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Gulfstream Natural Gas System, L.L.C.

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Introduction

On November 25, 2003, the Federal Energy Regulatory Commission issued Order No. 2004 which adopted Standards of Conduct that apply uniformly to interstate natural gas pipelines and electric utilities (“Transmission Providers”). The Commission has since issued orders on rehearing (Orders Nos. 2004-A and 2004-B) further revising the Standards. The Standards of Conduct govern the relationship between Transmission Providers and their Energy Affiliates. The purpose of the Standards of Conduct is to ensure that Transmission Providers do not provide preferential treatment or access to information about transmission that would unfairly benefit their own or their affiliates’ sales to the detriment of competitive markets. Transmission Providers are required to implement procedures for compliance with the Standards of Conduct.

The following procedures are applicable to Gulfstream. Gulfstream is jointly owned by subsidiaries of The Williams Companies, Inc. (Williams) and Spectra Energy Transmission (SET) (a subsidiary of Spectra Energy Corp). Employees of Williams and SET perform various functions for Gulfstream. Williams and SET own other interstate pipelines that have implemented written compliance procedures. Reference is made to those procedures where appropriate. In addition, informational postings referenced herein will be in accordance with applicable NAESB standards.

Definitions

The following definitions will apply to these procedures:

CCO: Chief Compliance Officer. See Section 1.1.

Customer Information: information acquired from nonaffiliated transmission customers or potential nonaffiliated transmission customers, or developed in the course of responding to requests for transmission service.

The term “*employee*” as used herein includes contractors, consultants or agents.

Energy Affiliate: an affiliate of a Transmission Provider that:

- (1) Engages in or is involved in transmission transactions in U.S. energy or transmission markets; or
- (2) Manages or controls transmission capacity of a Transmission Provider in U.S. energy or transmission markets; or
- (3) Buys, sells, trades or administers natural gas or electric energy in U.S. energy or transmission markets; or

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(4) Engages in financial transactions relating to the sale or transmission of natural gas or electric energy in U.S. energy or transmission markets.

(5) An LDC division of an electric public utility Transmission Provider shall be considered the functional equivalent of an Energy Affiliate, unless it qualifies for an exemption.

(6) An Energy Affiliate does not include:

(i) A foreign affiliate that does not participate in U.S. energy markets;

(ii) An affiliated Transmission Provider or an interconnected foreign affiliated natural gas pipeline engaged in natural gas transmission activities regulated by the state, provincial or national regulatory boards of the foreign country in which such facilities are located;

(iii) A holding, parent or service company that does not engage in energy or natural gas commodity markets or is not involved in transmission transactions in U.S. energy markets;

(iv) An affiliate that purchases natural gas or energy solely for its own consumption. "Solely for its own consumption" does not include the purchase of natural gas or energy for the subsequent generation of electricity.

(v) A state-regulated local distribution company that does not make any off-system sales and that does not engage in financial or futures transactions or hedging.

(vi) A producer, gatherer, Hinshaw pipeline or an intrastate pipeline that makes incidental purchases or sales of *de minimis* volumes of natural gas to remain in balance under applicable pipeline tariff requirements and otherwise does not engage in the Energy Affiliate activities described above.

"Energy Affiliate" as used in these procedures includes Marketing Affiliates, which are any affiliates or units that engage in energy marketing, sales or brokering activities.

Transmission Function Employee: an employee, contractor, consultant or agent of either Williams or SET with responsibility for Gulfstream, who has decisional authority to affect pipeline flow or movement or with daily decisional authority to affect planning, contracts for, or optimization of, gas transportation. Transmission Function Employees include field employees that take part in advance planning for facility shutdowns or that have the authority to shut down facilities for economic reasons.

Transmission Information: includes, but is not limited to, information about available pipeline capacity, price, curtailments, storage, balancing, maintenance activity, capacity expansion plans or such other information that is not at the same time publicly available on the Gulfstream Internet website.

Transmission Provider: an interstate natural gas pipeline or electric utility. Gulfstream is a Transmission Provider.

