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September 25, 2015

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

Re: North Baja Pipeline, LLC
Change in FERC Gas Tariff
Docket No. RP15-_____ - _____

Dear Ms. Bose:

Pursuant to Section 154 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,¹ North Baja Pipeline, LLC ("North Baja") hereby submits for filing revised tariff sections, included as Appendix A,² to be part of its FERC Gas Tariff, First Revised Volume No. 1 ("Tariff"), as more fully described below. North Baja requests that the Commission accept these tariff revisions to become effective October 26, 2015.

Correspondence

The names, titles and mailing addresses of the persons to whom correspondence and communications concerning this filing should be directed are as follows:

¹ 18 C.F.R. Part 154 (2014).

² See the cover of Appendix A for a complete listing of revised sections.

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Statement of the Nature, Reasons, and Basis for Filing

This filing is being submitted with the Commission to revise the *pro forma* forms of service agreements (“PFSA”) contained in North Baja’s Tariff. Additionally, North Baja is proposing several modifications to the General Terms and Conditions of Service (“GT&C”), including modifications associated with North Baja’s new transactional business system, TC PLUS, which was placed in service on October 1, 2014 (“TC PLUS 2014 Filing”),³ provisions to reserve capacity for expansion projects, and revisions clarifying operational flow orders. Finally, North Baja is proposing minor language modifications to the transportation service rate schedules of its Tariff, as well as housekeeping changes. The changes proposed herein will streamline North Baja’s PFSAs, as well as North Baja’s overall contracting process. The proposed changes, reflected in Appendix A attached hereto, are more fully described below.

Modifications to PFSAs

- North Baja has completed a review of its PFSAs and determined that the PFSAs can be simplified and clarified without changing any of the substantive rights provided therein. Each of the proposed PFSA revisions, included herein as Appendix A, and more fully described below, have been recently approved by the Commission in other pipeline tariffs.⁴

³ *North Baja Pipeline, LLC*, Docket No. RP14-1217-000 (September 24, 2014) (unpublished letter order).

⁴ See *Tuscarora Gas Transmission Company*, Docket No. RP15-954-000 (May 27, 2015) (Unpublished Director’s Letter Order); *Gas Transmission Northwest LLC*, Docket No. RP15-955-000 (May 20, 2015) (Unpublished Director’s Letter Order) (“GTN Order”).

Rate Schedules FTS-1 and LFS-1 PFSAs:

- Preamble – removed receipt and delivery locations, as such information is set forth in Article II. Additionally, the preamble is revised to include an “if applicable” provision to provide that if North Baja and shipper desire to amend an agreement, the agreement shall be amended and restated in its entirety and shall supersede any prior agreement. This provision identifies the contract number, contract execution date, and service commencement date of the original agreement being amended.
- Article I (General) – revised Section 1 concerning the scope of the agreement, and expanded Section 2 to be inclusive of not only FERC regulations, but also all other applicable laws and regulations. In the event of an amended agreement, Section 4 was added to state that such amended agreement supersedes any prior agreement;
- Article II (Quantity of Gas and Points of Receipt and Delivery) – consolidated current Sections 1 and 2 into one provision to address the primary receipt and delivery point(s) as well as the maximum daily quantity of gas to be delivered (“MDQ”);
- Article III (Term) – revised to more clearly differentiate an agreement’s service commencement date from its execution date. The “if applicable” evergreen provision has been revised to more clearly state that *pursuant to its evergreen rights*, the agreement shall continue in full force and effect. As the determination of an agreement’s bilateral or unilateral evergreen right is accomplished by use of the provision’s fill-in-the-blanks, the last sentence of the evergreen provision is eliminated, as it is confusing and unnecessary. This Article has additionally been revised to incorporate an “if applicable” designation to identify the agreement’s right of first refusal (“ROFR”) eligibility. Three options have been added to more clearly identify the ROFR status of an agreement: 1) the agreement contains a regulatory ROFR; 2) the agreement contains a contractual ROFR; and 3) the agreement does not contain a ROFR;
- Article IV [Rate(s), Rate Schedules, and General Terms and Conditions] – removed the reference to shipper notice for FERC filings, as FERC regulations include a service requirement;

- Article V (Miscellaneous) – clarified existing language concerning shipper’s requisite upstream/downstream transportation arrangements to effectuate service;⁵ and
- Exhibit A – revised to set forth the start and end dates, the receipt and delivery points, and the maximum daily quantity in a fill-in-the-blank format. Additionally, language regarding terms of service was removed as such provisions are provided in Article III (Terms).

Rate Schedules ITS-1, ITS-1 (LAT-1), and PAL-1 PFSAs:

Generally, the revisions to ITS and PAL service agreements are similar to the revisions described above for the firm PFSAs, with the following additional revision.

- Article III – [Rate(s), Rate Schedules, and General Terms and Conditions] – expanded Section 1 to provide that rates different from North Baja’s applicable recourse rate(s) may be set forth not only in the agreement, but, additionally, *in writing or through the customer activities link on North Baja’s Internet website.*

Modifications to Rate Schedules:

- Section 5.1.3 (Rate Schedule FTS-1, Rates) and Section 5.2.3 (Rate Schedule ITS-1, Rates) – relocated a provision regarding negotiated rates which exceed North Baja’s maximum applicable tariff rate(s) to Section 6.24.1 (Negotiated Rates), as it is applicable to all rate schedules of North Baja’s Tariff.

Modifications to North Baja’s GT&C

In conjunction with the revisions described above, North Baja is proposing additional updates to various provisions included in the GT&C of its Tariff, as described below:

- Section 6.1 (Definitions) – clarified the definition of “Recourse Rate” by the addition of a reference to the Statement of Rates;
- Section 6.8.1 (Firm Transportation Service) – added new provisions in 6.8.1(d), Reservation of Capacity for Expansion Projects, to permit the reservation of capacity by North Baja for

⁵ This provision applies to FTS-1 and not FTS-1 (LAT-1) because of unique contracting arrangements that North Baja has entered on behalf of Arizona Public Service Company for transportation service on Gasoducto Rosarito (Mexican pipeline delivering gas into North Baja). See *North Baja Pipeline, LLC*, RP10-324-000, Director’s Letter Order (February 24, 2010).

future expansion projects. Consistent with Commission policy, North Baja is proposing to add provisions that allow North Baja to reserve capacity for future expansions for which an open season has been or will be held. The new provisions will allow North Baja to reserve capacity for a future expansion for up to one year prior to North Baja filing the certificate application for the expansion project.⁶ The Commission has found in previous orders that allowing a pipeline to reserve capacity for expansion projects creates a more efficient use of the pipeline's existing capacity and encourages properly sized expansion projects.⁷ North Baja will notify shippers of its intent to reserve capacity on its Internet website and will solicit turnback capacity if such reserved capacity is insufficient to serve the expansion project. Furthermore, North Baja will make the reserved capacity available on an interim basis with limited renewal rights. The proposed provisions are consistent with Commission policy⁸ and are similar to provisions previously approved by the Commission for use in other pipeline tariffs.⁹

- Section 6.11 (Qualifying for Service) – added paragraph (5) to clarify that a contract will be deemed executed on the earlier of 1) the execution of the service agreement in writing by shipper and North Baja, or 2) the execution of the service agreement in writing by shipper and shipper's subsequent nomination pursuant to such service agreement;
- Section 6.12.1(b)(ii) (Creditworthiness for Firm Transportation Service) – renamed “Cash Security Deposit” to more accurately describe the credit alternative, consistent with the fact that the payment of interest occurs under this alternative. Prepayments for service, for which interest is not paid, is available to shippers under Section 6.12.1(b)(iv), which allows North Baja and shipper to mutually agree on any other security, on a nondiscriminatory basis.
- Section 6.12.4 (Creditworthiness for Interruptible Transportation Service) – renamed “Cash Security Deposit,” consistent with Section 6.12.1 above,¹⁰ and modified the determination of

⁶ *Portland Natural Gas Transmission System*, 143 FERC ¶ 61,181 (2013) (“PNGTS Order”); *Gulf South Pipeline Company, LP*, 132 FERC ¶ 61,145, at PP 9-15 (2010) (“Gulf South Order”); *Gas Transmission Northwest Corp.*, 109 FERC ¶ 61,141, (2004) (“GTN Order”).

⁷ Gulf South Order at P 15; GTN Order at P 9 (2004).

⁸ *Pricing Policy for New and Existing Facilities Constructed by Interstate Natural Gas Pipelines*, 71 FERC ¶ 61,241 (1995); *Texas Eastern Transmission, LP*, 133 FERC ¶ 61174, (2010) (“Texas Eastern Order”); GTN Order; Gulf South Order.

⁹ PNGTS Order; *Bison Pipeline LLC*, 131 FERC ¶ 61,013 (2010); GTN Order; Texas Eastern Order; Gulf South Order.

¹⁰ Prepayments for service for interruptible service is available to shipper under Section 6.12.4(b)(iv).

the amount required for the various credit alternatives (guarantee, cash security deposit, or letter of credit), consistent with a tariff change approved as part of North Baja's TC PLUS 2014 Filing, *i.e.*, that an ITS agreement no longer includes a designated quantity for gas for such determination. As revised, the credit alternative amount is initially based upon the anticipated interruptible service usage, as determined by shipper and North Baja, and thereafter, the highest monthly bill for interruptible service over the previous rolling twelve (12) months multiplied by three (3). Such change is beneficial to North Baja's ITS shippers, as the credit alternative amount is no longer based on the maximum amount of service that may be provided in a three month period, which typically results in a larger credit amount requirement throughout the term of the ITS agreement.

- Section 6.12.5 (Creditworthiness for Lending Service) – as PAL service agreements no longer include a maximum quantity pursuant to TC PLUS changes, this section was revised to state that the security requirement for lending service shall be an amount up to shipper's loaned quantity times the average "SoCal" price (such SoCal price is currently referenced in the Tariff);
- Sections 6.13.1, 6.13.2 and 6.13.3 (Firm Scheduling Priorities Through Pipeline Segments, Receipt Point Constraints, and Through Delivery Points) - revised the provisions governing the *pro rata* allocation of capacity herein to allocate constrained capacity based upon the validated nomination up to a shipper's MDQ. Currently the allocation is based on each shipper's primary MDQ, which may result in an allocation of capacity to a shipper in excess of that either nominated or required. The Commission has previously stated that the *pro rata* allocation of constrained capacity based upon shipper nominations is non-discriminatory and reasonable.¹¹ As revised, the provision enables the allocation of constrained pipeline capacity in a manner that is both efficient and consistent with Commission policy;
- Section 6.15 (Curtailment) – revised the provision governing curtailment consistent with the proposed revisions in Sections 6.13.1, 6.13.2, and 6.13.3, as described above;

¹¹ *Millennium Pipeline Co. LLC*, 125 FERC ¶ 61,119 at 61,604 (2008); *Kern River Gas Transmission Co.*, 121 FERC ¶ 61,203 at 61,981 (2007); *Trailblazer Pipeline Co.*, 80 FERC ¶ 61,394 (1997); and *Northern Border Pipeline Co.*, Docket No. RP11-1769-000 (February 24, 2011) (Unpublished Director's Letter Order); *see also* GTN Order.

