



November 27, 2017

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Gas Transmission Northwest LLC
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Re: Gas Transmission Northwest LLC
Filing to Initiate New Rate Schedules
Docket No. RP18- -

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act (“NGA”) and Part 154 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) regulations,¹ Gas Transmission Northwest LLC (“GTN”) hereby submits for filing and acceptance revised tariff sections, included herein as Appendix A, to be part of its FERC Gas Tariff, Fourth Revised Volume No. 1-A (“Tariff”), as more fully described below. GTN respectfully requests that the Commission accept the proposed tariff sections to become effective January 1, 2018.

Correspondence

The names, titles and mailing address of the persons to whom correspondence and communications concerning this filing should be directed are as follows:

¹ 18 C.F.R. Part 154 (2017).

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Statement of Nature, Reasons and Basis for Filing

GTN is a natural gas company which owns and operates a natural gas pipeline system extending from the international boundary in the vicinity of Kingsgate, British Columbia, through parts of Idaho, Washington, and Oregon, to the California boundary. GTN offers open access transportation service under Part 284 of the Commission's regulations. Currently, GTN offers Firm Transportation Service under Rate Schedules FTS-1 and LFS-1, Interruptible Transportation Service under Rate Schedule ITS-1, and an interruptible Parking and Lending Service under Rate Schedule PAL.

Under its current firm rate schedules, GTN offers service at uniform hourly flow rates throughout the gas day at 1/24th of a shipper's Maximum Daily Quantity ("MDQ") each hour.² However, as GTN's customer profile has evolved over time, GTN recognizes that certain shippers may require greater flexibility to take firm entitlements at accelerated hourly flow levels during the gas day. As a result, GTN is proposing to offer new hourly services to provide additional transportation options and flexibility to shippers, such as electricity generators, or those serving electricity generators, whose intra-day gas requirements may not be uniform and who may require accelerated flow rates during particular periods of the gas day. Specifically, GTN is proposing in the instant filing to implement Rate Schedule Firm Hourly Service ("FHS") and Rate Schedule Interruptible Hourly Service ("IHS") to provide greater flexibility for shippers on a firm as well as an interruptible basis. These new services are intended to be made available on an open access, non-discriminatory basis to those shippers who qualify for firm service and who have installed the necessary equipment to monitor such hourly flows.

Rate Schedule FHS

As proposed herein, FHS will provide shippers greater flexibility by allowing GTN to offer firm transportation service at hourly flow rates greater than 1/24th of a shipper's MDQ. An FHS shipper will

² See GTN's FERC Gas Tariff, Fourth Revised Volume No. 1-A, Section 6.19.4 – GT&C, Nominations.

contract for firm transportation service up to a specified Maximum Hourly Quantity (“MHQ”), as well as a specified Maximum Daily Quantity (“MDQ”). The MHQ will allow the shipper to receive delivery of its MDQ at an accelerated rate over a specified number of hours during the day. As set forth in proposed Section 5.6 – Rate Schedule FHS, GTN and a shipper will have the ability to mutually agree to an hourly flow rate ranging between 1/4th and 1/24th of the shipper’s MDQ. Once a shipper has received quantities equal to its MDQ or MHQ, any further capacity for the applicable gas day or hour would only be available on an interruptible basis as overrun.

GTN shall offer FHS service on both its Mainline and Extension Facilities³ and only when there is available, unsubscribed system capacity. The addition of FHS service will not degrade the firm primary service rights provided under GTN’s currently existing firm services, nor the operations of interconnection pipelines, as it will not affect receipt and delivery point flexibility, as well as nomination and scheduling priorities, the allocation of capacity, operating conditions, or curtailment.

Firm service under FHS will have the same scheduling and curtailment priority as GTN’s Rate Schedules FTS-1 and LFS-1. FHS overrun volumes will be subject to the same scheduling and curtailment provisions as Rate Schedules ITS-1 and IHS.

FHS shippers will designate a single Primary Delivery Point for their MHQ election. An FHS shipper will have the right to utilize any other delivery point on a secondary basis. However, unless otherwise agreed, such secondary service will be provided on a uniform hourly flow basis (*i.e.*, 1/24th of a shipper’s MDQ).

The reservation rates for service on GTN’s Mainline and Extension Facilities under FHS are derived from GTN’s currently effective Rate Schedule FTS-1 mileage and non-mileage reservation rate components as currently set forth in Section 4.1 of its Tariff. However, to recognize that FHS shippers are allowed to flow their full MDQ at an accelerated rate, and thereby at an expedited period of less than 24 hours (*i.e.*, at an hourly flow rate potentially greater than 1/24th of a shipper’s MDQ), GTN will apply a formula to determine the appropriate reservation rate components for each individual contract.⁴ The formulas proposed herein for calculating the mileage and non-mileage reservation rate components for a given FHS contract are set forth in Section 4.1 of GTN’s Tariff, as follows:

³ Extension Facilities on GTN include the Medford, Coyote Springs, and Carty Laterals.

⁴ The Commission has previously approved similar formula-based rates for hourly-type services. See *Great Lakes Gas Transmission Limited Partnership*, FERC Gas Tariff, Third Revised Volume No. 1, Part 4.1 – Statement of Rates, Rate Schedules FT, LFT & EFT.

FHS Formula:

(a) Mileage Reservation Component = $FTS-1M \times \text{Miles} \times (24/HF)$

(b) Non-Mileage Reservation Component = $FTS-1NM \times (24/HF)$

where:	FTS-1M	=	Applicable FTS-1 Mileage Reservation Charge
	FTS-1NM	=	Applicable FTS-1 Non-Mileage Reservation Charge
	Miles	=	Distance, in pipeline miles, from the Primary Point(s) of Receipt to the Primary Point(s) of Delivery as set forth in Shipper's Contract
	HF	=	MDQ/MHQ

The term Hourly Flow ("HF") represents the expedited period of gas flow in hours corresponding to a Rate Schedule FHS shipper's accelerated flow rate.

The delivery charges applicable to FHS service on GTN's Mainline and Extension Facilities shall be the same as those charges applicable to service under Rate Schedules FTS-1, as currently set forth in GTN's Section 4.1.⁵

Rate Schedule IHS

In addition to the flexibility provided under FHS, GTN proposes herein to implement IHS service to provide similar hourly flow flexibility on an interruptible basis to shippers who do not wish to contract for hourly service on a firm basis. As IHS is an interruptible service, IHS shippers will not be entitled to reserve an hourly quantity. However, GTN will, on a best efforts basis, attempt to flow the daily nomination at an hourly flow rate designated by the shipper as part of its nomination. As IHS is interruptible in nature and is only offered on a best efforts basis, implementation of IHS service will not adversely affect the currently existing firm shippers on GTN's system, nor the operations of interconnection pipelines.

Interruptible service under IHS will be subject to the same scheduling and curtailment provisions as Rate Schedule ITS-1 and overruns under any of GTN's firm services.

The rates proposed herein for IHS service, as set forth as part of Section 4.2 of GTN's Tariff, have been derived as the 100% load factor rate equivalent of the effective rate components (*i.e.*, the Mileage Component, Non-Mileage Component, and Delivery Charge) for a shipper selecting an MHQ equal to

⁵ As a point of clarification, the Rate Schedule FHS reservation rates charged for service to a primary delivery point on one of GTN's Extension Facilities will include the additive of the FHS Mainline and Extension Mileage and Non-Mileage components as adjusted using the formula described above.

1/10th of the MDQ under FHS service. This derived rate represents the maximum recourse rate for IHS shippers regardless of their nominated level of hourly flow.

