

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

GAS SERVICE

**SCHEDULE IT-1
INTERRUPTIBLE TRANSPORTATION OF CUSTOMER-SECURED GAS
GENERAL SERVICE**

1. AVAILABILITY

- 1.1 This rate schedule is available for the transportation of natural gas by MLGW for any Customer which will deliver, or cause to be delivered, natural gas to MLGW for redelivery by MLGW to Customer, and which has executed a Transportation Service Agreement with MLGW for service under this Rate Schedule, and which provides oil or other alternate fuel facilities approved by the Division as being adequate in design and capacity, and who has executed a Service Agreement specifying volumes in excess of 1,500 Ccf of gas per day.
- 1.2 Gas transported under this schedule is restricted to the exclusive use of Customer in Customer's facilities located within the Division's service area and shall not be resold, redelivered, or reallocated by the Customer or his Agent.
- 1.3 Customer and third-party transporters have obtained, as appropriate, or will obtain, all State and Federal approvals for services to be provided by third-party transporters related to those services rendered under this Rate Schedule.
- 1.4 MLGW shall not be required to construct facilities (except, and limited to, minor taps) to perform service under this Rate Schedule in the event capacity necessary to render the requested service does not exist at the time the request is made pursuant to Section 11 hereof; provided, however, MLGW may, at its option, add facilities, or expand capacity to provide such transportation service. Customer will pay, or cause MLGW to be paid, for the installed cost of all such facilities.
- 1.5 MLGW shall not be required to perform service under this Rate Schedule, subject to the obtaining of any necessary approvals, on behalf of any Customer that fails to comply with any and all of the terms of this Rate Schedule and with the terms of Customer's Gas Transportation Service Agreement with MLGW.

2. APPLICABILITY AND CHARACTER OF SERVICE

- 2.1 This Rate Schedule shall apply to all transportation services performed by MLGW for Customer under each Transportation Service Agreement for service under this Rate Schedule during the term identified in the Gas Transportation Service Agreement. The transportation service rendered shall be on an interruptible basis.

Such Service shall apply to all gas transported by MLGW for Customer under this Rate Schedule up to the Maximum Daily Volume set forth in the Gas Transportation Service Agreement.

Transportation service rendered hereunder which is interruptible in character will be performed provided MLGW has capacity sufficient to perform the service.

If, pursuant to any and all of MLGW's transportation rate schedules, the total quantity nominated by Customers for transportation through a particular point of receipt into the

MLGW system exceeds the total capacity available at that receipt point, quantities scheduled for receipt will be allocated among Customers as determined by MLGW.

Interruptible service provided under this Rate Schedule shall, in addition to the reasons provided in the Gas Transportation Service Agreement, be interruptible when MLGW, in its reasonable discretion, deems such interruption necessary, including, without limitation, interruptions due to insufficient capacity in MLGW's system to render firm sales service, and service to MLGW firm transportation Customers. Interruption of service includes decreasing, suspending, or discontinuing both the receipt and delivery of gas. MLGW shall not be liable in damages or otherwise to Customer for any such curtailment or interruption.

- 2.2. Provided MLGW's prior consent is obtained, Customer may tender quantities of gas in excess of the Maximum Daily Volume on any day if such tender and transportation of such gas can be accomplished by MLGW without detriment to any other customer under any of MLGW's sales or transportation rate schedules, if such transportation is compatible to MLGW's system operation requirements. Subject to the foregoing restrictions, MLGW's consent shall not be unreasonably withheld.

3. DEFINITIONS

Interruptible transportation volumes shall mean the Daily Volume of gas set forth in the executed Gas Transportation Service Agreement which MLGW will deliver to Customer on a best efforts basis provided that the delivery of said volumes from the delivering pipeline to MLGW is not interrupted. Customer may not exceed its Maximum Daily Volumes without prior approval of MLGW.

4. MONTHLY RATE (Ccf equals 100 cubic feet)

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

ALL GAS TRANSPORTED:

First 200,000 ccf per month @ \$0.063 per ccf
Excess over 200,000 ccf per month @ \$0.005 per ccf,

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

ADDITIONAL CHARGE FOR GAS TAKEN DURING "PERIOD OF CURTAILMENT"

"Period of Curtailment" is defined as that period of time beginning one (1) hour after notice by the Division's dispatcher that the "Period of Curtailment" has begun and ending when notice is received from Division's dispatcher that the "Period of Curtailment" has ended. Verbal notice by telephone from the Division's dispatcher to the Customer or his authorized agent shall be deemed to be proper notice.

