

Tennessee Gas Pipeline

Open Season for Northeast Upgrade Project & Backhaul Service

Open Season Notice
February 22, 2010 -
March 22, 2010

I. General

Tennessee Gas Pipeline Company ("**Tennessee**") hereby announces the commencement of a binding open season ("**Open Season**") for firm forwardhaul transportation service to be made available through upgrades and modifications to its existing system ("**Northeast Upgrade Project**"). Tennessee is also soliciting binding bids for firm backhaul service ("**Backhaul Service**"). Interested parties may submit bids for the Northeast Upgrade Project, for Backhaul Service, or both. Bids submitted in this Open Season are binding on bidder. Tennessee will award capacity to interested parties based on the total economic value of their bids—highest first—for the combination of forwardhaul and backhaul service.

Tennessee has entered into binding Precedent Agreements with two Anchor Shippers subscribing to 100% of the Northeast Upgrade Project for 20 year terms ("Original Anchor Shippers"). These Precedent Agreements are qualifying, binding bids in the Open Season.

A. Northeast Upgrade Project

The Northeast Upgrade Project will provide incremental forwardhaul firm transportation capacity from Zone 4 receipt points located east of Tennessee's Station 317 to a delivery point in Zone 5 at Mahwah, New Jersey. Tennessee anticipates the amount of firm transportation quantity ("**TQ**") available under the Northeast Upgrade Project to be approximately 636,000 Dth/day ("**Project TQ**"). The anticipated in-service date of the Northeast Upgrade Project is November 1, 2013.

B. Backhaul Service

Tennessee is offering Backhaul Service from Zone 4 receipt points located west of Tennessee's Station 321 to delivery points located no further west than Station 313 in Zone 4. Tennessee will consider qualifying bids requesting Backhaul Service to commence no later than July 1, 2010, up to a maximum primary term of five (5) years from the proposed start date of the requested service. Tennessee anticipates the indicative quantity and timing of Backhaul Service to be as follows:

1. Immediately available -- up to 50,000 Dth/day
2. Beginning November 1, 2010 -- up to 120,000 Dth/day
3. Beginning July 1, 2011 -- up to 175,000 Dth/day
4. Beginning November 1, 2011 -- up to 311,250 Dth/day

The exact availability depends on anticipated facility modifications and the start and end dates of requested service; interested parties are encouraged to submit terms that best fit their needs within the parameters set forth above.

C. Additional General Information

This Open Season will commence as of this notice and end at 4:00 p.m. CCT on March 22, 2010 ("**Open Season Period**"). Tennessee will then evaluate the qualifying binding bids and intends to announce the results of the Open Season by March 29, 2010. By submitting binding qualifying bids as described below, a bidder to whom Tennessee awards any of the Project TQ, Backhaul Service TQ, or both agrees to enter into one or more firm service agreements with the terms of service set forth in the awarded bid(s).

To ensure timely resolution of credit arrangements for either the Northeast Upgrade Project, Backhaul Service, or both, potential shippers are encouraged to submit by end of day on March 1, 2010 a completed and executed Service Request Form ("**SRF**"), included with this notice, accompanied by sufficient financial information and authorized credit contact for purposes of finalizing any required credit support arrangements related to the request by the end of the Open Season Period. If the completed SRF expresses interest in the Northeast Upgrade Project, Tennessee will provide prospective bidder with a confidentiality agreement and, upon Transporter's receipt of the executed confidentiality agreement, Transporter will provide the pro forma precedent agreement to prospective bidder.

In order to submit a qualifying binding bid within the Open Season Period for (A) the Northeast Upgrade Project only or (B) both the Northeast Upgrade Project and the Backhaul Service, a potential shipper must submit, in addition to the previously submitted and executed SRF, (1) an executed precedent agreement for the Northeast Upgrade Project, with a minimum term of 20 years, in the form provided by Tennessee (with any requisite management or board approvals received) ("**Precedent Agreement**"), and (2) credit support in the form of an executed parent guaranty or letter of credit satisfactory to Tennessee, in the event the potential shipper does not satisfy Tennessee's creditworthiness requirements.