Associated Miscellaneous Revisions

In addition to the revisions described above, GTN has made additional conforming revisions throughout its Tariff necessary to reflect the addition of Rate Schedules FHS and IHS. Such revisions include, but are not limited to, revisions to certain definitions, (Sections 6.1.34, 6.1.35, 6.1.44, and 6.1.45), capacity release provisions (Section 6.28), GTN's fuel adjustment mechanism (Section 6.38), and the Table of Contents. Finally, GTN has revised its *pro forma* service agreements to reflect the implementation of FHS and IHS service. Section 7.2, which currently contains the Rate Schedule ITS-1 *pro forma* service agreement, has been expanded to include IHS service. Additionally, Section 7.4 has been revised to include a stand-alone *pro forma* service agreement for FHS service.

As set forth herein, GTN's proposed tariff revisions are just and reasonable, consistent with Commission precedent, and therefore should be approved as proposed, effective January 1, 2018.

Cost and Revenue Study

As FHS and IHS are new services, and because GTN is not presently able to predict the extent to which these services will be utilized, GTN is unable to adequately predict the revenue which may be expected from these services for the twelve months commencing January 1, 2018. Accordingly, GTN requests waiver of Section 154.202(a)(1)(viii) of the Commission's regulations, which requires that tariff filings for a new service include an estimate of the effect on costs and revenues for the 12-month period commencing on the effective date of the new services. Such waiver is consistent with Commission precedent.⁶

Motion to Place Tariff Records Into Effect

GTN, pursuant to Section 154.7(a)(9) of the Commission's regulations, respectfully moves that the proposed tariff sections, if approved without addition, modification, or deletion, be placed into effect on January 1, 2018. GTN reserves its right under Section 154.7(a)(9) to file a motion to place any revised proposed tariff sections into effect at the end of any suspension period ordered by the Commission.

⁶ See *Tennessee Gas Pipeline Co.*, 87 FERC ¶ 61,375 (2009); *Columbia Gas Transmission Corp.*, 85 FERC ¶ 61,874 (1998); *Guardian Pipeline, L.L.C.*, 101 FERC ¶ 61,271 (2002); and *Trunkline Gas Co.*, 77 FERC ¶ 61,169 (1996).

Waivers and Effective Date

GTN respectfully requests that the Commission grant all waivers of its regulations and GTN's Tariff, including but not limited to the waivers specifically requested herein, necessary to accept this filing and approve the tariff sections included as Appendix A to become effective January 1, 2018.

Other Filings Which May Affect This Proceeding

There are no other filings before the Commission that may significantly affect the changes proposed herein.

Contents of Filing

In accordance with Section 154.7 of the Commission's Regulations, GTN is submitting the following via its electronic tariff filing:

1. This transmittal letter;
2. A clean version of the tariff sections (Appendix A); and
3. A marked version of the tariff sections (Appendix B).

Certificate of Service

As required by Sections 154.7(b) and 154.208 of the Commission's regulations, copies of this filing are being served upon all of GTN's existing customers and interested state regulatory agencies. A copy of this letter, together with any other attachments, is available during regular business hours for public inspection at GTN's principal place of business.

Pursuant to Section 385.2005 and Section 385.2011, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. Additionally, the undersigned possesses full power and authority to sign such filing.

Any questions regarding this filing may be directed to Joan Collins at (832) 320-5651.

Respectfully submitted,

GAS TRANSMISSION NORTHWEST LLC

A handwritten signature in black ink that reads "John A. Roscher". The signature is written in a cursive style with a long horizontal flourish extending to the right.

John A. Roscher
Director, Rates & Tariffs

Enclosures

Appendix A

Gas Transmission Northwest LLC - FERC Gas Tariff, Fourth Revised Volume No. 1-A

Clean Tariff

<u>Tariff Section</u>	<u>Version</u>
Part 1 – Table of Contents	v.11.0.0
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4.2 – Statement of Rates, ITS-1 and IHS Rates	v.8.0.0
4.3 – Statement of Rates, Footnotes to Statement of Effective Rates and Charges	v.15.0.0
5.6 – Rate Schedules, Rate Schedule FHS – Firm Hourly Service	v.5.0.0
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5.6.2 – Rate Sched FHS, Applicability and Character of Service	v.7.0.0
5.6.3 – Rate Sched FHS, Rates	v.6.0.0
5.6.3.1 – Rate Sched FHS, Reservation Charge	v.1.0.0
5.6.3.2 – Rate Sched FHS, Delivery Charge	v.1.0.0
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5.6.3.4 – Rate Sched FHS, Authorized Overrun Charge	v.1.0.0
5.6.3.5 – Rate Sched FHS, Applicability of Surcharges	v.1.0.0
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5.6.3.7 – Rate Sched FHS, Negotiated Rates	v.1.0.0
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5.6.5 – Rate Sched FHS, Transportation General Terms and Conditions	v.1.0.0
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5.7.2 – Rate Sched IHS, Applicability and Character of Service	v.1.0.0
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Appendix A

Gas Transmission Northwest LLC - FERC Gas Tariff, Fourth Revised Volume No. 1-A

Clean Tariff (Continued)

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5.7.3.3 – Rate Sched IHS, Applicability of Surcharges	v.1.0.0
5.7.3.4 – Rate Sched IHS, Discounts	v.1.0.0
5.7.3.5 – Rate Sched IHS, Negotiated Rates	v.1.0.0
5.7.3.6 – Rate Sched IHS, Backhauls	v.1.0.0
5.7.4 – Rate Sched IHS, Fuel and Line Loss	v.1.0.0
5.7.5 – Rate Sched IHS, Transportation General Terms and Conditions	v.1.0.0
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STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
 TRANSPORTATION OF NATURAL GAS

Rate Schedules FTS-1, LFS-1, and FHS

For Rate Schedules FTS-1 and LFS-1:

	RESERVATION							
	DAILY MILEAGE (a) (Dth-MILE)		DAILY NON-MILEAGE (b) (Dth)		DELIVERY (c) (Dth-MILE)		FUEL (d) (Dth-MILE)	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
BASE	0.000434	0.000000	0.034393	0.000000	0.000016	0.000016	0.0050%	0.0000%
STF (e)	(e)	0.000000	(e)	0.000000	0.000016	0.000016	0.0050%	0.0000%
EXTENSION CHARGES								
MEDFORD								
E-1 (f)	0.002759	0.000000	0.004641	0.000000	0.000026	0.000026	---	---
E-2 (h) (Diamond 1)	0.002972	0.000000	---	---	0.000000	0.000000	---	---
E-2 (h) (Diamond 2)	0.001166	0.000000	---	---	0.000000	0.000000	---	---
COYOTE SPRINGS								
E-3 (i)	0.001282	0.000000	0.001283	0.000000	0.000000	0.000000	---	---
CARTY LATERAL								
	E-4 (p)	---	---	0.166475	0.000000	0.000000	0.000000	---
OVERRUN CHARGE (j)								
	---	---	---	---	---	---	---	---
SURCHARGES								
ACA (k)	---	---	---	---	(k)	(k)	---	---

For Rate Schedule FHS:

The Mainline and Extension Reservation rates shown above for Rate Schedules FTS-1 and LFS-1 shall also be applicable to service under Rate Schedule FHS, except that the Mileage and Non-Mileage Components shall be adjusted to reflect the expedited hours of gas flow (“HF”) utilizing the following formulas, rounded to 6 decimal places:

(a) Mileage Reservation Component = $FTS-1M \times \text{Miles} \times (24/HF)$

(b) Non-Mileage Reservation Component = $FTS-1NM \times (24/HF)$

where:

