

**MEMPHIS LIGHT, GAS AND WATER DIVISION
CITY OF MEMPHIS**

GAS SERVICE

**SCHEDULE FT
FIRM TRANSPORTATION OF CUSTOMER-OWNED GAS
GENERAL SERVICE**

1. AVAILABILITY

- 1.1 This rate schedule is available for the local transportation of natural gas by the Division that is owned by any Customer which: (a) delivers, or will cause to be delivered, its own natural gas to the Division for redelivery by the Division to Customer; and (b) executes a Transportation Service Agreement with the Division for service under this rate schedule that specifies a Maximum Daily Volume in excess of 1,500 ccf per day.
- 1.2 Gas transported under this rate schedule must be for the exclusive use of Customer in Customer's facilities located within the Division's service area such that it shall not be resold, redelivered, or reallocated by the Customer or its agent.
- 1.3 Customer shall provide to the Division upon request all agreements, licenses, permits, and other documents demonstrating its ability to deliver its own gas to the Division's facilities.
- 1.4 If Customer fails to comply with any term of this rate schedule, any term of Customer's Transportation Service Agreement, or the Rules and Regulations of the Division, the Division may refuse to perform service under this rate schedule.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 This rate schedule shall apply to all transportation services performed by the Division for Customer during the term identified in Customer's Gas Transportation Service Agreement, up to the Maximum Daily Volume set forth in the Gas Transportation Service Agreement. Customer may not exceed its Maximum Daily Volume without prior approval of the Division. The transportation service rendered shall be on a firm basis.
- 2.2 If, pursuant to any the Division transportation rate schedule, the total volume nominated by Customers for transportation through a particular point of receipt into the Division system exceeds the total capacity available at that receipt point, volumes scheduled for receipt will be allocated among Customers as determined by the Division.
- 2.3 Provided the Division's prior consent is obtained, Customer may tender volumes of gas in excess of the Maximum Daily Volume on any day if such tender and transportation of such gas can be accomplished by the Division without detriment either to any other customer under any of the Division's sales or transportation rate schedules or to the Division's system operations. Subject to the foregoing restrictions, the Division's consent shall not be unreasonably withheld.
- 2.4 The Division will not be responsible for any interruption of deliveries of gas due to Force Majeure. Force Majeure shall mean act of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rulers and peoples, civil disturbances, explosions, breakage or accidents to gas transmission or distribution lines, the necessity for making repairs or alterations in machinery in transmission and or distribution lines, changes in laws or regulations affecting the Division's gas transportation services not within the control of the Division, and which, by the exercise of

reasonable care, the Division is unable to prevent or overcome, and whether occurring on the Division's distributing system or on the transmission lines by which gas is delivered to the Division. When Force Majeure occurs on the Division's system and the interruption of delivery of gas due to the Force Majeure is for a period of seventy-two (72) hours or longer, the Division will prorate the minimum bill for that part of the billing period in which delivery of gas was affected by Force Majeure and waive any associated imbalance charge.

- 2.5 In the event of a system emergency, the Division retains discretion to use Customer's gas to protect system integrity, provided that the Division returns the gas in kind and does not apply an imbalance charge as a result.

3. MONTHLY RATE (ccf equals 100 cubic feet)

SERVICE CHARGE: \$1,500.00 per month, plus

MONTHLY BILLING VOLUME UP TO 600,000 CCF:

First 200,000 ccf per month @ \$0.063 per ccf
Next 400,000 ccf per month @ \$0.005 per ccf,

MONTHLY BILLING VOLUME IN EXCESS OF 600,000 CCF:

First 1,000,000 ccf per month @ \$0.0220 per ccf
Next 3,000,000 ccf per month @ \$0.0190 per ccf
Volumes exceeding 4,000,000 ccf per month @ \$0.0133 per ccf,

Plus all other appropriate charges invoiced to the Division by the delivering pipeline in connection with the transportation of gas on behalf of Customer.

4. MINIMUM BILL

The minimum monthly bill shall equal the Service Charge.

5. PAYMENT

The above rates are net, the gross rates being 5% higher. In the event the current monthly bill is not paid on or before the delinquent date shown on the bill, the gross rates shall apply.

6. SINGLE POINT DELIVERY AND JOINT SERVICE THROUGH ONE METER

- 6.1 Service under this rate schedule shall be delivered to a single meter and at a single pressure. Service for the same Customer at other meters or at different pressures shall be separately metered and billed under a separate Transportation Service Agreement.
- 6.2 Customer shall install and maintain at its expense any equipment deemed necessary by the Division to provide service under this rate schedule, including, but not limited to, telephone lines and power outlets.
- 6.3 If a Customer receives service under more than one rate schedule at a meter, the volumes delivered under each rate schedule will be determined as provided in the Rules and Regulations of the Division. Further, at such a meter, if the Customer violates any Operational Flow Order, the Division may discontinue all services to that meter.

7. RECEIPT AND DELIVERY POINTS

- 7.1 The Receipt Point(s) for all gas transported by the Division under this rate schedule shall be at a mutually agreeable interconnection between the Division facilities and the facilities of the pipeline(s) delivering gas to the Division.
- 7.2 The Delivery Point(s) for all gas transported by the Division under this rate schedule shall be a mutually agreeable interconnection between the Division's facilities and the facilities of Customer in the Division's service area.
- 7.3 Customer shall deliver and receive gas in uniform volumes during any month and in uniform hourly volumes during any day with no significant fluctuation.