- Section 6.18 [Operational Flow Orders (“OFO”)] – revised to clarify that both shippers *and* Operational Balancing Agreement (“OBA”) operators may be subject to North Baja’s existing OFO provisions. As currently provided, North Baja’s OFO provisions contemplate application to both shippers and OBA operators, as provided in Section 6.18.6 (OFO – Remedial Actions in the Event of Non-Compliance), which states that North Baja “shall not be liable for any costs incurred by any Shipper/Operator in complying with an OFO.” The ability to issue OFOs to an OBA operator allows North Baja to address situations in which North Baja may not be able to discern the specific shipper responsible for the operational issue. Similar provisions have been approved by the Commission in other pipeline tariffs.¹² Therefore, North Baja believes that, in the interest of addressing operational situations that threaten the operational integrity of its system, it is prudent to revise its current OFO provisions to clarify that both the shipper *and* OBA operators may be subject to North Baja’s OFO provisions. Consistent with Commission policy concerning OFOs, North Baja’s currently effective tariff provides operational remedies to be followed prior to issuance of a system-wide OFO,¹³ and provides tools (*e.g.*, parking and lending, trading of imbalances) that assist shippers in the management of imbalances to minimize the occurrence of OFOs. As revised, North Baja’s clarified provisions ensure North Baja’s ability to maintain the operational integrity of its system;
- Section 6.19.1 (Eligibility to Release) – revised to more clearly set forth a shipper’s eligibility to release its firm capacity and to better differentiate the processes, obligations, and rights associated with a permanent versus a temporary capacity release. The proposed revisions include no substantive changes to the section;

¹² *Gulf South Pipeline Co., LP*, 98 FERC ¶ 61278, 62175 (Mar. 14, 2002). The Commission “finds that it is appropriate to impose OFO penalties on point operators. The point operator controls the gas flow on the system and confirms the nominations of the shippers. OFO situations require that all entities on a system have appropriate incentives to closely monitor their facilities to ensure only scheduled and confirmed volumes are moved. There is no impediment preventing point operators from passing the penalty to the responsible shipper.” See also, *Tennessee Gas Pipeline Co.*, 99 FERC ¶ 61,017 (2002). The Commission “agrees that penalties are to deter future conduct rather than merely a reaction to past problems. Most OFO conditions involve a degree of prediction of future events and a knowledge of how those events may affect operations.” See also, *Gas Transmission Northwest Corporation*, 115 FERC ¶ 61,086 (2006).

¹³ *North Baja Pipeline LLC*, 100 FERC ¶ 61,183 at P 11 (2002).

- Section 6.19.3 (Notice Requirements) – eliminated paragraph (i), as North Baja’s marketing of capacity is addressed in Section 6.19.4;¹⁴ and clarified in paragraph (p) that any contingent bid must be satisfied by the last day of the Bid Period, thus eliminating a releasing shipper’s ability to accept a contingent bid beyond the end of the bid period;
- Section 6.19.5 (Posting of a Parcel) – revised the first paragraph to eliminate the requirements that North Baja review a parcel prior to posting and acknowledge a valid release by email, as such processes are now handled electronically in TC PLUS;
- Section 6.19.6 (Bidding for a Parcel) – within paragraph (a), updated to reference to the customer activities link on North Baja’s Internet website; and within paragraph (b)(viii), eliminated language which addresses releasing shipper contingencies, as this is more appropriately addressed in Section 6.19.2;
- Section 6.19.7 (Allocation of Parcels) – within Section 6.19.7(a), clarified that there are four options to award winning bids, and relocated general default and evaluation provisions after option 4 (currently located after option 3); within paragraph (c), simplified the tie-breaker methodology, used in the event there is more than one replacement shipper with a winning bid, by eliminating the “lottery” and “method designated by the releasing shipper” tie-breaker options, which have never been utilized by North Baja; and revised paragraph d to provide that North Baja’s capacity release notifications shall occur *in writing*, and eliminated releasing shipper notification requirements when a parcel is awarded, consistent with North Baja’s current business practice.
- Section 6.19.13 (Reserved for Future Use) – removed this section in its entirety as it is duplicative to Section 6.40, which sets forth all NAESB Standards.¹⁵
- Section 6.22 (Flexible Receipt and Delivery Points) – removed paragraph (2) in its entirety consistent with the removal of receipt and delivery points from the ITS service agreements in North Baja’s TC PLUS 2014 Filing;
- Section 6.24.1 (Availability) – added a provision regarding negotiated rates which exceed the maximum applicable tariff rate(s) (relocated from Sections 5.1.3 and 5.2.3, as discussed above);

¹⁴ 6.19.4 – GT&C, Marketing of Capacity Fee (“Section 6.19.4”).

¹⁵ See *Standards for Business Practices for Interstate Natural Gas Pipelines*, Order No. 587-V, FERC Stats. & Regs. ¶ 31,332 (2012).

- Section 6.34 (Complaint Procedures) – updated to reflect that shipper complaints may be communicated to North Baja’s Director, Commercial Services, by e-mail, by registered or certified mail, or by hand delivery; and
- Section 6.36 (Electronic Communications) – revised to update North Baja’s Internet website address and to reflect that electronic transactions and access to North Baja’s EDI shall occur through its website.

Miscellaneous Revisions

- In order to reflect a change in the physical location of North Baja’s business office, North Baja has updated references to North Baja’s street/courier address within the Cover Sheet as well as Sections 6.34, 7.1, 7.2, 7.3, 7.4 and 7.5.

Effective Date

North Baja requests that the Commission accept the revised tariff sections filed herein and listed in Appendix A to become effective October 26, 2015.

Other Filings That May Affect This Proceeding

There are no other filings before the Commission that may significantly affect the changes proposed herein.

Contents of Filing

In accordance with Section 154.7 and 154.201 of the Commission’s regulations, and Order No. 714,¹⁶ North Baja is submitting the following XML filing package, which includes:

1. This transmittal letter;
2. A clean tariff section (Appendix A); and
3. A marked tariff section (Appendix B).

¹⁶ *Electronic Tariff Filings*, 124 FERC ¶ 61,270 (2008) (“Order No. 714”).

Certificate of Service

As required by Sections 154.7(b) and 154.208 of the Commission's regulations, copies of this filing are being served upon all of North Baja's existing customers and interested state regulatory agencies. A copy of this letter, together with the enclosed tariff section and other attachments, is available during regular business hours for public inspection at North Baja's principal place of business.

Pursuant to Section 385.2005 and Section 385.2011, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. Additionally, the undersigned possesses full power and authority to sign such filing.

Any questions regarding this filing may be directed to Joan Collins at (832) 320-5651.

Respectfully submitted,

A handwritten signature in cursive script that reads "John A. Roscher". The signature is written in black ink and is positioned above a solid horizontal line.

John A. Roscher
Director, Rates and Tariffs

Enclosures

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

<u>Tariff Sections</u>	<u>Version</u>
Cover Page	
5.1.3 – Rate Schedule FTS-1, Rates	V.3.0.0
5.2.3 – Rate Schedule ITS-1, Rates	v.4.0.0
6.1 – GT&C, Definitions	V.4.0.0
6.8.1 – GT&C, Firm Transportation Service	V.3.0.0
6.11 – GT&C, Qualifying for Service	v.4.0.0
6.12.1 – GT&C, Creditworthiness for Firm Transportation Service	v.2.0.0
6.12.4 – GT&C, Creditworthiness for Interruptible Transportation Service	v.2.0.0
6.12.5 – GT&C, Creditworthiness for Lending Service	v.2.0.0
6.13.1 – GT&C, Firm Scheduling Priorities Through Pipeline Segments	v.2.0.0
6.13.2 – GT&C, Firm Scheduling Priorities Through Receipt Point Constraints	v.2.0.0
6.13.3 – GT&C, Firm Scheduling Priorities Through Delivery Points	v.2.0.0
6.15 – GT&C, Curtailment	v.2.0.0
6.18.2 – GT&C, OFO Applicability	v.2.0.0
6.18.3 – GT&C, OFO Notice Procedures	v.2.0.0
6.18.5 – GT&C, Failure to Comply with OFO	v.2.0.0
6.18.6 – GT&C, OFO – Remedial Actions in the Event of Non-Compliance	v.2.0.0
6.18.7 – GT&C, Responsibility for Damages in the Event of Non-Compliance	v.2.0.0
6.18.9 – GT&C, OFO – NBP Responsibility for Backing Loss of Supply	v.2.0.0
6.19.1 – GT&C, Eligibility to Release	v.3.0.0
6.19.3 – GT&C, Notice Requirements	v.4.0.0
6.19.5 – GT&C, Posting of a Parcel	v.6.0.0
6.19.6 – GT&C, Bidding for a Parcel	v.6.0.0
6.19.7 – GT&C, Allocation of Parcels	v.4.0.0
6.19.13 – GT&C, Reserved for Future Use	v.3.0.0
6.22 – GT&C, Flexible Receipt and Delivery Points	v.2.0.0
6.24.1 – GT&C, Availability	v.2.0.0
6.34 – GT&C, Complaint Procedures	v.2.0.0
6.36 – GT&C, Electronic Communications	v.2.0.0

7.1 – Service Agmts, Rate Schedule FTS-1	v.5.0.0
7.1.1 – Service Agmts, Rate Schedule FTS1 – Exhibit A	v.2.0.0
7.2 – Service Agmts, Rate Schedule FTS-1 (LAT-1)	v.5.0.0
7.2.1 – Service Agmts, Rate Schedule FTS1 (LAT-1) – Exhibit A	v.3.0.0
7.3 – Service Agmts, Rate Schedule ITS-1	v.5.0.0
7.4 – Service Agmts, Rate Schedule ITS-1 (LAT-1)	v.5.0.0
7.5 – Service Agmts, Rate Schedule PAL-1	v.5.0.0

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

Communications Concerning This Tariff
Should Be Addressed To:

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Manager, Tariffs and Compliance
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Courier Address: 700 Louisiana Street, Suite 700
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5.1.3 RATES

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

1. Reservation Charge.

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

2. Commodity Charge.

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

3. Applicability of Surcharges.

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

4. Discounted Rates.

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

5. Negotiated Rates.

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

6. Backhauls.

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

7. Capacity Release.

(a) Releasing Shippers:

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

(b) Replacement Shippers:

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

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

5.2.3 RATES

1. Commodity Rates.

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

2. Applicability of Surcharges.

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

3. Discounted Rates.

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

4. Negotiated Rates.

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

5. Backhauls.

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

sole discretion, that such transportation is operationally infeasible or otherwise not available.