FTS-1M	=	Applicable FTS-1 Mileage Reservation Charge
FTS-1NM	=	Applicable FTS-1 Non-Mileage Reservation Charge
Miles	=	Distance, in pipeline miles, from the Primary Point(s) of Receipt to the Primary Point(s) of Delivery as set forth in Shipper’s Contract
HF	=	MDQ/MHQ

STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
 TRANSPORTATION OF NATURAL GAS (a)

Rate Schedule ITS-1

	MILEAGE (n) (Dth-Mile)		NON-MILEAGE (o) (Dth)		DELIVERY (c) (Dth-Mile)		FUEL (d) (Dth-Mile)	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
BASE	(e)	0.000000	(e)	0.000000	0.000016	0.000016	0.0050%	0.0000%
EXTENSION CHARGES								
MEDFORD								
E-1 (Medford) (f)	0.002759	0.000000	0.004641	0.000000	0.000026	0.000026	---	---
COYOTE SPRINGS								
E-3 (Coyote Springs) (i)	0.001282	0.000000	0.001283	0.000000	0.000000	0.000000	---	---
CARTY LATERAL								
E-4 (Carty Lateral) (p)	---	---	0.166475	0.000000	0.000000	0.000000	---	---
SURCHARGES								
ACA (k)	---	---	(k)	(k)	---	---	---	---

Rate Schedule IHS

	MILEAGE (n) (Dth-Mile)		NON-MILEAGE (o) (Dth)		DELIVERY (c) (Dth-Mile)		FUEL (d) (Dth-Mile)	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
BASE	(e)	0.000000	(e)	0.000000	0.000016	0.000016	0.0050%	0.0000%
EXTENSION CHARGES								
MEDFORD								
E-1 (Medford) (f)	0.006622	0.000000	0.011138	0.000000	0.000026	0.000026	---	---
COYOTE SPRINGS								
E-3 (Coyote Springs) (i)	0.003077	0.000000	0.003079	0.000000	0.000000	0.000000	---	---
CARTY LATERAL								
E-4 (Carty Lateral) (p)	---	---	0.399540	0.000000	0.000000	0.000000	---	---
SURCHARGES								
ACA (k)	---	---	(k)	(k)	---	---	---	---

STATEMENT OF EFFECTIVE RATES AND CHARGES
FOR TRANSPORTATION OF NATURAL GAS

Notes:

- (a) The mileage component shall be applied per pipeline mile to gas transported by GTN for delivery to shipper based on the primary receipt and delivery points in Shipper's contract. Consult GTN's system map in Section 3 for receipt and delivery point and milepost designations.
- (b) The non-mileage component is applied per Shipper's MDQ at Primary Point(s) of Delivery on Mainline Facilities.
- (c) The delivery rates are applied per pipeline mile to gas transported by GTN for delivery to shipper based on distance of gas transported. Consult GTN's system map in Section 3 for receipt and delivery point and milepost designations.
- (d) Fuel Use: Shipper shall furnish gas used for compressor station fuel, line loss, and other utility purposes, plus other unaccounted-for gas used in the operation of GTN's combined pipeline system in an amount equal to the sum of the current fuel and line loss percentage and the fuel and line loss percentage surcharge in accordance with Section 6.38 of this tariff, multiplied by the distance in pipeline miles transported from the receipt point to the delivery point multiplied by the transportation quantities of gas received from Shipper under these rate schedules. The current fuel and line loss percentage shall be adjusted each month between the maximum rate of 0.0050% per Dth per pipeline mile and the minimum rate of 0.0000% per Dth per mile. The fuel and line loss percentage surcharge is 0.0002% per Dth per pipeline mile. No fuel use charges will be assessed for backhaul service. Currently effective fuel charges may be found on GTN's Internet website under "Informational Postings."
- (e) Seasonal recourse rates apply to short-term firm (STF) service under Rate Schedules FTS-1 and FHS (i.e., firm service that has a term of less than one year and that does not include multiple-year seasonal service) and IT Service under Rate Schedules ITS-1 and IHS. By March 1 of each year GTN may designate up to four (4) months as peak months during a twelve-month period beginning on June 1 of the same year through May 31 of the following year. All other months will be considered off-peak months. Reservation rate components that apply to STF service and per-unit-rate ITS-1 and IHS service are as follows (delivery charges and applicable surcharges continue to apply):

For STF and ITS-1:

	4 Peak Mos.	3 Peak Mos.	2 Peak Mos.	1 Peak Mo.	0 Peak Mos.
Peak NM Res.	\$0.048150	\$0.048150	\$0.048150	\$0.048150	\$0.034393
Peak Mi. Res.	\$0.000608	\$0.000608	\$0.000608	\$0.000608	\$0.000434
Off-Pk NM Res.	\$0.027515	\$0.029807	\$0.031642	\$0.033142	\$0.034393
Off-Pk Mi. Res.	\$0.000347	\$0.000376	\$0.000399	\$0.000418	\$0.000434

For IHS:

	4 Peak Mos.	3 Peak Mos.	2 Peak Mos.	1 Peak Mo.	0 Peak Mos.
Peak NM Res.	\$0.115560	\$0.115560	\$0.115560	\$0.115560	\$0.082543
Peak Mi. Res.	\$0.001459	\$0.001459	\$0.001459	\$0.001459	\$0.001042
Off-Pk NM Res.	\$0.066036	\$0.071537	\$0.075941	\$0.079541	\$0.082543
Off-Pk Mi. Res.	\$0.000833	\$0.000902	\$0.000958	\$0.001003	\$0.001042

Months currently designated as "Peak Months" may be found on GTN's Internet website under "Informational Postings." By March 1 of each year, GTN will post the Peak Months for the upcoming twelve-month period beginning June 1 of the same year.

- (f) Applicable to firm service on GTN's Medford Extension.
- (g) Reserved for Future Use.
- (h) E-2 (Diamond 1) is a negotiated reservation charge of \$0.002972 per Dth per day for first 45,000 Dth/d and E-2 (Diamond 2) is a negotiated reservation charge of \$0.001166 per Dth per day for the second 45,000 Dth/d. During leap years, E-2 (Diamond 1) is a negotiated reservation charge of \$0.002964 per Dth per day for first 45,000 Dth/d and E-2 (Diamond 2) is a negotiated reservation charge of \$0.001163 per Dth per day for the second 45,000 Dth/d.
- (i) Applicable to firm service on GTN's Coyote Springs Extension.
- (j) The Overrun Charge shall be equal to the rates and charges set forth for interruptible service under Rate Schedule ITS-1.
- (k) In accordance with Section 6.22 of the Transportation General Terms and Conditions of this FERC Gas Tariff, Fourth Revised Volume No. 1-A, all Transportation services that involve the physical movement of gas shall pay an ACA unit adjustment. The currently effective ACA unit adjustment as published on the Commission's website (www.ferc.gov) is

incorporated herein by reference. This adjustment shall be in addition to the Base Tariff Rate(s) specified above.

- (l) Reserved for Future Use.
- (m) Reserved.
- (n) The Rate Schedule ITS-1 Mileage Component shall be applied per pipeline mile to gas transported by GTN based on the distance of gas transported. Consult GTN's system map in Section 3 for receipt and delivery point and milepost designations.
- (o) The Rate Schedule ITS-1 Non-Mileage Component shall be applied per Dth of gas transported by GTN for immediate delivery to the facilities of another entity or an extension facility.
- (p) Applicable to firm service on GTN's Carty Lateral Extension.

