

GULF STATES TRANSMISSION LLC

PROCEDURES

FOR

STANDARDS OF CONDUCT

FOR

TRANSMISSION PROVIDERS

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I. STATEMENT OF POLICY

It is the Policy of Gulf States Transmission LLC (“Gulf States” or “GST”) to comply with the Federal Energy Regulatory Commission’s Standards of Conduct for Transmission Providers. Gulf States is an indirect wholly owned subsidiary of Regency Energy Partners LP (“Regency”).

The Standards of Conduct (18 C.F.R. part 358) are attached hereto. To achieve this objective, Gulf States has developed and published these procedures intended to implement the requirements of 18 C.F.R. Part 358 (hereinafter “Procedures”). These Procedures specify general compliance procedures, training requirements, intra-company hiring practices, and a requirement of non-discrimination in the manner in which GST conducts its business. Documentation requirements and the required public disclosure of certain information as specified in the Standards of Conduct are set forth in these Procedures also. These Procedures discuss the responsibilities of Transmission Function Employees, Marketing Function Employees, and other Regency employees, officers, consultants, contractors, and agents that may become privy to Transmission function information about Gulf States. In the event of a change in the manner in which Gulf States or the affiliates of Gulf States (or the employees of Gulf States or its affiliates) conduct Transmission Functions or Marketing Functions, the Chief Compliance Officer will be promptly contacted in order that a prompt determination can be made as to whether such change causes an employee to become a Transmission Function Employee or Marketing Function Employee.

Should any employee of GST or its affiliates or a customer or potential customer have any questions concerning this Policy, the Procedures, or wish to report any departure from or potential non-compliance with the Procedures, that person may contact the Compliance Officer identified herein. It is the policy of GST and its affiliates that communications with the Compliance Officer will be addressed as promptly as practicable.

II. DEFINITIONS

- A. “Marketing Functions” means the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions: (1) bundled retail sales, (2) incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities, (3) sales of natural gas solely from a seller’s own production, (4) sales of natural gas solely from a seller’s own gathering or processing facilities, and (5) sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline exempt from the Natural Gas Act, or by a local distribution company making an on-system sale.
- B. “Marketing Function Employee” or “MFE” means an employee, contractor, consultant or agent of a Transmission Provider or of an affiliate of a

Transmission Provider who actively and personally engages on a day-to-day basis in marketing functions.

- C. “Transmission” means natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to 18 CFR Section 284 subparts B or G.
- D. “Transmission Functions” means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests.
- E. “Transmission Function Employee” or “TFE” means an employee, contractor, consultant or agent of Gulf States who actively and personally engages on a day-to-day basis in transmission functions.
- F. “Transmission Function Information” means information related to Transmission Functions.
- G. “Transmission Provider” includes any interstate pipeline that transports gas for others pursuant to 18 C.F.R. subparts B or G of part 284. It does not include a natural gas storage provider authorized to charge market-based rates.

In order to be user friendly, these Procedures do not attempt to provide detailed or technical elaboration of these definitions.

III. GENERAL PRINCIPLES

Section 358.2 of the FERC’s regulations sets forth the “General Principles” pursuant to which Transmission Providers, such as GST, are to conduct their business:

- (a) A Transmission Provider must treat all Transmission customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to any transportation of natural gas in interstate commerce or with respect to the wholesale sale of natural gas in interstate commerce.
- (b) TFEs must function independently of MFEs, except as permitted otherwise by Commission rule or order.
- (c) A Transmission Provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public Transmission Function Information to MFEs.
- (d) A Transmission Provider must provide equal access to non-public Transmission Function Information to all its Transmission Function customers, affiliated and non-affiliated, except in the case of confidential customer information or Critical Energy Infrastructure Information.

IV. IDENTIFICATION OF TFEs AND MFEs

The names and titles of TFEs and MFEs are posted on the intranet of Regency and updated by the Compliance Officer. If a change in a Regency employee's day-to-day function is contemplated or occurs such that the employee may qualify as a TFE or MFE, the employee or the employee's supervisor will promptly contact the Compliance Officer, in order that a prompt determination can be made as to whether such employee becomes a TFE or MFE. The Compliance Officer will also conduct periodic reviews of job functions. The Compliance Officer will distribute the names of TFEs and MFEs to all Regency employees periodically and when changes occur.