6.1. DEFINITIONS

1. **Gas Day:** In accordance with NAESB Standard 1.3.1, the term "Gas Day" shall mean 9:00 a.m. to 9:00 a.m. Central Clock Time (7:00 a.m. to 7:00 a.m. Pacific Clock Time).
2. **Business Day:** The term "Business Day" shall mean Monday through Friday, excluding U.S. Federal Banking Holidays for transactions in the United States and similar holidays for transactions occurring in Canada and Mexico.
3. **Month:** The word "month" shall mean a period extending from the beginning of the first day in a calendar month to the beginning of the first day in the next succeeding calendar month.
4. **Maximum Daily Quantity:** The term "Maximum Daily Quantity" or "MDQ" shall mean the maximum daily quantity in Dth of gas which NBP agrees to deliver exclusive of an allowance for compressor station fuel, line loss and other unaccounted for gas and transport for the account of Shipper to Shipper's point(s) of delivery on each day during the term of Shipper's Transportation Service Agreement with NBP.
5. **Gas:** The word "gas" shall mean natural gas.
6. **Cubic Foot of Gas:** The term "cubic foot of gas" is defined in accordance with NAESB Standard 2.3.9, as that quantity of gas which measures one (1) cubic foot at standard conditions of 14.73 psia, 60 degrees F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C and dry. Standard 2.3.9, states in full "Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm² and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry."
7. **Mcf:** The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in Section 6.4 hereof. The term "MMcf" shall mean one million (1,000,000) cubic feet of gas.
8. **Dekatherm:** The term "Dekatherm" or "Dth" is the quantity of heat energy equivalent to one million (1,000,000) British Thermal Units (MMBtu). Dth is the standard quantity for Nominations, Confirmations and Scheduled Quantities in the United States. For purposes of this tariff and associated Service Agreements, the terms MMBtu and Dth are synonymous.

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

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

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

30. **Negotiated Rate Formula:** A rate formula that NBP and a Shipper have agreed will apply to service under a specific contract under Rate Schedules FTS-1, ITS-1, PAL-1 which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or may be less than the minimum rate, for such component set forth in NBP's Tariff for the given service.
31. **Recourse Rate:** The term "Recourse Rate" shall mean the applicable maximum rate that would apply to each respective Rate Schedule as set forth in the Statement of Rates of this FERC Gas Tariff.
32. **Commission:** The Federal Energy Regulatory Commission.
33. **Existing Capacity:** Capacity that has been in-service beyond the initial terms of Agreements that originally supported the construction of such capacity. Existing Capacity additionally includes capacity that is still within such initial terms where Shipper Agreements pertaining to the capacity have been terminated by the pipeline. Existing Capacity additionally includes unsubscribed capacity created as part of a pipeline expansion project.
34. **Expansion Capacity:** Original system capacity or capacity that is added to the pipeline system as part of a system expansion project where such capacity is still within the initial contract term(s) of the Agreement(s) that originally supported the construction of such capacity. Expansion Capacity includes permanent releases of capacity that are within the initial term of an original Shipper's contract.
35. **Cash Out Index Price:** The price calculated as the average "SoCal" price, as reported in Gas Daily's Daily Price Survey, for the month in which an imbalance occurs.
36. **Energy Affiliate:** The term "Energy Affiliate" shall have the meaning provided in Commission Order No. 2004, et seq.
37. **Asset Manager:** A party that agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another party. The asset manager uses released capacity to serve the gas supply requirements of the

releasing shipper and, when the capacity is not needed for that purpose, uses the capacity to make releases or bundled sales to third parties.

6.8.1 Firm Transportation Service.

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

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

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

(a) Available Firm Capacity.

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

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

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

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

(b) Future Sales of Capacity.

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

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

If NBP sells capacity on a pre-arranged basis, it will post the terms of the pre-arranged transaction and other parties will have an opportunity to bid on the capacity. At the time NBP enters into a pre-arranged service agreement, NBP will post a notice on its Internet website indicating that the pre-arranged capacity will be subject to an open bidding process within three (3) business days, even if such capacity has already been subject to an open season bidding process and is currently posted as available capacity. If another party submits a bid with a higher incremental economic value, the pre-arranged Shipper will have a one-time right to match the higher bid in order to retain the capacity. If the pre-arranged Shipper elects not to match a higher competing bid, the capacity will be awarded to the highest creditworthy bidder in accordance with Section 6.9.1(d). If there is an open season ongoing for certain capacity, NBP will not enter into a pre-arranged deal for that capacity during the open season.

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

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

(c) Construction of New Firm Capacity.

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

(d) Reservation of Capacity for Expansion Projects.

1. Applicability.

NBP may elect to reserve, for future expansion projects, unsubscribed firm capacity or capacity under expiring or terminating firm transportation agreements where such agreements do not carry a right of first refusal, or evergreen right, or where Shipper does not exercise its right of first refusal, or where a party has elected termination under an evergreen.

2. Time Period.

Capacity may only be reserved for a future expansion project for which an open season has been held or will be held. Capacity may be reserved for up to one year prior to NBP filing for certificate approval for the proposed expansion, and thereafter until such expansion is placed into service.

3. Notice to Shipper.

Prior to reserving capacity for future expansion projects under this section, the subject capacity must have first been made available pursuant to Section 6.8.1(a) above. Capacity that remains available after the posting and bidding procedure outlined in Section 6.9 may be reserved by NBP by means of a posting on NBP's Internet website that shall include:

- (a) A description of the expansion project for which the capacity will be reserved;
- (b) The total quantity of capacity to be reserved;
- (c) The location of the proposed reserved capacity on NBP's system;
- (d) When NBP anticipates holding an open season or otherwise posting the capacity for bidding in connection with the expansion project;

- (e) The projected in-service date of the expansion project; and
- (f) On an ongoing basis, how much of the reserved capacity has been sold on a limited-term basis.

4. Solicitation of Turnback Capacity.

If capacity that is reserved for an expansion project is insufficient to fully meet the needs of expansion shippers, the expansion open season posting will include a non-binding solicitation for turnback capacity from NBP's existing Shippers to serve the expansion project. NBP shall post, in the Informational Postings section of its website, a non-binding solicitation for expansion project related turnback capacity no later than 90 days after the close of an expansion project's open season specifying the minimum term for a response to the solicitation.

5. Interim Capacity.

Capacity that is reserved for a future expansion will be made available for transportation service on an interim basis up to the in-service date of the expansion project. For such interim service agreements, NBP reserves the right to limit Shipper extension rights, including the right of first refusal, within the service agreement. NBP will indicate in any open season posting of this capacity any limitations on extension rights that will apply to such interim transportation service.

6. Reposting of Capacity.

Any capacity reserved for a project that does not go forward for any reason shall be reposted as generally available within 30 days of the date the capacity becomes available.

6.11 QUALIFYING FOR SERVICE

1. A prospective shipper desiring service on NBP's system must fully complete the request for service available through the customer activities link on NBP's Internet website.
2. NBP will begin processing Shipper's request for service upon receipt, but does not guarantee service will be available. NBP will not provide service until Shipper has executed a Service Agreement. Shipper also shall be required to meet other provisions of this FERC Gas Tariff, including the creditworthiness requirements set forth in Section 6.12 of this FERC Gas Tariff. Pro forma Service Agreements for each service offered by NBP are set out in the Form of Service Agreement portion of this Tariff.

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

3. Shipper's request for service shall be considered null and void if NBP has notified Shipper that Service Agreement is ready for execution and Shipper fails to execute the Service Agreement within fifteen (15) days thereafter.
4. Form: Shipper shall enter into a contract with NBP utilizing NBP's appropriate standard form of Transportation Service Agreement.

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

5. A Service Agreement will be deemed executed on the earlier of (1) execution of the Service Agreement in writing by Shipper and NBP or (2) execution of the Service Agreement in writing by Shipper and Shipper's subsequent nomination pursuant to such Service Agreement.

6.12.1 Creditworthiness for Firm Transportation Service.

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

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

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

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

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

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

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

up to three (3) months' worth of applicable transportation charges. For Expansion Capacity on lateral facilities, the pipeline will not require an LC greater than Shipper's pro rata share of the total facilities costs, and such LC will be reduced over time in proportion to Shipper's contract term, consistent with Section 6.12.3 of these General Terms and Conditions.

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

6.12.4 Creditworthiness for Interruptible Transportation Service.

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

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

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

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

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

- (ii) If a Shipper's debt is not rated by a recognized debt rating service, Shipper may, at its own expense, obtain a private rating from a debt rating service acceptable to NBP, or request that an independent accountant or financial advisor, mutually acceptable to NBP and the Shipper, prepare an equivalent evaluation based on the financial rating methodology, criteria, and ratios for the industry of the Shipper as published by the above rating agencies.
- (b) Shipper will be deemed to be non-creditworthy if it is rated below a BB+/Ba1 equivalent standard by any rating agency or if its credit limit is insufficient to cover Shipper's anticipated usage as described below. If Shipper does not establish or maintain creditworthiness as described above, or if Shipper's credit limit as determined by NBP is insufficient to cover Shipper's anticipated usage, Shipper has the option of receiving interruptible transportation service under this FERC Gas Tariff by providing to NBP one of the following alternatives:
 - (i) **Guarantee:** Shipper may obtain a guarantee of financial performance in a form satisfactory to NBP from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these Shippers the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on NBP's Internet website. The initial amount of the guarantee shall be based upon Shipper's anticipated usage for a three (3) month period, as determined by Shipper and NBP. Thereafter, the guarantee amount shall be based on Shipper's highest monthly bill for interruptible service over the previous rolling twelve (12) months multiplied by three (3).
 - (ii) **Cash Security Deposit:** A Shipper may provide a cash security deposit for service via cleared check or wire transfer. The initial amount of the cash security deposit shall be based upon Shipper's anticipated usage for a three (3) month period, as determined by Shipper and NBP. Thereafter, the amount shall be based on Shipper's highest monthly bill for interruptible service over the previous rolling twelve (12) months multiplied by three (3). NBP will pay interest on cash security deposits at the applicable monthly "Federal Funds (effective)" rate published in the Federal Reserve Statistical Report H.15.
 - (iii) **Letter of Credit:** Shipper may post a Letter of Credit (LC) in a form acceptable to NBP. A form of LC is available on NBP's Internet website. The initial amount of the LC shall be based on Shipper's anticipated usage for a three (3) month period, as determined by Shipper and NBP. Thereafter, the amount shall be based on Shipper's highest monthly bill for interruptible service over the previous rolling twelve (12) months multiplied by three (3).
 - (iv) Any other security mutually agreed upon by Shipper and NBP. Such other security shall be accepted on a non-discriminatory basis.