RATE SCHEDULE FHS
FIRM HOURLY SERVICE

5.6.1 AVAILABILITY

This rate schedule is available to any party (hereinafter called "Shipper") qualifying for service pursuant to the Commission's Regulations contained in 18 CFR Part 284, and who has executed a Firm Hourly Service Agreement with GTN in the form contained in this FERC Gas Tariff, Fourth Revised Volume No. 1-A, subject to the following limitations:

- (a) GTN has determined that it has sufficient available and uncommitted capacity to perform service requested by Shipper; and
- (b) Shipper shall be responsible, in cooperation with any intervening downstream transporter or applicable end user, for the installation of telemetered electronic measurement equipment, and other necessary facilities, as reasonably required in order to provide service.

5.6.2 APPLICABILITY AND CHARACTER OF SERVICE

- (a) This rate schedule shall apply to firm gas transportation services performed by GTN for Shipper pursuant to the executed Firm Hourly Service Agreement between GTN and Shipper.
- (b) This transportation service shall be firm up to the Maximum Daily Quantity (“MDQ”) and Maximum Hourly Quantity (“MHQ”) as specified in the executed Firm Hourly Service Agreement, and not subject to curtailment or interruption except as provided in the Transportation General Terms and Conditions.
- (c) GTN shall receive from Shipper such daily quantities of gas up to the Shipper's MDQ plus the required quantity of gas for fuel and line loss associated with service under this Rate Schedule FHS and redeliver an amount equal to the quantity received less the required quantity of gas for fuel and line loss up to Shipper's MDQ and at hourly rates up to Shipper's MHQ.
- (d) The MHQ shall be no less than 1/24th of Shipper's MDQ and no greater than 1/4th of Shipper's MDQ.
- (e) A Shipper's MDQ and MHQ shall be uniform quantities throughout the contract term, except that GTN may, on a not unduly discriminatory basis, agree to differing monthly levels in the Shipper's MDQ and MHQ for specified periods during the term of Shipper's contract. Shipper's MDQ and MHQ as well as any differing levels in the MDQ and MHQ, as well as the period of such differing levels, shall be specified in the executed Firm Hourly Service Agreement.
- (f) Unless otherwise agreed, Shipper shall have the right to nominate Secondary Delivery Point(s), provided that service to Secondary Delivery Point(s) shall be at a uniform flow rate of 1/24th of the nominated quantity.
- (g) Firm transportation service shall be subject to all provisions of the executed Firm Hourly Service Agreement between GTN and Shipper and the applicable Transportation General Terms and Conditions.

5.6.3 RATES

Shipper shall pay GTN each month the sum of the Reservation Charges, the Delivery Charge, plus any applicable Extension Charge, Overrun Charge and applicable surcharges for the quantities of natural gas delivered. The rate(s) set forth in GTN's current Effective Rates and Charges for Transportation of Natural Gas in this FERC Gas Tariff, Fourth Revised Volume No. 1-A are applied to transportation service rendered under this rate schedule.

5.6.3.1 Reservation Charge.

The Reservation Charge for Firm Hourly Service (“FHS”) shall be the sum of the Mileage and the Non-Mileage Components:

(a) Mileage Component.

The Mileage Component for FHS shall be based upon the currently effective Mileage Rate and FHS mileage formula as set forth in Section 4.1. The Mileage formula shall take into consideration the distance, in pipeline miles, from the Primary Point(s) of Receipt to the Primary Point(s) of Delivery on Mainline Facilities as set forth in Shipper's Contract, as well as the Shipper's MDQ and MHQ at such Point.

(b) Non-Mileage Component.

The Non-Mileage Component for FHS shall be based upon the currently effective Non-Mileage Rate and FHS Non-Mileage formula as set forth in Section 4.1. The Non-Mileage formula shall take into consideration the Shipper's MDQ and MHQ at Primary Point(s) of Delivery on Mainline Facilities.

(c) Shipper's obligation to pay the Reservation Charge is independent of Shipper's ability to obtain export authorization from the National Energy Board of Canada, Canadian provincial removal authority, and/or import authorization from the United States Department of Energy, and shall begin with the execution of the Firm Hourly Service Agreement by both parties. The Reservation Charge due and payable shall be computed beginning in the month in which service is first available (prorated if beginning in the month in which service is available on a date other than the first day of the month). Thereafter, the daily Reservation Charge shall be due and payable each month during the Initial (and Subsequent) Term(s) of the Shipper's executed Firm Hourly Service Agreement and is unaffected by the quantity of gas transported by GTN to Shipper's delivery point(s) in any month except as provided for in Section 5.6.3.8 of this rate schedule.

5.6.3.2 Delivery Charge.

The Delivery Charge shall be the product of the Delivery Rate as set forth in Section 4.1, the quantities of gas delivered in the month (in Dth) at point(s) of delivery on Mainline Facilities, and the distance, in pipeline miles, from the point(s) of receipt to point(s) of delivery on Mainline Facilities.

5.6.3.3 Extension Charge.

If Shipper designates in its Firm Hourly Service Agreement a Primary Point of delivery on an Extension Facility, then in addition to all other charges that are applicable, Shipper shall pay the Extension Charge, which shall consist of a reservation and delivery component.

- (a) The reservation component shall be the sum of the Mileage and the Non-Mileage Component:
 - a. The Mileage Component shall be based upon the currently effective Mileage Extension reservation rate and the FHS Mileage formula as set forth in Section 4.1. The FHS Mileage formula shall take into consideration the distance, in pipeline miles, from the Receipt Point(s) on the Extension Facility to the Primary Point(s) of Delivery, as well as Shipper's MDQ and MHQ at the Primary Point(s) of Delivery on the Extension Facility.
 - b. The Non-Mileage Component shall be based upon the currently effective Non-Mileage Extension reservation rate and the FHS Non-Mileage formula as set forth in Section 4.1. The Non-Mileage formula shall take into consideration the Shipper's MDQ and MHQ at Primary Point(s) of Delivery on the Extension Facility.
- (b) The delivery component of the Extension Surcharge shall be the product of the quantities delivered at the point(s) of delivery on the Extension Facility, the applicable Extension delivery rate as set forth in Section 4.1, and the distance, in pipeline miles, from the Receipt Point(s) on the Extension Facility to the point(s) of delivery.

5.6.3.4 Authorized Overrun Charge.

Quantities in excess of Shipper's MDQ or MHQ shall be transported when capacity is available on the GTN system. Authorized Overruns are interruptible in nature. The rate charged shall be the same as the rates and charges for interruptible transportation under Rate Schedule IHS as set forth in Section 4.2, and such Authorized Overruns shall be subject to the priority of service provisions of Section 6.19 of the Transportation General Terms and Conditions.

5.6.3.5 Applicability of Surcharges.

Shipper shall pay all reservation and usage surcharges applicable to the service provided to such Shipper as set forth in GTN's FERC Gas Tariff, Fourth Revised Volume No. 1-A. Such surcharges shall be deemed to be part of Shipper's Reservation and Delivery Charges.

5.6.3.6 Discounts.

Shipper shall pay the Maximum Reservation Charge, and the Maximum Delivery Charge for service under this Rate Schedule unless GTN offers to discount the Mileage Rate Component or the Non-Mileage Rate Component of the Reservation Rate or the Delivery Rate under this rate schedule. If GTN elects to discount any such rate, GTN shall provide notice to Shipper of the effective date of such discount and the quantity of gas so affected; provided, however, such discount shall not be unduly discriminatory between individual shippers. The rates for service under this rate schedule shall not be discounted below the Minimum Reservation Charge, the Minimum Delivery Rate, and applicable ACA Surcharge.

5.6.3.7 Negotiated Rates.

Notwithstanding any provision of GTN's Tariff to the contrary, GTN and Shipper may mutually agree in writing to a Negotiated Rate (including a Negotiated Rate Formula) with respect to the rates, rate components, charges, or credits that are otherwise prescribed, required, established, or imposed by this Rate Schedule or by any other applicable provision of GTN's Tariff.