In order to submit a qualifying binding bid within the Open Season Period for only the Backhaul Service, a potential shipper must submit, in addition to any previously submitted SRF, credit support satisfactory to Tennessee, in the event the potential shipper does not satisfy Tennessee's creditworthiness requirements.

Submit bids to:

Tennessee Gas Pipeline
Attention: Russ Mahan
Fax: 713.420.4343
Email: Russell.Mahan@EIPaso.com

II. Service Type, Rates and Fuel

Service for the Northeast Upgrade Project and Backhaul Service will be provided pursuant to Tennessee's Rate Schedule FT-A, as more fully described in and pursuant to Tennessee's Federal Energy Regulatory Commission ("**FERC**") Gas Tariff.

Shippers interested may select on the SRF either the maximum applicable cost-of-service recourse rate or a negotiated rate, in the case of the Northeast Upgrade Project, and/or the maximum applicable cost-of-service recourse rate or a discounted rate, in the case of the Backhaul Service, for the specified term of the firm transportation service agreement. The Precedent Agreement submitted as the binding bid should conform to the selection made on the previously submitted SRF.

A. Northeast Upgrade Project

The indicative initial incremental recourse rate for the Northeast Upgrade Project is approximately \$0.51 per dekatherm, per day. Shippers would pay the maximum recourse rate for the Northeast Upgrade Project unless such shippers submit a negotiated rate bid that is acceptable to Tennessee.

If a maximum recourse rate is selected, shippers will pay the applicable demand and commodity rates, surcharges, and fuel and loss charges under Transporter's Rate Schedule FT-A, as approved by the FERC specifically for service on the Northeast Upgrade Project facilities.

If a negotiated rate is selected, shippers' base negotiated rate will be as set forth in the negotiated rate letter agreement ("**Negotiated Rate Agreement**"). In addition to the base negotiated rate, shippers will pay all applicable surcharges and fuel and loss charges.

B. Backhaul Service

The maximum recourse rate for the Backhaul Service is Tennessee's current maximum demand, commodity and fuel rates for Zone 4 receipts to Zone 4 deliveries.

If a maximum recourse rate is selected, shippers will pay the applicable demand and commodity rates, surcharges, and fuel and loss charges under Transporter's Rate Schedule FT-A, as set forth in Tennessee's FERC Gas Tariff.

If a discounted rate is selected, shippers' rate will be as set forth in the applicable agreement(s), to be executed by the parties. In addition to such rate, shippers will pay all applicable surcharges and fuel and loss charges.

III. Anchor Shipper Status and Benefits

Shippers may qualify to bid as anchor shippers for the Northeast Upgrade Project by submitting the documentation described in Section I.C. above that commit to (1) a Project TQ equal to or greater than 125,000 Dth per day and (2) a contract term of at least 20 years ("**Anchor Shipper(s)**"). As set out in the Precedent Agreement and subject to FERC approval, Anchor Shippers that choose the negotiated rate option will receive incentives to commit to the Northeast Upgrade Project: (a) five year extension rights; and (b) a negotiated rate cap for construction overrun risk, which shall be no less than 106% of Shipper's base negotiated rate.

IV. Shipper Benefits

All shippers awarded capacity in this Open Season will have rights regarding secondary service and capacity segmentation as provided in Tennessee's FERC Gas Tariff. If bidder chooses the negotiated rate option, then the applicability of the negotiated rates to segmented quantities, point amendments or secondary points will be provided in Negotiated Rate Agreement. Tennessee's existing rate zones will be used for determining secondary access. All shippers which select the negotiated rate option for the Northeast Upgrade Project are eligible to request secondary service and capacity segmentation rights to meet their specific service needs. Such secondary and segmentation rights will be reflected in the shipper's Negotiated Rate Agreement and negotiated on a not unduly discriminatory basis.

The Negotiated Rate Agreement for the Northeast Upgrade Project also provides for conditions on the pass through of the negotiated rates to secondary shippers to whom capacity is released and to asset managers using the capacity as anticipated by Tennessee for the primary shipper.

