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October 11, 2018

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: Kern River Gas Transmission Company
Docket No. RP19-____
Tax Reform Credit Rate Settlement
Unopposed Request for Shortened Comment Period

Dear Ms. Bose:

Pursuant to Rules 207(a)(5) and 602 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") Rules of Practice and Procedure ("Rules"),¹ Kern River Gas Transmission Company ("Kern River") hereby submits for filing with, and approval by, the Commission, the enclosed Stipulation and Agreement of Settlement ("Stipulation"). The Stipulation is the result of negotiations between Kern River and its Shippers² and provides Tax Reform Credit ("TRC") Shippers³ a rate credit against the Maximum Base Tariff Rate⁴ for firm service and any one-part rate that includes fixed costs, until a Triggering Event⁵ occurs. The rate credit implemented by the Stipulation does not apply to any transportation service agreement at a negotiated or discounted rate.

Kern River respectfully requests a shortened comment period to facilitate timely approval of the Stipulation and to avoid any delay in realizing the benefits of the Stipulation rate credit for all TRC Shippers. All Shippers were given an opportunity to review and comment on drafts of the Stipulation before it was filed. Further, Kern River consulted with Shippers regarding this request for a shortened comment period and no Shipper expressed opposition. Accordingly, Kern River requests that comments on the Stipulation be filed not later than twelve (12) days after the date of this filing (October 23, 2018) and reply comments be filed not later than fifteen (15) days after the date of this filing (October 26, 2018).

¹ 18 C.F.R. § 385.207(a)(5) and 18 C.F.R. § 385.602.

² Shippers, as such term is defined in Article II(S).

³ TRC Shippers, as such term is defined in Article II(Y).

⁴ Maximum Base Tariff Rate, as such term is defined in Article II(H).

⁵ Triggering Event, as such term is defined in Article II(Z).

If the request for shortened comment period is not granted, pursuant to Rule 602(f)(2), comments on the Stipulation may be filed not later than twenty (20) days after the date of this filing, and reply comments may be filed not later than thirty (30) days after the date of this filing. Accordingly, pursuant to Rule 602(d)(2), comments would be due not later than October 31, 2018, and reply comments would be due not later than November 12, 2018.

The Stipulation provides that Kern River will calculate the rate credit beginning on the date the Commission issues its initial order approving the Stipulation, subject to rehearing. Consequently, in order to grant TRC Shippers the benefit of the rate credit as soon as possible, Kern River respectfully requests Commission approval of the Stipulation expeditiously.

In accordance with Rule 602(c), this submission includes:

- This transmittal letter, including an explanatory statement⁶
- The Stipulation, including appendices containing
 - a list of Settling Parties;
 - Tax Reform Credit of 11% Shown On Kern River's (Adjusted Form) No. 501-G, page 1, line 30;
 - Matrix Showing Maximum Base Tariff Rate and Tax Reform Credit Computation for each Shipper Group; and
 - Marked Pro Forma Tariff Sheets.

Immediately after issuance of the final Commission order approving the Stipulation, Kern River will file actual compliance tariff sheets consistent with the pro forma tariff sheets attached as Appendix D to the Stipulation.

Background

In January of 1990, the Commission issued a certificate to Kern River to permit it to construct its Original System ("Original Certificate"⁷) under the optional expedited certificate regulations adopted in Order No. 436. The Commission approved initial rates based on, among other items, a levelized cost of service. The Commission also authorized Kern River to charge separate levelized rates for three different periods: (1) the term of the firm shippers' initial contracts ("Period One"); (2) the period from the expiration of those contracts to the end of Kern River's assumed depreciable life ("Period Two"); and (3) the period thereafter ("Period Three").

⁶ This Transmittal Letter is intended to be a summary of the Stipulation. If there are any inconsistencies between this Transmittal Letter and the Stipulation, the Stipulation shall control. All capitalized terms used in this Transmittal Letter shall have the meaning subscribed to such terms in the Stipulation.

⁷ *Kern River Gas Transmission Co.*, 50 FERC ¶ 61,069 (1990).

On January 27, 2017, the Commission approved Kern River's filing of an uncontested Alternate Period Two settlement that offered lower 10- and 15-year Period Two rates.⁸

On July 18, 2018, the Commission issued the Final Rule in response to the Tax Cuts and Jobs Act ("TCJA").⁹ The Final Rule requires interstate natural gas pipelines to file a One-time Report (Form 501-G), which is designed to collect financial information to allow the Commission to evaluate the impact of the TCJA on such pipelines' revenue requirement. Kern River is filing its Form 501-G concurrently herewith.

Summary of Stipulation

Kern River has been engaged in discussions with its Shippers to solicit input and seek support for this Stipulation to reduce Shipper charges related to the TCJA as contemplated by the Final Rule. The Stipulation is designed to provide a rate reduction in the form of a credit for Kern River's Shippers by reflecting the decrease in the maximum federal corporate tax rate consistent with the purpose of 18 C.F.R. § 154.404. The Stipulation would provide TRC Shippers a rate credit against the Maximum Base Tariff Rate for firm service and any one-part rate that includes fixed costs, until a Triggering Event occurs. By this Stipulation, if approved by the Commission, Kern River is agreeing to provide TRC Shippers an 11% rate reduction in the form of a Tax Reform Credit computed by reference to page 1, line 30 of Kern River's (Adjusted) FERC Form No. 501-G, attached as Appendix B of the Stipulation.

The Stipulation provides substantial rate reduction benefits, 100% of TRC Shippers support or do not oppose the Stipulation, and the Stipulation should be approved by the Commission.

After extensive discussions and meetings, Kern River and the Settling Parties collaboratively drafted this Stipulation to memorialize their comprehensive agreement regarding Kern River's proposal to provide a rate reduction in the form of a credit for Shippers as defined by the TCJA and the Final Rule. Kern River and the Settling Parties submit that this Stipulation represents a fair and reasonable resolution of issues related to the appropriate reduction of charges to Shippers to reflect the decrease in the maximum federal corporate income tax rate that is in the public interest. The Stipulation is carefully crafted and represents a practical, business-oriented solution to very complex issues involving Kern River's rates and the change in the corporate income tax rate. Failure to approve the Stipulation as filed could upset this integrated and carefully balanced agreement. The Commission should therefore approve the Stipulation without modification or condition.

⁸ *Kern River Gas Transmission Co.*, 158 FERC ¶ 61,078 (2017).

⁹ *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, 164 FERC ¶ 61,031 (2018) ("Final Rule").

Explanatory Statement

Pursuant to Rule 602(c) of the Commission's Rules, Kern River submits this Explanatory Statement regarding the Stipulation.

Article I is the introduction.

Article II sets forth definitions of various terms used in the Stipulation.

Article III states that TRC Shippers shall be entitled to a rate credit in the amount of the Tax Reform Credit set forth on Appendix C and states that the Tax Reform Credit will remain in place until a Triggering Event occurs. In addition, Article III states that implementation of the Stipulation will not impact the existing rates, the beginning or ending dates of Period One, Period Two or Alternate Period Two, or any of the other terms and conditions of service for Period One, Period Two or Alternate Period Two, and it is expressly understood that such rates and terms and conditions of service may only be changed through a filing made pursuant to section 4 or 5 of the NGA. Article III further states that Kern River is recording the amortization of Excess Deferred Income Taxes using the Reverse South Georgia Method.

Article IV sets forth the Effective Date of the Tax Reform Credit.

Article V provides that nothing in the Stipulation shall affect the rate design, rate base, cost of service and billing determinants of Kern River's rates. Article V further provides that the billing determinants and cost allocation for each Shipper Group shall remain unchanged for purposes of designing rates, absent a rate case commenced pursuant to section 4 or section 5 of the NGA.

Article VI states that nothing in the Stipulation shall affect the book depreciable life of any of Kern River's facilities or the regulatory depreciation levelization periods of any of Kern River's capacity.

Article VII states the maximum recourse rate for transportation service and provides that the Maximum Base Tariff Rate shall be used to establish the refund floor in the next NGA section 4 rate case. Article VII further provides that the Tax Reform Credit, if applicable, shall be provided only to the Releasing Shipper for temporary capacity release transactions. Finally, Article VII states that nothing in the Stipulation shall affect the Rolled-In Rate Credit.

Article VIII sets forth the parties' retention of rights under sections 4 and 5 of the Natural Gas Act.

Article IX provides that the Commission should decide the merits of any contested settlement issues and not sever any Contesting Party.

Article X states that the provisions of the Stipulation are not severable.

Article XI states that the Stipulation includes proposed pro forma tariff records and that immediately after issuance of a Final Order, Kern River will file to implement the tariff records in Appendix D.

Article XII states that the Stipulation will become effective upon Commission approval without modification or condition unacceptable to Kern River by a final Commission order. The provision allows Kern River to withdraw the Stipulation in the event the Commission modifies or conditions the Stipulation in a manner unacceptable to Kern River or if the Commission does not impose the benefits and obligations on any Contesting Party.

Article XIII includes provisions related to: (A) the non-precedential nature of the Stipulation; (B) the fact that the Stipulation is privileged and of no effect until approved; (C) the understanding that the Stipulation does not create a settled practice; (D) the standard of review for changes to the Stipulation; (E) actions that shall not be taken by Kern River or any Settling Party; (F) resolution of any conflicts between this Explanatory Statement and the Stipulation or a pro forma tariff provision; and (G) successors and assigns of a Settling Party.

Article XIV requests approval of the Stipulation as filed.

Service

Kern River served an electronic copy of this filing upon its customers and interested state regulatory commissions.

Waiver

Kern River respectfully requests that the Commission grant any and all waivers of its Regulations that it deems necessary to allow the Stipulation to be fully implemented consistent with its terms. As noted above, in order to grant TRC Shippers the benefit of the rate credit as soon as possible, Kern River respectfully requests Commission approval of the Stipulation expeditiously.

Marked Version

In accordance with Section 154.201 of the Commission's Regulations, Kern River has submitted both clean and marked versions of the pro forma Tariff changes. The marked version highlights new additions and shows deletions by strikeout as explained above.

Data Processing Requirements

Kern River is submitting this filing through FERC's electronic tariff filing process in a FERC-approved format.

Communication

It is requested that all correspondence and communications concerning this filing be served upon each of the following:

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Respectfully submitted,

/s/ Laura Demman

Laura Demman
Vice President, General Counsel & Regulatory Affairs

Attachments

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Kern River Gas Transmission Company) Docket No. RP19-_____-000

**STIPULATION AND AGREEMENT
OF SETTLEMENT**

Pursuant to Rules 207(a)(5) and 602 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure and in conjunction with the Final Rule in Docket Nos. RM18-11-000, et al.,¹ Kern River Gas Transmission Company (“Kern River”) hereby submits this Stipulation and Agreement of Settlement (“Stipulation”) for approval by the Commission. This Stipulation has substantial support, as evidenced by the fact that all Kern River shippers support or do not oppose the terms and conditions of this Stipulation.

ARTICLE I

INTRODUCTION

Kern River has been engaged in discussions with its Shippers² to solicit input and seek support for this Stipulation to reduce Shipper charges related to the Tax Cuts and Jobs Act (“TCJA”) as contemplated by the Final Rule.³ The Stipulation is designed to provide a rate reduction in the form of a credit for Kern River’s Shippers by reflecting the decrease in the maximum federal corporate tax rate consistent with the purpose of 18 C.F.R. § 154.404.

¹Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate, Order No. 849, Final Rule, 164 FERC ¶ 61,031 (2018) (“Final Rule”).

² Shippers, as such term is defined in Article II(S).

³ Final Rule at P 191-205.

The Stipulation would provide Tax Reform Credit (“TRC”) Shippers⁴ a rate credit against the Maximum Base Tariff Rate⁵ for firm service and any one-part rate that includes fixed costs, until a Triggering Event⁶ occurs. By this Stipulation, if approved by the Commission, Kern River is agreeing to provide TRC Shippers an 11% rate reduction in the form of a Tax Reform Credit⁷ computed by reference to page 1, line 30 of Kern River’s (Adjusted) FERC Form No. 501-G, attached hereto as Appendix B.⁸ The Tax Reform Credit is available to TRC Shippers, as set forth on the attached Appendix C.

On September 12, 2018, Kern River posted a draft of its FERC Form No. 501-G, with and without adjustments, as well as its explanatory statement, the final version of which was filed contemporaneously herewith in Docket No. RP19-55-000. Kern River conducted meetings with Shippers, both in groups and individually, and responded to informal data requests from Shippers. On September 27, 2018, Kern River posted a draft of this Stipulation and engaged in further discussions with Shippers. On October 4, 2018 and October 9, 2018, Kern River conducted system-wide telephone meetings to discuss the Stipulation. After these extensive discussions and meetings, Kern River and the Settling Parties⁹ collaboratively drafted this Stipulation to memorialize their comprehensive agreement regarding Kern River’s proposal to provide a rate reduction in the form of a credit for Shippers as defined by the TCJA and the Final Rule. Kern River and the Settling Parties submit that this Stipulation represents a fair and reasonable resolution of issues related to

⁴ TRC Shippers, as such term is defined in Article II(Y).

⁵ Maximum Base Tariff Rate, as such term is defined in Article II(H).

⁶ Triggering Event, as such term is defined in Article II(Z).

⁷ Tax Reform Credit, as such term is defined in Article II(W).

⁸ By signing on to the Stipulation, the Settling Parties agree to the Tax Reform Credit as part of a pre-packaged settlement and do not endorse Appendix B, or any of the specific cost of service, rate base, return on equity or other numbers, adjustments or calculations that Kern River included in the Appendix B .

⁹ Settling Parties, as such term is defined in Article II(R).

the appropriate reduction of charges to Shippers to reflect the decrease in the maximum federal corporate income tax rate that is in the public interest.

ARTICLE II

DEFINITIONS

A. Alternate Period Two. Alternate Period Two shall have the meaning set forth in Section 30.1(b) of the Tariff.

B. August 2011 Compliance Filing. The August 2011 Compliance Filing shall mean the compliance filing dated August 5, 2011, as accepted by the Commission,¹⁰ establishing the eligibility requirements for service at Period Two rates and providing statements, schedules and work papers supporting the Period Two rates in effect prior to this Stipulation.

C. Contesting Party or Contesting Parties. A Contesting Party or Contesting Parties shall mean any one or more parties that contest or seek to modify any provision hereof or file any pleading at the Commission in opposition, in whole or part, to this Stipulation.

D. Excess Deferred Income Taxes. Excess Deferred Income Taxes shall mean the resulting regulatory liability from the restatement of accumulated deferred income taxes for the change in the maximum federal corporate income tax rate.

E. FERC or the Commission. FERC or the Commission shall have the meaning set forth in the opening paragraph of this Stipulation.

F. Final Order. A Final Order shall have the meaning set forth in Article XII(A).

¹⁰ *Kern River Gas Transmission Co.*, 136 FERC ¶ 61,141 (2011); *Kern River Gas Transmission Co.*, 136 FERC ¶ 61,241 (2011).

G. Initial Non-Final Order. An Initial Non-Final Order shall mean an order by the Commission, subject to rehearing, approving the Stipulation without modification or condition unacceptable to Kern River.

H. Maximum Base Tariff Rate. Maximum Base Tariff Rate shall be the amount set forth with the designation “Maximum” on the Statement of Rates in the Tariff for each Shipper Group.

I. NGA. NGA shall mean the Natural Gas Act.

J. Original Certificate. The Original Certificate shall mean FERC’s order approving Kern River’s optional certificate in *Kern River Gas Transmission*, 50 FERC ¶ 61,069 (1990).

K. Period One. Period One shall have the meaning set forth in Section 30.1(g) of the Tariff.

L. Period Two. Period Two shall have the meaning set forth in Section 30.1(h) of the Tariff.

M. Releasing Shipper. Releasing Shipper shall have the meaning set forth in Section 15.1 of the Tariff.

N. Replacement Shipper. Replacement Shipper shall have the meaning set forth in Section 15.1 of the Tariff.

O. Reverse South Georgia Method or RSGM. The Reverse South Georgia Method is the method of amortizing Excess Deferred Income Taxes ratably over the remaining regulatory life of the public utility property.

P. Rolled-In Rate Credit. Rolled-In Rate Credit shall mean the rate credit based upon the revenues Kern River receives from 2002 Expansion service in excess of the

2002 Expansion cost of service that Kern River applies to the transportation rates for all Rolled-In Shippers.

Q. Rolled-In Shippers. Rolled-In Shippers shall mean Original System 10-year Shippers, Original System 15-year Shippers, 2002 Expansion 10-year Shippers and 2002 Expansion 15-year Shippers.

R. Settling Party or Settling Parties. A Settling Party or Settling Parties shall mean any one or more legal entities that is not a Contesting Party. The defined term “Settling Party” shall not include Kern River. As of the date of filing of this Stipulation, known Settling Parties are listed on Appendix A.

S. Shipper. Shipper shall have the meaning set forth in Section 1.30 of the Tariff.

T. Shipper Groups. The term Shipper Groups shall mean all the long-term firm transportation shipper groups on Kern River’s pipeline. Any individual Shipper Group shall be referred to by its specific name.