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Procedures

1. Training and Enforcement

1.1. Written procedures.

1.1.1. Scope. These Compliance Procedures are designed to ensure compliance with the Standards of Conduct set forth in the Federal Energy Regulatory Commission's Order No. 2004 and subsequent orders. The Chief Compliance Officer (CCO) (designated in Section 1.3 below) will ensure that Compliance Procedures are updated as needed, and that the posting of the procedures on the Internet website is also updated accordingly. Reading the procedures is not a substitute for training for designated employees who are required to complete the Standards of Conduct training as described herein. Additionally, these Compliance Procedures do not anticipate every situation. Employees should seek guidance from their supervisor, the CCO, or legal counsel.

1.1.2. Distribution. The CCO will distribute these Compliance Procedures to all Williams and SET employees with responsibility for Gulfstream, Energy Affiliate employees and other affected employees via e-mail containing links to SET's and Williams' employee intranet sites where the procedures will be continuously posted. The CCO will send an annual reminder notice instructing employees to review the procedures. Spectra Energy Corp's Human Resources department will ensure that new SET employees receive the Compliance Procedures, and Williams' FERC Standards of Conduct Compliance Officer will ensure that new Williams' employees receive the Compliance Procedures.

1.2. Training.

Employees with responsibility for the transmission operations function, energy sales and marketing units of the Transmission Provider (if applicable), Energy Affiliates and shared support functions whose responsibilities require an understanding of the revised Standards of Conduct will be trained on the Standards of Conduct as described below. Employees falling into these categories generally will be required to receive such training annually. SET and Williams will be responsible for training their employees consistent with their pipelines' written compliance procedures.

1.3. Responsibility for Compliance.

1.3.1. All SET and Williams employees with responsibilities for Gulfstream are responsible for compliance with the Standards of Conduct and these Compliance Procedures.

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- 1.3.2. Gulfstream's Chief Compliance Officer (CCO) is Marty Teague, who can be reached at (713) 627-5242. The CCO is responsible for overseeing implementation of these procedures and enforcing them. The CCO may delegate such roles to others as appropriate. The CCO must maintain a log of compliance problems and their resolution.
- 1.3.3. Obligation to report. Any employee who knows of or suspects a violation of these procedures is required to report such violation immediately. Known or suspected violations can be reported to the employee's supervisor, legal counsel or the CCO. See contact information at the end of this document. Additionally, anonymous reports may be made through the Spectra EthicsLine (1-800-525-3783) or Williams' Action Line (1-800-324-3606).
- 1.3.4. Prohibition against retaliation. Retaliation against an employee for raising concerns with management or regulatory agencies is considered harassment. Gulfstream will not tolerate harassment of any kind in the workplace. Gulfstream forbids retaliation against any employee who has brought concerns to management or to regulatory agencies such as the Federal Energy Regulatory Commission (FERC), Equal Employment Opportunity Commission (EEOC), or Occupational Safety & Health Administration (OSHA) or has participated in the investigation or resolution of a harassment situation.
- 1.3.5. Consequences for violating Compliance Procedures. Violations of the Standards of Conduct can have serious consequences for Gulfstream, Williams and SET. Therefore, employees who violate the Compliance Procedures or the Standards of Conduct may be subject to disciplinary action up to and including discharge.
2. Independent Functioning of Gulfstream and Energy Affiliates
- 2.1. Gulfstream's Transmission Function Employees
- 2.1.1. Gulfstream's Transmission Function Employees must function independently of the Energy Affiliates' employees as outlined below.
- 2.1.2. Prohibited activities. No Energy Affiliate employee may conduct transmission system operations or reliability functions for Gulfstream. Except for incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities, no employee with responsibility for Gulfstream may market, sell or broker natural gas or electricity. Business unit management will be responsible for ensuring enforcement of these requirements.
- 2.1.3. Permitted sharing of employees.
- 2.1.3.1 Support employees; field and maintenance employees. Subject to the conditions stated below, Gulfstream may share support employees and