V. Open Season Process

Participation in this Open Season shall be considered binding on the bidders upon submission of their bids.

Bids may be submitted for all or a portion of the Northeast Upgrade Project TQ and/or Backhaul Service TQ. The capacity will be awarded as follows: first, to the Anchor Shipper bidder(s) that submit(s) the bid(s) with the highest total economic value to Tennessee on a net present value basis, which will be determined by the combined total reservation revenues generated by the bid(s) for both the Northeast Upgrade Project TQ and the Backhaul Service TQ (if applicable) through the lesser of the (A) bid's primary term or (B) 20 years of service for the Northeast Upgrade Project or 5 years of service for Backhaul Service; second, if Tennessee receives at least one other Anchor Shipper bid for the Northeast Upgrade Project at a rate with economic value equal to or greater than the Precedent Agreement(s) with either of the two Original Anchor Shippers, then Tennessee will next allocate up to twenty percent (20%) of the Northeast Upgrade Project TQ among those other Anchor Shipper bids on a net present value basis (and pro rata among equal bids). On this basis, up to approximately 127,200 Dth/d of Northeast Upgrade Project TQ will be made available for such qualifying Anchor Shipper bids.

To the extent a shipper has any minimum contract quantity below which it does not desire the capacity or any contingencies to its bid, it should so indicate on the SRF. If it is necessary to allocate capacity, and bidder does not receive the minimum contract quantity requested, Tennessee will notify bidder and its request will be deemed null and void.

Award of capacity will be done in a manner which achieves a fully subscribed project under contracts on economic terms acceptable to Tennessee.

Tennessee reserves the right, upon notice and in its sole discretion, at any time during this Open Season to terminate the Open Season or to extend its Open Season Period. In

addition, Tennessee reserves the right to modify this Open Season to accommodate market interest. Tennessee reserves the right, on a not unduly nondiscriminatory basis, to reject any SRF or executed precedent agreement which, in Tennessee's sole determination, is incomplete, is inconsistent with the terms of this Open Season, contains additions or modifications to the terms of the SRF or precedent agreement, is otherwise deficient in any respect (including failure to provide credit support as Tennessee deems necessary) or requests service outside the scope of the Northeast Upgrade Project or the Backhaul Service. This Open Season is subject to Tennessee's FERC Gas Tariff and to all applicable laws, order, rules, and regulations of authorities having jurisdiction.

VI. Creditworthiness

In order to submit a qualifying bid, all potential shippers must meet certain minimum financial criteria. Interested parties submitting a complete SRF with financial information will be contacted for further evaluation by Tennessee of the interested party's creditworthiness and credit support. Potential shippers will ultimately be required to demonstrate an ability to satisfy Tennessee's creditworthiness provisions in order to be considered in the awarding of capacity and must agree to provide all required credit support documents (such as a parent guaranty or letter of credit in form and substance acceptable to Tennessee). Tennessee reserves the right to reject any potential shipper if Tennessee, in its sole discretion, deems such potential shipper to be an unacceptable credit risk.

Following submission of a complete SRF with financial information, an interested party will be contacted by Tennessee's Credit Manager, Sharon Kimball, at 713-420-2062 or Sharon.Kimball@elpaso.com to provide financial information requested by Tennessee in accordance with Article XXVIII, Sections 4.1 and 4.2 of the General Terms & Conditions of Tennessee's FERC Gas Tariff. Tennessee will conduct a credit evaluation in the manner outlined in Article XXVIII, Section 4.3 of the General Terms & Conditions of Tennessee's FERC Gas Tariff. Additionally, in the event a potential shipper is deemed non-creditworthy by Tennessee, the potential shipper will need to provide, within the Open Season Period, credit assurance to Tennessee, in form and substance acceptable to Tennessee in its sole discretion. Such creditworthiness requirements shall remain in effect during the term of the precedent agreement, for the Northeast Upgrade Project, as well as the term of shipper's transportation agreement(s), for the Northeast Upgrade Project and/or Backhaul Service as applicable.