6.12.5 Creditworthiness for Lending Service.

The standards for Interruptible Transportation Service apply to NBP's interruptible PAL-1 Services. For lending service, however, the security requirement shall include an amount to adequately account for the value of the gas being loaned, which shall be for an amount up to Shipper's loaned quantity times the average annual "SoCal" price, as reported in Gas Daily's Daily Price Survey, for the preceding 12-month period ended October 31. NBP shall have no obligation to lend any quantity of gas beyond amounts for which NBP holds security.

6.13.1 Firm Scheduling Priorities Through Pipeline Segments.

NBP shall first schedule nominations for service within a Shipper's Primary Path. In the event NBP has insufficient capacity to schedule all nominations for service within Shippers' Primary Path, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all Primary Path nominations for service along the affected path.

NBP will next schedule nominations for service outside a Shipper's Primary Path. In the event NBP has insufficient capacity to schedule all nominations for service outside of Shippers' Primary Path, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all outside of Primary Path nominations for service along the affected path.

NBP will next schedule nominations for service within a Shipper's Reverse Path. In the event NBP has insufficient capacity to schedule all nominations for service within Shippers' Reverse Path, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all Reverse Path nominations for service along the affected path.

6.13.2 Firm Scheduling Priorities Through Receipt Point Constraints.

First, NBP shall schedule service to those Shippers for whom the constrained receipt point is a Primary Receipt Point, up to each Shipper's MDQ at that point (plus an allowance for fuel). In the event full service cannot be provided to Shippers holding Primary Receipt Point rights, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all Primary Receipt Point nominations at that affected point.

NBP shall then schedule service to those Shippers for whom the constrained receipt point is a Secondary Receipt Point within that Shipper's Primary Path. In the event full service cannot be provided, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all Secondary Receipt Point nominations at that affected point.

Last, NBP shall then schedule service to those Shippers for whom the constrained receipt point is a Secondary Receipt Point outside that Shipper's Primary Path. In the event full service cannot be provided, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all outside of Primary Path Secondary Receipt Point nominations at that affected point.

6.13.3 Firm Scheduling Priorities Through Delivery Points.

NBP shall first schedule service to those Shippers for whom the constrained Delivery Point is a Primary Delivery Point, up to each Shipper's MDQ at that point. In the event full service cannot be provided to Shippers holding Primary Delivery Point rights, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all Primary Delivery Point nominations at that affected point.

NBP shall then schedule service to those Shippers for whom the constrained Delivery point is a Secondary Delivery Point within that Shipper's Primary Path. In the event full service cannot be provided, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all Secondary Delivery Point nominations at that affected point.

Last, NBP shall then schedule service to those Shippers for whom the constrained Delivery point is a Secondary Delivery Point outside that Shipper's Primary Path. In the event full service cannot be provided, NBP shall prorate Shipper's nominated quantity up to Shipper's MDQ, based on all outside of Primary Path Secondary Delivery Point nominations at that affected point.

6.15 CURTAILMENT

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

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

If curtailment of PAL Service is necessary, NBP shall perform it in the opposite order of scheduling as set forth in Section 6.13.5 of this FERC Gas Tariff.

If curtailment of Interruptible Service is necessary, NBP shall perform it in the opposite order of scheduling as set forth in Section 6.13.5 of this FERC Gas Tariff.

If curtailment of firm service is necessary, NBP will prorate Shipper's nominated quantity up to Shipper's MDQ, based on all Shipper nominations scheduled to use the capacity at the applicable receipt points, delivery point(s) or mainline segment(s) of pipeline.

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

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

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

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

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

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

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

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

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

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

6.19.1 Eligibility to Release.

Any firm Shipper which contracts for firm transportation service under Part 284 of the Commission's regulations may release all or a part of its capacity under an existing Transportation Service Agreement on a permanent basis, or on a temporary basis. Any Replacement Shipper which has previously contracted for a Parcel may also release its capacity to another party as a secondary release subject to the terms and conditions described herein. The Releasing Shipper, whether a primary or secondary capacity holder, must comply with the Release Procedures provided in Section 6.19.3 below.

If a Shipper elects to temporarily release its capacity, the obligations associated with the released capacity remain with the original Releasing Shipper. A temporary release is subject to recall, if so specified. Upon temporarily releasing a Parcel, consistent with the terms and conditions described herein, the Releasing Shipper shall remain ultimately liable for all reservation charges billable for the originally contracted service. At the end of the term of the temporary release, all contractual rights and obligations revert to the original Releasing Shipper.

If a Shipper elects to permanently release all or part of its capacity for the remaining term of Releasing Shipper's existing Transportation Service Agreement, and NBP determines that it will be financially indifferent to the release to the Replacement Shipper, NBP will release Releasing Shipper from all of its obligations arising from service provided pursuant to the existing Transportation Service Agreement prospectively from the date of permanent release. However, Releasing Shipper will remain obligated for any fees, surcharges, or other obligations related to service provided under Releasing Shipper's existing Transportation Service Agreement prior to the date of its permanent assignment. If Shipper's request to permanently release capacity is denied because NBP has a reasonable basis to conclude that it will not be financially indifferent to the release, NBP shall notify the Releasing Shipper and the Replacement Shipper in writing of the reason(s) for such denial.

6.19.3 Notice Requirements.

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

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

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

- (d) Daily quantity of capacity to be released, expressed in Dth/d, at the designated delivery point(s). (This must not exceed Releasing Shipper's maximum contract demand available for capacity release and shall state the minimum quantity expressed in Dth/d acceptable for release.)
- (e) The term of the release, identifying the date release is to begin and terminate. The minimum release term acceptable to NBP shall be one (1) day.
- (f) Whether the Releasing Shipper is willing to consider release for a shorter period of time than that specified in (e) above and if so, the minimum acceptable period of release.
- (g) The receipt and delivery point(s).
- (h) Whether Option 1, 2, 3 or 4 shall be used to determine the highest valued bid (see Section 6.19.7(a) for a description of bid evaluation options).

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

6.19.5 Posting of a Parcel.

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

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

Releasing Shippers who elect to include, as part of their release, nondiscriminatory recall provisions and/or special terms and conditions are required to submit their request to release capacity with sufficient time prior to the close of the Posting Period as stated in Section 6.19.8 for NBP to review and validate that any recall and/or special terms and conditions are not discriminatory.

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

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

6.19.6 Bidding for a Parcel.

(a) Preliminary Qualification.

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

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

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

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

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

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

(b) Submitting a Bid.

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

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

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

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

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

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

- (d) Withdrawal or Revision of Bids.

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

6.19.7 Allocation of Parcels.

(a) Primary Allocation.

In accordance with NAESB Standard 5.3.3, winning bids for Parcels shall be awarded based on one of the following four (4) options to be selected by the Releasing Shipper when posting a Parcel:

Option 1 - Highest Rate Equivalent

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

Option 2 - Present Value

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

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

where:

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

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

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

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

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

A bid queue will be maintained for each individual Parcel.

Option 3 - Net Revenue

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

Option 4 – Other

The Releasing Shipper may establish a method for evaluation of the highest value bid. The Releasing Shipper must specify the evaluation method and provide an example of the evaluation method with each individual Parcel. In this event, NBP shall evaluate the bids in accordance with the Releasing Shipper's method and allocate the capacity to the highest value bid. The Releasing Shipper's bid evaluation methodology must be objective and non-discriminatory. In the event the Releasing Shipper does not specify how capacity will be allocated when there are multiple highest valued bids, the capacity will be allocated on a pro rata basis.

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

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

(b) Right of First Refusal.

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

(c) Secondary Allocation.

To the extent there is more than one Replacement Shipper submitting a winning bid, the Parcel shall be allocated based on one of the following tie-breaker

methodologies to be selected by the Releasing Shipper: pro rata or order of submission (first come/first serve).

(d) Confirmation of Allocation.

Upon each completion of an allocation, the successful Replacement Shipper(s) will be notified of the terms under which they have contracted for the awarded Parcel. The notification will be provided in writing to the Replacement Shipper(s). Such notification will be sent within one (1) hour of completion of the allocation. The notice will include the Replacement Shipper's Rate Schedule FTS-1 service agreement number and the pertinent terms of the Replacement Shipper's bid as well as any additional terms specified by the Releasing Shipper.

(e) Purging of Expired Bids.

All unfulfilled bids, as well as any unfulfilled portions of bids, which receive a partial award, will become ineffective as of the completion of bid reconciliation and the close of the Bid Period.

6.19.13 Reserved for Future Use

6.22 FLEXIBLE RECEIPT AND DELIVERY POINTS

1. Firm Service.

(a) Addition of a Receipt Point.

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

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

(b) Changing a Receipt Point.

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

(c) Addition of a Delivery Point.

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

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

(d) Changing a Delivery Point.

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

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

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

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

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

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

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

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

6.34 COMPLAINT PROCEDURES

1. Any Shipper or potential Shipper may register a complaint regarding requested or provided transportation service. The complaint may be communicated to NBP's Director, Commercial Services either by e-mail, which may be found through NBP's Internet website, or by registered or certified mail, or hand delivered to:

North Baja Pipeline, LLC
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Director, Commercial Services

Written and Internet website-submitted complaints must contain the following minimum information:

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

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

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

6.36 ELECTRONIC COMMUNICATIONS

1. NBP maintains an Internet website at www.tcplus.com/northbaja. Any entity may access this site to review informational postings concerning NBP's system.
2. Electronic Transactions. Any entity desiring to engage in electronic transactions with NBP through its Internet website shall first execute an electronic transaction agreement. Copies of these agreements may be obtained on NBP's Internet website.
3. Electronic Data Interface: NBP shall maintain an electronic data interface ("EDI") as required by the standards for electronic delivery mechanisms promulgated by NAESB and incorporated in Section 6.40 of this Tariff. EDI is available to any party with access to compatible equipment for electronic communication and transmission of data in accordance with the NAESB standards. A party desiring to utilize this EDI interface first shall execute an Electronic Data Interchange Agreement with NBP. Such Agreement may be either the Standard Form Agreement developed by the NAESB or an alternate Agreement as may be agreed to by the parties. Access to NBP's EDI system is obtained by contacting Commercial Services through the help line listed on NBP's Internet website.