If, for any reason, Customer taking service under this rate schedule continues to take gas during any "Period of Curtailment" there shall become due and payable to the Division, not as a penalty but as liquidated damages, an amount equal to \$1.50 per Ccf for all gas taken. An additional charge of \$6.00 per Ccf shall be applied to all gas taken in excess of 110% of any amount authorized by MLGW under the "Period of Curtailment." This amount is to be in addition to MLGW's incremental cost per Ccf for all gas taken during the "Period of Curtailment" and all other amounts billed in accordance with this rate schedule.

5. MINIMUM BILL

The minimum monthly bill shall be \$1,500.00.

6. 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.

7. SINGLE POINT DELIVERY AND JOINT SERVICE THROUGH ONE METER

The above rates are based upon the supply of service to the Customers premises through a single delivery and metering point and at a single pressure. Separate supply for the same Customer at other points of consumption, or at different pressures, shall be separately metered and billed.

Customer shall install and maintain at its expense any equipment deemed necessary by MLGW to provide service under this rate, including, but not limited to, telephone lines and power outlets.

For Customers receiving service under more than one rate schedule through one meter, the volumes delivered under each rate schedule will be determined as provided in the Rules and Regulations of the Division.

Customers who receive service under more than one rate schedule through one meter, and who take gas during a "Period of Curtailment" or take gas in violation of an Operational Flow Order (see Section 10 below), are subject to have full service (including any firm deliveries) through the one meter discontinued.

8. RECEIPT AND DELIVERY POINTS

- 8.1 The Receipt Point(s) for all gas transported by MLGW under this Rate Schedule shall be at a mutually agreeable interconnection between MLGW facilities and the facilities of the pipeline(s) delivering gas to MLGW. MLGW shall not be required to receive gas at any Receipt Point where the total scheduled quantity for receipt on any day is less or more than that required for the accurate measurement of quantities to be received.

MLGW shall have the right to terminate service under this Rate Schedule if total deliveries of gas to MLGW at the Point(s) of

Receipt fall below an average daily quantity of two hundred fifty (250) Ccf per day for any 30 days. MLGW also shall have the right to abandon any Point of Delivery where total deliveries at such point fall below an average daily quantity of fifty (50) Ccf for any 30 days or to seek reimbursement for MLGW's out-of-pocket expenses associated with operation and maintenance of such Point of Delivery. In the event of a capacity limitation on MLGW's system at any of the Point(s) of Receipt, MLGW has the right, in its reasonable discretion to curtail deliveries at such Points of Receipt. Customer then has the option to nominate and receive quantities of gas at the remaining Point(s) of Receipt.

Should Customer's nominations at a particular Point or Points of Receipt exceed the quantity of gas available for receipt at such Point of Receipt, it is the responsibility of Customer and its suppliers to allocate the quantities actually available for receipt at that point.

Customer agrees to indemnify and hold harmless MLGW from any and all claims, suits, damages, or actions arising from the failure of MLGW to receive quantities of gas actually nominated by Customer at a particular Point or Points of Receipt, resulting specifically from the situations described above.

- 8.2 The Delivery Point(s) for all gas transported by MLGW under this Rate Schedule shall be a mutually agreeable interconnection between MLGW's facilities and the facilities of Customer in MLGW's service area.
- 8.3 Customer shall deliver and receive gas in uniform quantities during any month and in uniform hourly quantities during any day with no significant fluctuation.

9. NOMINATIONS AND SCHEDULING

- 9.1 Customer agrees to provide MLGW in writing, no later than ten (10) days prior to the beginning of each calendar month, a schedule showing the daily nominated volumes it desires to have transported by MLGW that month unless otherwise agreed to in the Gas Transportation Service Agreement. Such schedule will show the quantities of gas at Points of Receipt into MLGW's system. The total quantity delivered to MLGW shall not exceed the Maximum Daily Demand unless advance agreement is obtained from MLGW.
- 9.2 Customer may not alter the schedule of daily volumes during the calendar month, unless prior authorization is received from MLGW for such alteration.
- 9.3 It is the intent that gas delivered or caused to be delivered to MLGW by Customer shall be as nearly as possible at uniform hourly rates. Departures from the scheduled deliveries at the Point of Receipt into the MLGW system shall be kept to the minimum permitted by operating conditions.

10. BALANCING AND PENALTIES

10.1 General

MLGW reserves the right, at any time, to require Customer to modify nominated volumes for transportation to correct any imbalance if in MLGW's sole judgment, conditions warrant such a change. Customer shall be solely responsible for any imbalance penalties occurring on the delivering pipeline system.