U. Stipulation. Stipulation shall have the meaning set forth in the opening paragraph of this Stipulation.

V. Tariff. Tariff shall mean Kern River’s FERC Gas Tariff, as revised from time to time.

W. Tax Reform Credit. Tax Reform Credit shall mean a rate credit deductible from the Maximum Base Tariff Rate computed as equal to the percentage reduction set forth on page 1, line 30 of Kern River’s (Adjusted) FERC Form No. 501-G, attached hereto as Appendix B.¹¹

¹¹ As stated in footnote 8, Settling Parties do not endorse Appendix B.

X. TCJA. TCJA shall have the meaning set forth in the Introduction section of this Stipulation.

Y. TRC Shippers. TRC Shippers shall mean all Shippers paying (i) the Maximum Base Tariff Rate; and (ii) any one-part rate that includes fixed costs.¹² TRC Shippers shall not include any Shipper paying a discounted or negotiated rate. For clarity, TRC Shippers shall include:

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

¹² Kern River has no usage charges that include fixed costs.

<u>Shipper Group</u>	<u>Rate</u> <u>Schedule</u>	<u>Sheet No.</u>
Original System 10-year Period Two 15-year	KRF-1	5.01-5.02
Original System 15-year Period Two 15-year	KRF-1	5.01-5.02
Original System 15-year Alternate Period Two 25-year	KRF-1	5.01-5.02
2002 Expansion 10-year Alternate Period Two 25-year	KRF-1	5.01-5.02
2002 Expansion 15-year Period Two 15-year	KRF-1	5.01-5.02
2002 Expansion 15-year Alternate Period Two 25-year	KRF-1	5.01-5.02
2003 Expansion 10-year Alternate Period Two 25-year	KRF-1	5A.01-5A.02
2003 Expansion 15-year Period Two 10-year	KRF-1	5A.01-5A.02
2003 Expansion 15-year Alternate Period Two 25-year	KRF-1	5A.01-5A.02
2010 Expansion 10-year Period One	KRF-1	5A
2010 Expansion 15-year Period One	KRF-1	5A
Apex Expansion	KRF-1	5B
High Desert Lateral	KRF-L1, KRI-L1	7
Authorized Overrun	KRF-1	5, 5.02, 5A, 5A.02, 5B, 7, 9
Interruptible	KRI-1	6
Park and Loan	PAL	8
Firm Peaking	KRF-PK	9

Z. Triggering Event. Triggering Event(s) shall mean the following occurring after a Final Order:

Triggering Event #1: federal legislation enacted which raises the maximum federal corporate income tax rate above 21%¹³; or

Triggering Event #2: the Commission initiates an investigation of Kern River's rates pursuant to section 5 of the NGA.

¹³ If federal legislation is enacted which lowers the maximum federal corporate income tax rate below 21%, Kern River agrees to meet with Shippers within thirty (30) calendar days of the effective date of such federal legislation to discuss accounting for the lower tax rate.

ARTICLE III
APPLICABILITY

A. Tax Reform Credit Deducted From Maximum Base Tariff Rate. Subject to Article III(B), TRC Shippers shall be entitled to a rate credit in the amount of the Tax Reform Credit set forth on Appendix C.

B. Term of Tax Reform Credit. The Tax Reform Credit will commence as set forth in Article IV and remain in place until a Triggering Event.

1. Upon the occurrence of Triggering Event #1, the Tax Reform Credit will be reduced for all Shippers on a pro rata basis by the increase in the maximum federal corporate tax rate above 21% as a percentage of the initial change of 14% (35% less 21%), provided, however, the Tax Reform Credit shall be zero if the maximum federal corporate tax rate is increased at or above 35%. For example, an increase in the maximum federal corporate income tax rate to 25% would be an increase of 4% (25% less 21%) and a percentage reduction to the Tax Reform Credit of 28.6% (4% divided by 14%). Applying that reduction would result in a Tax Reform Credit based on 7.9% (initial percentage reduction of 11.0% times the quantity of one minus 28.6%) from the Maximum Base Tariff Rate.

2. Upon the occurrence of Triggering Event #2, the Tax Reform Credit shall end for all Shippers.

C. No Change to Rates, Beginning or Ending Dates, or Terms and Conditions of Service. Other than as expressly set forth herein, implementation of this Stipulation will not impact the existing rates, the beginning or ending dates of Period One, Period Two or Alternate Period Two, or any of the other terms and conditions of service for Period One,

Period Two or Alternate Period Two, and it is expressly understood that such rates and terms and conditions of service may only be changed through a filing made pursuant to section 4 or 5 of the NGA.

D. Treatment of Accumulated Deferred Income Tax. Consistent with the Commission's regulations, Kern River has recorded a regulatory liability for Excess Deferred Income Taxes. Kern River is recording the amortization of Excess Deferred Income Taxes using RSGM. Subsequent to a Final Order, to the extent Kern River receives guidance or directive from the Internal Revenue Service for a potential normalization violation as a result of the amortization of the Excess Deferred Income Taxes, any cumulative difference between RSGM recorded throughout the duration of the Tax Reform Credit and the ultimate method of amortization directed by the Internal Revenue Service will be recorded as a regulatory asset or regulatory liability for disposition in the next rate proceeding. Current treatment and ultimate disposition of Excess Deferred Income Taxes is intended to be in compliance with all Internal Revenue Service normalization rules.

ARTICLE IV

EFFECTIVE DATE

Effective Date. Upon the issuance of a Final Order, as defined in Article XII(A), the Tax Reform Credit set forth in Appendix C shall become effective. Kern River shall calculate such Tax Reform Credit, without interest, for all TRC Shippers beginning on the date of the Initial Non-Final Order.

ARTICLE V

RATE DESIGN

A. No Effect on Rate Design. Nothing in this Stipulation shall affect the rate design of Kern River's rates. Kern River's rates are designed in accordance with the Original Certificate and the ending balances (as set forth in this Article) established by the last Kern River rate case in Docket No. RP04-274, as accepted by the Commission in the August 2011 Compliance Filing (if applicable).

B. No Effect on Rate Base, Cost of Service and Billing Determinants. Nothing in this Stipulation shall affect the rate base, cost of service and billing determinants of Kern River's rates. The rate base, cost of service and billing determinants are those established in Docket No. RP04-274 as of October 31, 2004, as accepted by the Commission in the August 2011 Compliance Filing (if applicable).

C. No Change to Billing Determinants and Cost Allocation Until Next Rate Case. Absent a rate case commenced pursuant to section 4 or section 5 of the Natural Gas Act, the billing determinants and cost allocation for each Shipper Group shall remain unchanged for purposes of designing rates.

ARTICLE VI

DEPRECIATION

A. No Effect on Book Depreciation. Nothing in this Stipulation shall affect the book depreciable life of any of Kern River's facilities.

B. No Effect on Regulatory Depreciation. Nothing in this Stipulation shall affect the regulatory depreciation levelization periods of any of Kern River's capacity.

ARTICLE VII

RECOURSE RATE, CAPACITY RELEASE AND ROLLED-IN CREDIT

A. Effect on Recourse Rate. The maximum recourse rate for transportation service shall be the applicable Maximum Base Tariff Rate less the Tax Reform Credit. The applicable Maximum Base Tariff Rate shall be the rate used to establish the refund floor in the next NGA section 4 rate case.

B. Capacity Release. For all temporary capacity release transactions, the Tax Reform Credit, if applicable, shall be provided by Kern River only to the Releasing Shipper.

C. Rolled-In Rate Credit. Nothing in this Stipulation shall affect the Rolled-In Rate Credit as accepted by the Commission in the letter orders dated March 16, 2017 in Docket No. RP17-146-000, and April 12, 2017 in Docket No. RP17-556-000.

ARTICLE VIII

RETENTION OF RIGHTS

Retention of Rights. Except as expressly provided in Article XIII(E), nothing in this Stipulation shall modify any party's rights or obligations under section 4 or 5 of the Natural Gas Act, including, but not limited to, those arising under the Original Certificate or any order or opinion of the Commission.¹⁴

¹⁴ This includes, but is not limited to, all orders and opinions of the Commission in the Opinion No. 486 series, *e.g.*, Opinion No. 486, Opinion No. 486-A, Opinion No. 486-B, Opinion No. 486-C, Opinion No. 486-D, Opinion No. 486-E, Opinion No. 486-F and Opinion No. 486-G.

ARTICLE IX

TREATMENT OF CONTESTING PARTIES

Approval of this Stipulation is in the Public Interest. The Settling Parties submit that approval of this Stipulation is in the public interest. If there are any Contesting Parties, the Settling Parties agree that the Commission should decide the merits of any contested settlement issues and not sever any Contesting Party. No Settling Party shall argue or advocate that there are any genuine issues of material fact or that the record does not contain substantial evidence upon which the Commission may base a reasoned decision approving the Stipulation. The Settling Parties agree that the Commission should impose the benefits and obligations of this Stipulation on any Contesting Party.

ARTICLE X

NON-SEVERABLE

Non-Severable. The provisions of this Stipulation are not severable and may become effective only in accordance with the terms of the Stipulation.

ARTICLE XI

TARIFF CHANGES TO IMPLEMENT THIS STIPULATION

Tariff Sheets. Appendix D to this Stipulation includes a marked version of the applicable portions of Kern River's Tariff showing all changes required to implement the terms of this Stipulation. Immediately after issuance of a Final Order, as defined in Article XII(A), Kern River will file to implement the Tariff records in Appendix D effective on the date of the Initial Non-Final Order issued by the Commission.

ARTICLE XII

FINAL ORDER, EFFECTIVE DATE AND WITHDRAWAL RIGHTS

A. Final Order. This Stipulation and accompanying tariff sheets shall become effective upon Commission approval without modification or condition unacceptable to Kern River by a final Commission order, subject to the rights of Kern River to withdraw the Stipulation, as provided in Article XII(B). The order becomes “final” either by issuance of an order on rehearing approving the Stipulation without modification or condition unacceptable to Kern River or, if no rehearing request is filed, thirty (30) days after issuance of the Initial Non-Final Order.

B. Withdrawal Rights. In the event the Commission modifies or conditions this Stipulation or any appendix hereto, in a manner unacceptable to Kern River, or if the Commission does not impose the benefits and obligations of this Stipulation on any Contesting Party, Kern River shall have the option, but not the obligation, to withdraw this Stipulation, including tariff sheets, by providing written notice to the Commission and the Settling Parties within fifteen (15) calendar days of the Commission making such modifications or imposing such conditions. If Kern River elects to withdraw this Stipulation, this Stipulation shall be of no further force and effect. In the event the Commission modifies or conditions this Stipulation or any appendix hereto, including, but not limited to, Tariff sheets filed contemporaneously herewith, in a manner unacceptable to a Settling Party, such Settling Party may withdraw support for this Stipulation by providing written notice to the Commission, Kern River and the other Settling Parties within fifteen (15) calendar days of

the Commission making such modifications or imposing such conditions, and thereby become a Contesting Party.

ARTICLE XIII

MISCELLANEOUS

A. Non-Precedential Nature of Stipulation. Kern River and the Settling Parties agree that this Stipulation should not be regarded as applicable to, or as a precedent for, any other pipeline system.

B. Privileged Document. This Stipulation is made pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, and, until it is approved and becomes effective, it shall be privileged and of no effect, and it shall not be admissible in evidence in any proceeding.

C. No Settled Practice. Nothing in this Stipulation shall be deemed to create a settled practice within the meaning of the decision of the U.S. Court of Appeals for the District of Columbia Circuit in *Public Service Commission of New York v. FERC*¹⁵ or to affect or shift the burden of proof on any issue in any proceeding. Other than as expressly set forth herein, this Stipulation is in no way an agreement by Kern River or the Settling Parties to any changes in or variation from FERC orders approving the existing Tariff, and this Stipulation may not be used by Kern River or any Settling Party for section 4 or 5 filings to establish a different rate making principle than already existed prior to the approval of this Stipulation.

¹⁵ *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980).

D. Standard of Review. The standard for review of proposed changes to the provisions of this Stipulation by Kern River or a Settling Party shall be the “public interest” standard for review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*¹⁶ and *Federal Power Commission v. Sierra Pacific Power Co.*¹⁷ (the “Mobile-Sierra doctrine”). The standard of review for any change to this Stipulation proposed by a non-party to the Stipulation, a Contesting Party or the Commission acting *sua sponte*, shall be the most stringent standard permitted by law.

E. Non-Permitted Actions. The following actions shall not be taken by Kern River or any Settling Party: (a) seeking rehearing of an order that approves this Stipulation without condition or modification unacceptable to Kern River or such Settling Party; (b) appealing a Final Order as defined in Article XII(A); (c) seeking to set aside this Stipulation in whole or in part; (d) challenging this Stipulation’s applicability to Kern River or any Settling Party once it has become effective; or (e) advancing any claim or right contrary to the express terms and conditions of this Stipulation during the term of this Stipulation.

F. Conflicts. In the event a statement in the attached Explanatory Statement conflicts with either this Stipulation or a pro forma Tariff provision attached to this Stipulation (or an accepted Tariff provision, once this Stipulation is approved), the Stipulation or pro forma Tariff provision or the accepted Tariff provision shall control.

G. Successors and Assigns. This Stipulation shall be binding on and shall inure to the benefit of the successors, assigns, or purchasers for value of the stock or substantially all the assets of Settling Party.

¹⁶ *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956).

¹⁷ *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

ARTICLE XIV

For the foregoing reasons, Kern River respectfully requests approval of this Stipulation as filed.

Respectfully submitted,

KERN RIVER GAS TRANSMISSION COMPANY

By: /s/ Laura Demman
Laura Demman
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Dated: October 11, 2018

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all customers as of the date of the filing and all affected state regulatory commissions.

Dated at Salt Lake City, Utah this 11th day of October 2018.

/s/ Laura Demman _____

Appendix A

List of Settling Parties

List of Settling Parties

AERA ENERGY LLC
ANADARKO ENERGY SERVICES COMPANY
CHEVRON U.S.A. INC.
CITADEL ENERGY MARKETING LLC
CONOCOPHILLIPS
CRC MARKETING, INC.
DIRECT ENERGY BUSINESS MARKETING, LLC
MACQUARIE ENERGY, LLC
MERCURIA ENERGY AMERICA, INC.
NEVADA COGENERATION ASSOCIATES #1
NEVADA POWER COMPANY, D/B/A NV ENERGY
NRG POWER MARKETING LLC
OCCIDENTAL ENERGY MARKETING, INC.
QUESTAR GAS COMPANY
SENECA RESOURCES CORPORATION
SHELL ENERGY NORTH AMERICA (US), L.P.
SOUTHERN CALIFORNIA GAS COMPANY
SOUTHWEST GAS CORPORATION
THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

Appendix B

Tax Reform Credit of 11%

Shown On

Kern River's (Adjusted Form) No. 501-G, page 1, line 30

FERC Form No. 501-G
501-G Report Adjusted

Cost of Service

Pipeline Company Name

Kern River Gas Transmission Company

Line No.	(A) Description	(B) Calendar Year 2017 Actuals	(C) Adjustments to reflect Kern River's approved rate design	(D) Alternate Period Two Settlement Prior Period Adjustments	(E) 2017 Adjusted Return	(F) Tax Reform	(G) 2017 Adjusted Return with Adjusted Tax Allowance
	Is the Pipeline a separate income taxpaying entity?	Yes					
	Does it conduct business, realize net income or loss, pay income taxes and distribute profits to shareholders?						
	Cost of Service - Non Fuel						
	Operating, Maintenance and Administrative & General						
1	Total Production & Gathering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Total Products Extraction	-	-	-	-	-	-
3	Total Natural Gas Storage	-	-	-	-	-	-
4	(Less) UG Compressor Station Fuel & Power	-	-	-	-	-	-
5	(Less) Other Compressor Station Fuel & Power	-	-	-	-	-	-
6	(Less) LNG Compressor Station Fuel & Power	-	-	-	-	-	-
7	Net Storage Costs	-	-	-	-	-	-
8	Total Transmission	63,650,901	-	-	63,650,901	-	63,650,901
9	(Less) Gas for Compressor Station Fuel	41,134,489	-	-	41,134,489	-	41,134,489
10	(Less) Other Fuel & Power for Compressor Stns. (if included in true-up or tracking mechanism)	687,745	-	-	687,745	-	687,745
11	Net Transmission Costs	21,828,667	-	-	21,828,667	-	21,828,667
12	Administrative & General	18,644,936	-	-	18,644,936	-	18,644,936
13	Total Operating, Maintenance and Admin. & Gen.	\$ 40,473,603	\$ -	\$ -	\$ 40,473,603	\$ -	\$ 40,473,603
14	Depreciation, Depletion, and Amortization	66,122,810	-	-	66,122,810	-	66,122,810
15	Amort. of Plant Acq. Adj. <small>If 'yes' to P. 2; L. 5 of Form 501-G then 0, else P. 114; L. 9, C. (c)</small>	-	-	-	-	-	-
	Credits to Cost of Service						
16	Regulatory Debits (if incl. in a § 4 rate filing)	49,944,681	-	13,663,279	63,607,960	-	63,607,960
17	(Less) Regulatory Credits (if incl. in a § 4 rate filing)	35,125,743	-	-	35,125,743	-	35,125,743
18	Other Taxes	12,897,704	-	-	12,897,704	-	12,897,704
	Return						
19	Long Term Debt	20,216,690	(20,216,690)	-	-	-	-
20	Preferred Stock (or equivalent)	-	-	-	-	-	-
21	Common Equity	56,545,613	47,016,511	-	103,562,124	290,494	103,852,618
22	Total Return	76,762,303	26,799,821	-	103,562,124	290,494	103,852,618
	Allowance for Income Taxes						
23	Federal Income Tax Rate	35.00%	0.00%	0.00%	35.00%	21.00%	21.00%
24	Weighted Average State Income Tax Rate	5.27%	0.00%	0.00%	5.27%	5.27%	5.27%
25	Composite Income Tax Rate	38.43%	0.00%	0.00%	38.43%	25.16%	25.16%
26	Income Tax Allowance on Equity Return	35,287,228	29,340,603	-	64,627,831	(29,708,138)	34,919,693
27	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT	-	-	-	-	5,506,995	5,506,995
28	Total Income Tax Allowance	35,287,228	29,340,603	-	64,627,831	(35,215,134)	29,412,697
29	Total Cost of Service - Non Fuel	\$ 246,362,586	\$ 56,140,424	\$ 13,663,279	\$ 316,166,289	\$ (34,924,640)	\$ 281,241,649
30	Indicated Cost of Service Reduction						11.0%

