

Welcome to Kern River's 2017 Customer Meeting

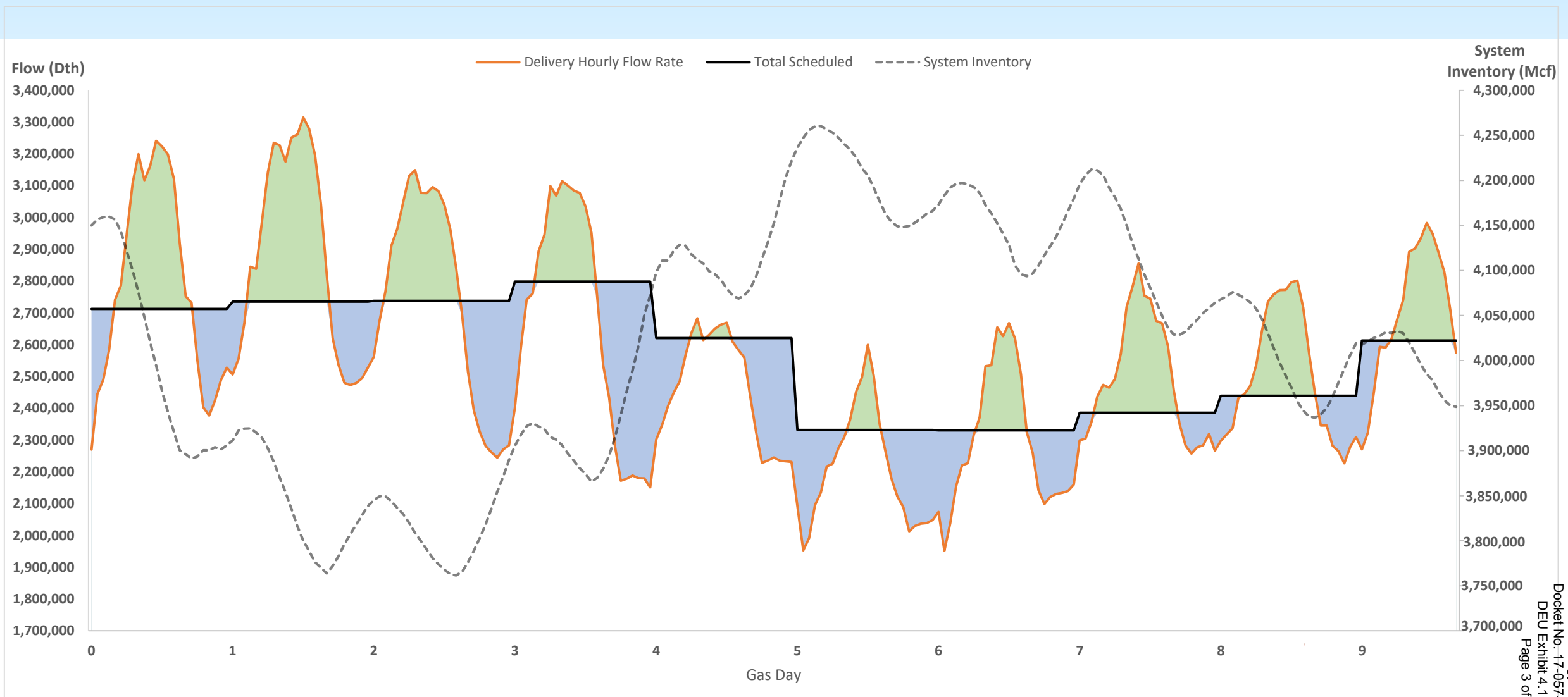
September 14, 2017
Carlsbad, California

Operations Update

