

**GENERAL TERMS AND CONDITIONS
FOR TRANSPORTATION SERVICE**

1.1 REQUIREMENTS FOR TRANSPORTATION SERVICE

This rate schedule shall apply to Customers who have elected Transportation Service through the Company's distribution system within the incorporated and unincorporated areas served by the Company, as listed in the Company's Rules of Service (Rate Schedule Number QSR-TGS), Section 1.1.

Nothing shall be deemed to supersede the respective rights and obligations of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") and Customer as provided by Texas statutes, rules, and/or regulations. The Company reserves the right to seek modification or termination of transportation service or any of the tariffs to which it applies and the unilateral right to seek regulatory approval to make any changes to, or to supersede, the rates, charges and terms of transportation service.

1.2 DEFINITIONS

The following definitions shall apply to the indicated words as used in this Tariff:

Adder: Shall mean the Company's incremental cost to purchase Natural Gas.

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

Agreement: Shall mean any written Gas Transportation Agreement (including any Gas transportation orders, forms or other exhibit(s) which are incorporated into and become a part of the same) to which the General Terms and Conditions for Transportation apply.

Btu: Shall mean British thermal unit(s) and shall be computed on a temperature base of 60 degrees Fahrenheit and at the standard pressure base of the applicable area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.

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<u>Commercial Service:</u>	Service to Customers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.
<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a Division of ONE Gas, Inc.
<u>Compressed Natural Gas (CNG) Service:</u>	Service to Customers where the Customer purchases Natural Gas to be compressed and used as a motor fuel. This rate does <u>not</u> include compression by the Company beyond normal meter sales pressure.
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of Customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.
<u>Customer:</u>	Any person or organization now being billed for Gas service whether used by him or her, or by others.
<u>Day or Gas Day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. Central Standard Time on one (1) calendar day and ending at 9:00 a.m. Central Standard Time the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean one million (1,000,000) Btu's (1 MMBtu). This unit will be on a dry basis.
<u>Electrical Generation Service:</u>	Service to Customers operating electric generation assets and that are registered with the applicable balancing authority including bulk power system assets, co-generation facilities, distributed generation, and/or backup power systems. This service may also be provided to those known Customers who use thermal energy to produce electricity with recapture of by-product heat in the form of steam, exhaust heat, etc. for industrial

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process use, space heating, food processing or other purposes.

Electronic Flow Measurement (EFM):

A device that remotely reads a Gas meter.

Firm Service:

Services offered to Customers (regardless of service class) under schedules or contracts that anticipate no interruptions. Service may be interrupted or curtailed at the discretion of the Company during Force Majeure events.

Force Majeure:

If either Company or Customer is rendered unable, wholly or in part, by reason of Force Majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided, however, obligations to make payments when due hereunder shall not be suspended. The term "Force Majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, or any agency thereof, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of Gas supply, whether resulting from inability or failure of a supplier to deliver Gas; partial or entire failure of Natural Gas wells or Gas supply; depletion of Gas reserves; mandatory testing or maintenance necessary for compliance and safe operation, and any other causes, whether of the kind herein enumerated or otherwise. If due to a Force Majeure the Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.

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Gas or Natural Gas:

Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well Gas, casing head Gas, residue Gas resulting from processing both casing head Gas and gas-well Gas, and all other hydrocarbon and non-hydrocarbon components thereof.

Industrial Service:

Service to Customers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Consumers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.

Mcf:

Shall mean one thousand (1,000) cubic feet of Gas.

Month:

Shall mean the period beginning at 9:00 a.m. Central Standard Time on the first Day of each calendar Month and ending at 9:00 a.m. Central Standard Time on the first Day of the next succeeding calendar Month.

Monthly Tolerance Limit:

Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of Customers for such Month.

Payment in Kind (PIK):

Shall mean a reimbursement for lost and unaccounted for Gas.

PDA:

Shall mean a predetermined allocation method.

Pipeline System:

Shall mean the current existing utility distribution facilities of Company located in the State of Texas.