FERC Form No. 501-G
501-G Report Adjusted

Rate Base

Kern River Gas Transmission Company

Line No.	(A) Description	(B) Calendar Year 2017 Actuals	(C) Adjustments to reflect Kern River's approved rate design	(D) Alternate Period Two Settlement Prior Period Adjustments	(E) 2017 Adjusted Return	(F) Tax Reform	(G) 2017 Adjusted Return with Adjusted Tax Allowance
	Rate Base						
1	Gas Plant in Service	\$ 2,878,462,045	\$ -	\$ -	\$ 2,878,462,045	\$ -	\$ 2,878,462,045
2	Accumulated Depreciation	1,332,265,996	-	-	1,332,265,996	-	1,332,265,996
3	Acquisition Adjustment	-	-	-	-	-	-
4	(Less) Amort. of Plant Acquisition Adjustment	-	-	-	-	-	-
5	No Has the pipeline received permission to include Acq. Adjustment(s) in Rate Base? If no, provide amounts as a reduction to Rate Base.						
6	FERC Order Cite						
7	Net Acquisition Adjustment	-	-	-	-	-	-
8	Net Plant	1,546,196,049	-	-	1,546,196,049	-	1,546,196,049
	Gas Stored Underground						
9	Base Gas - Account No. 117.1	-	-	-	-	-	-
10	System Balancing - Account No. 117.2	-	-	-	-	-	-
	Working Capital						
11	Prepayments	1,289,626	-	-	1,289,626	-	1,289,626
12	Materials and Supplies	11,097,449	-	-	11,097,449	-	11,097,449
	ADIT and Regulatory Assets and Liabilities						
13	Accumulated Deferred Income Taxes (IT)	152,057,936	-	-	152,057,936	-	152,057,936
14	(Less) Accum. Deferred IT - Other Property	338,186,264	-	-	338,186,264	-	338,186,264
15	(Less) Accum. Deferred IT - Other	34,814,062	-	-	34,814,062	-	34,814,062
16	Other Regulatory Assets	145,029,870	-	-	145,029,870	-	145,029,870
17	(Less) Other Regulatory Liabilities	542,359,429	-	-	542,359,429	(5,506,995)	536,852,434
18	Rate Base	\$ 940,311,175	\$ -	\$ -	\$ 940,311,175	\$ 5,506,995	\$ 945,818,170
	Return based upon FERC Hypothetical Capital Structure and new Corp. Debt.						
		Capitalization Ratio	Capitalization Ratio	Wtd. Cost of Capital	Wtd. Cost of Capital	Wtd. Cost of Capital	Wtd. Cost of Capital
19	Long Term Debt	43.00%	0.00%	0.00%	0.00%	0.00%	0.00%
20	Preferred Stock (or equivalent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
21	Common Equity	57.00%	100.00%	10.55%	10.55%	10.55%	10.55%
22	Total Return	100.00%	100.00%	10.55%	10.55%	10.55%	10.55%
23	Return - Long Term Debt	\$ 20,216,690	\$ (20,216,690)	\$ -	\$ -	\$ -	\$ -
24	Return - Preferred Stock (or equivalent)	-	-	-	-	-	-
25	Return - Common Equity	56,545,613	47,016,511	-	103,562,124	-	103,852,618
26	Total Return	\$ 76,762,303	\$ 26,799,821	\$ -	\$ 103,562,124	\$ -	\$ 103,852,618

FERC Form No. 501-G
501-G Report Adjusted

Return on Equity
Pre Tax Cut and Pro Forma Post Tax Cut
Kern River Gas Transmission Company

Line No.	(A) Description	(B) Calendar Year 2017 Actuals	(C) Adjustments to reflect Kern River's approved rate design	(D) Alternate Period Two Settlement Prior Period Adjustments	(E) 2017 Adjusted Return	(F) Tax Reform	(G) 2017 Adjusted Return with Adjusted Tax Allowance	(H) Indicated Cost of Service Reduction of 11 %
	Operating Revenue							
1	Total Operating Revenues	\$ 301,620,227	\$ -	\$ 3,009,460	\$ 304,629,687	\$ -	\$ 304,629,687	
2	(Less) Sales for Resale (Acct. Nos. 480-484)	-	-	-	-	-	-	
3	(Less) Commercial & Industrial Sales	-	-	-	-	-	-	
4	(Less) Gas Sales & Other Adj. from Acct. No. 495	-	-	-	-	-	-	
5	(Less) Fuel Related Revenues Incl. in Total Revenues	-	-	-	-	-	-	
6	Total Adjusted Revenue	\$ 301,620,227	\$ -	\$ 3,009,460	\$ 304,629,687	\$ -	\$ 304,629,687	\$ 270,979,414
7	Yes Enter 'Yes' or 'No' - Does the Pipeline track or true-up fuel retention?							
8	No Enter 'Yes' or 'No' - Does the Pipeline have stated fuel rates?							
	Calculation of Return On Equity - Pre Tax Cut and Pro Forma Post Tax Cut							
9	Total Operating, Maintenance and Admin. & Gen.	\$ 40,473,603	\$ -	\$ -	\$ 40,473,603	\$ -	\$ 40,473,603	\$ 40,473,603
10	Depreciation, Depletion, and Amortization	66,122,810	-	-	66,122,810	-	66,122,810	66,122,810
11	Amort. of Plant Acq. Adj.	-	-	-	-	-	-	-
12	Regulatory Debits (if incl. in a § 4 rate filing)	49,944,681	-	13,663,279	63,607,960	-	63,607,960	63,607,960
13	(Less) Regulatory Credits (if incl. in a § 4 rate filing)	35,125,743	-	-	35,125,743	-	35,125,743	35,125,743
14	Other Taxes	12,897,704	-	-	12,897,704	-	12,897,704	12,897,704
15	Non-Fuel Operating Cost Excl. Interest and Taxes	134,313,055	-	13,663,279	147,976,334	-	147,976,334	147,976,334
16	Operating Income	\$ 167,307,172	\$ -	\$ (10,653,819)	\$ 156,653,353	\$ -	\$ 156,653,353	\$ 123,003,080
17	Interest Expense	20,216,690	(20,216,690)	-	-	-	-	-
18	Income Before Income Taxes	\$ 147,090,482	\$ 20,216,690	\$ (10,653,819)	\$ 156,653,353	\$ -	\$ 156,653,353	\$ 123,003,080
	Allowance for Income Taxes							
19	Composite Income Tax Rate	38.43%	38.43%	38.43%	38.43%	25.16%	25.16%	25.16%
20	Income Taxes	\$ 56,520,253	\$ 7,768,364	\$ (4,093,783)	\$ 60,194,834	\$ (20,775,681)	\$ 39,419,153	\$ 30,951,634
21	(Less) Net Amort. of Excess(+) and/or Deficient(-) ADIT	-	-	-	-	5,506,995	5,506,995	5,506,995
22	Total Income Tax Allowance	56,520,253	7,768,364	(4,093,783)	60,194,834	(26,282,676)	33,912,158	25,444,639
23	Net Income	\$ 90,570,229	\$ 12,448,326	\$ (6,560,036)	\$ 96,458,519	\$ 26,282,676	\$ 122,741,195	\$ 97,558,441
24	(Less) Preferred Dividends	-	-	-	-	-	-	-
25	Rate Base	\$ 940,311,175	\$ -	\$ -	\$ 940,311,175	\$ 5,506,995	\$ 945,818,170	\$ 945,818,170
26	Beginning Period Rate Base		1,022,951,831		1,022,951,831		1,022,951,831	1,022,951,831
27	Average Equity Rate Base		981,631,503		981,631,503		984,385,001	984,385,001
28	Total Estimated ROE (excluding fuel)	16.9%	-6.4%	-0.7%	9.8%	2.6%	12.5%	9.9%

Appendix C

Matrix Showing Maximum Base Tariff Rate
and
Tax Reform Credit Computation
for each Shipper Group

TRC (Tax Reform Credit)

Shipper Group	Rate	Maximum Base Tariff Rate	TRC Surcharge	TRC Adjusted Rate
Original System/2002 Expansion Project				
Period One Rates				
10-Year Period One	Daily Reservation	\$0.4734	-\$0.0521	\$0.4213
15-Year Period One	Daily Reservation	\$0.3633	-\$0.0400	\$0.3233
Other Rates	Authorized Overrun	\$0.4392	-\$0.0483	\$0.3909
Period Two Rates				
Former Period One 10-Year Rolled-in Rate				
10-Year Period Two Insulated	Daily Reservation	\$0.2720	-\$0.0299	\$0.2421
15-Year Period Two Insulated	Daily Reservation	\$0.2329	-\$0.0256	\$0.2073
10-Year Period Two	Daily Reservation	\$0.2738	-\$0.0301	\$0.2437
15-Year Period Two	Daily Reservation	\$0.2347	-\$0.0258	\$0.2089
25-Year Alternate Period Two Rate	Daily Reservation	\$0.2093	-\$0.0230	\$0.1863
Former Period One 15-Year Rolled-in Rate				
10-Year Period Two Insulated	Daily Reservation	\$0.2298	-\$0.0253	\$0.2045
15-Year Period Two Insulated	Daily Reservation	\$0.1951	-\$0.0215	\$0.1736
10-Year Period Two	Daily Reservation	\$0.2316	-\$0.0255	\$0.2061
15-Year Period Two	Daily Reservation	\$0.1969	-\$0.0217	\$0.1752
25-Year Alternate Period Two Rate	Daily Reservation	\$0.1742	-\$0.0192	\$0.1550
Other Period Two Rates	Authorized Overrun	\$0.4380	-\$0.0482	\$0.3898
2003/2010 Expansion Projects				
Period One Rates				
10-Year Period One	Daily Reservation	\$0.5833	-\$0.0642	\$0.5191
15-Year Period One	Daily Reservation	\$0.4717	-\$0.0519	\$0.4198
Period Two Rates				
Former Period One 10-Year 2003 Rate				
10-Year Period Two	Daily Reservation	\$0.2565	-\$0.0282	\$0.2283
15-Year Period Two	Daily Reservation	\$0.2238	-\$0.0246	\$0.1992
25-Year Alternate Period Two Rate	Daily Reservation	\$0.2027	-\$0.0223	\$0.1804
Former Period One 15-Year 2003 Rate				
10-Year Period Two	Daily Reservation	\$0.2543	-\$0.0280	\$0.2263
15-Year Period Two	Daily Reservation	\$0.2224	-\$0.0245	\$0.1979
25-Year Alternate Period Two Rate	Daily Reservation	\$0.2018	-\$0.0222	\$0.1796
Other Rates	Authorized Overrun	\$0.4392	-\$0.0483	\$0.3909
Apex Expansion Project				
20-Year Rate	Daily Reservation	\$0.4444	-\$0.0489	\$0.3955
Other Rates	Authorized Overrun	\$0.4392	-\$0.0483	\$0.3909
Hight Desert				
Daily Reservation Rate	Daily Reservation	\$0.0427	-\$0.0047	\$0.0380
Other Rates	Authorized Overrun	\$0.0427	-\$0.0047	\$0.0380
Other Rates	Interruptible	\$0.0427	-\$0.0047	\$0.0380
Interruptible Service				
Interruptible Transportation Rate		\$0.4392	-\$0.0483	\$0.3909
Park and Loan Service				
Park and Loan Service Rate		\$0.4392	-\$0.0483	\$0.3909
Firm Peaking Service				
Firm Peaking Service	Daily Reservation	\$0.5833	-\$0.0642	\$0.5191
Other Rates	Authorized Overrun	\$0.4392	-\$0.0483	\$0.3909

Appendix D

Marked Pro Forma Tariff Sheets

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM ROLLED-IN RATE SERVICE- 2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

Base Tariff Rates -3/

TRC 5/

Recourse Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.4734	<u>\$-0.0521</u>
Minimum	\$ 0.0000	

10-Year Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.4734	<u>\$-0.0521</u>
Minimum	\$ 0.0000	

15-Year Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.3633	<u>\$-0.0400</u>
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0031
Minimum	\$ 0.0031

Authorized Overrun Rate:

Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Rates for incrementally-priced firm transportation under Rate Schedule KRF-1 for the 2003/2010 Expansion Project shippers are set out separately on Sheet No. 5-A.

3/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, rolled-in rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0001/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR FIRM ROLLED-IN RATE SERVICE -2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

Base Tariff Rates -3/

Period Two Reservation/Demand Rates

<u>Period Two</u>		<u>Period Two</u>
<u>Insulated</u>		<u>Rates</u>
<u>Rates 5/</u>	<u>TRC 6/</u>	<u>TRC 6/</u>

Period Two Reservation/Demand Rates Applicable to Former Period One 10-Year Rolled-in Rate Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.2720	<u>\$-0.0299</u>	\$ 0.2738	<u>\$-0.0301</u>
Minimum	\$ 0.0000		\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.2329	<u>\$-0.0256</u>	\$ 0.2347	<u>\$-0.0258</u>
Minimum	\$ 0.0000		\$ 0.0000	

Period Two Reservation/Demand Rates Applicable to Former Period One 15-Year Rolled-in Rate Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.2298	<u>\$-0.0253</u>	\$ 0.2316	<u>\$-0.0255</u>
Minimum	\$ 0.0000		\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.1951	<u>\$-0.0215</u>	\$ 0.1969	<u>\$-0.0217</u>
Minimum	\$ 0.0000		\$ 0.0000	

Alternate Period Two Reservation/Demand Rates

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 10-Year Rolled-in Rate Shippers:

25-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2093	<u>\$-0.0230</u>
Minimum	\$ 0.0000	

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 15-Year Rolled-in Rate Shippers:

25-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.1742	<u>\$-0.0192</u>
Minimum	\$ 0.0000	

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR FIRM ROLLED-IN RATE SERVICE 2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

(Continued)

TRC 6/

Other Rates

Firm Transportation Commodity/Usage Rate:			
Maximum		\$ 0.0031	
Minimum		\$ 0.0031	
Authorized Overrun Rate:			
Maximum		\$ 0.4380	<u>\$-0.0482</u>
Minimum		\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ The rates shown on this sheet are applicable to Shippers in accordance with Section 30 of the General Terms and Conditions of this Tariff.

3/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to receipt point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, rolled-in rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system or from the Dag Moj receipt point to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0001/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ See Section 30.2(e) of the General Terms and Conditions of Transporter's Tariff for eligibility regarding Period Two Insulated Rates.

6/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 2003/2010 EXPANSION PROJECTS
 (RATES PER DTH)

Base Tariff Rates -2/

TRC 4/

Recourse Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.5833	<u>\$-0.0642</u>
Minimum	\$ 0.0000	

10-Year Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.5833	<u>\$-0.0642</u>
Minimum	\$ 0.0000	

15-Year Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.4717	<u>\$-0.0519</u>
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0044
Minimum	\$ 0.0044

Authorized Overrun Rate:

Maximum	\$0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, Shippers receiving firm incremental rate service on the 2003/2010 Expansion Projects are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event

occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR 2003 EXPANSION PROJECT 2/
 (RATES PER DTH)

Base Tariff Rates -3/

Period Two Reservation/Demand Rates TRC 5/

Period Two Reservation/Demand Rates Applicable to Former Period One 10-Year 2003 Expansion Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2565	<u>\$-0.0282</u>
Minimum	\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2238	<u>\$-0.0246</u>
Minimum	\$ 0.0000	

Period Two Reservation/Demand Rates Applicable to Former Period One 15-Year 2003 Expansion Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2543	<u>\$-0.0280</u>
Minimum	\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2224	<u>\$-0.0245</u>
Minimum	\$ 0.0000	

Alternate Period Two Reservation Demand Rates TRC 5/

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 10-Year 2003 Expansion Shippers

25-Year Alternate Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2027	<u>\$-0.0223</u>
Minimum	\$ 0.0000	

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 15-Year 2003 Expansion Shippers

25-Year Alternate Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2018	<u>\$-0.0222</u>
Minimum	\$ 0.0000	

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR 2003 EXPANSION PROJECT 2/
 (RATES PER DTH)

Base Tariff Rates -3/ (continued)

	<u>Other Rates</u>	<u>TRC 5/</u>
<hr/>		
Firm Transportation Commodity/Usage Rate:		
Maximum	\$ 0.0044	
Minimum	\$ 0.0044	
Authorized Overrun Rate:		
Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/- All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ The rates shown on this sheet are applicable to Shippers in accordance with Section 30 of the General Terms and Conditions of this Tariff.