Bob Checketts

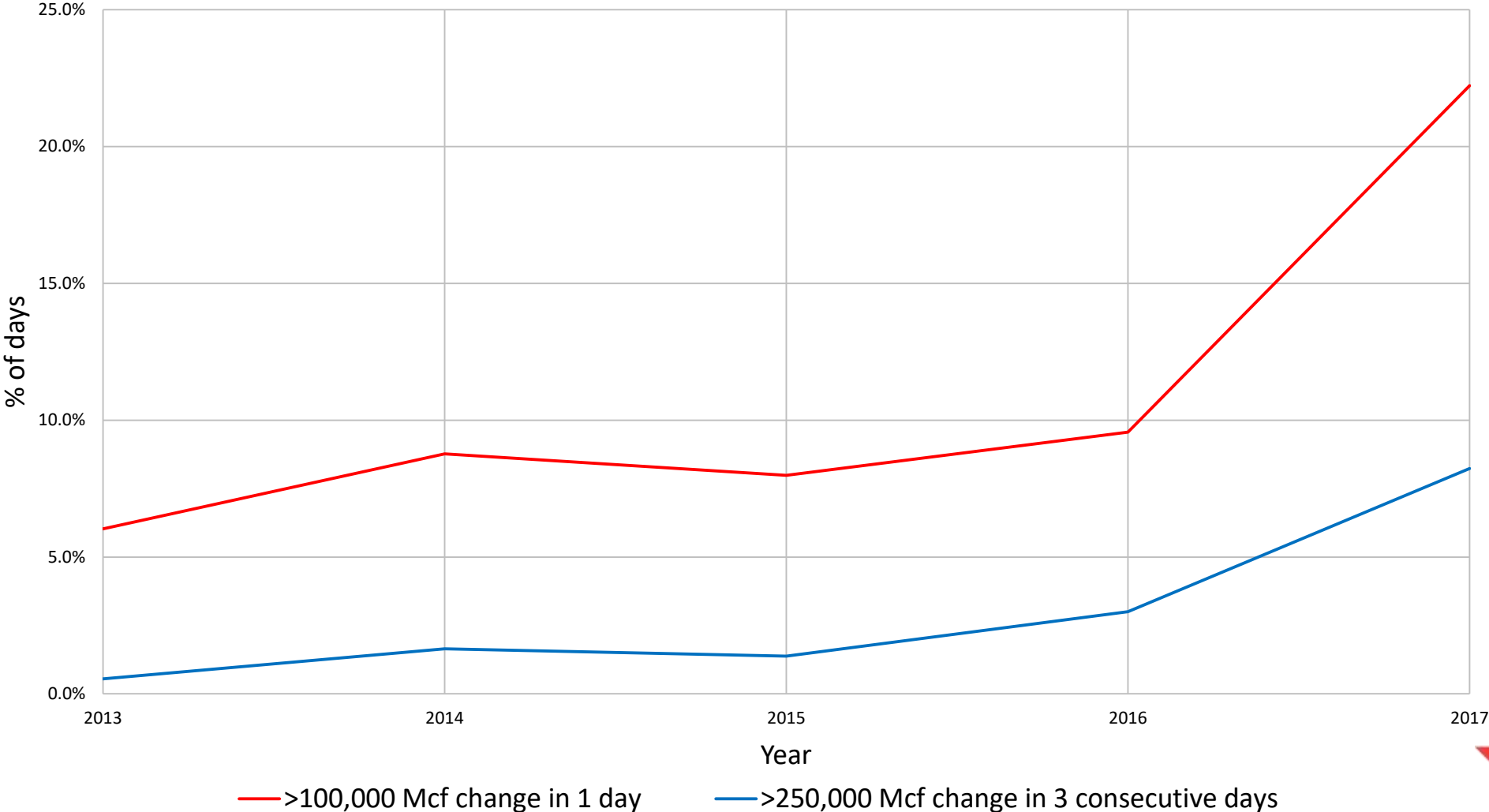
**Vice President, Operations & Engineering
Kern River Gas Transmission Company**