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field and maintenance employees with its Energy Affiliates. Such employees must not act as a conduit, directly or indirectly, for Transmission Information or Customer Information from Gulfstream to the Energy Affiliates.

a. Support employees. Whether an employee is a “support employee” whose function can be shared depends on that employee’s day-to-day responsibilities, and must be determined by the CCO with respect to SET employees and by the Williams FERC Standards of Conduct Compliance Officer (in consultation with the CCO) with respect to Williams' employees. Currently, examples of employees in a support function include employees in human resources, information technology, finance, and certain employees in accounting and risk management.

b. Field employees. Field employees cannot be shared if such employees have responsibility for advance planning for facility shut downs or shutting down facilities based on economic reasons.

2.1.3.2 Risk management. An employee of Williams or its subsidiaries may perform certain risk management functions for Gulfstream, so long as such employee is not involved in transmission, sales or commodity functions for any Energy Affiliate. Risk management employees must not serve as conduits for sharing Transmission Information or Customer Information with an Energy Affiliate.

2.1.3.3 Officers and directors. Officers and directors of Spectra Energy Corp and Williams may have responsibilities pertaining to both Gulfstream and the Energy Affiliates, but they must not engage in transmission functions or have day-to-day duties and responsibilities for planning, directing, organizing or carrying out transmission-related operations or natural gas sales functions. Shared executives and directors must not serve as conduits for sharing Transmission Information or Customer Information with an Energy Affiliate.

2.1.4. Emergency Exception to Independent Functioning: In emergency circumstances affecting system reliability or safety, employees with responsibility for Gulfstream may take whatever actions are necessary to keep the system in operation. If such situations require the communication of Transmission Information or Customer Information to an Energy Affiliate employee, or the performance of transmission system operations or reliability functions by an Energy Affiliate employee, the CCO must be notified. The CCO must report such incidences to the Commission and ensure posting on the Internet website any emergency that resulted in a deviation from the Standards of Conduct within 24 hours of such deviation.

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2.1.5. Employees with responsibility for Gulfstream and employees of Energy Affiliates may participate on parent company (Spectra Energy Corp or Williams) committees, or committees comprised of employees from various business units, provided the following guidelines are followed:

- In accordance with the no-conduit rule, if the membership of a parent company or multi-business unit committee includes directors, officers or employees of both Gulfstream and an Energy Affiliate, no Transmission Information or Customer Information will be disclosed to that committee.
- Committee members will not act as a conduit, directly or indirectly, for Transmission Information or Customer Information from Gulfstream to the Energy Affiliates.
- A parent company or multi-business unit committee will not engage in transmission function activities for Gulfstream or energy marketing activities for the Energy Affiliates.

3. Energy Affiliates

Links to SET's and Williams' respective websites containing the names and addresses of all Energy Affiliates will be posted on Gulfstream's Internet website. SET and Williams will follow their interstate pipelines' respective written procedures for updating the list of Energy Affiliates and updating the website posting within seven (7) business days of the effective date of any changes. Additionally, the CCO will implement a procedure for notifying employees with responsibility for Gulfstream when the list is updated.

4. Organizational Charts

4.1 Posted organizational charts.

The following organizational charts have been posted on Gulfstream's Internet website (either directly or through links to Williams' and the SET pipelines' respective internet websites) as required by the Standards of Conduct:

- Organizational charts reflecting the position of Gulfstream in relation to the numerous Energy Affiliates.
- Organizational charts reflecting the business unit, job title and descriptions and chain of command for employees with responsibility for Gulfstream.

Gulfstream will include links to these postings on its Internet website. Williams' and SET's interstate pipelines have not posted information about any pipeline Transmission Function Employees who are employed by the Energy Affiliates, because there are no such shared employees. If any Transmission Function Employees are shared, the information on such sharing will be posted within seven (7) business days of the effective

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date of any change and will include the name of the business unit, the organizational structure in which the employee is located, the employee's name, job title and job description, and the employee's position within the chain of command.