3/- Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to receipt point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, 2003 Expansion rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system or from the Dag Moj receipt point to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/- All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ [TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.](#)

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 APEX EXPANSION PROJECT
 (RATES PER DTH)

Base Tariff Rates -2/

TRC 4/

Recourse Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.4444	<u>\$-0.0489</u>
Minimum	\$ 0.0000	

20-Year Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.4444	<u>\$-0.0489</u>
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0044
Minimum	\$ 0.0044

Authorized Overrun Rate:

Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, Shippers receiving firm incremental rate service on the Apex Expansion project are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
RATE SCHEDULE KRI-1
INTERRUPTIBLE SERVICE
(RATES PER DTH)

Base Tariff Rates 2/

TRC 4/

Interruptible Transportation Rate 3/

Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.3 of Rate Schedule KRI-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, quantities of Gas scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station on an interruptible basis are subject to an electric compressor fuel surcharge of \$0.0003/Dth.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap year are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Transportation Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULES KRF-L1 AND KRI-L1
 HIGH DESERT LATERAL SERVICE
 (RATES PER DTH)

The rates shown below are those rates which Transporter is authorized to charge for service rendered under Rate Schedules KRF-L1 and KRI-L1.

Base Tariff Rates -2/

TRC 4/, 5/

KRF-L1 Recourse Rate:

Daily Reservation/Demand Rate 3/:

Maximum	\$ 0.0427	<u>\$-0.0047 4/</u>
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0000
Minimum	\$ 0.0000

Authorized Overrun Rate:

Maximum	\$ 0.0427	<u>\$-0.0047 4/</u>
Minimum	\$ 0.0000	

KRI-L1 Recourse Rate:

Interruptible Transportation Rate:

Maximum	\$ 0.0427	<u>\$-0.0047 5/</u>
Minimum	\$ 0.0000	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRFL-1 and Section 5.3 of Rate Schedule KRI-L1.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

5/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Transportation Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE PAL
 PARK AND LOAN SERVICE
 (RATES PER DTH)

<u>Base Tariff Rate</u>			<u>TRC 3/</u>
	<u>Minimum</u>	<u>Maximum</u>	
Daily Rate 2/	\$0.0000	\$ 0.4392	<u>\$-0.0483</u>

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

3/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Daily Rate in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-PK
 FIRM PEAKING TRANSPORTATION SERVICE
 (RATES PER DTH)

Base Tariff Rates 2/

TRC 4/

Daily Reservation/Demand Rate 3/

Maximum Rate (Unadjusted)	\$ 0.5833	<u>\$-0.0642</u>
Minimum Rate	\$ 0.0000	

The Maximum Daily Reservation/Demand Rate for Rate Schedule KRF-PK shall be derived from the maximum recourse rate applicable to firm, incremental rate service for the 2003/2010 Expansion Projects under Rate Schedule KRF-1 as shown above, adjusted to reflect Shipper's peak flow period, or PFP (the minimum number of hours during which Shipper may take its full TMDQ), utilizing the following formula, with the result rounded to four decimal places:

$$\text{KRF-PK} = \text{KRF-1} \times (24/\text{PFP})$$

where:

KRF-PK	=	KRF-PK Reservation/Demand Rate
KRF-1	=	KRF-1 Maximum Recourse Reservation/Demand Rate for 2003/2010 Expansion Projects
24	=	Number of Hours in a Day
PFP	=	Peak Flow Period in Hours

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0044
Minimum	\$ 0.0044

Authorized Overrun Rate:

Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

STATEMENT OF RATES 1/
RATE SCHEDULE KRF-PK
FIRM PEAKING SERVICE
(RATES PER DTH)

(Continued)

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-PK, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions of Transporter's tariff.

In addition, Shippers receiving firm peaking service are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj Receipt Point, to Delivery Points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at a rate that is derived from the Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation Charge, Transportation Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation Charge. Unless otherwise set forth in Shipper's Transportation Service Agreement, the Reservation Charge is an amount obtained by multiplying (a) Shipper's DMDQ as stated in the Transportation Service Agreement, or as calculated using the methodology set out in Section 25 of the General Terms and Conditions of this tariff, by (b) Shipper's applicable reservation rate per Dth, and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the applicable Maximum Daily Reservation/Demand Rate, [less the TRC](#), set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of this tariff, by (b) an amount per Dth, no less than the applicable Minimum Firm Transportation Commodity/Usage Rate nor greater than the applicable Maximum Firm Transportation Commodity/Usage Rate, each as set forth on Sheet Nos. 5, 5.02~~1~~, 5A, 5A.02~~1~~ or 5B of Transporter's effective tariff.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.4 ACA Surcharge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for Gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.
- 5.5 Authorized Overrun Charge. The authorized overrun charge shall be an amount obtained by multiplying (a) the Quantity of Gas, in Dth, scheduled as authorized overrun service, by (b) the maximum Authorized Overrun Rate per Dth, less the TRC, as set forth on Sheet Nos. 5, 5.0~~1~~2, 5A, 5A.0~~1~~2 or 5B of Transporter's effective tariff, unless otherwise agreed to by Shipper and Transporter.
- 5.6 Minimum Monthly Bill. The minimum monthly bill will be the Reservation Charge for each Month, unless Transporter and Shipper mutually agree otherwise.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions.
- 5.9 Discounted Rates.
- (a) Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet Nos. 5, [5.01](#), 5A, [5A.01](#) or 5B of Transporter's effective tariff, or any superseding tariff.
- (1) Such discounted Recourse Rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas.
- (2) Discounted Rates also may be calculated using a formula based on index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/Demand Rates, [less the TRC](#), set forth on Sheet Nos. 5, [5.01](#), 5A, [5A.01](#) or 5B of Transporter's tariff.
- (3) If Transporter discounts any Recourse Rates to any Shipper, Transporter will post such transaction on its designated site on the Internet, pursuant to Section 284.12 of the Commission's regulations.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

5.9 Discounted Rates. (Continued)

(b) Downward adjustment to any rate will be for a specified term. At the expiration of such term, unless otherwise agreed upon, the rate for transportation service will revert to the Maximum Daily Reservation/Demand Rate, less the TRC, as set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B of Transporter's effective tariff, and associated commodity rate under this Rate Schedule.

5.10 Negotiated Rates. Notwithstanding the foregoing provisions of this Section 5, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. ACA surcharges pursuant to Section 5.4 and imbalance charges/and or scheduling penalties pursuant to Section 5.8 of this rate schedule, as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

6. AUTHORIZED OVERRUN TRANSPORTATION

Shipper may tender and Transporter, at its option, may accept for Transportation hereunder Quantities of Gas in excess of Shipper's TMDQ as specified in the executed Transportation Service Agreement, or as calculated using the methodology set out in Section 25 of the General Terms and Conditions of this tariff. In the event that capacity is available to provide overrun service but not to provide all overrun service requested, scheduling of overrun service will be consistent with Section 13 of the General Terms and Conditions.

If Transporter elects on any Day during any Month to transport any Quantities of Gas in excess of Shipper's TMDQ, Shipper will pay for the excess Gas transported an amount per Dth equal to the maximum Authorized Overrun Rate, less the TRC, as set forth on Sheet Nos. 5, 5.0~~1~~2, 5A, 5A.0~~1~~2 or 5B of Transporter's effective tariff, unless otherwise agreed to by Shipper and Transporter.

RATE SCHEDULE KRF-L1
HIGH DESERT LATERAL FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation Charge, Transportation Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation Charge. An amount obtained by multiplying (a) Shipper's DMDQ as stated in the Transportation Service Agreement by (b) an amount per Dth which will be no greater than the applicable Maximum Daily Reservation/Demand Rate as shown on Sheet No. 7, less the TRC, of Transporter's effective tariff and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the applicable Maximum Daily Reservation Rate, less the TRC, will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas in Dth received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of this tariff by (b) an amount per Dth, no less than the Minimum Firm Transportation Rate nor greater than the Maximum Firm Transportation Rate, each as set forth on Sheet No. 7 of Transporter's effective tariff.

RATE SCHEDULE KRF-L1
HIGH DESERT LATERAL FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions.
- 5.9 Discounted Recourse Rates. Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 7 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter will file with the FERC any required reports reflecting such adjusted rates.

Downward adjustment to any rate will be for a specified term. At the expiration of such term, unless otherwise agreed upon, the rate for transportation service will revert to the Maximum Daily Reservation/Demand Rate, less the TRC, and associated commodity rate under this Rate Schedule.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Transportation Charge, ACA Surcharge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.5 and 5.6 of this rate schedule.
- 5.2 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas in Dth received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas, by (b) the Maximum Interruptible Transportation Rate, less the TRC, as shown on Sheet No. 6 of Transporter's effective tariff. Transporter has the right to negotiate the rate to a level not less than the Minimum Interruptible Transportation Rate nor greater than the Maximum Interruptible Transportation Rate, less the TRC, as shown on Sheet No. 6 of Transporter's effective tariff.
- 5.3 ACA Surcharge. Amount obtained by multiplying (a) the Quantity of Gas received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charge Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.
- 5.4 Minimum Monthly Bill. None.
- 5.5 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% of any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. In

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

5.5 Incidental Charges. (Continued)

addition, if service requires construction of new facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.

5.6 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10, General Terms and Conditions.

5.7 Discounted Rates.

(a) Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 6 of Transporter's effective tariff.

(1) Such discounted Recourse Rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas.

(2) Discounted Rates may also be calculated using a formula based on index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/ Demand Rates, [less the TRC](#), set forth on Sheet No. 6 of Transporter's effective Tariff.

(3) If Transporter discounts any Recourse Rates to any Shipper, Transporter will post such transaction on its designated site on the Internet, pursuant to Section 284.12 of the Commission's regulations.

RATE SCHEDULE PAL
PARK AND LOAN SERVICES
(Continued)

4. SERVICE RESTRICTIONS (Continued)

- 4.2 Except as provided in Section 4.4 below, if Shipper fails to withdraw parked Quantities in accordance with the agreed upon withdrawal schedule, or upon 24 hours' notice as provided in Section 4.1 above (if applicable), Transporter has the right to take title to that Quantity of Gas, free and clear of any adverse claims and without reimbursement to Shipper. All Gas that becomes the property of Transporter under this provision will be sold pursuant to Section 28 of the General Terms and Conditions, and proceeds will be subject to revenue sharing as set forth therein.
- 4.3 Except as provided in Section 4.4 below, if Shipper fails to repay loaned Quantities of Gas in accordance with the agreed upon repayment schedule, or upon 24 hours' notice as provided in Section 4.1 above (if applicable), Transporter will purchase equivalent Quantities of Gas to restore its line pack, and Shipper will be subject to a PAL penalty. The PAL penalty will be a charge equal to the sum of 150% of the daily spot price for flowing Gas for the day Gas is purchased, as reflected in Platt's Gas Daily (Daily Price Survey) for the higher of "Others-SoCal Gas-Midpoint" or "Rockies-Kern River, Opal-Midpoint," plus Transporter's maximum interruptible transportation rate, less the TRC, times the Quantity of Gas that is not repaid. Net PAL penalties (PAL penalty minus the sum of the cost of purchased Gas and the transportation rate) will be credited to other Shippers in accordance with Section 10.11 of the General Terms and Conditions.
- 4.4 If, on any day, Shipper submits a valid nomination to withdraw parked Gas or to repay loaned Gas and Transporter fails to accept and schedule such nomination, then Section 4.2 or 4.3 (as appropriate) will not apply for that day. A nomination is considered valid for the purposes of this section when it contains all required information, is submitted in accordance with the NAESB nomination timelines set forth in Section 13.1 of this FERC Gas Tariff, and the following conditions are met:
- (a) For withdrawal of parked Gas, the nominated Quantity has been confirmed and scheduled by the Delivery Point operator; or
 - (b) For repayment of loaned Gas, the nominated Quantity has been confirmed and scheduled by the Receipt Point operator.

RATE SCHEDULE KRF-PK
FIRM PEAKING TRANSPORTATION SERVICE
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation/Demand Charge, Commodity Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation/Demand Charge. Unless otherwise set forth in Shipper's transportation service agreement, the Reservation Charge is an amount obtained by multiplying (a) Shipper's DMDQ as stated in the transportation service agreement by (b) Shipper's applicable reservation rate per Dth, and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the Maximum Daily Reservation/Demand Rate, less the TRC, set forth on Sheet No. 9, as adjusted to reflect Shipper's PFP, will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of Transporter's tariff, by (b) an amount per Dth, no less than the applicable Minimum Firm Transportation Commodity/Usage Rate nor greater than the applicable Maximum Firm Transportation Commodity/Usage Rate, each as set forth on Sheet No. 9 of Transporter's tariff.
- 5.4 ACA Surcharge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for Gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.

RATE SCHEDULE KRF-PK
FIRM PEAKING TRANSPORTATION SERVICE
(Continued)

5. RATES AND CHARGES (Continued)

- 5.5 Authorized Overrun Charge. The authorized overrun charge shall be an amount obtained by multiplying (a) the Quantity of Gas, in Dth, scheduled as authorized overrun service, by (b) the maximum Authorized Overrun Rate per Dth, less the TRC, as set forth on Sheet No. 9 of Transporter's tariff, unless otherwise agreed to by Shipper and Transporter.
- 5.6 Minimum Monthly Bill. The minimum monthly bill will be the Reservation Charge for each Month, unless Transporter and Shipper mutually agree otherwise.
- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions of Transporter's tariff.
- 5.9 Discounted Rates.
- (a) Transporter reserves the right to discount at any time the applicable maximum rate for any individual Shipper under any service agreement under this rate schedule without discounting any other rates for that or any other Shipper; provided, however, that such discounted rates will not be less than any applicable Minimum Rates set forth on Sheet No. 9 of Transporter's tariff.
- (1) Such discounted rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific Receipt Points and/or to specific Delivery Points, or within other defined geographical areas.
- (2) Discounted Rates also may be calculated using a formula based on index prices for specific Receipt and/or Delivery Points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/Demand Rates, less the TRC, set forth on Sheet No. 9 of Transporter's tariff, as adjusted to reflect Shipper's PFP.

GENERAL TERMS AND CONDITIONS (Continued)
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GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITION OF TERMS (Continued)

- 1.16 Guarantor: any person or entity which is creditworthy as determined in accordance with the creditworthiness requirement for the service provided hereunder and has agreed to be responsible for the debts of Shipper under the Transportation Service Agreement.
- 1.17 Interconnect Operator: any person or entity responsible for the operation and/or maintenance of the facilities connected with the Transporter's facilities.
- 1.18 Intra-Day Nomination: "An intra-day nomination is 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 that gas day." NAESB WGQ 1.2.4.
- 1.19 MDQ or Maximum Daily Quantity: for firm service agreements that were executed on an Mcf basis, the maximum Volume of Natural Gas (exclusive of fuel used and lost and unaccounted-for gas) which Transporter is obligated to receive for Transportation from Shipper on any Day at the Receipt Points specified in the Transportation Service Agreement. Transporter will convert the MDQ to a TMDQ using the methodology set out in Section 25 of the General Terms and Conditions of this tariff.
- 1.20 MHQ or Maximum Hourly Quantity: the maximum quantity of gas that Transporter is obligated to deliver to the Delivery Point(s) set forth on Exhibit "A" of Shipper's transportation service agreement under Rate Schedule KRF-PK during any hour.
- 1.21 Month: the period beginning at 9:00 A.M. CCT on the first Day of the calendar Month and ending at 9:00 A.M. CCT on the first Day of the succeeding calendar Month. (NAESB WGQ 1.2.4)
- 1.22 NAESB WGQ: The Wholesale Gas Quadrant ("WGQ") of the North American Energy Standards Board ("NAESB"), successor to the Gas Industry Standards Board or GISB. Transporter shall update its tariff, as necessary, to incorporate new or amended NAESB WGQ Standards approved by the Commission. Transporter currently incorporates either by reference or verbatim the most recent version of the standards, Version 3.0.
- 1.23 Negotiated Rate: a rate or formula for computing a rate for Transportation service which may be greater than, equal to or less than the Recourse Rate, but which may not be less than the Minimum Base Tariff Rate as set forth on Sheet No. 5, 5.01, [5.02](#), 5A, 5A.01, [5A.02](#), 5B, 6, 7, 8, or 9. A Negotiated Rate must be mutually agreed upon by Transporter and Shipper for a specific time period and may be based on a rate design other than the rate design used to compute Transporter's currently effective rates.

GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITION OF TERMS (Continued)

- 1.24 PFP or Peak Flow Period: the minimum period of time in hours during which a Shipper may receive its full TMDQ at the Delivery Point(s) set forth on Exhibit “A” of its transportation service agreement under Rate Schedule KRF-PK.
- 1.25 Priority of Service Date: the date Shipper submits a Transportation service request via Transporter’s Designated Site or in writing. However, for all requests received during an open season the Priority of Service Date will mean the first Day and opening time of such open season.
- 1.26 Psia: pounds per square inch absolute.
- 1.27 Psig: pounds per square inch gauge.
- 1.28 Quantity: the number of units of Gas, either specified in Mcf or Dth.
- 1.29 Recourse Rate or Maximum Rate or Maximum Recourse Rate as these terms have the same meaning as used in this tariff: the Maximum Base Tariff Rates, set forth in the Statement of Rates, designated as Maximum, less the TRC, which is pursuant to Section 31 of the General Terms and Conditions, ~~shown on Sheet Nos. 5, 5.01, 5A, 5B, 6 or 7 of this tariff~~ that will apply to all service for which the rate has not been discounted or negotiated, ~~except for service to shippers paying levelized, maximum rates for 15 year terms.~~
- 1.30 Shipper or Replacement Shipper: an entity with whom Transporter has executed a Transportation Service Agreement for the Transportation of Gas on Transporter's pipeline system.

GENERAL TERMS AND CONDITIONS
(Continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (Continued)

13.2 Scheduling Process. (Continued)

- (ii) To Shippers nominating Interruptible Transportation Service and Authorized Overrun Service.

If available mainline capacity is insufficient to accommodate the total Quantities nominated, then available capacity will be allocated as follows:

- a) First, based on rate paid, in the priority and sequence described below. For index-based, discounted rates, the rate used for scheduling purposes will be the rate calculated from the most current index prices available prior to the Timely Nomination Cycle set forth in NAESB WGQ 1.3.2.
- 1) To Shippers paying the Maximum Base Tariff Rate, less the TRC, including (i) Shippers paying a Negotiated Rate where the Negotiated Rate is a stated rate per Dekatherm that is greater than or equal to the Maximum Base Tariff Rate, less the TRC, and (ii) Shippers paying a discounted Rate based on index prices where such rate would otherwise exceed the Maximum Base Tariff Rate, less the TRC, but is capped at the Maximum Base Tariff Rate, less the TRC.
 - 2) To Shippers paying less than the Maximum Base Tariff Rate, less the TRC, from highest rate to lowest rate, including Shippers paying a Negotiated Rate where the Negotiated Rate is a stated rate per Dekatherm that is lower than the Maximum Base Tariff Rate, less the TRC, but higher than the Minimum Base Tariff

GENERAL TERMS AND CONDITIONS
(Continued)

23. NEGOTIATED RATES (Continued)

23.2 Applicability. (Continued)

of its capacity when such capacity is posted subject to Negotiated Rate offers (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service, or (2) by paying a Recourse Rate or discounted Recourse Rate per Dth that is equivalent to the Negotiated Rate for the capacity it wishes to retain; provided, however, that nothing herein shall obligate Transporter to render service to any Shipper at rates less than Transporter's then applicable Maximum Base Tariff Rates, less the TRC.

23.3 Bid Evaluation and Award Criteria.

- (a) If Transporter determines that it is willing to accept Negotiated Rate offers for capacity that is available pursuant to Sections 23.2(b)(2) or 23.2(c) above, it will state in its posting the specific basis on which Negotiated Rate offers will be considered and one of the following methods for calculating the value of the guaranteed revenues used to determine the winning bid:
- (i) Net Present Value (either total or per dekatherm of capacity bid, using rate, term and quantity, if applicable, discounted using the interest rate(s) shown in the posting);
 - (ii) Revenue (rate x quantity); or
 - (iii) Rate.
- (b) If Transporter's posting specifies that it will accept Negotiated Rate bids tied to an index or indices, Transporter will post an assumed value for such index or indices, where such assumed value is based on both historical and projected index prices. This assumed value will be used to compare Negotiated Rate bids with Recourse Rate and discounted Recourse Rate bids; provided, however, that if a Shipper with a Negotiated Rate bid tied to an index or indices has submitted the bid with the highest value and is awarded the capacity, such Shipper will pay according to the actual value of the index or indices at the time service is rendered.

GENERAL TERMS AND CONDITIONS
(Continued)

27. AVAILABLE CAPACITY (Continued)

27.4 Awarding. (Continued)

- (c) Capacity will be awarded to the Shipper that submits the bid with the highest economic value, regardless of whether such bid is a Recourse Rate, a discounted Recourse Rate or a Negotiated Rate bid; provided that the bid with the highest value is at a rate that meets or exceeds the lowest rate that Transporter is willing to accept for the capacity, and further provided that a bid with a negotiated rate that exceeds the maximum rate will be considered to be a maximum rate bid for evaluation and award purposes. If Transporter has indicated in its posting that it is willing to accept negotiated rate bids, such bids will be evaluated in accordance with the criteria specified in Transporter's posting and described in Section 23.3 of the General Terms and Conditions.
- (d) Transporter will break ties and determine the winning bid(s) by providing each of the tying bidders an opportunity to improve their bids by submitting closed bids via facsimile within 24 hours of notification by Transporter. If a tie still exists, Transporter will allocate the available capacity on a pro rata basis to each tying bidder that has indicated in its bid a willingness to accept a proportionate share of such capacity. A bid to pay the maximum rate as it may vary from time to time for a given term will be deemed superior to a bid to pay a specified dollar rate which is equal to the Maximum Base Tariff Rate, [less the TRC](#).
- (e) If the best bid is a contingent bid, Transporter will notify the bidder making the best bid within three (3) business days following the bid close date. That bidder will have twenty-four (24) hours following such notification to satisfy or waive the contingency, or Transporter may disregard such bid.

GENERAL TERMS AND CONDITIONS
(Continued)

31. TAX REFORM CREDIT

(a) This section sets forth the conditions for, and applicability of, the Tax Reform Credit (TRC). Shippers with Transportation Service Agreements receiving service at the Maximum Base Tariff Rate under Rate Schedules KRF-1, KRI-1, KRF-PK, KRF-L1, KRI-L1 and PAL, will receive monthly invoices that reflect the TRC. The TRC is deducted from the Maximum Base Tariff Rate as set forth in the Statement of Rates. The TRC is a daily rate credit and shall be implemented pursuant to the terms of the Commission's Final Order in Docket No. RP19-XXX-000 and remain in effect until the occurrence of a Triggering Event as described in (b) and (c) below.

(b) Triggering Event(s) shall mean any of the following:

(i) Triggering Event #1: federal legislation enacted into law which raises the maximum federal corporate income tax rate above 21%;

(ii) Triggering Event #2: Commission initiated investigation of Kern River's rates pursuant to section 5 of the Natural Gas Act.

(c) Term of Tax Reform Credit. The Tax Reform Credit will be reflected in monthly invoices until the occurrence of a Triggering Event.

(i) Upon the occurrence of Triggering Event #1, the Tax Reform Credit will be reduced on a pro rata basis by the increase in the federal corporate tax rate above 21% as a percentage of the initial change of 14% (35% less 21%).

(ii) Upon the occurrence of Triggering Event #2, the TRC shall contemporaneously expire for all rate schedules.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM ROLLED-IN RATE SERVICE 2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

	<u>Base Tariff Rates 3/</u>	<u>TRC 5/</u>
Recourse Rate:		
Daily Reservation/Demand Rate 4/		
Maximum	\$ 0.4734	\$-0.0521
Minimum	\$ 0.0000	
10-Year Rate:		
Daily Reservation/Demand Rate 4/		
Maximum	\$ 0.4734	\$-0.0521
Minimum	\$ 0.0000	
15-Year Rate:		
Daily Reservation/Demand Rate 4/		
Maximum	\$ 0.3633	\$-0.0400
Minimum	\$ 0.0000	
Firm Transportation Commodity/Usage Rate:		
Maximum	\$ 0.0031	
Minimum	\$ 0.0031	
Authorized Overrun Rate:		
Maximum	\$ 0.4392	\$-0.0483
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Rates for incrementally-priced firm transportation under Rate Schedule KRF-1 for the 2003/2010 Expansion Project shippers are set out separately on Sheet No. 5-A.

3/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, rolled-in rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0001/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR FIRM ROLLED-IN RATE SERVICE 2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

Base Tariff Rates 3/

Period Two Reservation/Demand Rates

	<u>Period Two</u> <u>Insulated</u> <u>Rates 5/</u>	<u>TRC 6/</u>	<u>Period Two</u> <u>Rates</u>	<u>TRC 6/</u>
Period Two Reservation/Demand Rates Applicable to Former Period One 10-Year Rolled-in Rate Shippers:				
10-Year Period Two Rate:				
Daily Reservation/Demand Rate 4/				
Maximum	\$ 0.2720	\$-0.0299	\$ 0.2738	\$-0.0301
Minimum	\$ 0.0000		\$ 0.0000	
15-Year Period Two Rate:				
Daily Reservation/Demand Rate 4/				
Maximum	\$ 0.2329	\$-0.0256	\$ 0.2347	\$-0.0258
Minimum	\$ 0.0000		\$ 0.0000	
Period Two Reservation/Demand Rates Applicable to Former Period One 15-Year Rolled-in Rate Shippers:				
10-Year Period Two Rate:				
Daily Reservation/Demand Rate 4/				
Maximum	\$ 0.2298	\$-0.0253	\$ 0.2316	\$-0.0255
Minimum	\$ 0.0000		\$ 0.0000	
15-Year Period Two Rate:				
Daily Reservation/Demand Rate 4/				
Maximum	\$ 0.1951	\$-0.0215	\$ 0.1969	\$-0.0217
Minimum	\$ 0.0000		\$ 0.0000	

Alternate Period Two Reservation/Demand Rates

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 10-Year Rolled-in Rate Shippers:

25-Year Period Two Rate:			
Daily Reservation/Demand Rate 4/			
Maximum		\$ 0.2093	\$-0.0230
Minimum		\$ 0.0000	

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 15-Year Rolled-in Rate Shippers:

25-Year Period Two Rate:			
Daily Reservation/Demand Rate 4/			
Maximum		\$ 0.1742	\$-0.0192
Minimum		\$ 0.0000	

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR FIRM ROLLED-IN RATE SERVICE 2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

(Continued)

TRC 6/

	<u>Other Rates</u>	
Firm Transportation Commodity/Usage Rate:		
Maximum		\$ 0.0031
Minimum		\$ 0.0031
Authorized Overrun Rate:		
Maximum		\$ 0.4380 \$-0.0482
Minimum		\$ 0.0037

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ The rates shown on this sheet are applicable to Shippers in accordance with Section 30 of the General Terms and Conditions of this Tariff.

3/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to receipt point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, rolled-in rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system or from the Dag Moj receipt point to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0001/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ See Section 30.2(e) of the General Terms and Conditions of Transporter's Tariff for eligibility regarding Period Two Insulated Rates.

6/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 2003/2010 EXPANSION PROJECTS
 (RATES PER DTH)

	<u>Base Tariff Rates 2/</u>	<u>TRC 4/</u>
Recourse Rate:		
Daily Reservation/Demand Rate 3/		
Maximum	\$ 0.5833	\$-0.0642
Minimum	\$ 0.0000	
10-Year Rate:		
Daily Reservation/Demand Rate 3/		
Maximum	\$ 0.5833	\$-0.0642
Minimum	\$ 0.0000	
15-Year Rate:		
Daily Reservation/Demand Rate 3/		
Maximum	\$ 0.4717	\$-0.0519
Minimum	\$ 0.0000	
Firm Transportation Commodity/Usage Rate:		
Maximum	\$ 0.0044	
Minimum	\$ 0.0044	
Authorized Overrun Rate:		
Maximum	\$0.4392	\$-0.0483
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, Shippers receiving firm incremental rate service on the 2003/2010 Expansion Projects are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR 2003 EXPANSION PROJECT 2/
 (RATES PER DTH)

Base Tariff Rates 3/

Period Two Reservation/Demand Rates

TRC 5/

Period Two Reservation/Demand Rates Applicable to Former Period One 10-Year 2003 Expansion Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2565	\$-0.0282
Minimum	\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2238	\$-0.0246
Minimum	\$ 0.0000	

Period Two Reservation/Demand Rates Applicable to Former Period One 15-Year 2003 Expansion Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2543	\$-0.0280
Minimum	\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2224	\$-0.0245
Minimum	\$ 0.0000	

Alternate Period Two Reservation Demand Rates

TRC 5/

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 10-Year 2003 Expansion Shippers

25-Year Alternate Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2027	\$-0.0223
Minimum	\$ 0.0000	

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 15-Year 2003 Expansion Shippers

25-Year Alternate Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2018	\$-0.0222
Minimum	\$ 0.0000	

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR 2003 EXPANSION PROJECT 2/
 (RATES PER DTH)

Base Tariff Rates 3/ (continued)

	<u>Other Rates</u>	<u>TRC 5/</u>
Firm Transportation Commodity/Usage Rate:		
Maximum	\$ 0.0044	
Minimum	\$ 0.0044	
Authorized Overrun Rate:		
Maximum	\$ 0.4392	\$-0.0483
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ The rates shown on this sheet are applicable to Shippers in accordance with Section 30 of the General Terms and Conditions of this Tariff.

3/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to receipt point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, 2003 Expansion rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system or from the Dag Moj receipt point to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 APEX EXPANSION PROJECT
 (RATES PER DTH)

	<u>Base Tariff Rates 2/</u>	<u>TRC 4/</u>
Recourse Rate:		
Daily Reservation/Demand Rate 3/		
Maximum	\$ 0.4444	\$-0.0489
Minimum	\$ 0.0000	
20-Year Rate:		
Daily Reservation/Demand Rate 3/		
Maximum	\$ 0.4444	\$-0.0489
Minimum	\$ 0.0000	
Firm Transportation Commodity/Usage Rate:		
Maximum	\$ 0.0044	
Minimum	\$ 0.0044	
Authorized Overrun Rate:		
Maximum	\$ 0.4392	\$-0.0483
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, Shippers receiving firm incremental rate service on the Apex Expansion project are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
RATE SCHEDULE KRI-1
INTERRUPTIBLE SERVICE
(RATES PER DTH)

	<u>Base Tariff Rates 2/</u>	<u>TRC 4/</u>
Interruptible Transportation Rate 3/		
Maximum	\$ 0.4392	\$-0.0483
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.3 of Rate Schedule KRI-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, quantities of Gas scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station on an interruptible basis are subject to an electric compressor fuel surcharge of \$0.0003/Dth.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap year are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Transportation Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULES KRF-L1 AND KRI-L1
 HIGH DESERT LATERAL SERVICE
 (RATES PER DTH)

The rates shown below are those rates which Transporter is authorized to charge for service rendered under Rate Schedules KRF-L1 and KRI-L1.

	<u>Base Tariff Rates 2/</u>	<u>TRC 4/, 5/</u>
KRF-L1 Recourse Rate:		
Daily Reservation/Demand Rate 3/:		
Maximum	\$ 0.0427	\$-0.0047 4/
Minimum	\$ 0.0000	
Firm Transportation Commodity/Usage Rate:		
Maximum	\$ 0.0000	
Minimum	\$ 0.0000	
Authorized Overrun Rate:		
Maximum	\$ 0.0427	\$-0.0047 4/
Minimum	\$ 0.0000	
KRI-L1 Recourse Rate:		
Interruptible Transportation Rate:		
Maximum	\$ 0.0427	\$-0.0047 5/
Minimum	\$ 0.0000	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRFL-1 and Section 5.3 of Rate Schedule KRI-L1.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

5/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Transportation Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
RATE SCHEDULE PAL
PARK AND LOAN SERVICE
(RATES PER DTH)

	<u>Base Tariff Rate</u>		<u>TRC 3/</u>
	<u>Minimum</u>	<u>Maximum</u>	
Daily Rate 2/	\$0.0000	\$ 0.4392	\$-0.0483

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

3/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Daily Rate in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-PK
 FIRM PEAKING TRANSPORTATION SERVICE
 (RATES PER DTH)

Base Tariff Rates 2/

TRC 4/

Daily Reservation/Demand Rate 3/

Maximum Rate (Unadjusted)	\$ 0.5833	\$-0.0642
Minimum Rate	\$ 0.0000	

The Maximum Daily Reservation/Demand Rate for Rate Schedule KRF-PK shall be derived from the maximum recourse rate applicable to firm, incremental rate service for the 2003/2010 Expansion Projects under Rate Schedule KRF-1 as shown above, adjusted to reflect Shipper's peak flow period, or PFP (the minimum number of hours during which Shipper may take its full TMDQ), utilizing the following formula, with the result rounded to four decimal places:

$$\text{KRF-PK} = \text{KRF-1} \times (24/\text{PFP})$$

where:

KRF-PK	=	KRF-PK Reservation/Demand Rate
KRF-1	=	KRF-1 Maximum Recourse Reservation/Demand Rate for 2003/2010 Expansion Projects
24	=	Number of Hours in a Day
PFP	=	Peak Flow Period in Hours

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0044
Minimum	\$ 0.0044

Authorized Overrun Rate:

Maximum	\$ 0.4392	\$-0.0483
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

STATEMENT OF RATES 1/
RATE SCHEDULE KRF-PK
FIRM PEAKING SERVICE
(RATES PER DTH)

(Continued)

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-PK, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions of Transporter's tariff.

