

General Terms and Conditions for Gas Service

10. Requirements for Transportation Service

- 10.01 **Company’s Responsibility:** Company shall deliver to a customer volumes of gas which are thermally equivalent to the volumes of gas received for the customer at a receipt point, less any amount retained by Company according to Section 10.06 Retainage.
- 10.02 **Customer’s Responsibility:** A customer, by taking service under a transportation service rate schedule, warrants and agrees that:
 - 10.02.01 Gas received by Company for the customer shall be free from all adverse claims, liens, and encumbrances.
 - 10.02.02 Company shall be held harmless and indemnified by the customer 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,
 - 10.02.03 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, and
 - 10.02.04 The customer's gas shall at all times remain vested in the customer.
- 10.03 **Customer's Agent:** Company-approved agents shall be allowed to deliver gas to Company's system for a transportation service customer.
 - 10.03.01 **Agent’s Responsibilities:** An agent arranging for delivery of gas for a transportation service customer must receive Company approval prior to delivering gas to Company's system. Agents receiving Company approval and choosing aggregated balancing as described in Section 10.04 Aggregation shall enter into a signed agreement with Company, which shall acknowledge the agent’s responsibilities under Section 10.09 Cash Out and Section 11.06 Penalties for Unauthorized Usage.
 - 10.03.02 **Affidavit:** A customer to be represented must provide Company with an affidavit identifying its agent. This authorization shall be in a form agreeable to Company and shall remain in effect until a signed replacement is received by Company.
 - 10.03.03 **Billing:** Company shall provide to a customer’s agent a duplicate monthly billing statement upon the customer’s written request. Company may accept

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payment from the customer’s agent; however, the customer shall continue to be responsible for all charges on the account. In the event of any billing dispute, Company shall notify the customer directly and shall not be required to notify the customer’s agent.

- 10.04 **Aggregation:** Customers’ agents shall be allowed to aggregate their customers’ usages for purposes of balancing.
 - 10.04.01 **Aggregation Areas:** Company shall establish aggregation areas within geographic, operational, administrative, and/or other appropriate parameters.
 - 10.04.02 **Aggregation Groups:** An agent shall establish its customers within each aggregation area into a group or groups. Customers not assigned to an aggregation group shall be individually balanced.
 - 10.04.03 **Changes to Aggregation Groups:** Company must receive changes to aggregation groups, in writing, prior to the last working day of a month. Changes shall become effective on the first day of the following month except that aggregation groups shall be as designated prior to the first effective day of an OFO or POC.

- 10.05 **Nominations:** A customer or the customer's agent shall provide to the Company’s nomination website, the customer’s Standard and/or intraday Nomination using the following nomination cycles. All times listed below are Central Clock Time (CCT). For March 31, 2016, the new day-ahead nomination timelines will apply for those nominations effective April 1, 2016:
 - (1) **The Timely Nomination Cycle:** 1:00 p.m. for nominations leaving the control of the nominating party; 1:15 p.m. for receipt of nominations by Company, scheduled quantities effective at 9:00 a.m. the next Gas Day.
 - (2) **The Evening Nomination Cycle:** 6:00 p.m. for nominations leaving control of the nominating party; 6:15 p.m. for receipt of nominations by Company, scheduled quantities effective at 9:00 a.m. the next Gas Day.
 - (3) **The Intraday 1 Nomination Cycle:** 10:00 a.m. for nominations leaving control of the nominating party; 10:15 a.m. for receipt of nominations by Company, scheduled quantities effective at 2:00 p.m. the same Gas Day.
 - (4) **The Intraday 2 Nomination Cycle:** 2:30 p.m. for nominations leaving control of the nominating party; 2:45 p.m. for receipt of nominations by Company, scheduled quantities effective at 6:00 p.m. the same Gas Day.