Point of Delivery:

Shall mean the point or points where Gas is delivered from the Pipeline System to Customer.

Point of Receipt:

Shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer.

Point Operator:

Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.

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<u>Public Authority Service:</u>	Service to Customers that are qualifying public authority, public and parochial schools and colleges, and to all facilities operated by governmental agencies not specifically provided for in other rate schedules or special contracts.
<u>Qualified Supplier:</u>	Shall mean an approved supplier of Natural Gas for transportation to Customers through the Company's Pipeline System.
<u>Regulatory Authority:</u>	The City Council or equivalent municipal governing body of each respective city in the Company's area, or the Railroad Commission of Texas, as applicable.
<u>Service Area:</u>	The area receiving Gas utility service provided by the Company under the terms of this Tariff.
<u>Tariff:</u>	Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing Gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.
<u>Transportation Form:</u>	Shall mean the Company approved selection of transportation service document.
<u>Transportation Rate Schedule:</u>	A rate schedule designed for service to any Customer for the transportation of Customer-owned Natural Gas through the Company's distribution system.
<u>Transportation Service:</u>	The transportation by the Company of Natural Gas owned by someone other than the Company through the Company's distribution system.
<u>Week:</u>	Shall mean a period of 7 consecutive Days beginning at 9:00 a.m. Central Standard Time on each Monday and ending at the same time on the next succeeding Monday.

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Year: Shall mean a period of 365 consecutive Days, or 366 consecutive Days when such period includes a February 29.

1.3 RESTRICTIONS AND RESERVATIONS

- a) It is understood and agreed that Customer has only the right to transportation service in the Pipeline System and all equipment, including (but not in any way limited thereto) all pipe, valves, fittings, and meters comprising the Pipeline System and all other property and capacity rights and interests, shall at all times during the term of the Agreement remain the property of Company. Customer agrees not to cause or permit any liens or encumbrances to be filed with respect to the Pipeline System by reason of Customer's actions. Customer's Gas shall at all times remain the property of Customer, and Company shall have no right or property interest herein.
- b) Company reserves the right in its sole discretion to remove, relocate, expand, or rebuild, without approval of Customer, any portion of the Pipeline System. Customer shall make no alterations, additions, or repairs to or on the Pipeline System, nor shall Customer bear any cost of any alterations, additions, repairs, maintenance or replacements made to or on said Pipeline System initiated by and to the benefit of the Company.
- c) Customer agrees not to connect or cause the connection of any third party to the Pipeline System for any purpose without the express written approval and consent of Company to be granted in Company's sole discretion. Customer further agrees not to transport or cause to be transported any Gas for any third party. If either of these conditions is breached by Customer, Company shall have the right and option, notwithstanding any other provision of the Agreement, to terminate the Agreement.
- d) Company presently is transporting Gas to third parties on the Pipeline System and shall have the right in the future to transport additional Gas for such purposes and to transport Gas to additional third parties as it may desire, and Company shall have the right to make additional connections to the Pipeline System as may be required to serve presently existing and new Customers, all of which is subject to the provisions of the Agreement. Company's transportation Gas hereunder shall not obligate Company in any manner beyond the terms of the Agreement and any Exhibits attached thereto.
- e) Company shall own any and all liquids which are recovered from the Pipeline System and may use, sell or transfer all liquids without having to account in any manner, or pay any monies or other consideration to Customer.

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- f) The Company reserves the unilateral right from time to time to seek Commission approval to make any changes to, or to supersede, the rates, charges and any terms stated in the tariffs, rate schedules, the Agreements, and the General Terms and Conditions.

1.4 COMPANY'S RESPONSIBILITY

Company shall deliver to Customer, at the Point of Delivery, volumes of Gas, as received from designated Qualified Supplier, for the Customer, at a Company designated Point of Receipt, less Payment in Kind (PIK).