In addition, Shippers receiving firm peaking service are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj Receipt Point, to Delivery Points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at a rate that is derived from the Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation Charge, Transportation Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation Charge. Unless otherwise set forth in Shipper's Transportation Service Agreement, the Reservation Charge is an amount obtained by multiplying (a) Shipper's DMDQ as stated in the Transportation Service Agreement, or as calculated using the methodology set out in Section 25 of the General Terms and Conditions of this tariff, by (b) Shipper's applicable reservation rate per Dth, and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the applicable Maximum Daily Reservation/Demand Rate, less the TRC, set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of this tariff, by (b) an amount per Dth, no less than the applicable Minimum Firm Transportation Commodity/Usage Rate nor greater than the applicable Maximum Firm Transportation Commodity/Usage Rate, each as set forth on Sheet Nos. 5, 5.02, 5A, 5A.02 or 5B of Transporter's effective tariff.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.4 ACA Surcharge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for Gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.
- 5.5 Authorized Overrun Charge. The authorized overrun charge shall be an amount obtained by multiplying (a) the Quantity of Gas, in Dth, scheduled as authorized overrun service, by (b) the maximum Authorized Overrun Rate per Dth, less the TRC, as set forth on Sheet Nos. 5, 5.02, 5A, 5A.02 or 5B of Transporter's effective tariff, unless otherwise agreed to by Shipper and Transporter.
- 5.6 Minimum Monthly Bill. The minimum monthly bill will be the Reservation Charge for each Month, unless Transporter and Shipper mutually agree otherwise.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions.
- 5.9 Discounted Rates.
- (a) Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B of Transporter's effective tariff, or any superseding tariff.
- (1) Such discounted Recourse Rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas.
- (2) Discounted Rates also may be calculated using a formula based on index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/Demand Rates, less the TRC, set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B of Transporter's tariff.
- (3) If Transporter discounts any Recourse Rates to any Shipper, Transporter will post such transaction on its designated site on the Internet, pursuant to Section 284.12 of the Commission's regulations.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

5.9 Discounted Rates. (Continued)

(b) Downward adjustment to any rate will be for a specified term. At the expiration of such term, unless otherwise agreed upon, the rate for transportation service will revert to the Maximum Daily Reservation/Demand Rate, less the TRC, as set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B of Transporter's effective tariff, and associated commodity rate under this Rate Schedule.

5.10 Negotiated Rates. Notwithstanding the foregoing provisions of this Section 5, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. ACA surcharges pursuant to Section 5.4 and imbalance charges/and or scheduling penalties pursuant to Section 5.8 of this rate schedule, as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

6. AUTHORIZED OVERRUN TRANSPORTATION

Shipper may tender and Transporter, at its option, may accept for Transportation hereunder Quantities of Gas in excess of Shipper's TMDQ as specified in the executed Transportation Service Agreement, or as calculated using the methodology set out in Section 25 of the General Terms and Conditions of this tariff. In the event that capacity is available to provide overrun service but not to provide all overrun service requested, scheduling of overrun service will be consistent with Section 13 of the General Terms and Conditions.

If Transporter elects on any Day during any Month to transport any Quantities of Gas in excess of Shipper's TMDQ, Shipper will pay for the excess Gas transported an amount per Dth equal to the maximum Authorized Overrun Rate, less the TRC, as set forth on Sheet Nos. 5, 5.02, 5A, 5A.02 or 5B of Transporter's effective tariff, unless otherwise agreed to by Shipper and Transporter.

RATE SCHEDULE KRF-L1
HIGH DESERT LATERAL FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation Charge, Transportation Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation Charge. An amount obtained by multiplying (a) Shipper's DMDQ as stated in the Transportation Service Agreement by (b) an amount per Dth which will be no greater than the applicable Maximum Daily Reservation/Demand Rate as shown on Sheet No. 7, less the TRC, of Transporter's effective tariff and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the applicable Maximum Daily Reservation Rate, less the TRC, will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas in Dth received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of this tariff by (b) an amount per Dth, no less than the Minimum Firm Transportation Rate nor greater than the Maximum Firm Transportation Rate, each as set forth on Sheet No. 7 of Transporter's effective tariff.

RATE SCHEDULE KRF-L1
HIGH DESERT LATERAL FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions.
- 5.9 Discounted Recourse Rates. Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 7 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter will file with the FERC any required reports reflecting such adjusted rates.

Downward adjustment to any rate will be for a specified term. At the expiration of such term, unless otherwise agreed upon, the rate for transportation service will revert to the Maximum Daily Reservation/Demand Rate, less the TRC, and associated commodity rate under this Rate Schedule.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Transportation Charge, ACA Surcharge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.5 and 5.6 of this rate schedule.
- 5.2 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas in Dth received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas, by (b) the Maximum Interruptible Transportation Rate, less the TRC, as shown on Sheet No. 6 of Transporter's effective tariff. Transporter has the right to negotiate the rate to a level not less than the Minimum Interruptible Transportation Rate nor greater than the Maximum Interruptible Transportation Rate, less the TRC, as shown on Sheet No. 6 of Transporter's effective tariff.
- 5.3 ACA Surcharge. Amount obtained by multiplying (a) the Quantity of Gas received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charge Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.
- 5.4 Minimum Monthly Bill. None.
- 5.5 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% of any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. In

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

5.5 Incidental Charges. (Continued)

addition, if service requires construction of new facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.

5.6 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10, General Terms and Conditions.

5.7 Discounted Rates.

(a) Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 6 of Transporter's effective tariff.

(1) Such discounted Recourse Rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas.

(2) Discounted Rates may also be calculated using a formula based on index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/ Demand Rates, less the TRC, set forth on Sheet No. 6 of Transporter's effective Tariff.

(3) If Transporter discounts any Recourse Rates to any Shipper, Transporter will post such transaction on its designated site on the Internet, pursuant to Section 284.12 of the Commission's regulations.

RATE SCHEDULE PAL
PARK AND LOAN SERVICES
(Continued)

4. SERVICE RESTRICTIONS (Continued)

- 4.2 Except as provided in Section 4.4 below, if Shipper fails to withdraw parked Quantities in accordance with the agreed upon withdrawal schedule, or upon 24 hours' notice as provided in Section 4.1 above (if applicable), Transporter has the right to take title to that Quantity of Gas, free and clear of any adverse claims and without reimbursement to Shipper. All Gas that becomes the property of Transporter under this provision will be sold pursuant to Section 28 of the General Terms and Conditions, and proceeds will be subject to revenue sharing as set forth therein.
- 4.3 Except as provided in Section 4.4 below, if Shipper fails to repay loaned Quantities of Gas in accordance with the agreed upon repayment schedule, or upon 24 hours' notice as provided in Section 4.1 above (if applicable), Transporter will purchase equivalent Quantities of Gas to restore its line pack, and Shipper will be subject to a PAL penalty. The PAL penalty will be a charge equal to the sum of 150% of the daily spot price for flowing Gas for the day Gas is purchased, as reflected in Platt's Gas Daily (Daily Price Survey) for the higher of "Others-SoCal Gas-Midpoint" or "Rockies-Kern River, Opal-Midpoint," plus Transporter's maximum interruptible transportation rate, less the TRC, times the Quantity of Gas that is not repaid. Net PAL penalties (PAL penalty minus the sum of the cost of purchased Gas and the transportation rate) will be credited to other Shippers in accordance with Section 10.11 of the General Terms and Conditions.
- 4.4 If, on any day, Shipper submits a valid nomination to withdraw parked Gas or to repay loaned Gas and Transporter fails to accept and schedule such nomination, then Section 4.2 or 4.3 (as appropriate) will not apply for that day. A nomination is considered valid for the purposes of this section when it contains all required information, is submitted in accordance with the NAESB nomination timelines set forth in Section 13.1 of this FERC Gas Tariff, and the following conditions are met:
- (a) For withdrawal of parked Gas, the nominated Quantity has been confirmed and scheduled by the Delivery Point operator; or
 - (b) For repayment of loaned Gas, the nominated Quantity has been confirmed and scheduled by the Receipt Point operator.

RATE SCHEDULE KRF-PK
FIRM PEAKING TRANSPORTATION SERVICE
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation/Demand Charge, Commodity Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation/Demand Charge. Unless otherwise set forth in Shipper's transportation service agreement, the Reservation Charge is an amount obtained by multiplying (a) Shipper's DMDQ as stated in the transportation service agreement by (b) Shipper's applicable reservation rate per Dth, and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the Maximum Daily Reservation/Demand Rate, less the TRC, set forth on Sheet No. 9, as adjusted to reflect Shipper's PFP, will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of Transporter's tariff, by (b) an amount per Dth, no less than the applicable Minimum Firm Transportation Commodity/Usage Rate nor greater than the applicable Maximum Firm Transportation Commodity/Usage Rate, each as set forth on Sheet No. 9 of Transporter's tariff.
- 5.4 ACA Surcharge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for Gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.

RATE SCHEDULE KRF-PK
FIRM PEAKING TRANSPORTATION SERVICE
(Continued)

5. RATES AND CHARGES (Continued)

- 5.5 Authorized Overrun Charge. The authorized overrun charge shall be an amount obtained by multiplying (a) the Quantity of Gas, in Dth, scheduled as authorized overrun service, by (b) the maximum Authorized Overrun Rate per Dth, less the TRC, as set forth on Sheet No. 9 of Transporter's tariff, unless otherwise agreed to by Shipper and Transporter.
- 5.6 Minimum Monthly Bill. The minimum monthly bill will be the Reservation Charge for each Month, unless Transporter and Shipper mutually agree otherwise.
- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions of Transporter's tariff.
- 5.9 Discounted Rates.
- (a) Transporter reserves the right to discount at any time the applicable maximum rate for any individual Shipper under any service agreement under this rate schedule without discounting any other rates for that or any other Shipper; provided, however, that such discounted rates will not be less than any applicable Minimum Rates set forth on Sheet No. 9 of Transporter's tariff.
- (1) Such discounted rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific Receipt Points and/or to specific Delivery Points, or within other defined geographical areas.
- (2) Discounted Rates also may be calculated using a formula based on index prices for specific Receipt and/or Delivery Points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/Demand Rates, less the TRC, set forth on Sheet No. 9 of Transporter's tariff, as adjusted to reflect Shipper's PFP.

GENERAL TERMS AND CONDITIONS (Continued)
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GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITION OF TERMS (Continued)

- 1.16 Guarantor: any person or entity which is creditworthy as determined in accordance with the creditworthiness requirement for the service provided hereunder and has agreed to be responsible for the debts of Shipper under the Transportation Service Agreement.
- 1.17 Interconnect Operator: any person or entity responsible for the operation and/or maintenance of the facilities connected with the Transporter's facilities.
- 1.18 Intra-Day Nomination: "An intra-day nomination is 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 that gas day." NAESB WGQ 1.2.4.
- 1.19 MDQ or Maximum Daily Quantity: for firm service agreements that were executed on an Mcf basis, the maximum Volume of Natural Gas (exclusive of fuel used and lost and unaccounted-for gas) which Transporter is obligated to receive for Transportation from Shipper on any Day at the Receipt Points specified in the Transportation Service Agreement. Transporter will convert the MDQ to a TMDQ using the methodology set out in Section 25 of the General Terms and Conditions of this tariff.
- 1.20 MHQ or Maximum Hourly Quantity: the maximum quantity of gas that Transporter is obligated to deliver to the Delivery Point(s) set forth on Exhibit "A" of Shipper's transportation service agreement under Rate Schedule KRF-PK during any hour.
- 1.21 Month: the period beginning at 9:00 A.M. CCT on the first Day of the calendar Month and ending at 9:00 A.M. CCT on the first Day of the succeeding calendar Month. (NAESB WGQ 1.2.4)
- 1.22 NAESB WGQ: The Wholesale Gas Quadrant ("WGQ") of the North American Energy Standards Board ("NAESB"), successor to the Gas Industry Standards Board or GISB. Transporter shall update its tariff, as necessary, to incorporate new or amended NAESB WGQ Standards approved by the Commission. Transporter currently incorporates either by reference or verbatim the most recent version of the standards, Version 3.0.
- 1.23 Negotiated Rate: a rate or formula for computing a rate for Transportation service which may be greater than, equal to or less than the Recourse Rate, but which may not be less than the Minimum Base Tariff Rate as set forth on Sheet No. 5, 5.01, 5.02, 5A, 5A.01, 5A.02, 5B, 6, 7, 8, or 9. A Negotiated Rate must be mutually agreed upon by Transporter and Shipper for a specific time period and may be based on a rate design other than the rate design used to compute Transporter's currently effective rates.

GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITION OF TERMS (Continued)

- 1.24 PFP or Peak Flow Period: the minimum period of time in hours during which a Shipper may receive its full TMDQ at the Delivery Point(s) set forth on Exhibit "A" of its transportation service agreement under Rate Schedule KRF-PK.
- 1.25 Priority of Service Date: the date Shipper submits a Transportation service request via Transporter's Designated Site or in writing. However, for all requests received during an open season the Priority of Service Date will mean the first Day and opening time of such open season.
- 1.26 Psia: pounds per square inch absolute.
- 1.27 Psig: pounds per square inch gauge.
- 1.28 Quantity: the number of units of Gas, either specified in Mcf or Dth.
- 1.29 Recourse Rate or Maximum Rate or Maximum Recourse Rate as these terms have the same meaning as used in this tariff: the Maximum Base Tariff Rates, set forth in the Statement of Rates, designated as Maximum, less the TRC, which is pursuant to Section 31 of the General Terms and Conditions, that will apply to all service for which the rate has not been discounted or negotiated.
- 1.30 Shipper or Replacement Shipper: an entity with whom Transporter has executed a Transportation Service Agreement for the Transportation of Gas on Transporter's pipeline system.

GENERAL TERMS AND CONDITIONS
(Continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (Continued)

13.2 Scheduling Process. (Continued)

- (ii) To Shippers nominating Interruptible Transportation Service and Authorized Overrun Service.

If available mainline capacity is insufficient to accommodate the total Quantities nominated, then available capacity will be allocated as follows:

- a) First, based on rate paid, in the priority and sequence described below. For index-based, discounted rates, the rate used for scheduling purposes will be the rate calculated from the most current index prices available prior to the Timely Nomination Cycle set forth in NAESB WGQ 1.3.2.
 - 1) To Shippers paying the Maximum Base Tariff Rate, less the TRC, including (i) Shippers paying a Negotiated Rate where the Negotiated Rate is a stated rate per Dekatherm that is greater than or equal to the Maximum Base Tariff Rate, less the TRC, and (ii) Shippers paying a discounted Rate based on index prices where such rate would otherwise exceed the Maximum Base Tariff Rate, less the TRC, but is capped at the Maximum Base Tariff Rate, less the TRC.
 - 2) To Shippers paying less than the Maximum Base Tariff Rate, less the TRC, from highest rate to lowest rate, including Shippers paying a Negotiated Rate where the Negotiated Rate is a stated rate per Dekatherm that is lower than the Maximum Base Tariff Rate, less the TRC, but higher than the Minimum Base Tariff

GENERAL TERMS AND CONDITIONS
(Continued)

23. NEGOTIATED RATES (Continued)

23.2 Applicability. (Continued)

of its capacity when such capacity is posted subject to Negotiated Rate offers (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service, or (2) by paying a Recourse Rate or discounted Recourse Rate per Dth that is equivalent to the Negotiated Rate for the capacity it wishes to retain; provided, however, that nothing herein shall obligate Transporter to render service to any Shipper at rates less than Transporter's then applicable Maximum Base Tariff Rates, less the TRC.

23.3 Bid Evaluation and Award Criteria.

- (a) If Transporter determines that it is willing to accept Negotiated Rate offers for capacity that is available pursuant to Sections 23.2(b)(2) or 23.2(c) above, it will state in its posting the specific basis on which Negotiated Rate offers will be considered and one of the following methods for calculating the value of the guaranteed revenues used to determine the winning bid:
- (i) Net Present Value (either total or per dekatherm of capacity bid, using rate, term and quantity, if applicable, discounted using the interest rate(s) shown in the posting);
 - (ii) Revenue (rate x quantity); or
 - (iii) Rate.
- (b) If Transporter's posting specifies that it will accept Negotiated Rate bids tied to an index or indices, Transporter will post an assumed value for such index or indices, where such assumed value is based on both historical and projected index prices. This assumed value will be used to compare Negotiated Rate bids with Recourse Rate and discounted Recourse Rate bids; provided, however, that if a Shipper with a Negotiated Rate bid tied to an index or indices has submitted the bid with the highest value and is awarded the capacity, such Shipper will pay according to the actual value of the index or indices at the time service is rendered.

GENERAL TERMS AND CONDITIONS
(Continued)

27. AVAILABLE CAPACITY (Continued)

27.4 Awarding. (Continued)

- (c) Capacity will be awarded to the Shipper that submits the bid with the highest economic value, regardless of whether such bid is a Recourse Rate, a discounted Recourse Rate or a Negotiated Rate bid; provided that the bid with the highest value is at a rate that meets or exceeds the lowest rate that Transporter is willing to accept for the capacity, and further provided that a bid with a negotiated rate that exceeds the maximum rate will be considered to be a maximum rate bid for evaluation and award purposes. If Transporter has indicated in its posting that it is willing to accept negotiated rate bids, such bids will be evaluated in accordance with the criteria specified in Transporter's posting and described in Section 23.3 of the General Terms and Conditions.
- (d) Transporter will break ties and determine the winning bid(s) by providing each of the tying bidders an opportunity to improve their bids by submitting closed bids via facsimile within 24 hours of notification by Transporter. If a tie still exists, Transporter will allocate the available capacity on a pro rata basis to each tying bidder that has indicated in its bid a willingness to accept a proportionate share of such capacity. A bid to pay the maximum rate as it may vary from time to time for a given term will be deemed superior to a bid to pay a specified dollar rate which is equal to the Maximum Base Tariff Rate, less the TRC.
- (e) If the best bid is a contingent bid, Transporter will notify the bidder making the best bid within three (3) business days following the bid close date. That bidder will have twenty-four (24) hours following such notification to satisfy or waive the contingency, or Transporter may disregard such bid.