FORM OF SERVICE AGREEMENT - FIRM TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on a firm basis, (if applicable) and

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for firm transportation service under Rate Schedule FTS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

1. Pursuant to the terms of this Firm Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.
2. This Agreement is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule FTS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of

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

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II

Quantity of Gas and Points of Receipt and Delivery

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

III

Term

1. The service commencement date is _____, and service shall continue until _____.

(Evergreen, if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of _____ unless _____ gives at least _____ written notice prior to the termination date of this Agreement of its desire to terminate this Agreement.

(if applicable)

Shipper shall have a regulatory right of first refusal as set forth in Section 6.10 of the General Terms and Conditions of NBP's Tariff.

(if applicable)

Shipper shall have a contractual right of first refusal which (a) shall be exercised consistent with the procedures set forth in Section 6.10 of the General Terms and Conditions of NBP's Tariff; (b) exists by virtue of this Agreement, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10; and (c) shall not extend or apply to any subsequent agreement or amendment arising from the exercise thereof.

(if applicable)

Shipper shall not have a right of first refusal.

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

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

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

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule FTS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

V
Miscellaneous

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

"NORTH BAJA PIPELINE, LLC"
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Commercial Services

"Shipper"

Attention: _____

5. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
6. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
7. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

EXHIBIT A
TO THE FIRM TRANSPORTATION AGREEMENT

Dated _____

Between NORTH BAJA PIPELINE, LLC,

and _____

Start Date	End Date	Receipt Point	Delivery Point	Maximum Daily Quantity (Delivered) Dth/d
_____	_____	_____	_____	_____

FORM OF SERVICE AGREEMENT - YUMA LATERAL FIRM TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on a firm basis, (if applicable) and

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for firm transportation service under Rate Schedule FTS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

1. Pursuant to the terms of this Firm Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.
2. This Agreement is made pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC") contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule FTS-1. Shipper shall

reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II

Quantity of Gas and Points of Receipt and Delivery

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

III

Term

1. The service commencement date is _____, and service shall continue until _____.

(Evergreen, if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of _____ unless _____ gives at least _____ written notice prior to the termination date of this Agreement of its desire to terminate this Agreement.

(if applicable)

Shipper shall have a regulatory right of first refusal as set forth in Section 6.10 of the General Terms and Conditions of NBP's Tariff.

(if applicable)

Shipper shall have a contractual right of first refusal which (a) shall be exercised consistent with the procedures set forth in Section 6.10 of the General Terms and Conditions of NBP's Tariff; (b) exists by virtue of this Agreement, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10; and (c) shall not extend or apply to any subsequent agreement or amendment arising from the exercise thereof.

(if applicable)

Shipper shall not have a right of first refusal.

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

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

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

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule FTS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.
4. The following provision is ___/is not___ applicable to this Agreement:
In addition to the rate established for the NBP-Yuma Lateral, in accordance with Section 6.6 paragraph 3 of NBP's General Terms and Conditions of Service, Shipper also agrees to pay any Third Party Charges which may be incurred by NBP for transportation services on the Gasoducto Rosarito ("GR")-Algodones Lateral necessary to provide transportation services on the GR-Algodones Lateral as provided in Exhibit A.

V
Miscellaneous

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

parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, e-mail, or fax or other means similarly agreed to:

"NORTH BAJA PIPELINE, LLC"
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Commercial Services

"Shipper"

Attention: _____

4. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
5. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
6. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

EXHIBIT A

TO THE YUMA LATERAL FIRM TRANSPORTATION SERVICE AGREEMENT

Dated _____

Between NORTH BAJA PIPELINE, LLC,

and _____

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

Third Party Charges: This Option is ___/is not___ applicable to this Agreement:

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

FORM OF SERVICE AGREEMENT - INTERRUPTIBLE TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis, (if applicable) and

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for interruptible transportation service under Rate Schedule ITS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

1. Pursuant to the terms of this Interruptible Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.
2. This Agreement is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule ITS-1. Shipper shall

reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable.

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

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II Term

1. The service commencement date is _____, and service shall continue until _____, or until terminated by Shipper or NBP upon thirty (30) days written notice.

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

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

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or through the customer activities link on NBP's Internet website.

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule ITS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

4. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP that have a higher priority of service.

IV
Miscellaneous

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

"NORTH BAJA PIPELINE, LLC"
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Commercial Services

"Shipper"

Attention: _____

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

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

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

FORM OF SERVICE AGREEMENT - YUMA LATERAL INTERRUPTIBLE
TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis, (if applicable) and

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for interruptible transportation service under Rate Schedule ITS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

1. Pursuant to the terms of this Interruptible Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.
2. This Agreement is made pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC") contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or

termination of service under this Agreement and Rate Schedule ITS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II Term

1. The service commencement date is _____, and service shall continue until _____, or until terminated by Shipper or NBP upon thirty (30) days written notice.

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

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

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or through the customer activities link on NBP's Internet website.

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule ITS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

4. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP that have a higher priority of service.
5. The following provision is____/is not____ applicable to this Agreement: In addition to the rate established for the NBP-Yuma Lateral, in accordance with Section 6.6 paragraph 3 of NBP's General Terms and Conditions of Service, Shipper also agrees to pay any Third Party Charges which may be incurred by NBP for transportation services on the Gasoducto Rosarito ("GR") - Algodones Lateral necessary to provide transportation service on the GR-Algodones Lateral.

IV
Miscellaneous

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

"NORTH BAJA PIPELINE, LLC"
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Commercial Services

"Shipper"

Attention: _____

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

5. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.

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

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

FORM OF SERVICE AGREEMENT - PARKING AND LENDING SERVICE

FORM OF SERVICE AGREEMENT

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

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

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

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

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

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for interruptible transportation service under Rate Schedule PAL-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

1. Pursuant to the terms of this Parking and Lending Service Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.
2. This Agreement is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule PAL-1. Shipper shall

reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II Term

1. The service commencement date is _____, and service shall continue until _____, or until terminated by Shipper or NBP upon thirty (30) days written notice.

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

1. Shipper shall pay NBP each month for services rendered pursuant to this Agreement in accordance with NBP's Rate Schedule PAL-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC. In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or through the customer activities link on NBP's Internet website.
2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule PAL-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.
4. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP having a higher priority of service.

IV
Miscellaneous

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

"NORTH BAJA PIPELINE, LLC"
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Commercial Services

"Shipper"

Attention: _____

5. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
6. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
7. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

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

<u>Tariff Sections</u>	<u>Version</u>
Cover Page	
5.1.3 – Rate Schedule FTS-1, Rates	V.3.0.0
5.2.3 – Rate Schedule ITS-1, Rates	v.4.0.0
6.1 – GT&C, Definitions	V.4.0.0
6.8.1 – GT&C, Firm Transportation Service	V.3.0.0
6.11 – GT&C, Qualifying for Service	v.4.0.0
6.12.1 – GT&C, Creditworthiness for Firm Transportation Service	v.2.0.0
6.12.4 – GT&C, Creditworthiness for Interruptible Transportation Service	v.2.0.0
6.12.5 – GT&C, Creditworthiness for Lending Service	v.2.0.0
6.13.1 – GT&C, Firm Scheduling Priorities Through Pipeline Segments	v.2.0.0
6.13.2 – GT&C, Firm Scheduling Priorities Through Receipt Point Constraints	v.2.0.0
6.13.3 – GT&C, Firm Scheduling Priorities Through Delivery Points	v.2.0.0
6.15 – GT&C, Curtailment	v.2.0.0
6.18.2 – GT&C, OFO Applicability	v.2.0.0
6.18.3 – GT&C, OFO Notice Procedures	v.2.0.0
6.18.5 – GT&C, Failure to Comply with OFO	v.2.0.0
6.18.6 – GT&C, OFO – Remedial Actions in the Event of Non-Compliance	v.2.0.0
6.18.7 – GT&C, Responsibility for Damages in the Event of Non-Compliance	v.2.0.0
6.18.9 – GT&C, OFO – NBP Responsibility for Backing Loss of Supply	v.2.0.0
6.19.1 – GT&C, Eligibility to Release	v.3.0.0
6.19.3 – GT&C, Notice Requirements	v.4.0.0
6.19.5 – GT&C, Posting of a Parcel	v.6.0.0
6.19.6 – GT&C, Bidding for a Parcel	v.6.0.0
6.19.7 – GT&C, Allocation of Parcels	v.4.0.0
6.19.13 – GT&C, Reserved for Future Use	v.3.0.0
6.22 – GT&C, Flexible Receipt and Delivery Points	v.2.0.0
6.24.1 – GT&C, Availability	v.2.0.0
6.34 – GT&C, Complaint Procedures	v.2.0.0
6.36 – GT&C, Electronic Communications	v.2.0.0

7.1 – Service Agmts, Rate Schedule FTS-1	v.5.0.0
7.1.1 – Service Agmts, Rate Schedule FTS1 – Exhibit A	v.2.0.0
7.2 – Service Agmts, Rate Schedule FTS-1 (LAT-1)	v.5.0.0
7.2.1 – Service Agmts, Rate Schedule FTS1 (LAT-1) – Exhibit A	v.3.0.0
7.3 – Service Agmts, Rate Schedule ITS-1	v.5.0.0
7.4 – Service Agmts, Rate Schedule ITS-1 (LAT-1)	v.5.0.0
7.5 – Service Agmts, Rate Schedule PAL-1	v.5.0.0

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

Communications Concerning This Tariff
Should Be Addressed To:

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5.1.3 RATES

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

1. Reservation Charge.

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

2. Commodity Charge.

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

3. Applicability of Surcharges.

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

4. Discounted Rates.

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

5. Negotiated Rates.

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

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

6. Backhauls.

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

7. Capacity Release.

(a) Releasing Shippers:

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

(b) Replacement Shippers:

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

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

5.2.3 RATES

1. Commodity Rates.

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

2. Applicability of Surcharges.

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

3. Discounted Rates.

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

4. Negotiated Rates.

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

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

5. Backhauls.

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

6.1. DEFINITIONS

1. **Gas Day:** In accordance with NAESB Standard 1.3.1, the term "Gas Day" shall mean 9:00 a.m. to 9:00 a.m. Central Clock Time (7:00 a.m. to 7:00 a.m. Pacific Clock Time).
2. **Business Day:** The term "Business Day" shall mean Monday through Friday, excluding U.S. Federal Banking Holidays for transactions in the United States and similar holidays for transactions occurring in Canada and Mexico.
3. **Month:** The word "month" shall mean a period extending from the beginning of the first day in a calendar month to the beginning of the first day in the next succeeding calendar month.
4. **Maximum Daily Quantity:** The term "Maximum Daily Quantity" or "MDQ" shall mean the maximum daily quantity in Dth of gas which NBP agrees to deliver exclusive of an allowance for compressor station fuel, line loss and other unaccounted for gas and transport for the account of Shipper to Shipper's point(s) of delivery on each day during the term of Shipper's Transportation Service Agreement with NBP.
5. **Gas:** The word "gas" shall mean natural gas.
6. **Cubic Foot of Gas:** The term "cubic foot of gas" is defined in accordance with NAESB Standard 2.3.9, as that quantity of gas which measures one (1) cubic foot at standard conditions of 14.73 psia, 60 degrees F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C and dry. Standard 2.3.9, states in full "Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm² and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry."
7. **Mcf:** The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in Section 6.4 hereof. The term "MMcf" shall mean one million (1,000,000) cubic feet of gas.
8. **Dekatherm:** The term "Dekatherm" or "Dth" is the quantity of heat energy equivalent to one million (1,000,000) British Thermal Units (MMBtu). Dth is the standard quantity for Nominations, Confirmations and Scheduled Quantities in the United States. For purposes of this tariff and associated Service Agreements, the terms MMBtu and Dth are synonymous.