System Inventory/Hourly Deliveries

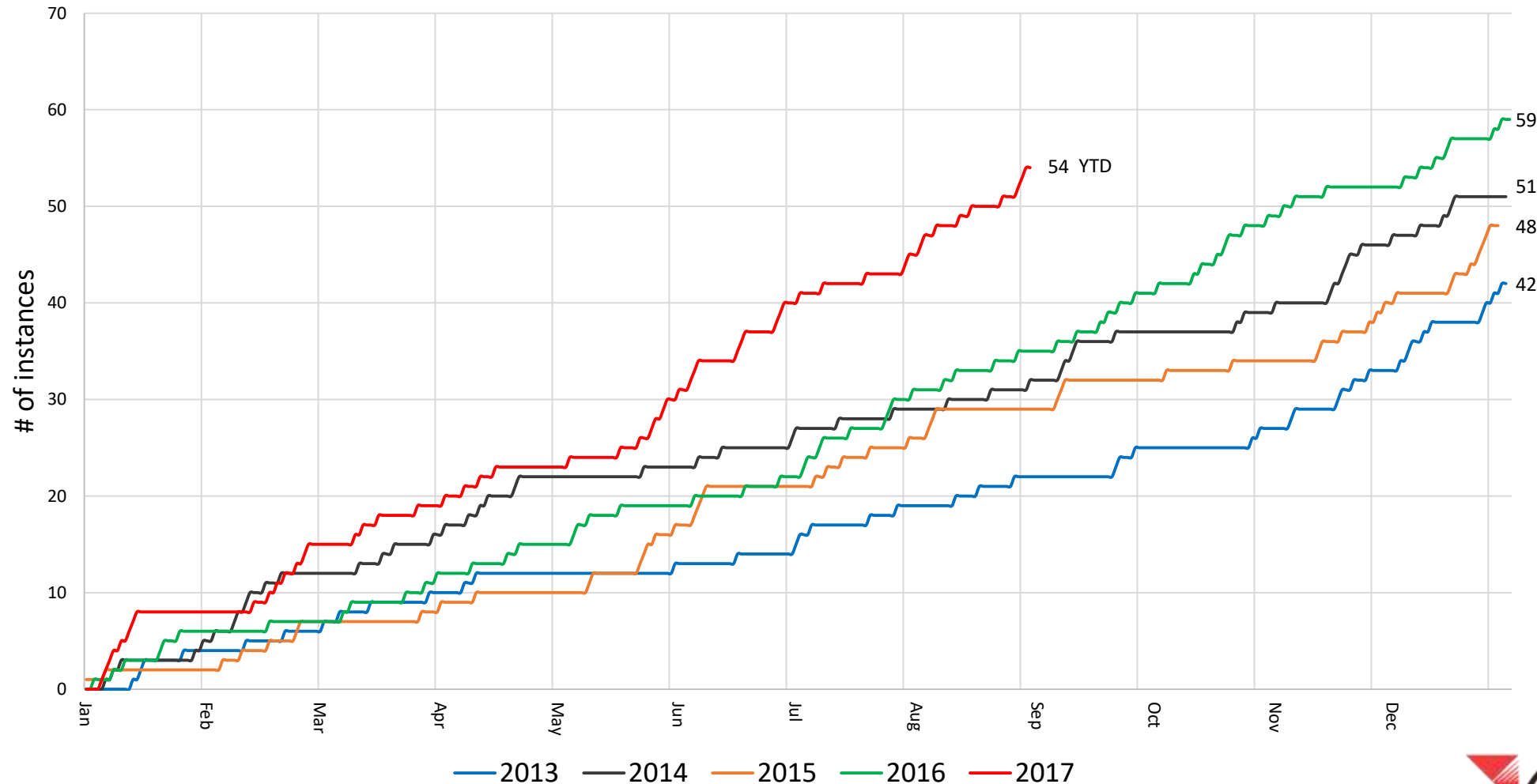


Scheduled and hourly volumes include Mojave Pipeline as Kern River is typically the swing pipeline on the Common Facilities