VII. Turnback Capacity Solicitation

Existing shippers who currently hold firm transportation capacity on Tennessee that shipper believes (subject to Tennessee's evaluation and confirmation in its sole discretion) could be used in lieu of a portion(s) of the proposed Northeast Upgrade Project, as defined and accepted by Tennessee, are invited to notify Tennessee of their desire to permanently relinquish their capacity for use in the Northeast Upgrade Project. Those who wish to turn back such capacity must notify Tennessee, in writing, of the TQ, term, receipt point(s), delivery point(s), contract number(s), and any other relevant information necessary to effectuate the permanent relinquishment of such capacity. In order for Tennessee to consider anticipated turnbacks of capacity, such notification must be received by 4:00 pm CCT on March 15, 2010. This solicitation of turnback capacity is

not binding on Tennessee. Turnback requests are subject to rejection or pro ration based upon the results of this Open Season and this turnback solicitation as determined by Tennessee in its sole discretion.

Tennessee reserves the right to reject, in its sole discretion, any turnback requests that are incomplete, contain modifications to the terms of the turnback capacity solicitation, or are submitted with any conditions on the turnback capacity. The final design of the Northeast Upgrade Project will be based in part on the results of this capacity turnback solicitation.

If you have any questions regarding this Open Season, please contact Russ Mahan at (713) 420-2424 or Russell.Mahan@EIPaso.com. A copy of the Open Season and the map of the Northeast Upgrade Project are available at: <http://elpaso.com/northeastupgrade>.

**Northeast Upgrade Project and Backhaul Service
Service Request Form**

Shipper Information: Name: _____
Address: _____

Northeast Upgrade Project --

Total Contract Quantity: (TQ) _____ Dth/d
Minimum Contract Quantity (if prorated) _____ Dth/d

Rate Election (select only one below):

Maximum Recourse Rate: (check box)
Base Negotiated Demand Rate: \$____ (Enter \$/Dth/d)
Negotiated Rate Cap for Construction Overrun Risk: \$____
(Enter \$/Dth/d; no less than 106% of the Base Negotiated Demand Rate)

Backhaul Service --

Total Contract Quantity: (TQ) _____ Dth/d
Minimum Contract Quantity (if prorated) _____ Dth/d

Rate Election (select only one below):

Maximum Recourse Rate: (check box)
Discounted Rate: \$____ (Enter \$/Dth/d)

Additional Information to Clarify Rate Election

Additional Information to Clarify Rate Election

Receipt Point(s):* Dth/d

Receipt Point(s): Dth/d

Delivery Point(s):* Dth/d
Mahwah, NJ (into Algonquin) _____

Delivery Point(s): Dth/d

*(minimum quantity of 125,000 Dth/d)

Primary Contract Term: ____ Years (20 year minimum term)
Start Date: _____
End Date: _____

Primary Contract Term: ____ Years (5 year maximum term)
Start Date: _____
End Date: _____