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

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

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

30. Negotiated Rate Formula: A rate formula that NBP and a Shipper have agreed will apply to service under a specific contract under Rate Schedules FTS-1, ITS-1, PAL-1 which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or may be less than the minimum rate, for such component set forth in NBP's Tariff for the given service.
31. Recourse Rate: The term "Recourse Rate" shall mean the applicable maximum rate that would apply to each respective Rate Schedule as set forth in the Statement of Rates a service but for the rate flexibility allowed under Sections 6.24 and 6.39 of this FERC Gas Tariff.
32. Commission: The Federal Energy Regulatory Commission.
33. Existing Capacity: Capacity that has been in-service beyond the initial terms of Agreements that originally supported the construction of such capacity. Existing Capacity additionally includes capacity that is still within such initial terms where Shipper Agreements pertaining to the capacity have been terminated by the pipeline. Existing Capacity additionally includes unsubscribed capacity created as part of a pipeline expansion project.
34. Expansion Capacity: Original system capacity or capacity that is added to the pipeline system as part of a system expansion project where such capacity is still within the initial contract term(s) of the Agreement(s) that originally supported the construction of such capacity. Expansion Capacity includes permanent releases of capacity that are within the initial term of an original Shipper's contract.
35. Cash Out Index Price: The price calculated as the average "SoCal" price, as reported in Gas Daily's Daily Price Survey, for the month in which an imbalance occurs.
36. Energy Affiliate: The term "Energy Affiliate" shall have the meaning provided in Commission Order No. 2004, et seq.
37. Asset Manager: A party that agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another party. The asset manager uses released capacity to serve the gas supply requirements of the

releasing shipper and, when the capacity is not needed for that purpose, uses the capacity to make releases or bundled sales to third parties.

6.8.1 Firm Transportation Service.

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

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

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

(a) Available Firm Capacity.

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

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

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

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

(b) Future Sales of Capacity.

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

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

If NBP sells capacity on a pre-arranged basis, it will post the terms of the pre-arranged transaction and other parties will have an opportunity to bid on the capacity. At the time NBP enters into a pre-arranged service agreement, NBP will post a notice on its Internet website indicating that the pre-arranged capacity will be subject to an open bidding process within three (3) business days, even if such capacity has already been subject to an open season bidding process and is currently posted as available capacity. If another party submits a bid with a higher incremental economic value, the pre-arranged Shipper will have a one-time right to match the higher bid in order to retain the capacity. If the pre-arranged Shipper elects not to match a higher competing bid, the capacity will be awarded to the highest creditworthy bidder in accordance with Section 6.9.1(d). If there is an open season ongoing for certain capacity, NBP will not enter into a pre-arranged deal for that capacity during the open season.

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

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

(c) Construction of New Firm Capacity.

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

(d) Reservation of Capacity for Expansion Projects.

1. Applicability.

NBP may elect to reserve, for future expansion projects, unsubscribed firm capacity or capacity under expiring or terminating firm transportation agreements where such agreements do not carry a right of first refusal, or evergreen right, or where Shipper does not exercise its right of first refusal, or where a party has elected termination under an evergreen.

2. Time Period.

Capacity may only be reserved for a future expansion project for which an open season has been held or will be held. Capacity may be reserved for up to one year prior to NBP filing for certificate approval for the proposed expansion, and thereafter until such expansion is placed into service.

3. Notice to Shipper.

Prior to reserving capacity for future expansion projects under this section, the subject capacity must have first been made available pursuant to Section 6.8.1(a) above. Capacity that remains available after the posting and bidding procedure outlined in Section 6.9 may be reserved by NBP by means of a posting on NBP's Internet website that shall include:

(a) A description of the expansion project for which the capacity will be reserved;

(b) The total quantity of capacity to be reserved;

(c) The location of the proposed reserved capacity on NBP's system;

(d) When NBP anticipates holding an open season or otherwise posting the capacity for bidding in connection with the expansion project;

(e) The projected in-service date of the expansion project; and

(f) On an ongoing basis, how much of the reserved capacity has been sold on a limited-term basis.

4. Solicitation of Turnback Capacity.

If capacity that is reserved for an expansion project is insufficient to fully meet the needs of expansion shippers, the expansion open season posting will include a non-binding solicitation for turnback capacity from NBP's existing Shippers to serve the expansion project. NBP shall post, in the Informational Postings section of its website, a non-binding solicitation for expansion project related turnback capacity no later than 90 days after the close of an expansion project's open season specifying the minimum term for a response to the solicitation.

5. Interim Capacity.

Capacity that is reserved for a future expansion will be made available for transportation service on an interim basis up to the in-service date of the expansion project. For such interim service agreements, NBP reserves the right to limit Shipper extension rights, including the right of first refusal, within the service agreement. NBP will indicate in any open season posting of this capacity any limitations on extension rights that will apply to such interim transportation service.

6. Reposting of Capacity.

Any capacity reserved for a project that does not go forward for any reason shall be reposted as generally available within 30 days of the date the capacity becomes available.

6.11 QUALIFYING FOR SERVICE

1. A prospective shipper desiring service on NBP's system must fully complete the request for service available through the customer activities link on NBP's Internet website.
2. NBP will begin processing Shipper's request for service upon receipt, but does not guarantee service will be available. NBP will not provide service until Shipper has executed a Service Agreement. Shipper also shall be required to meet other provisions of this FERC Gas Tariff, including the creditworthiness requirements set forth in Section 6.12 of this FERC Gas Tariff. Pro forma Service Agreements for each service offered by NBP are set out in the Form of Service Agreement portion of this Tariff.

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

3. Shipper's request for service shall be considered null and void if NBP has notified Shipper that Service Agreement is ready for execution and Shipper fails to execute the Service Agreement within fifteen (15) days thereafter.
4. Form: Shipper shall enter into a contract with NBP utilizing NBP's appropriate standard form of Transportation Service Agreement.

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

5. A Service Agreement will be deemed executed on the earlier of (1) execution of the Service Agreement in writing by Shipper and NBP or (2) execution of the Service Agreement in writing by Shipper and Shipper's subsequent nomination pursuant to such Service Agreement.

6.12.1 Creditworthiness for Firm Transportation Service.

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

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

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

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

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

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

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

than one (1) year, the amount of the LC must be sufficient to cover the value of up to three (3) months' worth of applicable transportation charges. For Expansion Capacity on lateral facilities, the pipeline will not require an LC greater than Shipper's pro rata share of the total facilities costs, and such LC will be reduced over time in proportion to Shipper's contract term, consistent with Section 6.12.3 of these General Terms and Conditions.

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

6.12.4 Creditworthiness for Interruptible Transportation Service.

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

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

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

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

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

- (ii) If a Shipper's debt is not rated by a recognized debt rating service, Shipper may, at its own expense, obtain a private rating from a debt rating service acceptable to NBP, or request that an independent accountant or financial advisor, mutually acceptable to NBP and the Shipper, prepare an equivalent evaluation based on the financial rating methodology, criteria, and ratios for the industry of the Shipper as published by the above rating agencies.
- (b) Shipper will be deemed to be non-creditworthy if it is rated below a BB+/Ba1 equivalent standard by any rating agency or if its credit limit is insufficient to cover Shipper's ~~total collateral requirement, anticipated usage~~ as described ~~below in Section 6.12.6 of these General Terms and Conditions of Service~~. If Shipper does not establish or maintain creditworthiness as described above, or if Shipper's credit limit as determined by NBP is insufficient to cover Shipper's ~~contractual obligations~~anticipated usage, Shipper has the option of receiving interruptible transportation service under this FERC Gas Tariff by providing to NBP one of the following alternatives:
- (i) Guarantee: Shipper may obtain a guarantee of financial performance in a form satisfactory to NBP from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these Shippers the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on NBP's Internet website. The initial amount of the guarantee shall be based upon Shipper's anticipated usage for a three (3) month period, as determined by Shipper and NBP. Thereafter, the guarantee amount shall be based on Shipper's highest monthly bill for interruptible service over the previous rolling twelve (12) months multiplied by three (3).
- (ii) Cash Security Deposit~~Prepayment~~: A Shipper may provide a cash security deposit~~prepay~~ for service via cleared check or wire transfer. ~~For interruptible service, †The initial amount of the cash security deposit~~prepayment must shall be up to the maximum amount of service that may be based upon Shipper's anticipated usage for a three (3) month period, provided in any three-month period under an interruptible Agreement as determined by Shipper and NBP. Thereafter, the amount shall be based on Shipper's highest monthly bill for interruptible service over the previous rolling twelve (12) months multiplied by three (3). NBP will pay interest on cash security deposits~~prepayments~~ at the applicable monthly "Federal Funds (effective)" rate published in the Federal Reserve Statistical Report H.15.
- (iii) Letter of Credit: Shipper may post a Letter of Credit (LC) in a form acceptable to NBP. A form of LC is available on NBP's Internet website. ~~For interruptible service, †The initial amount of the LC must shall be up to the maximum amount of service that may be based on Shipper's anticipated usage for a three (3) month period, provided in any three-month period under an interruptible~~

Agreement as determined by Shipper and NBP. Thereafter, the amount shall be based on Shipper's highest monthly bill for interruptible service over the previous rolling twelve (12) months multiplied by three (3).

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

| 6.12.5 Creditworthiness for Lending Service.

