TENNESSEE GAS PIPELINE COMPANY
FERC Gas Tariff
FIFTH REVISED VOLUME NO. 1

Seventh Revised Sheet No. 323
Superseding
Sixth Revised Sheet No. 323

GENERAL TERMS AND CONDITIONS (continued)

10.4 Right-of-First Refusal and Extension of Long Term Firm Service Agreements -

10.4.1 Unless Transporter and Shipper expressly agree otherwise in Shipper's service agreement, this Article III, Section 10.4 shall apply only to long term firm service agreements at the applicable maximum rate or to long term firm service agreements entered into prior to March 27, 2000 (qualifying agreement(s)). A Shipper holding a qualifying agreement may exercise a right-of-first refusal in accordance with, and subject to, the procedures and limitations set forth below; provided, however, that if the qualifying agreement is at a negotiated or less than maximum rate, such agreement must be extended at the applicable maximum rate for a term of one year or more in order to retain a right-of-first refusal beyond the extended term. Unless Transporter and Shipper expressly agree otherwise in Shipper's service agreement, a right-of-first refusal does not apply to negotiated rate arrangements, to firm service agreements at less than the applicable maximum rate, to firm service agreements with a term of less than one year or to a geographic portion of the transportation service.

10.4.2 Except as provided in Section 10.4(e) and Section 10.5 below and except as provided in Section 8 of Rate Schedule FT-BH, the following procedure shall govern extensions of qualifying agreements:

Transporter shall provide notice to a Shipper receiving service from Transporter pursuant to Part 284 of the Commission's regulations under a qualifying agreement thirteen (13) months prior to the expiration of the Agreement's primary term. Unless Shipper then elects upon one year's prior written notice to Transporter to terminate the Agreement or to request a lesser extension term, the Agreement will automatically extend upon the expiration of the primary term for a term of five years. Thereafter the Agreement shall repeatedly extend for successive five year terms unless Shipper provides notice as described above in advance

of the expiration of a succeeding term. If a Shipper elects to extend a qualifying agreement, or any portion of its contract quantity thereunder, for less than the automatic extension period provided therein as described above, then Transporter, at its option and in a manner which is not unduly discriminatory, shall either accept Shipper's requested extension period or shall require Shipper to exercise its right-of-first refusal by making the capacity under such agreement available in accordance with the following procedures:

(a) Transporter shall post the capacity for bidding on PASSKEY no later than 180 days prior to the expiration of the current service agreement. Transporter shall provide 30 days prior written notice to Shipper of the date the capacity will be posted. The capacity will remain posted on PASSKEY for a minimum of 20 days with such posting containing the following information with respect to the capacity:

(1) daily and other applicable quantity limitations of capacity available;

(2) receipt and delivery points;

(3) maximum reservation charge as set forth in the Summary of Rates and Charges in Transporter's FERC Gas Tariff;

(4) any applicable restrictions; and

(5) the last day of the Bidding Period, which will terminate no later than 45 days prior to the termination date of the original service agreement.

Issued by: Jake Hiatt, Agent and Attorney-in-Fact
Issued on: October 2, 2000 Effective on: November 1, 2000

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(b) Upon conclusion of the Bidding Period, Transporter shall evaluate the bids in accord with the present value formula set forth in Sections 11.6(b) and 12.6(b) for the evaluation of bids under Transporter's capacity release mechanisms; provided that any bid rate higher than the maximum applicable rate shall be deemed to be a bid equal to the maximum applicable rate. For Bidders proposing a reservation rate or other form of revenue guarantee which exceeds the maximum applicable reservation rate during all or any portion of the term proposed by the Bidder, the NPV calculated for the bid may not exceed an NPV that is calculated assuming that the maximum applicable reservation rate shall be in effect during the full term proposed by the Bidder, in place of the reservation rate(s) or other revenue guarantee(s) proposed by the Bidder.

(c) Within 5 days of the close of the Bidding Period, Transporter shall notify Shipper of the bid having the highest present value to Transporter ("Highest Bid"). Shipper shall have 25 days after receiving notice to notify Transporter as to whether it will match the Highest Bid. If the Shipper elects to match the Highest Bid it must execute a new service agreement which contains the terms of that Bid, which new agreement shall succeed the prior agreement following its expiration without extension; provided however, that Shipper shall not be required to pay any rate higher than the maximum applicable rate.