5.6.3.8 Capacity Release.

(a) Releasing Shippers:

Shipper shall have the option to release capacity pursuant to the provisions of GTN's capacity release program as specified in the Transportation General Terms and Conditions. Shipper may release its capacity, up to Shipper's MDQ and at hourly rates up to Shipper's MHQ under this rate schedule, in accordance with the provisions of Section 6.28 of GTN's Transportation General Terms and Conditions of this FERC Gas Tariff, Fourth Revised Volume No. 1-A. Shipper shall pay a fee associated with the marketing of capacity by GTN (if applicable) in accordance with Section 6.28 of the Transportation General Terms and Conditions. This fee shall be negotiated between GTN and the Releasing Shipper.

(b) Replacement Shippers:

Shipper may receive released capacity service under this rate schedule pursuant to Section 6.28 of the Transportation General Terms and Conditions and is required to execute a service agreement in the form contained for capacity release under Rate Schedule FHS in this Fourth Revised Volume No. 1-A.

Shipper shall pay GTN each month for transportation service under this rate schedule and as set forth in GTN's current Statement of Effective Rates and Charges in this Fourth Revised Volume No. 1-A. Charges to be paid shall be the sum of the Reservation Charge, Delivery Charge, and other applicable surcharges or penalties.

5.6.3.9 Reservation Charge Credits.

Sections 5.1.3.9 (Rate Schedule FTS-1, Reservation Charge Credit – Force Majeure Event), 5.1.3.10 (Rate Schedule FTS-1, Reservation Charge Credit – Non-Force Majeure Event), and 5.1.3.11 (Rate Schedule FTS-1, Reservation Charge Credit – Confirmable Nominations) are incorporated herein by reference. For purposes of this Rate Schedule, confirmable nominations, as referenced in Sections 5.1.3.9, 5.1.3.10, and 5.1.3.11 shall include firm service at Shipper’s Primary Delivery Point within its MDQ and MHQ.

5.6.3.10 Backhauls.

Backhauls (as defined in Section 6.1 paragraph 31 of the Transportation General Terms and Conditions) shall be subject to the same charges as forward haul (as defined in Section 6.1 paragraph 30 of the Transportation General Terms and Conditions) except that no gas shall be retained by GTN for compressor station fuel, line loss and other unaccounted-for gas. Backhauls are subject to the operating conditions of GTN's pipeline and will not be made available to Shipper if GTN determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.

5.6.4 FUEL AND LINE LOSS

For all Forward Hauls, Shipper shall furnish to GTN quantities of gas for compressor station fuel, line loss and other utility purposes, plus other unaccounted for gas used in the operation of GTN's combined pipeline system between the International Boundary near Kingsgate, British Columbia and the Oregon-California boundary for the transportation quantities of gas delivered by GTN to Shipper, based upon the effective fuel and line loss percentages in accordance with Section 6.38 of the General Terms and Conditions. No fuel charge shall apply to transactions that do not involve a forward haul movement of gas.

5.6.5 TRANSPORTATION GENERAL TERMS AND CONDITIONS

All of the Transportation General Terms and Conditions are applicable to this rate schedule, unless otherwise stated in the executed Firm Hourly Service Agreement between GTN and Shipper. Any future modifications, additions or deletions to said Transportation General Terms and Conditions, unless otherwise provided, are applicable to firm transportation service rendered under this rate schedule, and by this reference, are made a part hereof.

RATE SCHEDULE IHS
INTERRUPTIBLE HOURLY SERVICE

5.7.1 AVAILABILITY

This rate schedule is available to any party (hereinafter called "Shipper") qualifying for service pursuant to the Commission's Regulations contained in 18 CFR Part 284, and who has executed an Interruptible Hourly Service Agreement with GTN in the form contained in this FERC Gas Tariff, Fourth Revised Volume No. 1-A, provided that the applicable end user agrees to allow GTN, in cooperation with any intervening downstream transporter, to install telemetered electronic measurement equipment, and other necessary facilities, as reasonably required in order to provide service.

5.7.2 APPLICABILITY AND CHARACTER OF SERVICE

- (a) This rate schedule shall apply to interruptible gas transportation services performed by GTN for Shipper pursuant to the executed Interruptible Hourly Service Agreement between GTN and Shipper.
- (b) GTN shall receive from Shipper daily quantities of gas as agreed between GTN and Shipper and in accordance with Section 6.18.3 of this FERC Gas Tariff, Fourth Revised Volume No. 1-A plus the required quantity of gas for fuel and line loss associated with service under this Rate Schedule IHS and redeliver an amount equal to the quantity received less the required quantity of gas for fuel and line loss.
- (c) Transportation service rendered under this Rate Schedule shall be interruptible. The Dekatherms delivered in one Hour may be requested by Shipper to be provided on a best effort basis, but shall be no less than 1/24th and no greater than 1/4th of the total Dekatherms nominated and scheduled for delivery during the same Gas Day.
- (d) Interruptible transportation service shall be subject to all provisions of the executed Interruptible Hourly Service Agreement between GTN and Shipper and the applicable Transportation General Terms and Conditions.

5.7.3 RATES

Shipper shall pay GTN each month the Interruptible Charge plus any applicable Extension Charge and any applicable surcharges for the quantities of natural gas delivered. The rate(s) set forth in GTN's current Effective Rates and Charges for Transportation of Natural Gas in this FERC Gas Tariff, Fourth Revised Volume No. 1-A are applied to transportation service rendered under this rate schedule.

5.7.3.1 Interruptible Charge.

The monthly Interruptible Charge for Interruptible Hourly Service (“IHS”) shall be the sum of the Mileage, the Non-Mileage, and the Delivery Components:

(a) Mileage Component.

The Mileage Component for IHS shall be the product of the currently effective IHS Mileage Rate as set forth in Section 4.2, the distance, in pipeline miles, from the point(s) of receipt to the point(s) of delivery on Mainline Facilities, and the quantities of gas delivered at such point(s) during the month (Dth).

(b) Non-Mileage Component.

The Non-Mileage Component for IHS shall be the product of the currently effective IHS Non-Mileage Rate as set forth in Section 4.2 and the quantities of gas delivered during the month (Dth) at point(s) of delivery on Mainline Facilities for immediate delivery to the facilities of another entity or to an Extension Facility.

(c) Delivery Component.

The Delivery Component shall be the product of the Delivery Rate as set forth in Section 4.2, the quantities of gas delivered in the month (in Dth) at point(s) of delivery on Mainline Facilities, and the distance, in pipeline miles, from the point(s) of receipt to point(s) of delivery on Mainline Facilities.

5.7.3.2 Extension Charge.

If Shipper designates a point(s) of delivery on an Extension Facility, then, in addition to all other charges that are applicable, Shipper shall pay the Extension Charge, which shall be the product of the quantities delivered at the point(s) of delivery on the Extension Facility, the applicable IHS Extension Delivery Rate as set forth in Section 4.2, and the distance, in pipeline miles, from the point(s) of receipt(s) on the Extension Facility to the point(s) of delivery.

5.7.3.3 Applicability of Surcharges.

Shipper shall pay all usage surcharges applicable to the service provided to such Shipper as set forth in GTN's FERC Gas Tariff, Fourth Revised Volume No. 1-A. Such surcharges shall be deemed to be part of Shipper's Delivery Charges.