Additional Information To Clarify Request _____

Additional Information To Clarify Request _____

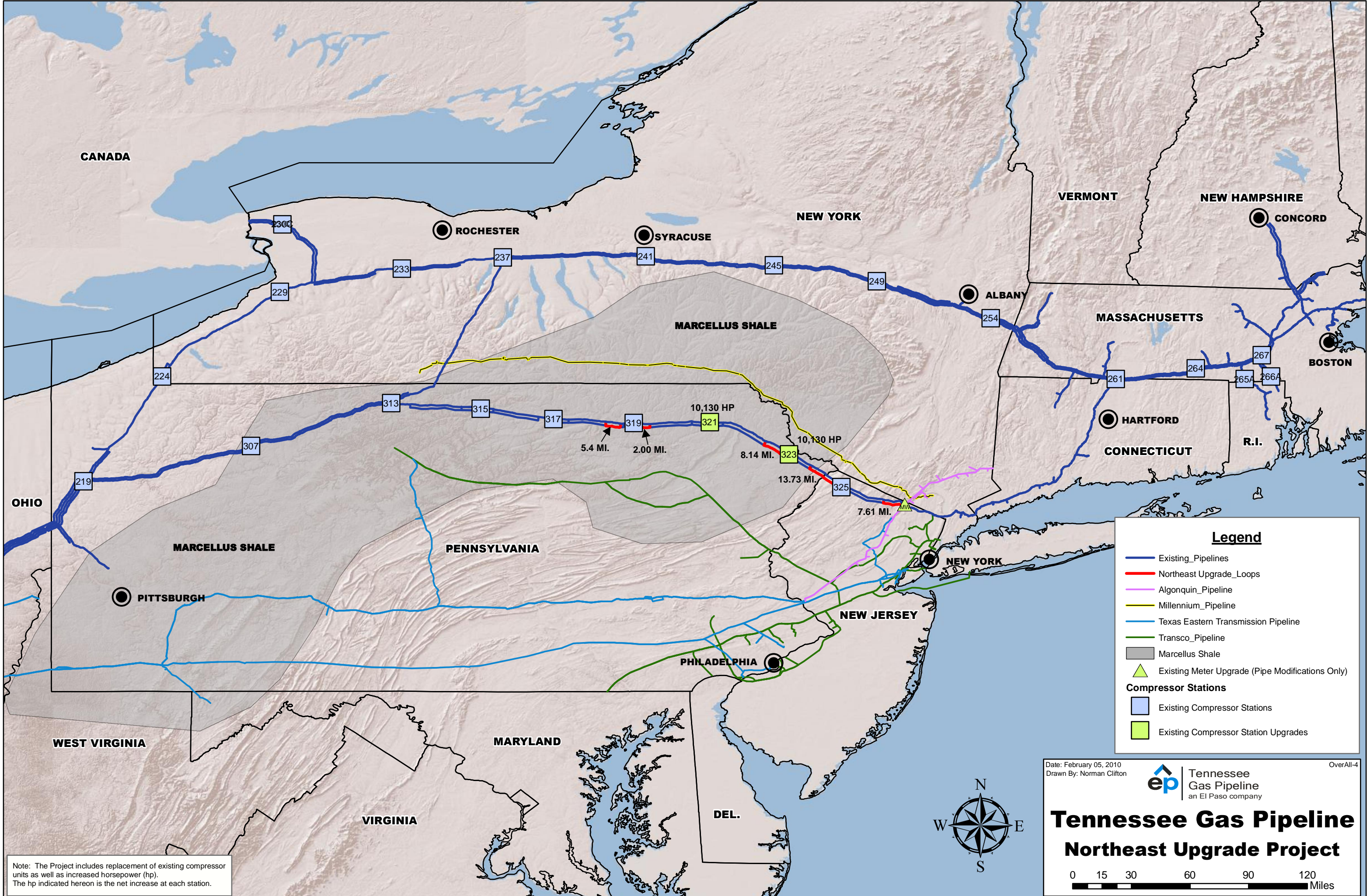
Financial and/or Credit Information: Attached _____

Sent Separately _____

Submitted by: _____
Signature of Duly Authorized Representative
Name _____
Title _____
Company _____
Telephone _____
E-mail _____

Please return this form and, if applicable, executed precedent agreement to:

Russ Mahan
Tennessee Gas Pipeline Company
1001 Louisiana Street
Houston, TX 77002
Fax: 713-420-4343
Email: Russell.Mahan@EIPaso.com



Legend

- Existing Pipelines
- Northeast Upgrade Loops
- Algonquin Pipeline
- Millennium Pipeline
- Texas Eastern Transmission Pipeline
- Transco Pipeline
- Marcellus Shale
- Existing Meter Upgrade (Pipe Modifications Only)

Compressor Stations

- Existing Compressor Stations
- Existing Compressor Station Upgrades

Note: The Project includes replacement of existing compressor units as well as increased horsepower (hp). The hp indicated hereon is the net increase at each station.

Date: February 05, 2010
 Drawn By: Norman Clifton

ep Tennessee Gas Pipeline
 an El Paso company

**Tennessee Gas Pipeline
 Northeast Upgrade Project**

0 15 30 60 90 120 Miles

OverAll-4