(d) If Transporter receives no acceptable bids on the capacity, then Shipper may continue to receive service at the maximum rate for the term elected by the shipper or such other rate and/or term as agreed to by Transporter. A Shipper who continues service under such basis shall retain its right of first refusal only if the resulting agreement is a long term firm service agreement.

(e) Unless Transporter and Shipper expressly agree otherwise in Shipper's service agreement(s), a Shipper who has entered into a limited-term firm service agreement(s) pursuant to Article XXVIII, Section 5.8 of these General Terms and Conditions may not elect to extend such limited term agreement pursuant to the provisions of this Article III, Section 10.4.

10.5 Extension of Long Term Service Agreements Pursuant to the 1997 Stipulation and Agreement in Docket No. RP93-151, et al. ("Restructuring Cost Settlement") -

Unless Transporter and Shipper expressly agree otherwise in Shipper's service agreement(s), the following procedure shall govern the extension of long term service agreements for Shippers receiving firm service from Transporter pursuant to Part 284 of the Commission's regulations as of October 23, 1996, and whose long term service agreements are listed in Appendix F of the Restructuring Cost Settlement ("Appendix F Agreement"):

(a) Upon written notice given no later than twelve months before expiration of the current term of its Appendix F Agreement(s) in effect as of October 23, 1996, Shipper may elect to either terminate the Agreement or to extend the term of the Agreement. If Shipper elects to extend the Appendix F Agreement, Shipper may elect a term of less than or equal to five years ("Primary Extended Term") and for any Transportation Quantity thereunder, up to the maximum daily quantity specified in Exhibit A to the Appendix F Agreement at the time of Shipper's election of the Primary Extended Term.

(b) Upon written notice given no later than twelve months before expiration of the Primary Extended Term of its Appendix F Agreement(s), Shipper may elect to either terminate the Agreement or to extend the term of the Agreement. If Shipper elects to extend the Appendix F Agreement, Shipper may elect a term of less than or equal to five years ("Secondary Extended Term") and for any Transportation Quantity thereunder, up to the maximum daily quantity specified in Exhibit A to the Appendix F Agreement at the time of Shipper's election of the Secondary Extended Term.

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(c) Upon written notice given no later than twelve months before expiration of the Secondary Extended Term of its Appendix F Agreement(s), Shipper may elect to either terminate the Agreement or extend the term of the Agreement. If Shipper elects to extend the Appendix F Agreement, the extension shall be governed by the procedures set forth in Section 10.4 of this Article III, subject to Section 10.5 (d) and (e) below.

(d) An extension of an Appendix F Agreement(s) pursuant to either Section 10.5(a) or 10.5(b) above shall be at the applicable maximum rates shown in the Summary of Rates and Charges in Transporter's effective FERC Gas Tariff; provided that such rates will be subject to the Rate Cap set forth in Article VIII of the Restructuring Cost Settlement during the period that such Rate Cap is in effect.

(e) Notwithstanding any provision to the contrary, any bid rate submitted pursuant to Section 10.4(a) and (b) that is higher than the Rate Cap set forth in Article VIII of the Restructuring Cost Settlement shall be deemed to be a bid rate equal to the Rate Cap during the period that such Rate Cap is in effect; and

(f) Notwithstanding anything to the contrary, a Shipper who continues service pursuant to Section 10.4(d) shall retain its right of first refusal for extensions through the Primary and Secondary Extended Terms of the Appendix F Agreement(s).

11. Releases or Assignments of Firm Transportation Services - A Shipper (herein referred to as "Releasing Shipper") under Rate Schedules FT-A, FT-G, FT-BH or FT-IL may notify Transporter that Releasing Shipper desires to be relieved of all or a portion of its maximum daily quantity as set forth in its then effective Transportation Service Agreement. A release for the entire remaining term of the Releasing Shipper's service agreement shall effect a permanent assignment. In the event of a permanent assignment,

the assignee ("Replacement Shipper") shall receive all contractual rights and obligations associated with the released capacity, including any rights of extension or first refusal associated with the assigned capacity.

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