4.2 Updates to organizational charts.

Williams' and SET's interstate pipeline companies each have implemented procedures to ensure that a) the company organizational charts and b) the employee organizational charts are updated within seven (7) business days of the effective date of any changes. The CCO also has implemented procedures to ensure that the Gulfstream organizational chart is updated within seven (7) business days of the effective date of any changes.

4.3 Mergers.

Williams' and SET's interstate pipeline companies have each implemented procedures to ensure that mergers are posted in compliance with the Standards of Conduct. Gulfstream's Internet website will include a link to these postings. For purposes of compliance with the Standards of Conduct and these Compliance Procedures, Gulfstream will treat all merger partners of Gulfstream, Williams, or Spectra Energy Corp as if they were affiliates of Gulfstream.

5. Shared Facilities.

Gulfstream may share facilities with its Energy Affiliates subject to Williams' and SET's interstate pipeline companies' implementation of written compliance procedures to ensure that work areas are not shared between Energy Affiliate employees and Transmission Function Employees, that information is not improperly shared (see information security procedures at Section 8, below), and that employees are not improperly shared (see employee sharing procedures at Section 2, above).

5.1. Posting

Facilities shared with the Energy Affiliates have been identified. A list of any such shared facilities will be maintained and posted on Gulfstream's Internet website with links to SET's and Williams' Internet websites pursuant to their respective written procedures.

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6. Employee Transfers

6.1. Transfers of employees

Transfers of employees between Gulfstream and the Energy Affiliates are permitted subject to the conditions below. (Note: any transfer by a Williams employee to Spectra Energy Corp or by a Spectra Energy Corp employee to Williams will be treated as a termination and not a transfer.)

6.2. Conditions on transfers

Williams' and SET's interstate pipeline companies have implemented procedures to ensure the following with regard to employee transfers between an interstate pipeline and Energy Affiliates:

- that the appropriate changes are made to access to information and work areas;
- that the transferring employee does not act as an improper conduit of information
- that the transferring employee has been trained in the Standards of Conduct.

6.3. Posting.

Additionally, Williams' and SET's interstate pipeline companies have implemented procedures to ensure that the following information is posted on their respective Internet websites with regard to transfers between an interstate pipeline and any Energy Affiliate, for a period of 90 days:

- name of transferring employee
- respective titles held while at the interstate pipeline and the Energy Affiliate
- effective date of the transfer.

Gulfstream will include links to such postings on its Internet website.

7. Separate books and records

SET and Williams will ensure that Gulfstream's books and records are kept separately from the books and records of all Energy Affiliates.

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8. Information access and prohibited disclosure

8.1. Information sharing strictly prohibited.

8.1.1. Gulfstream Transmission Information or Customer Information. Access by any Energy Affiliate employee to Gulfstream Transmission Information or Customer Information, or disclosure of such information by an employee with responsibility for Gulfstream or any Williams or Spectra Energy Corp employee, to an Energy Affiliate employee, is strictly prohibited. Some exceptions apply, as described below. The CCO will communicate guidelines to employees with responsibility for Gulfstream who regularly communicate with customers about transmission transactions or with interconnected Energy Affiliates about day-to-day operations, including guidelines for what specific types of communications are and are not appropriate under the Standards of Conduct.

8.1.1.1. Exception (Customer Information): Customer Information may be disclosed to an Energy Affiliate if the customer or potential customer consents in writing to such disclosure. The employee who obtains such written consent from the customer must communicate the consent to the designated employee responsible for posting. The employee responsible for posting must post on the Internet website a notice of the customer's consent along with a statement that no preferences, either operational or rate-related, were provided to the customer in exchange for its consent to disclose such information.

8.1.1.2. Exception (operating information): Gulfstream Transmission Function Employees may share operating information *with interconnected Energy Affiliates* (for example, processing plants, gathering lines or power generation plants) as necessary to maintain the transmission system's operations. Operating information may include: confirmations, nominations and schedules with upstream producers and gathering facilities, operational data relating to interconnection points, and information relating to maintenance of interconnected facilities. Such information may be communicated only to those individuals that require such information to ensure reliable operations. Any questions regarding whether a communication is permissible must be discussed with the CCO prior to such communication.