8. NOMINATIONS AND SCHEDULING

- 8.1 Customer agrees to provide the Division in writing delivered by a method acceptable by the Division, no later than two (2) business days prior to the beginning of each calendar month, a schedule showing the daily nominated volumes it desires to have transported by the Division that month unless otherwise agreed to in the Transportation Service Agreement. Such schedule will show the volumes of gas at Points of Receipt into the Division's system. The total volume delivered to the Division shall not exceed the Maximum Daily Volume unless advance agreement is obtained from the Division.
- 8.2 Customer may alter the schedule of daily volumes during the calendar month provided such alteration is received by the Division before the nomination deadlines of the interstate pipeline that delivers the Customer's gas to the Receipt Point.
- 8.3 The Division reserves the right, at any time, to require Customer to modify its nominations to correct any imbalance if, in the Division's sole judgment, system conditions warrant such a change. Customer shall be solely responsible for any imbalance penalties occurring on the delivering pipeline system for its own account.

9. BALANCING AND PENALTIES

9.1 Operational Flow Orders

The Division shall have the right to issue Operational Flow Orders (OFOs) as specified in this Section which require actions in order to alleviate conditions which threaten the integrity of the Division's system, to maintain system operations at the pressures required to provide an efficient and reliable service, to have adequate gas supplies in the system, to maintain service to Customers, to maintain proper storage inventory levels, to maintain the system balance, or other considerations deemed necessary in the Division's sole judgment.

Notice of an OFO shall identify the time the OFO will become effective and state the estimated duration of the OFO (or, if unknown, that the OFO is indefinite). Verbal notice by telephone from the Division's dispatcher or such other notice as deemed necessary by the Division to the Customer or his authorized agent shall be deemed to be proper notice of an OFO.

All volumes tendered to the Division at a Receipt Point and/or taken by the Customer at a Delivery Point in violation of an OFO shall constitute unauthorized receipts or deliveries. In such event, the Customer shall pay an additional charge of \$1.50 per ccf on such volumes up to plus or minus 110% of the volumes specified by the OFO. For any volumes exceeding that 10% tolerance level, Customer shall pay instead an additional charge of \$6.00 per ccf. These charges are in addition to any imbalance charge that a Customer may incur.

Compliance with OFOs, as well as the other terms and conditions of rate schedules, rules, and regulations, is essential to the Division's ability to provide deliveries and services under all rate schedules. A failure by one or more Customers to comply with an OFO may affect the Division's ability to provide such deliveries and services. In such event and in addition to other provisions hereof and not in lieu of any other remedies available in law or at equity, the Division will, except for negligence, undue discrimination, or willful misconduct, have no liability or responsibility for its inability to provide deliveries and services and will be indemnified and held harmless against any claims related to such failure to provide deliveries and services by the Customer(s) failing to comply with this rate schedule. Customers will be exempt from penalties or charges on imbalances that result from complying with an OFO.

9.2 Daily Balancing

The Daily Scheduling Variance shall mean the difference between scheduled daily volumes to the Receipt Point(s) on behalf of a transporting customer and actual daily volumes taken by the Customer at the Delivery Point(s). When the Daily Scheduling Variance is within plus or minus 10% of the daily scheduled volumes, there shall be no daily balancing penalties. On each day where the Daily Scheduling Variance exceeds plus or minus 10% of daily scheduled volumes, a charge of \$0.0167 per ccf shall be assessed on all volumes in excess of the plus or minus 10% tolerance.

9.3 Monthly Balancing

Customer shall maintain a concurrent balance between scheduled volumes of gas and volumes of gas actually taken by the Customer each month. If Customer does not maintain a concurrent balance between volumes of gas scheduled and volumes of gas taken, the resulting imbalance shall be cashed out to eliminate imbalances accumulated during the month. All imbalances accrued by Customer under this rate schedule shall be resolved on a monthly basis pursuant to the provisions herein.

For monthly imbalances where volumes taken by the Customer exceed scheduled deliveries to the Receipt Point(s) on behalf of the Customer, Customer shall pay the Division based on the accumulated sum of the results of the formulas listed below:

<u>Imbalance Level</u>	<u>Factor</u>
0% - <= 5%	1.00
> 5% - <= 10%	1.10
>10% - <= 15%	1.20
>15% - <= 20%	1.30
>20% - <= 25%	1.40
>25%	1.50

The amount due to the Division shall be determined by multiplying the imbalance level factor by the Index Price and then multiplying that dollar amount by the volumes within each corresponding imbalance level. In addition, the Customer shall pay the Division an amount for upstream transportation charges equal to the total imbalance volume multiplied by the currently effective maximum interstate pipeline transportation rates that serve the Memphis city gate specified in the corresponding rate schedule stated at the 100% load factor maximum rate equivalent, including all fuel and other applicable surcharges.

For monthly imbalances where scheduled receipts to the Receipt Point(s) on behalf of the Customer exceed volumes taken by the Customer, the Division shall purchase from the Customer the excess receipts. The Division shall pay the Customer based on the accumulated sum of the results of the formulas listed below:

<u>Imbalance Level</u>	<u>Factor</u>
0% - <= 5%	1.00
> 5% - <= 10%	0.90
>10% - <= 15%	0.80
>15% - <= 20%	0.70
>20% - <= 25%	0.60
>25%	0.50

The amount due to the Customer shall be determined by multiplying the imbalance level factor by the Index Price and then multiplying that dollar amount by the volumes within each corresponding imbalance level. In addition, the Division shall credit the Customer's invoice an amount for upstream transportation charges equal to the total imbalance volume multiplied by the currently effective minimum interstate pipeline transportation rates that serve the Memphis city gate specified in the corresponding rate schedule, including all fuel and other applicable surcharges.

9.4 Index Price

Each month, Index Prices will be derived based on prices reported in natural gas trade publications. The applicable Index Price used for charging customers taking volumes in excess of deliveries may be higher than the price used for reimbursing customers whose gas deliveries exceed volumes taken.

10. RULES AND REGULATIONS

Service is subject to the Rules and Regulations of the Division.