The following GST affiliates perform Marketing Functions and retain MFEs:

Affiliate	Business Type	Reason(s)
Regency Field Services LLC	Gathering and Processing Gas	Sells natural gas for resale in interstate commerce

V. INDEPENDENT FUNCTIONING

TFEs will function independently of MFEs, and will not interact during work hours except in relation to a MFE's request for service or company-wide meetings that do not involve transmission system information. MFEs will be prohibited from performing Transmission Functions for GST, or having access to gas system control centers or similar facilities used for Transmission Functions of GST in any way that differs from the access available to other Transmission customers. TFEs located at the same office location as MFEs will maintain isolated office space with secure, key-card access not accessible by MFEs. TFEs located at the same office location as MFEs will not conduct meetings with customers or potential customers at such office location.

Gulf States' Transmission Function operations are carried out by TFEs, which include Regency employee(s) and designated employees of EPC Producer Services. Because Gulf States' system is limited in size (approximately 10 miles) and has limited shippers, a few people are able to carry out all day-to-day operations of the Transmission system. Other Regency employee(s) and contractors may perform various duties for Gulf States, but will not perform Transmission Functions for Gulf States, nor will such employees perform Marketing Functions. TFEs and Regency employee(s) and contractors who may become privy to non-public information about GST will not share any non-public Transmission Function Information to MFEs or act as a conduit to transfer such information to them. Employees with access to GST's Transmission function information will be advised that internal documents containing Gulf States' Transmission Function Information should include the heading "Contains Gulf States' Transmission Function Information – Do Not Disclose to Marketing Function Employees".

Appropriate database security exists between GST's databases and computer systems and those of its MFEs through password-protected files, password logins, and/or

restricted system access. Information Technology representatives will obtain the Compliance Officer's authorization prior to granting MFEs access to system information related to any of Regency's facilities so the Compliance Officer can verify with Information Technology that such access does provide the MFE with Gulf States' Transmission Function Information.

Certain Regency employees, who are not engaged in Transmission Functions or Marketing Functions may, from time to time, provide services to GST and its affiliates engaged in Marketing Functions. Those employees may include, without limitation, field operations and maintenance, engineering, accounting, tax, credit, human resources, legal, regulatory, information technology, finance and treasury, risk management, investor relations, and corporate communications, among others. Employees providing such services may not engage in Marketing Functions or Transmission Functions. Training will be provided to these employees that may become privy to Transmission Function Information. The officers of Gulf States and its affiliates will also receive training to assure that they do not perform TFE or MFE functions or act as "conduits" for information that should not be communicated to MFEs.

VI. AFFILIATE AND EMPLOYEE INTERNET POSTINGS

The following procedures will implement the Commission's regulations (18 C.F.R. §§ 358.7(e)(f) and (g)) requiring Gulf States to post on its Internet Website certain information about its affiliates and TFEs.

A. Posting of Affiliates

Gulf States will post on its Internet Website (1) the names and addresses of its affiliates that employ or retain MFEs and (2) a complete list of the facilities where both TFEs and MFEs are located, including the types of facilities shared, and their addresses. These postings will be updated within seven business days of any change and also include the date on which the information was updated. If any potential merger is publicly announced, Gulf States will also post information concerning the potential merger partners within seven days of the announcement.

B. Posting of TFE Information

Gulf States will post on its Internet Website the job titles and job descriptions of its TFEs.

C. Transfer of Employees

1. The Human Resources department will notify the Compliance Officer or her designee by e-mail of any change in status of a Regency employee (including new hires, transfers, terminations, change in supervisor, job title/description change, etc.) weekly.
2. GST will post to its Internet Website notice of any employee transfers between TFEs and MFEs, including the name of the transferring employee, the respective titles as an MFE and TFE, and the effective date

of the transfer. Transfer information will be posted within seven days of the transfer and will remain posted for at least ninety days. In addition, as part of GST's efforts to comply with the Standards of Conduct for Transmission Providers, the restrictions on cycling will be communicated to employees at the earliest possible date, *i.e.*, when reviewing job postings for jobs implicated by the limitations on transfers, or "cycling". This disclosure will have the salutary effect of putting the employee on notice regarding the consequences such a move may have on their own ability to seek new opportunities within the Regency family of companies.