GENERAL TERMS AND CONDITIONS
(Continued)

31. TAX REFORM CREDIT

- (a) This section sets forth the conditions for, and applicability of, the Tax Reform Credit (TRC). Shippers with Transportation Service Agreements receiving service at the Maximum Base Tariff Rate under Rate Schedules KRF-1, KRI-1, KRF-PK, KRF-L1, KRI-L1 and PAL, will receive monthly invoices that reflect the TRC. The TRC is deducted from the Maximum Base Tariff Rate as set forth in the Statement of Rates. The TRC is a daily rate credit and shall be implemented pursuant to the terms of the Commission's Final Order in Docket No. RP19-XXX-000 and remain in effect until the occurrence of a Triggering Event as described in (b) and (c) below.
- (b) Triggering Event(s) shall mean any of the following:
 - (i) Triggering Event #1: federal legislation enacted into law which raises the maximum federal corporate income tax rate above 21%;
 - (ii) Triggering Event #2: Commission initiated investigation of Kern River's rates pursuant to section 5 of the Natural Gas Act.
- (c) Term of Tax Reform Credit. The Tax Reform Credit will be reflected in monthly invoices until the occurrence of a Triggering Event.
 - (i) Upon the occurrence of Triggering Event #1, the Tax Reform Credit will be reduced on a pro rata basis by the increase in the federal corporate tax rate above 21% as a percentage of the initial change of 14% (35% less 21%).
 - (ii) Upon the occurrence of Triggering Event #2, the TRC shall contemporaneously expire for all rate schedules.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM ROLLED-IN RATE SERVICE- 2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

Base Tariff Rates -3/

TRC 5/

Recourse Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.4734	\$-0.0521
Minimum	\$ 0.0000	

10-Year Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.4734	\$-0.0521
Minimum	\$ 0.0000	

15-Year Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.3633	\$-0.0400
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0031
Minimum	\$ 0.0031

Authorized Overrun Rate:

Maximum	\$ 0.4392	\$-0.0483
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Rates for incrementally-priced firm transportation under Rate Schedule KRF-1 for the 2003/2010 Expansion Project shippers are set out separately on Sheet No. 5-A.

3/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, rolled-in rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0001/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR FIRM ROLLED-IN RATE SERVICE -2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

Base Tariff Rates -3/

Period Two Reservation/Demand Rates

<u>Period Two</u>	<u>Period Two</u>
<u>Insulated</u>	<u>Rates</u>
<u>Rates 5/</u>	<u>TRC 6/</u>

Period Two Reservation/Demand Rates Applicable to Former Period One 10-Year Rolled-in Rate Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.2720	<u>\$-0.0299</u>	\$ 0.2738	<u>\$-0.0301</u>
Minimum	\$ 0.0000		\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.2329	<u>\$-0.0256</u>	\$ 0.2347	<u>\$-0.0258</u>
Minimum	\$ 0.0000		\$ 0.0000	

Period Two Reservation/Demand Rates Applicable to Former Period One 15-Year Rolled-in Rate Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.2298	<u>\$-0.0253</u>	\$ 0.2316	<u>\$-0.0255</u>
Minimum	\$ 0.0000		\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate -4/

Maximum	\$ 0.1951	<u>\$-0.0215</u>	\$ 0.1969	<u>\$-0.0217</u>
Minimum	\$ 0.0000		\$ 0.0000	

Alternate Period Two Reservation/Demand Rates

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 10-Year Rolled-in Rate Shippers:

25-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum			\$ 0.2093	<u>\$-0.0230</u>
Minimum			\$ 0.0000	

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 15-Year Rolled-in Rate Shippers:

25-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum			\$ 0.1742	<u>\$-0.0192</u>
Minimum			\$ 0.0000	

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR FIRM ROLLED-IN RATE SERVICE 2/
 ORIGINAL SYSTEM/2002 EXPANSION PROJECT
 (RATES PER DTH)

(Continued)

TRC 6/

Other Rates

Firm Transportation Commodity/Usage Rate:

Maximum		\$ 0.0031
Minimum		\$ 0.0031

Authorized Overrun Rate:

Maximum		\$ 0.4380	<u>\$-0.0482</u>
Minimum		\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ The rates shown on this sheet are applicable to Shippers in accordance with Section 30 of the General Terms and Conditions of this Tariff.

3/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to receipt point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, rolled-in rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system or from the Dag Moj receipt point to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0001/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ See Section 30.2(e) of the General Terms and Conditions of Transporter's Tariff for eligibility regarding Period Two Insulated Rates.

6/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 2003/2010 EXPANSION PROJECTS
 (RATES PER DTH)

Base Tariff Rates -2/

TRC 4/

Recourse Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.5833	<u>\$-0.0642</u>
Minimum	\$ 0.0000	

10-Year Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.5833	<u>\$-0.0642</u>
Minimum	\$ 0.0000	

15-Year Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.4717	<u>\$-0.0519</u>
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0044
Minimum	\$ 0.0044

Authorized Overrun Rate:

Maximum	\$0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, Shippers receiving firm incremental rate service on the 2003/2010 Expansion Projects are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event

occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR 2003 EXPANSION PROJECT 2/
 (RATES PER DTH)

Base Tariff Rates -3/

Period Two Reservation/Demand Rates TRC 5/

Period Two Reservation/Demand Rates Applicable to Former Period One 10-Year 2003 Expansion Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2565	<u>\$-0.0282</u>
Minimum	\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2238	<u>\$-0.0246</u>
Minimum	\$ 0.0000	

Period Two Reservation/Demand Rates Applicable to Former Period One 15-Year 2003 Expansion Shippers:

10-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2543	<u>\$-0.0280</u>
Minimum	\$ 0.0000	

15-Year Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2224	<u>\$-0.0245</u>
Minimum	\$ 0.0000	

Alternate Period Two Reservation Demand Rates TRC 5/

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 10-Year 2003 Expansion Shippers

25-Year Alternate Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2027	<u>\$-0.0223</u>
Minimum	\$ 0.0000	

Alternate Period Two Reservation/Demand Rate Applicable to Former Period One 15-Year 2003 Expansion Shippers

25-Year Alternate Period Two Rate:

Daily Reservation/Demand Rate 4/

Maximum	\$ 0.2018	<u>\$-0.0222</u>
Minimum	\$ 0.0000	

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 PERIOD TWO RATES/ALTERNATE PERIOD TWO RATES FOR 2003 EXPANSION PROJECT 2/
 (RATES PER DTH)

Base Tariff Rates -3/ (continued)

	<u>Other Rates</u>	<u>TRC 5/</u>
Firm Transportation Commodity/Usage Rate:		
Maximum	\$ 0.0044	
Minimum	\$ 0.0044	
Authorized Overrun Rate:		
Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/- _____ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ _____ The rates shown on this sheet are applicable to Shippers in accordance with Section 30 of the General Terms and Conditions of this Tariff.

3/- _____ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to receipt point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, 2003 Expansion rate shippers are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system or from the Dag Moj receipt point to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

4/- _____ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

5/ _____ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-1
 FIRM INCREMENTAL RATE SERVICE
 APEX EXPANSION PROJECT
 (RATES PER DTH)

Base Tariff Rates -2/

TRC 4/

Recourse Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.4444	<u>\$-0.0489</u>
Minimum	\$ 0.0000	

20-Year Rate:

Daily Reservation/Demand Rate 3/

Maximum	\$ 0.4444	<u>\$-0.0489</u>
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0044
Minimum	\$ 0.0044

Authorized Overrun Rate:

Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, Shippers receiving firm incremental rate service on the Apex Expansion project are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system to delivery points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRI-1
 INTERRUPTIBLE SERVICE
 (RATES PER DTH)

	<u>Base Tariff Rates 2/</u>	<u>TRC 4/</u>
<hr/>		
Interruptible Transportation Rate 3/		
Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.3 of Rate Schedule KRI-1, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions.

In addition, quantities of Gas scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj receipt point, to delivery points downstream of the Daggett compressor station on an interruptible basis are subject to an electric compressor fuel surcharge of \$0.0003/Dth.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap year are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Transportation Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULES KRF-L1 AND KRI-L1
 HIGH DESERT LATERAL SERVICE
 (RATES PER DTH)

The rates shown below are those rates which Transporter is authorized to charge for service rendered under Rate Schedules KRF-L1 and KRI-L1.

Base Tariff Rates -2/

TRC 4/, 5/

KRF-L1 Recourse Rate:

Daily Reservation/Demand Rate 3/:

Maximum	\$ 0.0427	<u>\$-0.0047 4/</u>
Minimum	\$ 0.0000	

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0000
Minimum	\$ 0.0000

Authorized Overrun Rate:

Maximum	\$ 0.0427	<u>\$-0.0047 4/</u>
Minimum	\$ 0.0000	

KRI-L1 Recourse Rate:

Interruptible Transportation Rate:

Maximum	\$ 0.0427	<u>\$-0.0047 5/</u>
Minimum	\$ 0.0000	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRFL-1 and Section 5.3 of Rate Schedule KRI-L1.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

5/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Transportation Charge in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE PAL
 PARK AND LOAN SERVICE
 (RATES PER DTH)

		<u>Base Tariff Rate</u>		<u>TRC 3/</u>
		<u>Minimum</u>	<u>Maximum</u>	
	Daily Rate 2/	\$0.0000	\$ 0.4392	<u>\$-0.0483</u>

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

2/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

3/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at the applicable Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Daily Rate in the monthly billing invoice.

STATEMENT OF RATES 1/
 RATE SCHEDULE KRF-PK
 FIRM PEAKING TRANSPORTATION SERVICE
 (RATES PER DTH)

Base Tariff Rates 2/

TRC 4/

Daily Reservation/Demand Rate 3/

Maximum Rate (Unadjusted)	\$ 0.5833	<u>\$-0.0642</u>
Minimum Rate	\$ 0.0000	

The Maximum Daily Reservation/Demand Rate for Rate Schedule KRF-PK shall be derived from the maximum recourse rate applicable to firm, incremental rate service for the 2003/2010 Expansion Projects under Rate Schedule KRF-1 as shown above, adjusted to reflect Shipper's peak flow period, or PFP (the minimum number of hours during which Shipper may take its full TMDQ), utilizing the following formula, with the result rounded to four decimal places:

$$\text{KRF-PK} = \text{KRF-1} \times (24/\text{PFP})$$

where:

KRF-PK	=	KRF-PK Reservation/Demand Rate
KRF-1	=	KRF-1 Maximum Recourse Reservation/Demand Rate for 2003/2010 Expansion Projects
24	=	Number of Hours in a Day
PFP	=	Peak Flow Period in Hours

Firm Transportation Commodity/Usage Rate:

Maximum	\$ 0.0044
Minimum	\$ 0.0044

Authorized Overrun Rate:

Maximum	\$ 0.4392	<u>\$-0.0483</u>
Minimum	\$ 0.0037	

1/ All costs included in rates are transmission costs. Kern River provides no storage or gathering services.

STATEMENT OF RATES 1/
RATE SCHEDULE KRF-PK
FIRM PEAKING SERVICE
(RATES PER DTH)

(Continued)

2/ Transportation rates set forth herein are exclusive of ACA Surcharges, which all Shippers must pay pursuant to Section 5.4 of Rate Schedule KRF-PK, and fuel used and lost and unaccounted-for gas, which all Shippers must furnish in-kind each Day by applying a fuel reimbursement factor to Receipt Point nominations, pursuant to Section 12 of the General Terms and Conditions of Transporter's tariff.

In addition, Shippers receiving firm peaking service are subject to an electric compressor fuel surcharge for quantities scheduled for delivery from any receipt point on Transporter's wholly-owned system, or from the Dag Moj Receipt Point, to Delivery Points downstream of the Daggett compressor station. The surcharge is \$0.0004/Dth for quantities within contract demand and \$0.0003/Dth for authorized overrun quantities.

3/ All reservation rates are daily rates computed on the basis of 365 days per year, except that such rates for leap years are computed on the basis of 366 days.

4/ TRC is the Tax Reform Credit pursuant to Section 31 of the General Terms and Conditions. Shippers receiving service at a rate that is derived from the Maximum Base Tariff Rate will receive the TRC. Until a Triggering Event occurs, the TRC will be a daily rate credit to the Reservation Charge and, if applicable, to the Authorized Overrun Charge in the monthly billing invoice.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation Charge, Transportation Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation Charge. Unless otherwise set forth in Shipper's Transportation Service Agreement, the Reservation Charge is an amount obtained by multiplying (a) Shipper's DMDQ as stated in the Transportation Service Agreement, or as calculated using the methodology set out in Section 25 of the General Terms and Conditions of this tariff, by (b) Shipper's applicable reservation rate per Dth, and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the applicable Maximum Daily Reservation/Demand Rate, [less the TRC](#), set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of this tariff, by (b) an amount per Dth, no less than the applicable Minimum Firm Transportation Commodity/Usage Rate nor greater than the applicable Maximum Firm Transportation Commodity/Usage Rate, each as set forth on Sheet Nos. 5, 5.02~~1~~, 5A, 5A.02~~1~~ or 5B of Transporter's effective tariff.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.4 ACA Surcharge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for Gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.
- 5.5 Authorized Overrun Charge. The authorized overrun charge shall be an amount obtained by multiplying (a) the Quantity of Gas, in Dth, scheduled as authorized overrun service, by (b) the maximum Authorized Overrun Rate per Dth, less the TRC, as set forth on Sheet Nos. 5, 5.0~~1~~2, 5A, 5A.0~~1~~2 or 5B of Transporter's effective tariff, unless otherwise agreed to by Shipper and Transporter.
- 5.6 Minimum Monthly Bill. The minimum monthly bill will be the Reservation Charge for each Month, unless Transporter and Shipper mutually agree otherwise.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions.
- 5.9 Discounted Rates.
- (a) Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet Nos. 5, [5.01](#), 5A, [5A.01](#) or 5B of Transporter's effective tariff, or any superseding tariff.
- (1) Such discounted Recourse Rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas.
- (2) Discounted Rates also may be calculated using a formula based on index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/Demand Rates, [less the TRC](#), set forth on Sheet Nos. 5, [5.01](#), 5A, [5A.01](#) or 5B of Transporter's tariff.
- (3) If Transporter discounts any Recourse Rates to any Shipper, Transporter will post such transaction on its designated site on the Internet, pursuant to Section 284.12 of the Commission's regulations.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

5.9 Discounted Rates. (Continued)

(b) Downward adjustment to any rate will be for a specified term. At the expiration of such term, unless otherwise agreed upon, the rate for transportation service will revert to the Maximum Daily Reservation/Demand Rate, less the TRC, as set forth on Sheet Nos. 5, 5.01, 5A, 5A.01 or 5B of Transporter's effective tariff, and associated commodity rate under this Rate Schedule.

5.10 Negotiated Rates. Notwithstanding the foregoing provisions of this Section 5, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. ACA surcharges pursuant to Section 5.4 and imbalance charges/and or scheduling penalties pursuant to Section 5.8 of this rate schedule, as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(Continued)

6. AUTHORIZED OVERRUN TRANSPORTATION

Shipper may tender and Transporter, at its option, may accept for Transportation hereunder Quantities of Gas in excess of Shipper's TMDQ as specified in the executed Transportation Service Agreement, or as calculated using the methodology set out in Section 25 of the General Terms and Conditions of this tariff. In the event that capacity is available to provide overrun service but not to provide all overrun service requested, scheduling of overrun service will be consistent with Section 13 of the General Terms and Conditions.

If Transporter elects on any Day during any Month to transport any Quantities of Gas in excess of Shipper's TMDQ, Shipper will pay for the excess Gas transported an amount per Dth equal to the maximum Authorized Overrun Rate, less the TRC, as set forth on Sheet Nos. 5, 5.0~~1~~2, 5A, 5A.0~~1~~2 or 5B of Transporter's effective tariff, unless otherwise agreed to by Shipper and Transporter.

RATE SCHEDULE KRF-L1
HIGH DESERT LATERAL FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation Charge, Transportation Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation Charge. An amount obtained by multiplying (a) Shipper's DMDQ as stated in the Transportation Service Agreement by (b) an amount per Dth which will be no greater than the applicable Maximum Daily Reservation/Demand Rate as shown on Sheet No. 7, less the TRC, of Transporter's effective tariff and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the applicable Maximum Daily Reservation Rate, less the TRC, will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas in Dth received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of this tariff by (b) an amount per Dth, no less than the Minimum Firm Transportation Rate nor greater than the Maximum Firm Transportation Rate, each as set forth on Sheet No. 7 of Transporter's effective tariff.