5.7.3.4 Discounts.

Shipper shall pay the Maximum Delivery Charge for service under this Rate Schedule unless GTN offers to discount its IHS rate. If GTN elects to discount its rate, GTN shall provide notice to Shipper of the effective date of such discount and the quantity of gas so affected; provided, however, such discount shall not be unduly discriminatory between individual shippers. The rates for service under this Rate Schedule shall not be discounted below the Minimum Delivery Rate and applicable ACA Surcharge.

5.7.3.5 Negotiated Rates.

Notwithstanding any provision of GTN's Tariff to the contrary, GTN and Shipper may mutually agree in writing to a Negotiated Rate (including a Negotiated Rate Formula) with respect to the rates, rate components, charges, or credits that are otherwise prescribed, required, established, or imposed by this Rate Schedule or by any other applicable provision of GTN's Tariff.

5.7.3.6 Backhauls.

Backhauls (as defined in Section 6.1 paragraph 31 of the Transportation General Terms and Conditions) shall be subject to the same charges as forward haul (as defined in Section 6.1 paragraph 30 of the Transportation General Terms and Conditions) except that no gas shall be retained by GTN for compressor station fuel, line loss and other unaccounted-for gas. Backhauls are subject to the operating conditions of GTN's pipeline and will not be made available to Shipper if GTN determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.

5.7.4 FUEL AND LINE LOSS

For all Forward Hauls, Shipper shall furnish to GTN quantities of gas for compressor station fuel, line loss and other utility purposes, plus other unaccounted for gas used in the operation of GTN's combined pipeline system between the International Boundary near Kingsgate, British Columbia and the Oregon-California boundary for the transportation quantities of gas delivered by GTN to Shipper, based upon the effective fuel and line loss percentages in accordance with Section 6.38 of the General Terms and Conditions. No fuel charge shall apply to transactions that do not involve a forward haul movement of gas.

5.7.5 TRANSPORTATION GENERAL TERMS AND CONDITIONS

All of the Transportation General Terms and Conditions except Sections 6.28, 6.31, 6.35, and 6.36 are applicable to this rate schedule, unless otherwise stated in the executed Firm Hourly Service Agreement between GTN and Shipper. Any future modifications, additions or deletions to said Transportation General Terms and Conditions, unless otherwise provided, are applicable to firm transportation service rendered under this rate schedule, and by this reference, are made a part hereof.

6.1 DEFINITIONS

1. **Gas Day:** In accordance with NAESB Standard 1.3.1, the term "Gas Day" shall be 9:00 a.m. to 9:00 a.m. Central Clock Time (7:00 a.m. to 7:00 a.m. Pacific Clock Time).
2. **Business Day:** The term "Business Day" shall mean Monday through Friday, excluding U.S. Federal Banking Holidays for transactions in the United States and similar holidays for transactions occurring in Canada and Mexico.
3. **Month:** The word "month" shall mean a period extending from the beginning of the first day in a calendar month to the beginning of the first day in the next succeeding calendar month.
4. **Maximum Daily Quantity:** The term "Maximum Daily Quantity" (MDQ) shall mean the maximum daily quantity in Dth of gas which GTN agrees to deliver exclusive of an allowance for compressor station fuel, line loss and other unaccounted for gas and transport for the account of Shipper to Shipper's point(s) of delivery on each day during each year during the term of Shipper's Transportation Service Agreement with GTN.
5. **Energy Affiliate:** The term "Energy Affiliate" shall have the meaning provided in Commission Order No. 2004, et seq.
6. **Gas:** The word "gas" shall mean natural gas.
7. **Cubic Foot of Gas:** The term "cubic foot of gas" is defined in accordance with NAESB Standard 2.3.9 as that quantity of gas which measures one (1) cubic foot at standard conditions of 14.73 dry psia, 60 degrees F. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C. Standard 2.3.9 states in full "Standardize the reporting basis for Btu as 14.73 psia at 60 degrees F (101.325 kPa and 15 degrees C), and dry. Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm² and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, at 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, at 15 degrees C, and dry."

NAESB WGQ takes no position on the basis upon which transactions are communicated to trading partners and/or regulatory agencies, as applicable, nor does NAESB WGQ state whether transactions may take place between parties on a volumetric basis.

8. Mcf: The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in Section 6.1 paragraph 7 hereof. The term "MMcf" shall mean one million (1,000,000) cubic feet of gas.
9. Dekatherm: The term "Dekatherm" (or "Dth") is the quantity of heat energy equivalent to one million (1,000,000 British Thermal Units (MMBtu). Dth is the standard quantity for Nominations, confirmations and Scheduled Quantities in the United States. For purposes of this tariff and associated Service Agreements, the terms MMBtu and Dth are synonymous.
10. Btu: The term "Btu" shall mean British Thermal Unit. The term "MMBtu" shall mean one million (1,000,000) British Thermal Units. The reporting basis for Btu shall be standardized as 14.73 dry psia and 60 degrees (60°) Fahrenheit (101.325 kPa and 15.6 degrees C).
11. Gross Heating Value: The term "gross heating value" shall mean the number of Btus in a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit, saturated with water vapor, and at an absolute pressure equivalent to thirty (30) inches of mercury at thirty-two degrees (32°) Fahrenheit.
12. Psig: The term "psig" shall means pounds per square inch gauge.
13. Releasing Shipper: A firm transportation Shipper which intends to post its service to be released to a Replacement Shipper, has posted the service for release, or has released its service.
14. Replacement Shipper: A Shipper which has contracted to utilize a Releasing Shipper's service for a specified period of time.
15. Posting Period: The period of time during which a Releasing Shipper may post, or have posted by the pipeline, all or a part of its service for release to a Replacement Shipper.
16. Release Term: The period of time during which a Releasing Shipper intends to release, or has released all or a portion of its contracted quantity of service to a Replacement Shipper.
17. Bid Period: The period of time during which a Replacement Shipper may bid to contract for a parcel which has been posted for release by a Releasing Shipper.
18. Parcel: The term utilized to describe an amount of capacity, expressed in Dth/d, from a specific receipt point to a specific delivery point for a specific period of time which is released and bid on pursuant to the capacity release provisions contained in Section 6.28 of these Transportation General Terms and Conditions.

19. **Primary Release:** The term used to describe the release of capacity by a Releasing Shipper receiving service under a Part 284 firm transportation rate schedule.
20. **Secondary Release:** The term used to describe the release of capacity by a Replacement Shipper receiving service under a Part 284 firm transportation rate schedule.
21. **Bid Reconciliation Period:** The period of time subsequent to the Bid Period during which bids are evaluated by GTN.
22. **Match Period:** The period of time subsequent to the Bid Reconciliation Period and before the notification deadline for awarding capacity for Prearranged Deals that require bidding. During this period, the Prearranged Shipper may match any higher bids for the Parcel.
23. **Mainline Facilities:** The term "Mainline Facilities" shall mean the 36-inch and 42-inch mains and appurtenant facilities extending from the interconnection with the pipeline facilities of TransCanada PipeLines Limited B.C. System and Foothills Pipe Lines (South B.C.) Ltd., near Kingsgate, British Columbia to the interconnection with the pipeline facilities of Pacific Gas and Electric Company near Malin, Oregon.
24. **Extension Facilities:** The term "Extension Facilities" shall mean the 12-inch mains and appurtenant facilities extending from GTN's mainline facilities at Milepost 304.25 and the 16-inch and 12-inch mains and appurtenant facilities extending from GTN's Mainline Facilities at Milepost 599.20 that were authorized in Docket No. CP93-618-000. The term "Extension Facility" shall mean one of the Extension Facilities.
25. **Subject Shipper:** The term "Subject Shipper" shall mean the Shippers identified in Appendix G of the Stipulation and Agreement in Docket No. RP94-149-000, et al., and Shippers that have obtained service rights from such Shippers.
26. **Nominations:** A "Nomination" shall be the provision of information to GTN necessary to effectuate a transportation transaction. Specific Nomination procedures are set forth in Section 6.19.4 of the General Terms and Conditions of Transporter's FERC Gas Tariff.
27. **Intraday Nomination:** An "Intraday Nomination" is a Nomination submitted after the Nomination deadline whose effective time is no earlier than the beginning of the Gas Day and runs through the end of the Gas Day.