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- (5) **The Intraday 3 Nomination Cycle:** 7:00 p.m. for nominations leaving control of the nominating party; 7:15 p.m. for receipt of nominations by Company, scheduled quantities effective at 10:00 p.m. the same Gas Day.
- 10.06 **Retainage:** Retainage is a quantity of gas necessary to compensate Company for lost and unaccounted for gas and gas used in Company's operations. Retainage shall be stated as a percentage of a customer's gas received by Company and shall be determined annually by Company.
- 10.07 **Daily Quantity of Transportation Service Gas:** A customer or the customer's agent shall maintain, as nearly as practicable, uniform daily rates of gas delivery. The customer shall take delivery of gas at the same uniform rate as the gas is received by Company. However, should variations between deliveries to the customer and receipts by the Company cause operational problems on Company's system, Company may discontinue receipt of gas until such variations are corrected.
- 10.08 **Quality of Transportation Service Gas:** The gas procured by a customer or the customer's agent for receipt by Company shall conform to the standards prescribed in Company's applicable rate schedules and these GT&C.
 - 10.08.01 **Merchantable Quality:** The gas shall at all times be merchantable gas of a quality required by Company's system to which the gas is being delivered. The gas shall be free from any foreign materials (e.g. dirt, dust, gums, iron particles, water, other entrained liquids, or other impurities) which might render it unmerchantable or interfere with the proper operation of pipelines, meters, regulators, or other facilities through which it flows or is used. Company may refuse to receive gas not meeting the quality requirements of Section 9.03.01 Quality of Gas Received. Receipt by Company of any gas not meeting these quality requirements shall not obligate Company to continue the receipts, nor shall it remove the customer's obligation to provide Company with gas meeting those specifications.
 - 10.08.02 **Determination of Quality:** A customer shall bear all expenses connected with the determination of the quality of the customer's gas received by Company if the customer or the customer's agent arranges for the purchase of gas from a supplier from which Company does not currently receive gas directly into Company's delivery system. Company shall not be obligated to deliver this gas until an agreement exists between Company and the supplier, which Company shall not unreasonably withhold, setting forth the terms of interconnection, quality standards, and the respective rights of Company and the supplier in connection with deliveries of gas.

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10.09 **Cash Out:** Monthly volumes of gas delivered to a transportation service customer should, to the extent practicable, match Company's receipts for the customer less any amount retained by Company according to Section 10.06 Retainage. Agents may balance the aggregated volumes of gas for groups of customers they represent, according to the terms of Section 10.04 Aggregation.

10.09.01 **Monthly Cash Out:** Differences between deliveries and retainage-adjusted receipts shall be reconciled on a monthly basis between Company and a customer or the customer's agent.

(1) If Company's retainage adjusted receipts for the customer are less than deliveries to the customer, the customer or the customer's agent shall pay:

(a) No charge for each MMBtu of cumulative imbalance up to the greater of 5% of actual usage or 25 MMBtu per customer, to be carried over on account to the following month.

(b) 1.15 times the Cash Out Price for each MMBtu of imbalance which is greater than 5%, up to and including 10% of actual usage, and

(c) 1.3 times the Cash Out Price for each MMBtu of imbalance which is greater than 10% of actual usage.

(2) If Company's retainage adjusted receipts for the customer exceed deliveries to the customer, the customer or the customer's agent shall receive:

(a) No payment for each MMBtu of cumulative imbalance up to the greater of 5% of actual usage or 25 MMBtu per customer, to be carried over on account to the following month.

(b) 0.85 times the Cash Out Price for each MMBtu of imbalance which is greater than 5% of actual usage, up to and including 10%, and

(c) 0.7 times the Cash Out Price for each MMBtu of imbalance which is greater than 10% of actual usage

10.09.02 **Cash Out at Final Billing:** In the event a final bill for transportation service is rendered, regardless of the cause for termination of the transportation service, Company shall cash out the customer or the customer's agent.

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- (1) If Company's retainage adjusted cumulative final receipts for the customer are less than cumulative final deliveries to the customer, the customer or the customer's agent shall pay:
 - (a) 1.0 times the Cash Out Price for each MMBtu of cumulative imbalance up to the greater of 5% of actual usage or 25 MMBtu per customer.
 - (b) 1.15times the Cash Out Price for each MMBtu of imbalance which is greater than 5% up to and including 10% of actual usage, and
 - (c) 1.3 times the Cash Out Price for each MMBtu of imbalance which is greater than 10% of actual usage.
- (2) If Company's retainage adjusted cumulative final receipts for the customer exceed cumulative final deliveries to the customer, the customer or the customer's agent shall receive:
 - (a) 1.0 times the Cash Out Price for each MMBtu of cumulative imbalance up to the greater of 5% of actual usage or 25 MMBtu per customer.
 - (b) 0.85 times the Cash Out Price for each MMBtu of imbalance which is greater than 5% of actual usage, up to and including 10%, and
 - (c) 0.7 times the Cash Out Price for each MMBtu of imbalance which is greater than 10% of actual usage.