Following is language that will appear in all of the internal job postings for TFEs and MFEs:

For GST job postings:

Note that if you are a Marketing Function Employee and are the successful applicant for this job at Gulf States Transmission, you may be restricted in your ability to move back as a Marketing Function Employee for an extended period of time (case-by-case determinations will be made, but you should assume that it will be for a period of at least a year). This limitation is a requirement imposed on the Company by the Federal Energy Regulatory Commission regarding the cycling between Marketing Function Employees and Transmission Function Employees.

For job postings by affiliates that retain/employ MFEs:

Note that if you are a Transmission Function Employee of Gulf States Transmission LLC and are the successful applicant for this job as a Marketing Function Employee, you may be restricted in your ability to move back as a Transmission Function Employee of Gulf States Transmission LLC for an extended period of time (case-by-case determinations will be made, but you should assume that it will be for a period of at least a year). This limitation is a requirement imposed on the company by the Federal Energy Regulatory Commission regarding the cycling of Transmission Function Employees and Marketing Function Employees.

In addition, the Standards of Conduct indicate that transfers are permitted as long as such transfers are not being used as a means to circumvent the Standards of Conduct. Thus, for each employee transferring from a TFE to a MFE, the Compliance Officer will scrutinize the particular job descriptions of the employee's new and old positions in order to be assured that there are no problems posed by the proposed job change.

VII. DISCLOSURE OF TRANSMISSION FUNCTION INFORMATION

A. Non-Public Transmission Function Information

Should GST disclose non-public Transmission Function Information to MFEs, the non-public communication will be immediately provided to the Compliance Officer and posted on GST's Internet Website. Provided however, if the disclosure included non-public Transmission customer information, critical energy infrastructure information or any other information that is deemed for limited dissemination, Gulf States will only post a notice on its Internet Website that the information was disclosed.

Should Gulf States receive written, voluntary consents from customers permitting GST to share the customer's non-public information to MFEs, Gulf States will post a notice on its Internet Website of any such consent with a statement that Gulf States did not provide any preference, either operational or rate-related, in exchange for the customer's voluntary consent. GST will preserve all such consents, including any amendments, transfers, or withdrawals, for a period of three years.

B. MFE's Request for Service

TFEs and MFEs may discuss information related to a MFE's request for service on Gulf States and such information is not required to be disclosed on Gulf States' Internet Website.

C. Recording Exchanges

TFEs and MFEs may exchange information necessary to maintain or restore operation of the Transmission system. In such instances, a record of any such exchanges shall be retained by the MFE and TFE for a period of five years in a file that can be reviewed by the Compliance Officer periodically. The record of exchanges shall be dated and may consist of hand-written or typed notes, electronic records, such as e-mails and text messages, recorded telephone exchanges, and the like.

VIII. BOOKS AND RECORDS

GST currently maintains its books of account and records separately from its Marketing Affiliates, and will continue to do so. These accounts and records are available for Commission inspections.

IX. TRAINING AND COMPLIANCE PERSONNEL

A. Training

GST will provide training with respect to these Procedures and the Standards of Conduct to all of the following employees, on the following schedules:

1. All TFEs, MFEs, officers, directors, supervisory employees and other employees who may become privy to Transmission Function Information.
2. Various other employees, consultants, contractors and agents of Regency for whom training is not required, will be trained periodically by GST in an effort to develop a company-wide awareness of the obligations of GST under the Standards of Conduct, with a focus on the No Conduit rule.
3. The persons identified in A.1 of this section will be trained within 30 days of their employment.
4. The persons identified in A.1. of this section will be trained on an annual basis.

Supervisory employees and/or Human Resources will advise the Compliance Officer if a consultant, contractor, or agent has been retained by Regency. The Compliance Officer will determine if the consultant, contractor or agent will be performing Transmission Functions, Marketing Functions or may become privy to Transmission Function Information. In such instances, the consultant, contractor or agent will be trained within the timelines discussed above.

