cost-Effectiveness of Proposals

Figure 4 shows the cost differentials between the selected combination of projects and the other combined projects for the period 2017 through 2057. The horizontal axis shows the

combined project numbers from Table 2. This chart clearly shows the relatively small differences in cost between the three FPL self-build alternatives when compared to the differences between the four Northern project proposals. In general, most of the proposals are also slightly more cost-effective for the nuclear delay case, but the overall difference is small.

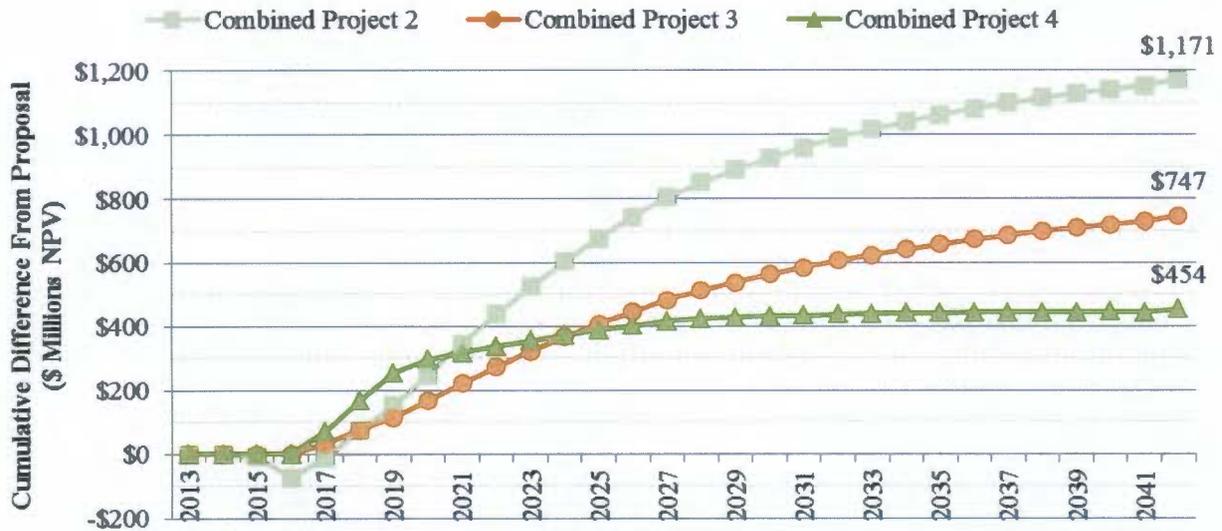
Figure 4: Comparison of the Cost-Effectiveness of the Combined Project Numbers



Source: FPL's response to our staff's second data request, no. 8

As illustrated above, the most cost-effective proposal is combined project 1, the proposed Sabal Trail and the FSC hybrid Aii combination. Using figures provided by FPL in a data request, we evaluated the savings for the various Northern pipeline proposals on an annual basis for the initial 25-year contract term, using the same FSC proposal for the southern segment. The baseline for the comparison is combined project 1. Positive values indicate higher costs, and negative values indicate savings. Only combined project 2 shows savings in any year when compared to combined project 1, but it is higher than the other two alternative proposals over the full contract term. Figure 5 shows the differences in total cost between combined projects 2, 3, and 4 using combined project 1 as a baseline.

Figure 5: Difference in Costs from Combined Project 1 Baseline



Source: FPL’s response to our staff’s second data request, no. 8

In addition to the economic evaluation, FPL also conducted a non-economic evaluation based on a comparative analysis of each project with respect to attributes that could not be measured in terms of cost. These attributes, while perhaps not as crucial in the overall evaluation, are also important components of the project and must therefore be taken into consideration. For example, a project that offers more opportunities for future expansion would offer a non-economic benefit. The selected Sabal Trail and FSC combined project meets FPL’s strong preferences for Greenfield infrastructure and increased diversity of natural gas supply. In addition, the throughput volumes of the selected projects are easily increased using compression. However, in light of the considerable margin of cost-effectiveness for the Sabal Trail and FSC combined project, the significance of any non-economic factors was minimal.

Description of the Proposed Pipeline System

The Sabal Trail and FSC projects will provide FPL with approximately 400 MMcf/day additional capacities beginning in 2017, with an expansion to 600 MMcf/day in 2020. Optional expansions, each for an incremental 200 MMcf/day, are available to FPL, but must be elected by 2020 and 2024, respectively. These additions would become available to FPL between four and five years after the options have been taken.

The commencement point specified for the Sabal Trail pipeline system is identical to that designated in FPL’s 2009 Florida EnergySecure Line project. Transcontinental Pipe Line Company’s Compressor Station 85 (“Transco Station 85”) in Choctaw County, Alabama provides access to non-traditional, onshore suppliers of natural gas, which is an important element to FPL because it introduces supply diversity into the system. Because FPL is currently

served by only two natural gas companies, each of which provides gas mostly from Gulf of Mexico and Mobile, Alabama Bay area suppliers, gaining more diversity in its supply is an important component of the project and a primary concern to FPL.