28. North American Energy Standards Board Standards: The term "North American Energy Standards Board Standards" or "NAESB Standards" shall mean the standardized business practices and electronic communication practices promulgated by the North American Energy Standards Board from time to time and incorporated in the Code of Federal Regulations by the Federal Energy Regulatory Commission.
29. Asset Manager: A party that agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another party. The asset manager uses released capacity to serve the gas supply requirements of the releasing shipper and, when the capacity is not needed for that purpose, uses the capacity to make releases or bundled sales to third parties.
30. Forward Haul: The term "Forward Haul" shall refer to (1) transportation service on GTN's mainline system in which the nominated direction of flow from receipt point to delivery point is from north to south or (2) transportation service on a GTN lateral in which the nominated direction of flow from receipt point to delivery point is in the same direction as physical gas flow on the lateral.
31. Backhaul: The term "Backhaul" shall refer to transportation service on GTN's mainline system and laterals that is in the opposite direction of a Forward Haul as defined in Section 6.1 paragraph 30 above.
32. Primary Path: The term "Primary Path" shall mean the transportation path established by the receipt and delivery points as set forth in Shipper's executed Service Agreement. A shipper's Primary Path may be either a Forward Haul or a Backhaul as defined in Section 6.1 paragraphs 30 and 31 above.
33. Reverse Path: The term "Reverse Path" shall mean the transportation path that is in the opposite direction of that Shipper's Primary Path as defined in Section 6.1 paragraph 32 above. A Shipper's Reverse Path may be either a Forward Haul or a Backhaul as defined in Section 6.1 paragraphs 30 and 31 above. Reverse Path transactions rely on secondary point rights and are subject to the operating conditions of GTN's pipeline and will not be made available to Shipper if GTN determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.
34. Negotiated Rate: The term "Negotiated Rate" shall mean a rate (including a Negotiated Rate Formula) that GTN and a Shipper have agreed will be charged for service under Rate Schedules FTS-1, LFS-1, FHS, ITS-1, IHS or PAL where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or be less than the minimum rate, for such component set forth in GTN's tariff for the given service. Any Agreement entered into after the effective date of this subsection which provides for a rate under Rate

Schedules FTS-1, LFS-1, FHS, ITS-1, IHS or PAL other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties as to whether the pricing terms represent a discounted rate or a negotiated rate.

35. **Negotiated Rate Formula:** The term "Negotiated Rate Formula" shall mean a rate formula that GTN and a Shipper have agreed will apply to service under a specific contract under Rate Schedules FTS-1, LFS-1, FHS, ITS-1, IHS or PAL which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or may be less than the minimum rate, for such component set forth in GTN's Tariff for the given service.
36. **Recourse Rate:** The term "Recourse Rate" shall mean the applicable maximum rate that would apply to each respective Rate Schedule as set forth in the Statement of Rates of this FERC Gas Tariff.
37. **Existing Capacity:** The term "Existing Capacity" shall mean capacity that has been in-service beyond the initial terms of Agreements that originally supported the construction of such capacity. Existing Capacity additionally includes capacity that is still within such initial terms where Shipper Agreements pertaining to the capacity have been terminated by the pipeline. Existing Capacity additionally includes unsubscribed capacity created as part of a pipeline expansion project.
38. **Expansion Capacity:** The term "Expansion Capacity" shall mean capacity that is added to the pipeline system as part of a system expansion project where such capacity is still within the initial contract term(s) of the Agreement(s) that originally supported the construction of such capacity. Expansion Capacity includes permanent releases of capacity that are within the initial term of an original Shipper's contract.
39. **Long-Term Firm Capacity:** The term "Long-Term Firm Capacity" shall mean firm capacity that is provided on GTN's system for periods of 365 days or longer, but which may also be sold as Short-Term Firm Capacity. Unsubscribed Long-Term Firm Capacity is posted under the capacity option in the info postings menu on GTN's Internet website.
40. **Short-Term Firm Capacity:** The term "Short-Term Firm Capacity" shall mean firm capacity that is provided on GTN's system for periods of time that are less than 365 days. Unsubscribed Short-Term Firm Capacity is posted under the capacity option in the info postings menu on GTN's Internet website.
41. **Operationally Available Capacity:** The term "Operationally Available Capacity" shall mean capacity that is available on a day-to-day basis and is equal to the

physical capacities of individual receipt and delivery points less amounts scheduled to be received/delivered at such points. Operationally Available Capacity is posted under the capacity option in the info postings menu on GTN's Internet website.

42. The term "PAL Point" shall mean the point on GTN's system referenced on Exhibit A of a PAL Service Agreement where a Shipper can park or GTN can lend quantities of gas.
43. The term "Maximum Quantity" shall mean the maximum quantity of gas available to Shipper for PAL Service as stated on Exhibit A of a PAL Service Agreement.
44. The term "Hour" shall mean a period of sixty consecutive minutes beginning at the top of the hour, e.g., 9:00, or such other period of sixty consecutive minutes mutually acceptable to GTN and Shipper.
45. The term "Maximum Hourly Quantity" ("MHQ") shall mean the greatest number of Dekatherms that GTN is obligated to deliver at a Primary Point of Delivery to or on behalf of Shipper up to Shipper's MDQ, during any Hour. Shipper shall have the right to take up to the MHQ any Hour of the Gas Day, unless GTN and Shipper agree otherwise, in which case GTN and Shipper shall set forth the MHQ by Hour in the Firm Hourly Service Agreement.

6.18.2 Firm Service:

The provisions of this Section 6.18.2 shall be applicable to firm transportation service under Rate Schedules FTS-1, FHS, and LFS-1 contained in this Fourth Revised Volume No. 1-A. Firm transportation service under this Fourth Revised Volume No. 1-A shall be provided when, and to the extent that, GTN determines that firm capacity is available on GTN's existing facilities. GTN shall not be required to provide firm transportation service in the event firm capacity is unavailable or to construct new facilities to provide firm service.

For unsubscribed capacity that becomes generally available, requests for firm capacity shall be accommodated in the following manner and subject to the following conditions and limitations:

- (a) In order to be eligible for firm capacity, a party requesting service (requestor) must be deemed creditworthy per Section 6.18.4 and submit a valid request in accordance with the provisions herein.
- (b) Future Sales of Capacity: GTN may sell firm capacity with service commencement dates more than one year in the future, when such capacity is either available unsubscribed capacity or capacity that will become available and is not subject to a right of first refusal or unilateral evergreen provision, by either conducting an open season or by selling such capacity on a pre-arranged basis.

If GTN conducts an open season, it will post notice of the open season on its Internet website for at least five (5) business days to afford all potential shippers an opportunity to acquire the capacity. Any potential shippers wishing to acquire capacity may request an immediate or future commencement date (if the capacity is currently available) or a future commencement date (if the capacity will become available in the future). GTN will award capacity on an NPV basis consistent with Section 6.18.2(e) of these General Terms and Conditions.