Upon the completion of training, each participant will certify that s/he has completed the training and that s/he will not be a conduit for communicating non-public Transmission Function Information to MFEs.

B. Compliance Officer

The Compliance Officer for GST will be:

Ms. Deena Jordan
Regency Gas Services LP
2001 Bryan Avenue, Suite 3700
Dallas, TX 75201
Phone: 214/840-5812
Cell: 214/519-1541
e-mail: Deena.Jordan@RegencyGas.com

The Compliance Officer, or her delegate, will be responsible for responding to inquiries from the FERC, TFEs, MFEs, Regency officers and employees, customers, and prospective customers regarding GST's compliance with the Standards of Conduct. The Compliance Officer, or her delegate, will also be responsible for monitoring compliance with the Standards of Conduct, including:

1. Distribution of these Procedures as provided for herein;
2. Regular, periodic review of the Internet Website of GST to assure that information required to be posted is current and has been posted on a timely basis;
3. Confirmation that employees required to be trained have in fact been trained, and that such training has occurred according to the schedules provided for in these Procedures;
4. Updating of training materials, as appropriate, in light of FERC orders and decision-making regarding the Standards of Conduct;
5. Retention of either physical or electronic records pertaining to training, as well as archival Internet postings as provided for elsewhere in these Procedures;
6. Assuring that internal job postings contain the Company-required disclosure regarding cycling, and assuring that employee transfers satisfy the Standards of Conduct; and
7. Updating these Procedures as appropriate in light of changes in FERC policy, or due to changes in the business activities of affiliates.

X. NON-DISCRIMINATION REQUIREMENTS

GST understands the application of the “no conduit” rule, and it will be emphasized in the course of the training described elsewhere in these Procedures. The Officers of GST may access Transmission Function Information for purposes of corporate governance, management review and management’s fulfillment of their fiduciary duties, but may not act as a conduit to transfer such information to MFEs. TFEs are permitted to communicate this information to Gulf States’ officers, provided such officers are not MFEs.

All employees receiving training will be made aware that the details of individual third-party Transmission arrangements or communications between GST and customers or potential customers on GST’s system may not be communicated to MFEs. Likewise, GST will emphasize in the training that no MFE can have access to information about GST’s system that is not made available to all customers, either by posting on GST’s Internet Website or by virtue of it being available to the general public without restriction.

GST recognizes, and the required training will identify, the requirement that non-affiliated third parties must be given the same types of information with the same level of detail when GST responds to such non-affiliated third parties’ requests for information or service as GST would provide to MFEs. GST will apply its tariff provisions in a manner that treats all Transmission customers in a manner that is not unduly discriminatory. GST recognizes that it is prohibited from giving any person, including its affiliates performing Marketing Functions, any undue preferential treatment.

XI. TARIFF PROVISIONS

These Procedures for documenting tariff waivers will apply to any waiver of a provision in Gulf States' FERC Gas Tariff. Pursuant to 18 C.F.R. § 388.4(a), Gulf States is required to enforce strictly a tariff provision if there is no permitted discretion in the application of the tariff provision.

- i. Any waiver by Gulf States with respect to discretionary tariff provisions must be on a non-discriminatory basis.
- ii. Gulf States will maintain a written log of waivers that it grants with respect to discretionary tariff provisions. The waiver log will be maintained for a period of five years and will be available for Commission audit.
- iii. Gulf States will post on its Internet Website a notice of any waiver of a tariff provision for an affiliate within one business day of the waiver (unless such waiver has been approved by the Commission).
- iv. Gulf States will not use its tariff provisions to give undue preference to its affiliates with MFEs over another customer relating to the sale and purchase of Transmission service.

XII. PROCEDURES

GST will post these Procedures on its Internet Website. Customers and the Commission will be able to determine that GST is in compliance with the requirements of these Procedures and the Standards of Conduct by measuring GST's performance against the milestones, commitments, and deliverables set forth in these Procedures. These Procedures will be distributed to all TFEs, MFEs, employees, officers, agents, contractors and consultants of GST and its affiliates who may become privy to Gulf States' Transmission Function Information.