The standards for Interruptible Transportation Service apply to NBP's interruptible PAL-1 Services. For lending service, however, the ~~collateral security~~ requirement ~~under the pre-payment and LC options shall~~ includes an amount to adequately account for the value of the gas being ~~lent~~ loaned, which shall be for an amount up to Shipper's loaned quantity times the average annual "SoCal" price, as reported in Gas Daily's Daily Price Survey, for the preceding 12-month period ended October 31. NBP shall have no obligation to lend any quantity of gas beyond amounts for which NBP holds security.

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

6.13.1 Firm Scheduling Priorities Through Pipeline Segments.

NBP shall first schedule nominations for service within a Shipper's Primary Path. In the event NBP has insufficient capacity to schedule all nominations for service within Shippers' Primary Paths, NBP shall ~~prorate schedule service to~~ Shipper's nominated ~~quantity up to Shipper's MDQ, based on all Primary Path nominations~~ quantity up to Shipper's MDQ, based on all Primary Path nominations for service along ~~Primary P~~ the affected paths on a pro rata basis in accordance with each Shipper's MDQ.

NBP will next schedule nominations for service outside a Shipper's Primary Path. In the event NBP has insufficient capacity to schedule all nominations for service outside of Shippers' Primary Paths, NBP shall ~~prorate schedule service to~~ Shipper's nominated ~~quantity up to Shipper's MDQ, based on all outside of Primary Path nominations~~ quantity up to Shipper's MDQ, based on all outside of Primary Path nominations for service ~~along the affected outside of their Primary P~~ paths on a pro rata basis in accordance with each Shipper's MDQ.

NBP will next schedule nominations for service within a Shipper's Reverse Path. In the event NBP has insufficient capacity to schedule all nominations for service within Shippers' Reverse Paths, NBP shall ~~prorate schedule service to~~ Shipper's nominated ~~quantity up to Shipper's MDQ, based on all Reverse Path nominations~~ quantity up to Shipper's MDQ, based on all Reverse Path nominations for service along ~~the affected Reverse P~~ paths on a pro rata basis in accordance with each Shipper's MDQ.

6.13.2 Firm Scheduling Priorities Through Receipt Point Constraints.

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

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

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

6.13.3 Firm Scheduling Priorities Through Delivery Points.

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

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

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

6.15 CURTAILMENT

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

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

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

~~If c~~ Curtailment of Interruptible Service; ~~if~~ necessary, NBP shall will be performed it in the opposite order of scheduling as set forth in Section 6.13.5 of this FERC Gas Tariff.

~~If c~~ Curtailment of firm service; ~~if~~ necessary, NBP will be performed pro-rata Shipper's nominated quantity up to Shipper's MDQ, based on ~~the MDQ across the contracts~~ all Shipper nominations scheduled to use the capacity at the applicable receipt points, delivery point(s) or mainline segment(s) of pipeline.

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

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

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

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

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

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

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

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

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

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

6.19.1 Eligibility to Release.

Any firm Shipper which contracts for firm transportation service under Part 284 of the Commission's regulations may release all or a part of its capacity under an existing Transportation Service Agreement on a permanent basis, or on a temporary basis. Any Replacement Shipper which has previously contracted for a Parcel may also release its capacity to another party as a secondary release subject to the terms and conditions described herein. The Releasing Shipper, whether a primary or secondary capacity holder, must comply with the Release Procedures provided in Section 6.19.3 below.

If a Shipper elects to temporarily release its capacity, the obligations associated with the released capacity remain with the original Releasing Shipper. A temporary release is subject to recall, if so specified. Upon temporarily releasing a Parcel, consistent with the terms and conditions described herein, the Releasing Shipper shall remain ultimately liable for all reservation charges billable for the originally contracted service. At the end of the term of the temporary release, all contractual rights and obligations revert to the original Releasing Shipper.

If a Shipper elects to permanently release all or part of its capacity for the remaining term of Releasing Shipper's existing Transportation Service Agreement, and NBP determines that it will be financially indifferent to the release to the Replacement Shipper, NBP will release Releasing Shipper from all of its obligations arising from service provided pursuant to the existing Transportation Service Agreement prospectively from the date of permanent release. However, Releasing Shipper will remain obligated for any fees, surcharges, or other obligations related to service provided under Releasing Shipper's existing Transportation Service Agreement prior to the date of its permanent assignment. If Shipper's request to permanently release capacity is denied because NBP has a reasonable basis to conclude that it will not be financially indifferent to the release, NBP shall notify the Releasing Shipper and the Replacement Shipper in writing of the reason(s) for such denial. ~~(Releasing Shipper) is eligible to release all or part of its capacity (Parcel) for use by another party (Replacement Shipper). Any Replacement Shipper, which has previously contracted for a Parcel, may also release its capacity to another party as a Secondary Release subject to the terms and conditions described herein.~~

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

~~A Releasing Shipper may release all or a portion of its capacity for the remaining term of its contract on either a temporary or permanent basis. In the event of a permanent capacity release by a Shipper paying the maximum recourse rate, the Right of First~~

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

6.19.3 Notice Requirements.

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

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

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

- (d) Daily quantity of capacity to be released, expressed in Dth/d, at the designated delivery point(s). (This must not exceed Releasing Shipper's maximum contract demand available for capacity release and shall state the minimum quantity expressed in Dth/d acceptable for release.)
- (e) The term of the release, identifying the date release is to begin and terminate. The minimum release term acceptable to NBP shall be one (1) day.
- (f) Whether the Releasing Shipper is willing to consider release for a shorter period of time than that specified in (e) above and if so, the minimum acceptable period of release.
- (g) The receipt and delivery point(s).
- (h) Whether Option 1, 2, 3 or 4 shall be used to determine the highest valued bid (see Section 6.19.7(a) for a description of bid evaluation options).

~~(i) Whether the Releasing Shipper wants NBP to market its released capacity.~~

(j) Whether the Releasing Shipper requests to waive the creditworthiness requirements and agrees in such event to remain liable for all charges.

(k) Whether Releasing Shipper is an energy affiliate or other affiliate of NBP.

(l) If release is a prearranged release, the Prearranged Shipper must be qualified pursuant to the criteria of Section 6.19.6(a) unless waived above. Releasing Shipper shall include the Prearranged Shipper bid information pursuant to Section 6.19.6(b) with its release information and shall indicate whether the Prearranged Shipper is affiliated with NBP or the Releasing Shipper.

(m) Any special nondiscriminatory terms and conditions applicable to the release, such as whether the Replacement Shipper will be prohibited from changing Primary Points.

(n) Tie-breaker method preferred: (1) pro rata, (2) order of submission (first-come/first-serve). If no method is selected, the system defaults to pro rata.

(o) Recall provisions. These provisions must be objectively stated, nondiscriminatory, and applicable to all bidders, operationally and administratively feasible as determined by NBP and in accordance with NBP's tariff.

(p) The minimum rate (percentage of: reservation charge or a volumetric equivalent of the maximum reservation charge applicable to the Parcel on a one hundred percent (100%) load-factor basis) acceptable to Releaser for this Parcel.

(q) Whether the Releasing Shipper is willing to accept contingent bids ~~that extend beyond the close of the Bid Period~~ and, if so, any nondiscriminatory terms and conditions applicable to such contingencies including the date by which such contingency must be satisfied (which date shall not be later than the last day of the Bid Period~~upon which NBP must award capacity~~) ~~and whether, or for what time period, the next highest bidder(s) will be obligated to acquire the capacity should the winning contingent bidder be unable to satisfy the contingency specified in its bid.~~

(r) Whether the Releasing Shipper wants to specify a longer bidding period for its Parcel than specified at Section 6.19.8.

6.19.5 Posting of a Parcel.

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

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

Releasing Shippers who elect to include, as part of their release, nondiscriminatory recall provisions and/or special terms and conditions are required to submit their request to release capacity with sufficient time prior to the close of the Posting Period as stated in Section 6.19.8 for NBP to review and validate that any recall and/or special terms and conditions are not discriminatory.

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

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

6.19.6 Bidding for a Parcel.

(a) Preliminary Qualification.

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

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

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

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

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

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

(b) Submitting a Bid.

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

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

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

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

(vii) An affirmative statement that Replacement Shipper agrees to be bound by the terms and conditions of Rate Schedule FTS-1 and NBP's capacity release provisions in its tariff.

(viii) Whether the bid is a contingent bid ~~and the contingencies which must be satisfied by the date specified by the Releasing Shipper in its posting of the Parcel.~~

(c) Confirmation of Bids.

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

(d) Withdrawal or Revision of Bids.

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

6.19.7 Allocation of Parcels.

(a) Primary Allocation.

In accordance with NAESB Standard 5.3.3, winning bids for Parcels shall be awarded based on one of the following ~~three (3)~~ **four (4)** options to be selected by the Releasing Shipper when posting a Parcel:

Option 1 - Highest Rate Equivalent

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

Option 2 - Present Value

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

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

where:

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

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

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

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

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

A bid queue will be maintained for each individual Parcel.

Option 3 - Net Revenue

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

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

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

Option 4 – Other

The Releasing Shipper may establish a method for evaluation of the highest value bid. The Releasing Shipper must specify the evaluation method and provide an example of the evaluation method with each individual Parcel. In this event, NBP shall evaluate the bids in accordance with the Releasing Shipper's method and allocate the capacity to the highest value bid. The Releasing Shipper's bid evaluation methodology must be objective and non-discriminatory. In the event the Releasing Shipper does not specify how capacity will be allocated when there are multiple highest valued bids, the capacity will be allocated on a pro rata basis.

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

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

(b) Right of First Refusal.

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

the allocation will be awarded to subsequent Replacement Shipper(s) in accordance with the primary and secondary allocation mechanisms.

(c) Secondary Allocation.

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

(d) Confirmation of Allocation.

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

(e) Purging of Expired Bids.

All unfulfilled bids, as well as any unfulfilled portions of bids, which receive a partial award, will become ineffective as of the completion of bid reconciliation and the close of the Bid Period.

| 6.19.13 ~~Reserved for Future Use~~~~Adoption of NAESB Capacity Release Standards.~~

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

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

6.22 FLEXIBLE RECEIPT AND DELIVERY POINTS

1. Firm Service.

(a) Addition of a Receipt Point.

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

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

(b) Changing a Receipt Point.

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

(c) Addition of a Delivery Point.

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

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

(d) Changing a Delivery Point.

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

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

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

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

~~2. Interruptible Service.~~

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

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

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

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

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

6.34 COMPLAINT PROCEDURES

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

North Baja Pipeline, LLC
~~700 Louisiana Street, Suite 700717 Texas Street, Suite 2400~~
Houston, Texas 77002-~~27002761~~
Attention: Director, Commercial Services

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

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

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

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

6.36 ELECTRONIC COMMUNICATIONS

1. NBP maintains an Internet website at ~~www.tcplus.com/northbaja~~www.northbajapipeline.com. Any entity may access this site to review informational postings concerning NBP's system.