The 2009 Florida EnergySecure Line project specified the “connection point” for the northern and southern parts of the system to be in Bradford County, Florida, near FGT Station 16. However, during the development of the RFP, several interested pipeline companies expressed the opinion that a better option was for a “hub” in the Orlando area due to the large potential customer base for contract opportunities. Therefore, in order to not only meet the primary goal of the RFP to fulfill FPL’s increased need for natural gas transportation capacity, but also to further increase the diversity of the supply and to promote competition among suppliers, the chosen termination point is what will become the Central Florida Hub (CFH). The CFH, which is part of the contract for the Sabal Trail pipeline and will be constructed and operated by the same provider, will be an interconnection point between the Northern and Southern pipelines as well as with existing Gulfstream and FGT systems. The CFH will include facilities needed to provide hub wheeling services to deliver contracted capacities interchangeably between and among each of the pipelines, which further increases the flexibility and possible diversity for all the gas shippers in the area.

The Southern pipeline commences at the CFH and terminates at the existing natural gas yard at FPL’s Martin Clean Energy Center (Martin), in Martin County, Florida. This terminus location allows for connectivity with the modernized generation plants at Cape Canaveral and Riviera Beach, and because both FGT and Gulfstream currently serve the Martin plant, the addition of the FSC will increase the supply alternatives available to FPL in the event of a pipeline disruption.

Cost Recovery

In response to its RFP, FPL received a total of four proposals for the Northern Pipeline Project and one joint proposal from two companies for the Southern Pipeline Project. Based on FPL’s economic and non-economic evaluations, the Sabal Trail proposal was selected for the Northern Pipeline Project and the FSC proposal for the Southern Pipeline Project. Next-Era Energy is an equity stakeholder in Sabal Trail, and has agreed to operate Sabal Trail as a joint venture between Spectra and a newly formed Next-Era Energy subsidiary called USSGI. Also, FSC is a wholly owned subsidiary of Next-Era Energy, and an affiliate of FPL. FPL does not anticipate any charges coming from USSGI associated with the Northern Pipeline Project. However, FPL stated in a data request response that any costs incurred by FPL for goods or services provided to USSGI or FSC, will be charged in accordance with FPL’s Cost Allocation Manual or through an Affiliate Management Fee, and would be subject to internal company review and audits to ensure compliance with Rule 25-6.1351 F.A.C. We have the authority to review any transactions with affiliated companies to ensure compliance with Rule 25-6.1351 F.A.C.

Based on Order Nos. 12645⁶ and 14546⁷, prudent and reasonable transportation charges incurred in the delivery of fuel are allowable expenses in the fuel and purchased power cost recovery clause. Therefore, pipeline charges associated with the delivery of natural gas to FPL's generating stations are eligible for recovery through the fuel clause. While we find that this project is cost effective relative to alternatives, we retain authority to determine the prudent cost and reasonableness of expenses charged to the fuel clause and will review these expenses annually as part of the fuel clause proceedings.

In its response to a data request regarding its plans for dispensing of any unused gas, FPL stated that, in periods of idle capacity due to lower loads, it "can pursue opportunities to release capacity on the new pipelines (or to release capacity on FGT and/or Gulfstream) to other shippers. All revenues generated from the capacity release transactions would be credited back to the customers through the Fuel Clause."⁸

Decision

Upon review, FPL's decision to enter into long-term natural gas transportation contracts with Sabal Trail and FSC was based on a fair and open RFP process. The contracts are projected to save up to \$450 million over the term of the contracts when compared to the next most cost-effective proposal. We find that FPL is eligible to seek recovery of costs associated with the firm natural gas transportation contracts with Sabal Trail and FSC in the fuel clause, where they will be reviewed annually. The prudence of the actual transportation costs will be examined in the annual Fuel Docket proceedings.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company has demonstrated a need for 400 MMcf/day of additional firm natural gas transmission capacity by 2017. It is further

ORDERED that Florida Power & Light is eligible to seek recovery of costs associated with firm natural gas transportation contracts in the fuel clause, where they will be reviewed annually. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, Division of the Commission Clerk, 2540 Shumard Oak Boulevard,

⁶ Order No. 12645, issued November 3, 1983, in Docket No. 830001-EU, In re: Investigation of Fuel Adjustment Clauses of Electric Utilities.

⁷ Order No. 14546, issued July 8, 1985, in Docket No. 850001-EI, In re: Cost Recovery Methods for Fuel Related Expenses.

⁸ FPL's response to Staff's second data request, no. 5, filed on September 26, 2013.

Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 28th day of October, 2013.



ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

TLT

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 18, 2013.

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In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.