1.5 CUSTOMER'S RESPONSIBILITY

Customer, by selecting service under a transportation service rate schedule by completing a Transportation Form, warrants and agrees that:

- a) Customer shall indemnify and hold Company harmless from and against all suits, actions, causes of action, claims and demands, including attorneys' fees and costs, arising from or out of any adverse claims by third parties claiming ownership of, or an interest in said Gas caused by the failure to provide clear title to the Gas;
- b) Customer acknowledges Company shall not be responsible in any way for damages or claims relating to the Customer's Gas or the facilities of the Customer or others containing such Gas prior to receipt into Company's facilities or after delivery to the Customer;
- c) Customer must provide Company with a signed Transportation Form identifying its Qualified Supplier. Customer may designate no more than one (1) Qualified Supplier. This authorization shall be in a form agreeable to Company and shall remain in effect until a signed replacement is received by Company;
- d) Customer acknowledges the Qualified Supplier's responsibilities under Section 1.6;
- e) Transportation Service is not available for a term less than 12 months. Termination of transportation service may, at the Company's sole discretion, delay Customer's request to resume transportation service;
- f) Electronic flow measurement (EFM) may be required for Customers under transportation service, at the Company's sole discretion. The Customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any ongoing maintenance, repair, or communications costs; and

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- g) In the event Customer's source of Gas supply is terminated by Customer's Qualified Supplier due to non-payment or other reasons, or if Customer is otherwise unable to continue as a transportation Customer, Customer may, upon the first of the month after 30-calendar days advance written notice to Company, obtain service from Company under the general sales tariff applicable to Customer. Prior to commencing such service, Company may, in its sole discretion, require Customer to post a deposit or bond.

1.6 QUALIFIED SUPPLIER'S RESPONSIBILITY

Qualified Supplier shall act on behalf of the Customer to procure Gas supplies, deliver Gas supplies plus Payment in Kind volume, into Company designated Points of Receipt and shall act as the Customer's agent with respect to nominations, operational notices and resolution of imbalances.

- a) Qualified Suppliers shall aggregate their Customers' volumes for balancing purposes, into Aggregation Areas, as determined, in the Company's sole discretion.
- b) Qualified Supplier shall submit nominations to the Company's Gas scheduling department, in accordance with their currently effective nomination process, which can be provided to the parties upon request. Customer and Qualified Supplier shall exercise commercially reasonable best efforts to deliver to the Pipeline System Dths of Gas that Company is to deliver from the Pipeline System to Customer during any particular Hour, Day, Week and Month, including but not limited to volumes needed for peak Day usage for Customer's facilities. Qualified Supplier shall not intentionally nominate more or less Gas than is anticipated for consumption by Customer(s), except as may be needed for balancing purposes to the extent Company accepts such nomination.
- c) Before the start of the Gas Day, the Point Operator and Company shall establish a predetermined allocation (PDA) method to specify how Gas received or delivered by Company shall be allocated in accordance with confirmed nominations at such point. Only one (1) PDA methodology shall be applied per allocation period.
- d) Daily Quantity of Transportation Service Gas: Company shall receive and deliver Gas hereunder as nearly as practicable at uniform hourly and daily rates of flow. It is recognized that it may be physically impracticable, because of measurement, Gas control limitations and other operating conditions, to stay in zero imbalance each hour and each day; therefore, the daily and hourly quantities received may, due to the aforementioned reasons, vary above or below the daily and hourly quantities delivered. If the quantities received and the quantities delivered hereunder should create an imbalance at the end of any hour, Day, Week, or Month, then Company and Qualified Supplier shall adjust receipts and/or deliveries at any time to the end that the quantities received and delivered shall be kept as near to zero imbalance as practicable.

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- e) Quality of Transportation Service Gas: The Gas procured by a Qualified Supplier, for receipt by Company, shall conform to the standards prescribed in Company's applicable rate schedules, Agreements, and applicable local, state or federal laws, rules and/or regulations.

1.7 IMBALANCES

Qualified Supplier shall, to the extent practicable, not deliver into the Pipeline System more or less Dths of Gas than Company delivers to the Aggregation Area of Customers, at the Points of Delivery, during a Consumption Period. The following imbalance provisions shall be applied to the Qualified Supplier for its Aggregation Area of Customers.