2. Electronic Transactions. Any entity desiring to engage in electronic transactions with NBP through its Internet website shall first execute an electronic transaction agreement. Copies of these agreements may be obtained ~~by contacting NBP at the following location:~~on NBP's Internet website.

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

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

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

FORM OF SERVICE AGREEMENT - FIRM TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on a firm basis, ~~(if applicable) and~~

~~WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for firm transportation service under Rate Schedule FTS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;~~

NOW, THEREFORE, the parties agree as follows:

I

~~General Governmental Authority~~

1. ~~Pursuant to the terms of this Firm Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.~~
2. This ~~Firm Transportation~~ Agreement ("~~Agreement~~") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, ~~and all other applicable laws and regulations.~~
3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule FTS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of

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

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II

Quantity of Gas and Points of Receipt and Delivery

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

~~2. The point(s) of receipt and delivery are as designated in Exhibit A.~~

III

Term

1. ~~The Service shall commence~~ ment date is on _____, and service shall continue ~~in full force and effect~~ until _____.

(Evergreen, if applicable)

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

(if applicable)

Shipper shall ~~be entitled to the~~ have a regulatory right of first refusal ~~as set forth~~ provided for in Section 6.10 of the General Terms and Conditions of ~~Service of~~ NBP's Tariff; ~~notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10.~~

(if applicable)

Shipper shall have a contractual right of first refusal which (a) shall be exercised consistent with the procedures set forth in Section 6.10 of the General Terms and Conditions of

NBP's Tariff; (b) exists by virtue of this Agreement, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10; and (c) shall not extend or apply to any subsequent agreement or amendment arising from the exercise thereof.

(if applicable)

Shipper shall not have a right of first refusal.

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

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

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

2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule FTS-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. ~~Upon notice to Shipper,~~ NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

V
Miscellaneous

1. This Agreement shall be interpreted according to the laws of the State of California.
2. Shipper warrants that the requisite upstream and downstream transportation arrangements to effectuate the service to be provided pursuant to the Agreement are in place, or will be in place as of the requested effective date of service, ~~and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit A attached hereto.~~
3. Shipper agrees to indemnify and hold NBP harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.

4. Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail, or fax, or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, e-mail, or fax, or other means similarly agreed to:

"NORTH BAJA PIPELINE, LLC"
~~717 Texas Street, Suite 2400~~ 700 Louisiana Street, Suite 700
Houston, Texas 77002-~~2700~~2761
Attention: Commercial Services

"Shipper"

Attention: _____

5. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
6. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
7. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

EXHIBIT A
TO THE FIRM TRANSPORTATION AGREEMENT

Dated _____

Between NORTH BAJA PIPELINE, LLC,

and _____

<u>Start</u> <u>Date</u>	<u>End</u> <u>Date</u>	Receipt Point	Delivery Point	Maximum Daily Quantity (Delivered) Dth/d
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FORM OF SERVICE AGREEMENT - YUMA LATERAL FIRM TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on a firm basis, (if applicable) and

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for firm transportation service under Rate Schedule FTS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I

General Governmental Authority

1. Pursuant to the terms of this Firm Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.
2. This ~~Firm Transportation~~ Agreement ("~~Agreement~~") is made pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC") contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
32. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule FTS-1. Shipper shall

reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II

Quantity of Gas and Points of Receipt and Delivery

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

III

Term

1. ~~The sService shall commencement date is on _____, and service shall continue in full force and effect until _____.~~

(Evergreen, if applicable)

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

(if applicable)

Shipper shall ~~be entitled to the~~ have a regulatory right of first refusal ~~provided for as set forth~~ in Section 6.10 of the General Terms and Conditions of ~~Service of~~ NBP's Tariff; ~~notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10.~~

(if applicable)

Shipper shall have a contractual right of first refusal which (a) shall be exercised consistent with the procedures set forth in Section 6.10 of the General Terms and Conditions of NBP's

Tariff; (b) exists by virtue of this Agreement, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.10; and (c) shall not extend or apply to any subsequent agreement or amendment arising from the exercise thereof.

(if applicable)

Shipper shall not have a right of first refusal.

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

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

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

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

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

4. The following provision is ___/is not___ applicable to this Agreement:
In addition to the rate established for the NBP-Yuma Lateral, in accordance with Section 6.6 paragraph 3 of NBP's General Terms and Conditions of Service, Shipper also agrees to pay any Third Party Charges which may be incurred by NBP for transportation services on the Gasoducto Rosarito ("GR")-Algodones Lateral necessary to provide transportation services on the GR-Algodones Lateral as provided in Exhibit A.

V
Miscellaneous

1. This Agreement shall be interpreted according to the laws of the State of California.

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

"NORTH BAJA PIPELINE, LLC"
~~700 Louisiana Street, Suite 700717 Texas Street, Suite 2400~~
Houston, Texas 77002-~~27002761~~
Attention: Commercial Services

"Shipper"

Attention: _____

4. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
5. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
6. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

EXHIBIT A

TO THE YUMA LATERAL FIRM TRANSPORTATION SERVICE AGREEMENT

Dated _____

Between NORTH BAJA PIPELINE, LLC,

and _____

~~Terms of Service~~

~~Term: _____ years with a Requested Commencement Date of _____, 20__~~

~~Delivery Point, Receipt Point, Maximum Daily Quantity:~~

System	Start Date	End Date	Delivery Point	Receipt Point	Maximum Daily Quantity (Dth/Day)
Yuma Lateral					

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

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

FORM OF SERVICE AGREEMENT - INTERRUPTIBLE TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis, (if applicable) and

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for interruptible transportation service under Rate Schedule ITS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I

General Governmental Authority

1. Pursuant to the terms of this Interruptible Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.

1.2. This ~~Interruptible Transportation~~ Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.

2.3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule ITS-1. Shipper shall

reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable.

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

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II Term

1. The sService shall commencement date is on _____, and service shall continue until _____, in full force and effect month to month thereafter, or until terminated by Shipper or NBP upon thirty (30) days written notice.

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

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

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or through the customer activities link on NBP's Internet website.

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

law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

4. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP that have a higher priority of service.

IV
Miscellaneous

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

"NORTH BAJA PIPELINE, LLC"
700 Louisiana Street, Suite 700717 ~~Texas Street, Suite 2400~~
Houston, Texas 77002-27002761
Attention: Commercial Services

"Shipper"

Attention: _____

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

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

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

FORM OF SERVICE AGREEMENT - YUMA LATERAL INTERRUPTIBLE
TRANSPORTATION

FORM OF SERVICE AGREEMENT

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

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

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

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

WHEREAS, NBP is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis, (if applicable) and

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for interruptible transportation service under Rate Schedule ITS-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I

General Governmental Authority

1. Pursuant to the terms of this Interruptible Transportation Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.

1.2. This ~~Interruptible Transportation~~ Agreement ("~~Agreement~~") is made pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC") contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.

2.3. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or

termination of service under this Agreement and Rate Schedule ITS-1. Shipper shall reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II Term

1. The sService shall commencement date is on _____, and service shall continue until _____, in full force and effect month to month thereafter, or until terminated by Shipper or NBP upon thirty (30) days written notice.

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

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

In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or through the customer activities link on NBP's Internet website.

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

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

4. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP that have a higher priority of service.
5. The following provision is____/is not____ applicable to this Agreement: In addition to the rate established for the NBP-Yuma Lateral, in accordance with Section 6.6 paragraph 3 of NBP's General Terms and Conditions of Service, Shipper also agrees to pay any Third Party Charges which may be incurred by NBP for transportation services on the Gasoducto Rosarito ("GR") - Algodones Lateral necessary to provide transportation service on the GR-Algodones Lateral.

IV
Miscellaneous

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

"NORTH BAJA PIPELINE, LLC"
~~700 Louisiana Street, Suite 700~~~~717 Texas Street, Suite 2400~~
Houston, Texas 77002-~~2700~~~~2761~~
Attention: Commercial Services

"Shipper"

Attention: _____

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

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

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

FORM OF SERVICE AGREEMENT - PARKING AND LENDING SERVICE

FORM OF SERVICE AGREEMENT

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

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

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

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

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

WHEREAS, NBP and Shipper previously made and entered into Contract No. _____ on _____ for interruptible transportation service under Rate Schedule PAL-1. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. NBP and Shipper now desire to amend, restate, and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I

General Governmental Authority

1. Pursuant to the terms of this Parking and Lending Service Agreement ("Agreement"), NBP agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay NBP for such services.

2.1. This ~~Parking and Lending Service~~ Agreement ("~~Agreement~~") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.

3.2. Shipper shall reimburse NBP for any and all filing fees incurred by NBP specific to Shipper in seeking governmental authorization for the initiation of any new service or extension, or termination of service under this Agreement and Rate Schedule PAL-1. Shipper shall

reimburse NBP for such fees at NBP's designated office within ten (10) days of receipt of notice from NBP that such fees are due and payable. Additionally, Shipper shall reimburse NBP for any and all penalty fees or fines assessed NBP caused by the negligence of Shipper in not obtaining all proper domestic and Mexican import/export licenses, surety bonds or any other documents and approvals related to the domestic exportation and subsequent Mexican importation of natural gas transported by NBP hereunder.

4. (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between NBP and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II
Term

1. The sService shall commence~~ment date is on~~ _____, and service shall continue until _____, in full force and effect month to month thereafter, or until terminated by Shipper or NBP upon thirty (30) days written notice.

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

1. Shipper shall pay NBP each month for services rendered pursuant to this Agreement in accordance with NBP's Rate Schedule PAL-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC. In the event NBP and Shipper mutually agree on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or through the customer activities link on NBP's Internet website.
2. This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule PAL-1, or superseding rate schedule(s) and to the applicable General Terms and Conditions of Service of NBP's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
3. ~~Upon notice to Shipper,~~ NBP shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as NBP may deem necessary, and to make such changes effective at such times as NBP desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

4. The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of NBP having a higher priority of service.

IV
Miscellaneous

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

"NORTH BAJA PIPELINE, LLC"
~~700 Louisiana Street, Suite 700717 Texas Street, Suite 2400~~
Houston, Texas 77002-~~27002761~~
Attention: Commercial Services

"Shipper"

Attention: _____

5. All waivers shall be in writing, and such waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
6. This Agreement may only be amended by an instrument in writing executed by both parties hereto. In no event shall this Agreement be modified by course of performance, course of dealing or usage of trade.
7. Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this

Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to NBP.

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

NORTH BAJA PIPELINE, LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____