10.09.03 **Cash Out Price:** The monthly Cash Out Price shall be determined as the arithmetic average of the midpoint prices published in Gas Daily for each day of the month, for:

- (1) Southern Star Central Gas Pipelines (Texas, Oklahoma, Kansas)
- (2) Panhandle Eastern Pipe Line Company (Texas, Oklahoma)
- (3) ANR Pipeline Company (Oklahoma), and
- (4) Natural Gas Pipeline Company of America (Midcontinent).

If the Cash Out Price is not published for any of the above, the average will be calculated on the prices published.

10.10 **Capacity Limitations:** A customer may have delivery of gas curtailed in the event of system supply emergencies or capacity limitations. Company's obligation to deliver a customer's gas shall be as stated in Section 11, Priority of Service. The determination of

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delivery system capacity limitations shall be at Company’s sole discretion. The customer may request Company to make reasonable enlargements to its delivery system, if capacity limitations restrict the volume of gas which the customer may desire to be delivered. Company shall fulfill these requests provided the actual cost, including indirect costs, of delivery system enlargements are borne by the customer. The expanded facilities shall remain the property of Company, free and clear of any lien or equity by the customer. Nothing contained herein shall be construed as obligating Company to construct any extensions or expansions of its facilities.

10.11 **Limitation of Transportation Service and Other Charges:** Delivery of a customer's gas shall be available only where permitted by the gas supply contracts and rate schedules under which gas is supplied to Company. Any delivery conditions or limitations imposed on Company by the contracts and rate schedules shall be applicable to delivery of gas to the customer. Should delivery of gas cause the incurrence of demand charges, standby charges, reservation charges, penalties or like charges from Company's gas suppliers or transporters, and these charges are in addition to charges for gas actually received by Company and not anticipated by the rate schedule or rider schedule under which the customer takes service, these charges shall be billed to the customer. Additionally, should a change in the customer's service characteristics cause the charges anticipated above to be recovered from other customers, these charges shall be billed to the customer. Any disputes regarding the customer's responsibility for these charges shall be referred to the Commission for resolution.

10.12 **Third Party Metering:** If a customer's gas is received by Company through meters which are not owned and operated by Company or the customer, the customer or the customer's agent shall, at the earliest practicable time, but not later than 10 days following the end of the billing period, cause the supplier to furnish Company a statement showing the amount of transportation service gas, in Mcf and dekatherm per day, delivered to Company for the customer during the billing period. The customer or the customer's agent, upon request, shall cause to be furnished to Company all charts, or satisfactory copies thereof, upon which the statement provided for above were based. Any original charts furnished shall be returned within 30 days. By accepting gas, the customer agrees to maintain records of the volumes of gas received by Company for the customer and to allow Company to inspect the records upon request during the customer's regular business hours.

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- 10.13 **Change from Sales to Transportation Service:** Company shall use its best efforts to promptly affect all customer requests to change from a sales service tariff to a transportation service tariff.
 - 10.13.01 **Valid Request:** Company shall consider a valid request to have been made upon receipt of a properly completed Transportation Affidavit, in accordance with Section 10.03.02 Affidavit. Company must receive Affidavit by the 20th day of the month preceding the month in which the initiation of transportation service is requested.
 - 10.13.02 **Administrative Limit:** Company shall consider its internal, external, and administrative limitations and shall determine the number of Affidavits it can process each month, which shall be the Administrative Limit.
 - 10.13.03 **Monthly Additions:** Should the number of received Affidavits exceed the Administrative Limit, Company shall prorate any remaining processing capacity among all agents submitting Affidavits on the day. Company shall list customers according to an agent’s preferred ranking, if provided, unless operational concerns prevent the desired priority. Affidavits properly received and not processed in the current month shall be given priority in the following month in the order received by Company and ahead of any subsequent Affidavits.

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