- a) If Company receives less Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, then Qualified Supplier shall purchase such under-delivered volumes at 105% of the applicable index, plus the Adder.
- b) If Company receives more Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, Qualified Supplier shall sell such excess Gas to Company at 95% of the applicable index.
- c) The applicable index and Adder will be defined in the Qualified Supplier Agreement and amended from time to time.
- d) A proportional share of any upstream pipeline transportation service charges, additional commodity charges, and penalties incurred by the Company, that in whole or in part, are the result of Qualified Supplier's scheduling and/or managing the upstream transportation of the Customer's Gas to Company's interconnection point(s) with the upstream pipeline(s). The proportional share will be calculated using the Qualified Supplier's receipts and deliveries and the upstream pipeline invoices for the applicable period. Proceeds from this charge will be credited to the Reconciliation Account. The Company will bill Qualified Supplier for these charges and penalties manually on a separate bill. Payment shall be required in accordance with applicable Rules of Service.
- e) The Company will provide monthly imbalance statements along with calculations of the charges in accordance with the aforementioned provisions to the Qualified Supplier each month.

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- f) Payments for imbalance settlements will be due each month within 15 business days of the imbalance statement date. The Company may elect at its sole discretion to accrue the imbalance settlement provisions each month and only require periodic settlement rather than monthly payments.
- g) On or about 15 days after the Company receives necessary volumetric information from other parties for each Consumption Period after commencement of Gas receipts and deliveries hereunder, Company shall render to the Qualified Supplier a statement for the preceding Consumption Period showing the total Dths of Gas received and delivered and each Point of Receipt and Point of Delivery. If information necessary for statement purposes is in the possession of Customer, Customer shall furnish such information to Company on or before the 6th Day of the Month in which the statement requiring such data is to be rendered.
- h) Both parties hereto shall have the right at any and all reasonable times within 24 months from the time period in question, to examine the books and records of the other to the extent necessary to verify the accuracy of any statement, computation, or demand made hereunder.

1.8 LACK OF LIABILITY

- a) **Furnishing of Gas.** The Company shall not be liable for any loss or damage caused by variation in Gas pressure, defects in pipes, connections and appliances, escape or leakage of Gas, sticking of valves or regulators, or for any other loss or damage not caused by the Company's negligence arising out of or incident to the furnishing of Gas to any Consumer.
- b) **After Point of Delivery.** Company shall not be liable for any damage or injury resulting from Gas or its use after such Gas leaves the Point of Delivery other than damage caused by the fault of the Company in the manner of installation of the service lines, in the manner in which such service lines are repaired by the Company, and in the negligence of the Company in maintaining its meter loop. All other risks after the Gas left the Point of Delivery shall be assumed by the Customer or consumer, his agents, servants employees, or other persons.
- c) **Reasonable Diligence.** The Company agrees to use reasonable diligence in rendering continuous Gas service to all Customers or Consumers, but the Company does not guarantee such service and shall not be liable for damages resulting from any interruption to such service.

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- d) **Force Majeure.** If either Company or Customer is rendered unable, wholly or in part, by reason of Force Majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided, however, obligations to make payments when due hereunder shall not be suspended.
- e) **Damage to Pipeline.** If a portion of the Pipeline System required to make the transportation service available is partially damaged by fire, line strikes or other casualty, the damage may be repaired by Company, at its option and in its sole discretion, as speedily as practicable, to include the time taken for the settlement of insurance claims. Until such repairs are made, the payments shall be apportioned in proportion to the portion of the capacity of the Pipeline System which is still available for the purposes hereof, such determination to be made in the sole discretion of Company. If the damages are so extensive as to render the Pipeline System wholly unusable, in Company's sole opinion, the payments, if any, shall cease until such time as the Pipeline System is again useable. In case the damage shall, in Company's sole opinion, amount substantially to a destruction of the portion of the Pipeline System available for the transportation of Gas and Company shall elect not to repair the damage, then the Agreement shall terminate at the time of such damage, and Company shall not be liable to Customer for any liability, damage, or claim which arises out of any failure to make repairs.

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