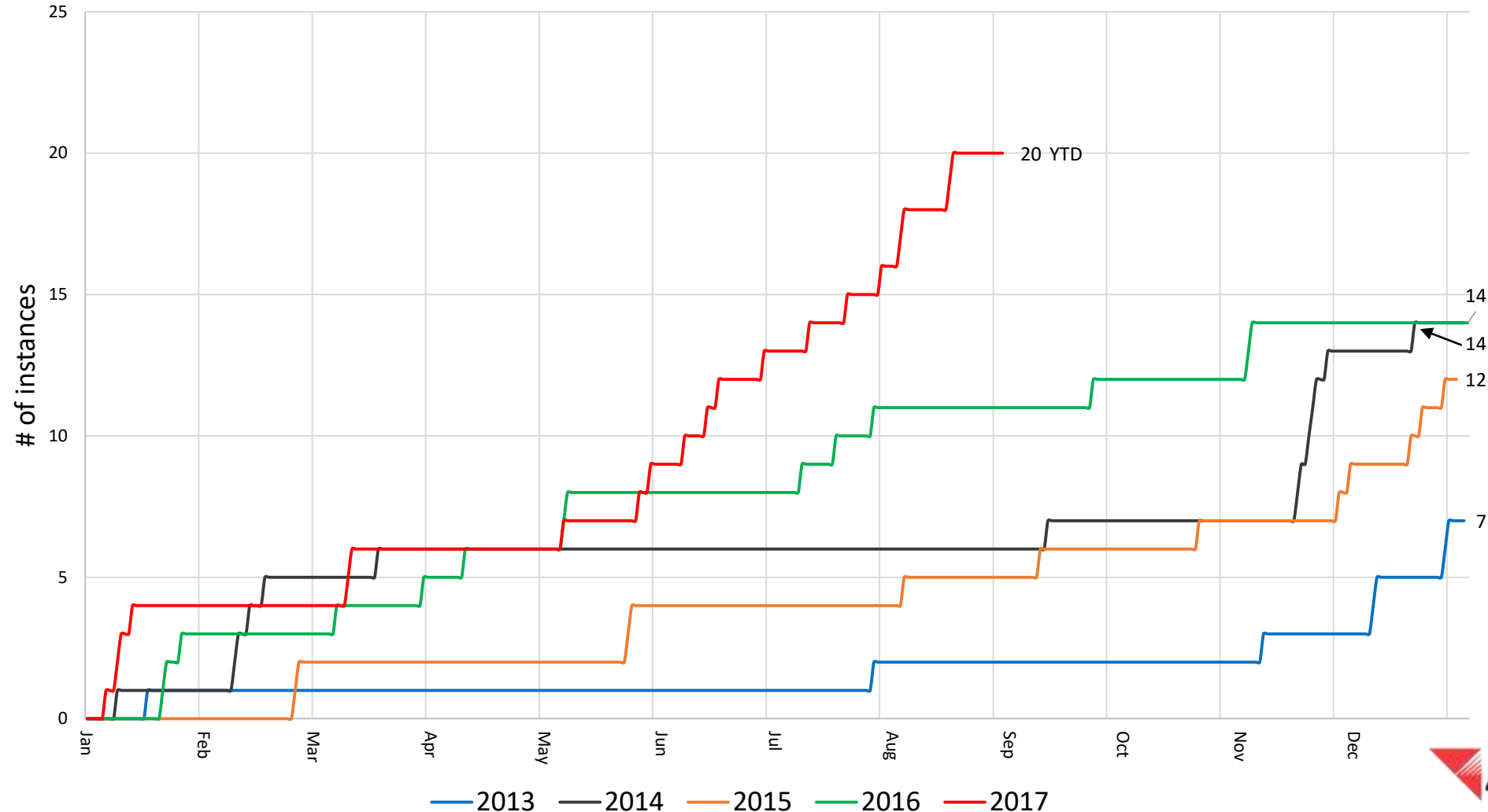
Percentage of Days with Large System Inventory Changes (January-August)



Number of Days with at least 100,000 Mcf System Inventory Changes



Number of 3 Consecutive Days with at least 250,000 Mcf System Inventory Changes



Number of High and Low System Inventory Notices (January-August for all years)

Year	Low Inventory Notices	High Inventory Notices	Total Days with Notices
2013	10	10	20
2014	7	10	17
2015	4	10	14
2016	10	28	38
2017	9	46	55

Number of High and Low System Inventory Notices (through September 1, 2017)

Year	Low Inventory Notices	High Inventory Notices	Total Days with Notices
2013	13	15	28
2014	15	14	29
2015	6	24	30
2016	10	49	59
2017	9	46	55

Reliable Firm Service

- Kern River is committed to providing reliable service
 - Will not be compromised
- Daily and hourly imbalances are impairing our ability to meet the commitment
- Tariff language and OBA terms provide means to manage conditions
 - “Transporter will not be obligated to deliver to Shipper on any Day a greater Quantity of Gas, on a Thermally Equivalent basis, than it has received from shipper on such Day, reduced by the Quantity required for fuel used and lost and unaccounted-for gas.”
 - Kern River tariff, GT&C, section 10.2
 - “Shipper and Transporter will attempt to keep departures from scheduled receipts and deliveries to a minimum”
 - Kern River Tariff, GT&C, section 10.6(b)
 - “The Parties intend that the quantity of gas actually delivered and received each day at each location will equal the Scheduled Quantities for that location.”
 - Section 2 of Kern River’s standard OBA
 - “Transporter will have the right to take actions of whatever nature may be required (including termination or reduction of service to Shipper) to correct any imbalances which impair the operation of or threaten the integrity of its system, including maintenance of service to other Shippers.”
 - Kern River tariff, GT&C, section 10.9
 - Kern River has the “right to take actions of whatever nature may be required (including interruption or suspension of service to the Location) to correct any Operational Imbalances that may impair the operation of, threaten the integrity of, or interfere with maintenance of service on” Kern River’s system.
 - Section 4(b) of Kern River’s standard OBA

Maintain Reliability

- Market conditions and customer behavior have changed
- Kern River will continue to provide a reasonable amount of flexibility but will not allow system integrity to be impacted
- Kern River will be proactive to protect the integrity of the system
- When conditions exist that cause Kern River to be concerned with the integrity of its system, notices will be provided to advise customers of requirements and corrective actions Kern River will take, if necessary
- Corrective actions will include control of physical flows at delivery points and curtailment of previously scheduled quantities