RATE SCHEDULE KRF-L1
HIGH DESERT LATERAL FIRM TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions.
- 5.9 Discounted Recourse Rates. Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 7 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter will file with the FERC any required reports reflecting such adjusted rates.

Downward adjustment to any rate will be for a specified term. At the expiration of such term, unless otherwise agreed upon, the rate for transportation service will revert to the Maximum Daily Reservation/Demand Rate, [less the TRC](#), and associated commodity rate under this Rate Schedule.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Transportation Charge, ACA Surcharge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.5 and 5.6 of this rate schedule.
- 5.2 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas in Dth received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas, by (b) the Maximum Interruptible Transportation Rate, less the TRC, as shown on Sheet No. 6 of Transporter's effective tariff. Transporter has the right to negotiate the rate to a level not less than the Minimum Interruptible Transportation Rate nor greater than the Maximum Interruptible Transportation Rate, less the TRC, as shown on Sheet No. 6 of Transporter's effective tariff.
- 5.3 ACA Surcharge. Amount obtained by multiplying (a) the Quantity of Gas received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charge Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.
- 5.4 Minimum Monthly Bill. None.
- 5.5 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% of any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. In

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(Continued)

5. RATES AND CHARGES (Continued)

5.5 Incidental Charges. (Continued)

addition, if service requires construction of new facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.

5.6 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10, General Terms and Conditions.

5.7 Discounted Rates.

(a) Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 6 of Transporter's effective tariff.

(1) Such discounted Recourse Rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas.

(2) Discounted Rates may also be calculated using a formula based on index prices for specific receipt and/or delivery points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/ Demand Rates, [less the TRC](#), set forth on Sheet No. 6 of Transporter's effective Tariff.

(3) If Transporter discounts any Recourse Rates to any Shipper, Transporter will post such transaction on its designated site on the Internet, pursuant to Section 284.12 of the Commission's regulations.

RATE SCHEDULE PAL
PARK AND LOAN SERVICES
(Continued)

4. SERVICE RESTRICTIONS (Continued)

- 4.2 Except as provided in Section 4.4 below, if Shipper fails to withdraw parked Quantities in accordance with the agreed upon withdrawal schedule, or upon 24 hours' notice as provided in Section 4.1 above (if applicable), Transporter has the right to take title to that Quantity of Gas, free and clear of any adverse claims and without reimbursement to Shipper. All Gas that becomes the property of Transporter under this provision will be sold pursuant to Section 28 of the General Terms and Conditions, and proceeds will be subject to revenue sharing as set forth therein.
- 4.3 Except as provided in Section 4.4 below, if Shipper fails to repay loaned Quantities of Gas in accordance with the agreed upon repayment schedule, or upon 24 hours' notice as provided in Section 4.1 above (if applicable), Transporter will purchase equivalent Quantities of Gas to restore its line pack, and Shipper will be subject to a PAL penalty. The PAL penalty will be a charge equal to the sum of 150% of the daily spot price for flowing Gas for the day Gas is purchased, as reflected in Platt's Gas Daily (Daily Price Survey) for the higher of "Others-SoCal Gas-Midpoint" or "Rockies-Kern River, Opal-Midpoint," plus Transporter's maximum interruptible transportation rate, less the TRC, times the Quantity of Gas that is not repaid. Net PAL penalties (PAL penalty minus the sum of the cost of purchased Gas and the transportation rate) will be credited to other Shippers in accordance with Section 10.11 of the General Terms and Conditions.
- 4.4 If, on any day, Shipper submits a valid nomination to withdraw parked Gas or to repay loaned Gas and Transporter fails to accept and schedule such nomination, then Section 4.2 or 4.3 (as appropriate) will not apply for that day. A nomination is considered valid for the purposes of this section when it contains all required information, is submitted in accordance with the NAESB nomination timelines set forth in Section 13.1 of this FERC Gas Tariff, and the following conditions are met:
- (a) For withdrawal of parked Gas, the nominated Quantity has been confirmed and scheduled by the Delivery Point operator; or
 - (b) For repayment of loaned Gas, the nominated Quantity has been confirmed and scheduled by the Receipt Point operator.

RATE SCHEDULE KRF-PK
FIRM PEAKING TRANSPORTATION SERVICE
(Continued)

5. RATES AND CHARGES

- 5.1 Applicable Rates and Charges. The rates and charges for service under this rate schedule will be the Reservation/Demand Charge, Commodity Charge, ACA Charge, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, and 5.8 of this rate schedule.
- 5.2 Reservation/Demand Charge. Unless otherwise set forth in Shipper's transportation service agreement, the Reservation Charge is an amount obtained by multiplying (a) Shipper's DMDQ as stated in the transportation service agreement by (b) Shipper's applicable reservation rate per Dth, and multiplying the result by (c) the number of days in the Month. Unless the parties otherwise agree, the Maximum Daily Reservation/Demand Rate, [less the TRC](#), set forth on Sheet No. 9, as adjusted to reflect Shipper's PFP, will apply.
- 5.3 Transportation Charge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for gas as provided in Section 12 of the General Terms and Conditions of Transporter's tariff, by (b) an amount per Dth, no less than the applicable Minimum Firm Transportation Commodity/Usage Rate nor greater than the applicable Maximum Firm Transportation Commodity/Usage Rate, each as set forth on Sheet No. 9 of Transporter's tariff.
- 5.4 ACA Surcharge. An amount obtained by multiplying (a) the Quantity of Gas, in Dth, received by Transporter from Shipper for Transportation during the Month, exclusive of Quantities for fuel used and lost and unaccounted-for Gas, by (b) the Commission-authorized unit charge specified in the annual notice issued by the Commission entitled, "FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge," which is available on the Commission's website at <http://www.ferc.gov>. The ACA surcharge, as calculated by the Commission, is applicable to all of Transporter's rate schedules, and is incorporated herein by reference. Transporter will not recover any Annual Charges in an NGA Section 4 rate proceeding.

RATE SCHEDULE KRF-PK
FIRM PEAKING TRANSPORTATION SERVICE
(Continued)

5. RATES AND CHARGES (Continued)

- 5.5 Authorized Overrun Charge. The authorized overrun charge shall be an amount obtained by multiplying (a) the Quantity of Gas, in Dth, scheduled as authorized overrun service, by (b) the maximum Authorized Overrun Rate per Dth, less the TRC, as set forth on Sheet No. 9 of Transporter's tariff, unless otherwise agreed to by Shipper and Transporter.
- 5.6 Minimum Monthly Bill. The minimum monthly bill will be the Reservation Charge for each Month, unless Transporter and Shipper mutually agree otherwise.
- 5.7 Incidental Charges. Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.
- 5.8 Imbalance Charge and Scheduling Penalty. Transporter will charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions of Transporter's tariff.
- 5.9 Discounted Rates.
- (a) Transporter reserves the right to discount at any time the applicable maximum rate for any individual Shipper under any service agreement under this rate schedule without discounting any other rates for that or any other Shipper; provided, however, that such discounted rates will not be less than any applicable Minimum Rates set forth on Sheet No. 9 of Transporter's tariff.
- (1) Such discounted rates may apply to specific quantities of Gas (such as quantities above or below a certain level or all quantities if quantities exceed a certain level), quantities of Gas transported during specific time periods, and quantities of Gas transported from specific Receipt Points and/or to specific Delivery Points, or within other defined geographical areas.
- (2) Discounted Rates also may be calculated using a formula based on index prices for specific Receipt and/or Delivery Points or other agreed-upon published pricing reference points. Index-based, discounted rates will be no lower than the Minimum and no higher than the Maximum Base Tariff Reservation/Demand Rates, less the TRC, set forth on Sheet No. 9 of Transporter's tariff, as adjusted to reflect Shipper's PFP.

GENERAL TERMS AND CONDITIONS (Continued)
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GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITION OF TERMS (Continued)

- 1.16 Guarantor: any person or entity which is creditworthy as determined in accordance with the creditworthiness requirement for the service provided hereunder and has agreed to be responsible for the debts of Shipper under the Transportation Service Agreement.
- 1.17 Interconnect Operator: any person or entity responsible for the operation and/or maintenance of the facilities connected with the Transporter's facilities.
- 1.18 Intra-Day Nomination: "An intra-day nomination is 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 that gas day." NAESB WGQ 1.2.4.
- 1.19 MDQ or Maximum Daily Quantity: for firm service agreements that were executed on an Mcf basis, the maximum Volume of Natural Gas (exclusive of fuel used and lost and unaccounted-for gas) which Transporter is obligated to receive for Transportation from Shipper on any Day at the Receipt Points specified in the Transportation Service Agreement. Transporter will convert the MDQ to a TMDQ using the methodology set out in Section 25 of the General Terms and Conditions of this tariff.
- 1.20 MHQ or Maximum Hourly Quantity: the maximum quantity of gas that Transporter is obligated to deliver to the Delivery Point(s) set forth on Exhibit "A" of Shipper's transportation service agreement under Rate Schedule KRF-PK during any hour.
- 1.21 Month: the period beginning at 9:00 A.M. CCT on the first Day of the calendar Month and ending at 9:00 A.M. CCT on the first Day of the succeeding calendar Month. (NAESB WGQ 1.2.4)
- 1.22 NAESB WGQ: The Wholesale Gas Quadrant ("WGQ") of the North American Energy Standards Board ("NAESB"), successor to the Gas Industry Standards Board or GISB. Transporter shall update its tariff, as necessary, to incorporate new or amended NAESB WGQ Standards approved by the Commission. Transporter currently incorporates either by reference or verbatim the most recent version of the standards, Version 3.0.
- 1.23 Negotiated Rate: a rate or formula for computing a rate for Transportation service which may be greater than, equal to or less than the Recourse Rate, but which may not be less than the Minimum Base Tariff Rate as set forth on Sheet No. 5, 5.01, [5.02](#), 5A, 5A.01, [5A.02](#), 5B, 6, 7, 8, or 9. A Negotiated Rate must be mutually agreed upon by Transporter and Shipper for a specific time period and may be based on a rate design other than the rate design used to compute Transporter's currently effective rates.

GENERAL TERMS AND CONDITIONS
(Continued)

1. DEFINITION OF TERMS (Continued)

- 1.24 PFP or Peak Flow Period: the minimum period of time in hours during which a Shipper may receive its full TMDQ at the Delivery Point(s) set forth on Exhibit “A” of its transportation service agreement under Rate Schedule KRF-PK.
- 1.25 Priority of Service Date: the date Shipper submits a Transportation service request via Transporter’s Designated Site or in writing. However, for all requests received during an open season the Priority of Service Date will mean the first Day and opening time of such open season.
- 1.26 Psia: pounds per square inch absolute.
- 1.27 Psig: pounds per square inch gauge.
- 1.28 Quantity: the number of units of Gas, either specified in Mcf or Dth.
- 1.29 Recourse Rate or Maximum Rate or Maximum Recourse Rate as these terms have the same meaning as used in this tariff: the Maximum Base Tariff Rates, set forth in the Statement of Rates, designated as Maximum, less the TRC, which is pursuant to Section 31 of the General Terms and Conditions, shown on Sheet Nos. 5, 5.01, 5A, 5B, 6 or 7 of this tariff that will apply to all service for which the rate has not been discounted or negotiated, ~~except for service to shippers paying levelized, maximum rates for 15-year terms.~~
- 1.30 Shipper or Replacement Shipper: an entity with whom Transporter has executed a Transportation Service Agreement for the Transportation of Gas on Transporter's pipeline system.

GENERAL TERMS AND CONDITIONS
(Continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (Continued)

13.2 Scheduling Process. (Continued)

- (ii) To Shippers nominating Interruptible Transportation Service and Authorized Overrun Service.

If available mainline capacity is insufficient to accommodate the total Quantities nominated, then available capacity will be allocated as follows:

- a) First, based on rate paid, in the priority and sequence described below. For index-based, discounted rates, the rate used for scheduling purposes will be the rate calculated from the most current index prices available prior to the Timely Nomination Cycle set forth in NAESB WGQ 1.3.2.
- 1) To Shippers paying the Maximum Base Tariff Rate, less the TRC, including (i) Shippers paying a Negotiated Rate where the Negotiated Rate is a stated rate per Dekatherm that is greater than or equal to the Maximum Base Tariff Rate, less the TRC, and (ii) Shippers paying a discounted Rate based on index prices where such rate would otherwise exceed the Maximum Base Tariff Rate, less the TRC, but is capped at the Maximum Base Tariff Rate, less the TRC.
 - 2) To Shippers paying less than the Maximum Base Tariff Rate, less the TRC, from highest rate to lowest rate, including Shippers paying a Negotiated Rate where the Negotiated Rate is a stated rate per Dekatherm that is lower than the Maximum Base Tariff Rate, less the TRC, but higher than the Minimum Base Tariff

GENERAL TERMS AND CONDITIONS
(Continued)

23. NEGOTIATED RATES (Continued)

23.2 Applicability. (Continued)

of its capacity when such capacity is posted subject to Negotiated Rate offers (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service, or (2) by paying a Recourse Rate or discounted Recourse Rate per Dth that is equivalent to the Negotiated Rate for the capacity it wishes to retain; provided, however, that nothing herein shall obligate Transporter to render service to any Shipper at rates less than Transporter's then applicable Maximum Base Tariff Rates, [less the TRC](#).

23.3 Bid Evaluation and Award Criteria.

- (a) If Transporter determines that it is willing to accept Negotiated Rate offers for capacity that is available pursuant to Sections 23.2(b)(2) or 23.2(c) above, it will state in its posting the specific basis on which Negotiated Rate offers will be considered and one of the following methods for calculating the value of the guaranteed revenues used to determine the winning bid:
- (i) Net Present Value (either total or per dekatherm of capacity bid, using rate, term and quantity, if applicable, discounted using the interest rate(s) shown in the posting);
 - (ii) Revenue (rate x quantity); or
 - (iii) Rate.
- (b) If Transporter's posting specifies that it will accept Negotiated Rate bids tied to an index or indices, Transporter will post an assumed value for such index or indices, where such assumed value is based on both historical and projected index prices. This assumed value will be used to compare Negotiated Rate bids with Recourse Rate and discounted Recourse Rate bids; provided, however, that if a Shipper with a Negotiated Rate bid tied to an index or indices has submitted the bid with the highest value and is awarded the capacity, such Shipper will pay according to the actual value of the index or indices at the time service is rendered.

GENERAL TERMS AND CONDITIONS
(Continued)

27. AVAILABLE CAPACITY (Continued)

27.4 Awarding. (Continued)

- (c) Capacity will be awarded to the Shipper that submits the bid with the highest economic value, regardless of whether such bid is a Recourse Rate, a discounted Recourse Rate or a Negotiated Rate bid; provided that the bid with the highest value is at a rate that meets or exceeds the lowest rate that Transporter is willing to accept for the capacity, and further provided that a bid with a negotiated rate that exceeds the maximum rate will be considered to be a maximum rate bid for evaluation and award purposes. If Transporter has indicated in its posting that it is willing to accept negotiated rate bids, such bids will be evaluated in accordance with the criteria specified in Transporter's posting and described in Section 23.3 of the General Terms and Conditions.
- (d) Transporter will break ties and determine the winning bid(s) by providing each of the tying bidders an opportunity to improve their bids by submitting closed bids via facsimile within 24 hours of notification by Transporter. If a tie still exists, Transporter will allocate the available capacity on a pro rata basis to each tying bidder that has indicated in its bid a willingness to accept a proportionate share of such capacity. A bid to pay the maximum rate as it may vary from time to time for a given term will be deemed superior to a bid to pay a specified dollar rate which is equal to the Maximum Base Tariff Rate, [less the TRC](#).
- (e) If the best bid is a contingent bid, Transporter will notify the bidder making the best bid within three (3) business days following the bid close date. That bidder will have twenty-four (24) hours following such notification to satisfy or waive the contingency, or Transporter may disregard such bid.

GENERAL TERMS AND CONDITIONS
(Continued)

31. TAX REFORM CREDIT

(a) This section sets forth the conditions for, and applicability of, the Tax Reform Credit (TRC). Shippers with Transportation Service Agreements receiving service at the Maximum Base Tariff Rate under Rate Schedules KRF-1, KRI-1, KRF-PK, KRF-L1, KRI-L1 and PAL, will receive monthly invoices that reflect the TRC. The TRC is deducted from the Maximum Base Tariff Rate as set forth in the Statement of Rates. The TRC is a daily rate credit and shall be implemented pursuant to the terms of the Commission's Final Order in Docket No. RP19-XXX-000 and remain in effect until the occurrence of a Triggering Event as described in (b) and (c) below.

(b) Triggering Event(s) shall mean any of the following:

(i) Triggering Event #1: federal legislation enacted into law which raises the maximum federal corporate income tax rate above 21%;

(ii) Triggering Event #2: Commission initiated investigation of Kern River's rates pursuant to section 5 of the Natural Gas Act.

(c) Term of Tax Reform Credit. The Tax Reform Credit will be reflected in monthly invoices until the occurrence of a Triggering Event.

(i) Upon the occurrence of Triggering Event #1, the Tax Reform Credit will be reduced on a pro rata basis by the increase in the federal corporate tax rate above 21% as a percentage of the initial change of 14% (35% less 21%).

(ii) Upon the occurrence of Triggering Event #2, the TRC shall contemporaneously expire for all rate schedules.