8.1.1.3. Exception (transaction specific information): A Gulfstream Transmission Function Employee may communicate information to an Energy Affiliate that pertains solely to an Energy Affiliate's specific request for transmission service. This is intended to be a narrow exception. Information is not transaction-specific if it pertains to the pipeline system generally.

8.1.2 Disclosure must be reported and posted. Any disclosure of Transmission Information or Customer Information, or access to such information, in violation of 8.1.1, even if inadvertent, must immediately be reported to the CCO. The CCO

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is responsible for ensuring that such disclosed information is immediately posted on the Internet website.

8.2. Information Security

8.2.1. Information Services Personnel

Certain Spectra Energy Corp or Williams support employees may have responsibilities related to hardware support and workstation support for Gulfstream. Such support employees will be trained on the Standards of Conduct and shall not act as improper conduits of information between Gulfstream and the Energy Affiliates.

8.2.2. Authorization: The Information Services departments of each of SET and Williams will designate an employee(s) or department(s) to be responsible for these Compliance Procedures pertaining to authorization for access to Gulfstream applications or data as described in this Section 8. Such employee(s) or department(s) will implement written procedures to ensure that:

- no improper access is granted to Gulfstream applications or data;
- employees' access to applications or data is terminated promptly upon the termination or transfer of an employee with responsibilities for Gulfstream. (Human Resources will be responsible for promptly notifying the security administration group of any such termination or transfer);
- employees transferring into a position involving responsibility for Gulfstream or another Transmission Provider or out of a position involving responsibility for Gulfstream or another Transmission Provider are given a new Local Area Network (LAN) ID and the old ID is revoked.

8.2.3. Passwords: Williams and SET will ensure that IDs and passwords comply with their respective information security requirements.

8.2.4. Transmission Function Applications. A "Transmission Function Application" is any application that allows access to Gulfstream Transportation Information or Customer Information (for example, 1Linesm). External users may access Transmission Function Applications made available by Gulfstream (such as 1Linesm) only through Gulfstream's Internet website, and may have access only to the external user's own information, information of a customer for whom the external user is acting as agent or asset manager and who has consented to such disclosure as described in Section 8.1.1.1 above, and information that is available to all 1Linesm users.

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9. No Conduit Rule

No employee of SET or Williams or any of their affiliated companies may, either consciously or inadvertently, act as a conduit of Transmission Information or Customer Information between Gulfstream and any Energy Affiliate.

10. Implementing tariffs

10.1. Gulfstream must strictly enforce non-discretionary tariff provisions relating to the sale or purchase of open access transmission service. Tariff provisions that allow for the use of discretion must be applied fairly and impartially so that all shippers are treated in a non-discriminatory manner. SET employees with responsibility for regulatory matters for Gulfstream will identify those tariff provisions that allow for the use of discretion.

10.2. Discretion log. Gulfstream must maintain a written log, available for Commission audit, detailing the circumstances and manner in which it exercised discretion under any terms of the tariff. Exercises of discretion must be reported to a designated employee, who will maintain the log and ensure that log entries are posted on the website within 24 hours of such exercise of discretion.

10.3. Gulfstream must process all similar requests for transmission in the same manner and within the same period of time.

10.4. Gulfstream may not, through its tariff or otherwise, give preference to any Energy Affiliate over any other wholesale customer in matters relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing).

11. Discounts.

If Gulfstream offers a discount for transmission service to any customer, it must report such discount on the Internet website contemporaneously with the time that the offer becomes contractually binding on both parties. Gulfstream's CCO will implement a procedure for documenting and reporting discounts. Discount postings must include: the name of the customer involved in the discount and whether it is an affiliate or whether an affiliate is involved in the transaction; the rate offered; the maximum rate; the time period for which the discount would apply; the quantity of gas to which the discount applies; the delivery points under the transaction; and any conditions or requirements applicable to the discount. The posting must remain on the Internet website for 60 days from the date of posting.

Date Posted: 1/2/07