10.2 Operational Flow Orders

MLGW shall have the right to issue Operational Flow Orders (OFO) as specified in this Section which require actions in order to alleviate conditions which threaten the integrity of MLGW'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 MLGW'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 to the Customer or his authorized agent shall be deemed to be proper notice of an OFO.

All quantities tendered to MLGW and/or taken by the Customer in violation of OFO's shall constitute unauthorized receipts or deliveries for which a charge of \$1.50 per Ccf shall be assessed. An additional charge of \$6.00 per Ccf shall be applied to all gas taken in excess of 110% of any amount authorized by MLGW under the OFO. This amount is to be in addition to MLGW's incremental cost per Ccf for all gas taken in violation of the OFO.

10.3 Daily Balancing

The Daily scheduling variance is defined as 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 + or - 10% of the daily scheduled volumes, there shall be no daily balancing penalties. On each day where the daily scheduling variance exceeds + or -10% of daily scheduled volumes, a charge of \$0.0167 per Ccf shall be assessed on all volumes in excess of the + or -10% tolerance.

10.4 Monthly Balancing

A Customer shall have the responsibility to maintain a concurrent balance between scheduled quantities of gas and quantities of gas actually taken by the Customer each month. If the Customer does not maintain a concurrent balance between quantities of gas scheduled and quantities of gas taken, the resulting imbalance shall be cashed out to eliminate imbalances accumulated during the month and to provide added incentives to Customers to comply with their monthly balancing responsibilities.

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

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

The amount due to MLGW for each imbalance level shall be determined by multiplying the corresponding imbalance level factor by the monthly Spot Index Price as determined in Section 10.5 below times the quantity within each imbalance level. In addition, the Customer shall pay to MLGW transportation charges equal to the total imbalance volume multiplied by the currently effective maximum transportation rates specified in the Texas Gas Transmission Rate Schedule FT (Zone SL receipt, Zone 1 delivery) stated at the 100% load factor equivalent, including all fuel, Gas Research Institute (GRI), Annual Charge Adjustment (ACA), and other applicable charges, or such lesser amount as MLGW shall determine.

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

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

The amount due to the Customer for each imbalance level shall be determined by multiplying the corresponding imbalance level factor by the monthly Spot Index Price as determined in Section 10.5 below times the quantity within each imbalance level. In addition, MLGW shall pay to the Customer transportation charges equal to the total imbalance volume multiplied by the currently effective maximum transportation commodity rates specified in the Texas Gas Transmission Rate Schedule FT (Zone SL receipt, Zone 1 delivery), including all fuel, GRI, ACA, and other applicable charges.

10.5 Spot Index Price

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

11. DATA REQUIRED FOR VALID REQUEST FOR TRANSPORTATION

Requests for transportation hereunder shall be valid only upon providing the following information in writing to MLGW:

- (a) Gas quantities - The Transportation quantity which will represent MLGW's maximum daily transportation obligation and a statement of the estimated transportation quantities stated individually in Ccf's for each point of receipt and each point of delivery. MLGW shall not be obligated to accept requests under which the requested Transportation Quantity is less than 1500 Ccf per day.
- (b) Point of Receipt - The point(s) of entry into MLGW's system.
- (c) Destination of gas - The Point(s) of Delivery by MLGW to Customer.
- (d) Term of Service -
 - (i) Date the service is requested to commence.
 - (ii) Duration of service requested.
- (e) Statement that -
 - (i) Customer has title to the gas, or has a current contractual right to deliver, or cause to be delivered, such gas to MLGW for transportation and has entered into or will enter into those arrangements necessary to assure all upstream transportation will be in place prior to the commencement of transportation through MLGW's system; and
- (f) If the transportation agreement is to be signed with a party acting as agent for a principal, then a copy of the Agency Agreement must be provided.

12. CREDIT WORTHINESS

Customer shall furnish MLGW with all reasonable data (such as audited financial statements) necessary to establish Customer's credit worthiness.

MLGW may discontinue service under this Rate Schedule for any Customer who, at any time, fails to demonstrate credit worthiness in MLGW's reasonable determination; provided, however, Customer may receive or continue to receive service if Customer prepays for the

service or furnishes good and sufficient security, such as a letter of credit satisfactory to MLGW in an amount sufficient to cover the cost of the transportation service for the remaining term of the transportation agreement, or 90 days, whichever is less, at a 100% load factor level.

13. RULES AND REGULATIONS

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