If GTN sells capacity on a pre-arranged basis, GTN will post the terms of the pre-arranged transaction and other parties will have an opportunity to bid on the capacity. At the time GTN enters into a pre-arranged service agreement, GTN will post a notice on its Internet website indicating that the pre-arranged capacity will be subject to an open bidding process within three (3) business days, even if such capacity has already been subject to an open season bidding process and is currently posted as available capacity. If another party submits a bid with a higher incremental economic value, the pre-arranged Shipper will have a one-time right to match the higher bid in order to retain the capacity. If the pre-arranged Shipper elects not to match a higher competing bid, the capacity will be awarded to the highest creditworthy bidder in accordance with Section 6.18.2(e). If there is an

open season ongoing for certain capacity, GTN will not enter into a pre-arranged deal for that capacity during the open season.

GTN will separately identify on its Internet website all capacity that is anticipated to become available and is not subject to a right of first refusal or unilateral evergreen provision. GTN will not enter into any pre-arranged deals for capacity that has not previously been posted on its Internet website.

Capacity that is reserved pursuant to this Section 6.18.2(b) will be made available for transportation service on an interim basis up to the commencement date of the service agreement for such capacity. For such interim service agreements, GTN reserves the right to limit Shipper extension rights, including the right of first refusal, within the service agreement. Transporter will indicate in any open season posting of this capacity any limitations on extension rights that will apply to such interim transportation service.

(c) Available Capacity.

GTN will post available capacity on its Internet website. Capacity that becomes available may be subject to an open season bidding process or may be sold on a first-come, first-served basis, as described below.

- (1) To the extent GTN subjects capacity to an open season bidding process, the Bid Period will be a minimum of 1 business day for capacity available for up to 1 month; a minimum of 3 business days for capacity available for greater than one month but less than one year; and a minimum of 5 business days for capacity available for one year or more. All bids not withdrawn prior to the close of the Bidding Period shall be binding. At the end of the Bidding Period, GTN will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Section 6.18.2(e). If GTN does not award capacity through the open season, GTN will post the capacity on its Internet website as available unsubscribed capacity.
- (2) To the extent available capacity is not subject to an ongoing open season bidding process, and GTN receives a request for capacity that reflects continuous service at a constant contract quantity for the entire term of service, GTN will award such capacity on a first-come, first-served basis to shippers that offer the maximum recourse rate if: 1) such request is made within five (5) days of the requested service commencement date for a service term of less than or equal to 92 days; or 2) such request is made within 30 days of the requested service commencement date for a service term greater than 92 days but less than one (1) year.

If GTN receives a request for capacity within six (6) months of the requested service commencement date, and such request reflects continuous service at a constant contract quantity for the entire term of service at the maximum rate for a term of one (1) year or greater, GTN shall either: 1) subject the quantity requested to an open season within five (5) business days of receiving such request and award the capacity at the close of the open season to the Shipper submitting the request/bid with the greatest economic value pursuant to Section 6.18.2(e), below; or 2) honor such request. The option to either conduct an open season or honor a valid request will be at GTN's discretion. If GTN conducts an open season for the requested capacity, the initial valid service request will be included in the open season, however, the Shipper submitting such request may submit a bid with greater economic value during the open season.

GTN may agree, but is not obligated, to sell firm capacity outside these timelines on a not-unduly discriminatory basis.

- (d) After the close of the Bidding Period, GTN may tender a Service Agreement for execution to the requestor(s) submitting the bid(s) having the greatest economic value for the capacity available, subject to the provisions of Section 6.18.2(f).
- (e) Valuation of Bids.

Unless otherwise specified in its open season posting, when evaluating bids for long-term firm capacity with terms of less than three years, the bid(s) with the greatest economic value will be the bid(s) with the highest net present value ("NPV") based on (1) the reservation charge and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise that requestor(s) would pay at the rates the requestor(s) has bid, and (2) the term of service specified in the request. If the economic values of separate bids are equal, then service shall be offered to such requestors on a pro-rata basis.

The NPV is the discounted cash flow of the bid according to the following formula, net of revenues lost or affected by the requests for service:

$$\text{Present Value per} = P * R * \frac{(1 + i)^n - 1}{i(1 + i)^n}$$

where: P = percent of the rate or charge that the Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth in effect at the time of the bid for service.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract.

The NPV formula will be affected by the term and rate requested. In the event GTN intends to entertain bids for service under index-based or other Negotiated Rate Formulae, the future value of which cannot be determined at the time of the bidding, GTN shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

Unless otherwise specified in its open season posting, when evaluating bids for long-term firm capacity with terms of three years or more, the bid(s) with the highest NPV will additionally take into account a third factor: Shipper's probability of default for the applicable bid term.

The NPV is the discounted cash flow of the bid according to the following formula, net of revenues lost or affected by the requests for service:

$$\text{Present Value per} = P * R * (1-PD) * \frac{(1+i)^n - 1}{i(1+i)^n}$$

where: P = percent of the rate or charge that the Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth in effect at the time of the bid for service.

PD = Shipper's probability of default for the applicable bid term.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract.

The NPV formula will be affected by the term and rate requested and Shipper's probability of default.

GTN will use S&P's most recent "Global Corporate Average Cumulative Default Rates By Rating Modifier" table, published on S&P's website, as extrapolated to reflect the maximum bid term to be used for evaluation purposes, to quantify Shipper's probability of default. The probability of default table will define a bidder's probability of default based upon (1) the applicable bid term and (2) the unenhanced senior unsecured debt rating of the Shipper. In order to increase the NPV of its bid, a Shipper may elect to post additional collateral in one-year increments, thereby reducing, by a like number of years, the time horizon (years) used to define Shipper's probability of default. Shipper unenhanced senior unsecured debt ratings will be determined consistent with Section 6.18.4 of these General Terms and Conditions. Where Shipper has established creditworthiness pursuant to Section 6.18.4.2, paragraph (1)(i), GTN, upon Shipper's request, will substitute such ratings of the Shipper with that of its guarantor.

The specific bid evaluation methodology to be used, including, where appropriate, the data to be used for evaluation of Negotiated Rate Formula bids, will be included as part of GTN's open season posting under Section 6.18.2(c) with sufficient specificity to allow a prospective shipper to calculate the value of its bid and duplicate GTN's results.

Irrespective of whether a bid(s) has the highest NPV of the bids received, GTN may reject bids for service that (i) may detrimentally impact the operational integrity of Transporter's system; (ii) do not satisfy all the terms of the specified posting; or (iii) contain terms and conditions other than those set forth in GTN's FERC Gas Tariff.

If the NPV of any Negotiated Rate revenues would exceed the NPV of the revenue stream produced by paying the Maximum Rate over the same period of time, then the Shipper bidding the Negotiated Rate shall be considered to be paying the Maximum Rate for purposes of determining the bid with the greatest economic value.

- (f) A Service Agreement tendered by GTN to requestor(s) or winning bidder(s) shall be executed as set forth above in Section 6.18.1.
- (g) Except as provided in Section 6.28, GTN shall not be obligated to tender or execute a Service Agreement for service at any rate less than the Maximum Rate set forth in the Statement of Effective Rates and Charges applicable to the service requested.
- (h) A Shipper receiving firm service shall not lose its priority for purposes of Section 6.19 by the renewal or extension of term of that service; provided, however, any renewal or extension must be pursuant to a rollover or evergreen provision of the Service Agreement. Shipper's preexisting priority shall not apply, however, to any increase in transportation quantity or new primary point of delivery.

6.18.3 Interruptible Service.

The provisions of this Section 6.18.3 shall be applicable to interruptible transportation service under Rate Schedules ITS-1 and IHS contained in this Fourth Revised Volume No. 1-A.

- (a) Interruptible transportation service under this Fourth Revised Volume No. 1-A shall be provided when, and to the extent that, capacity is available in GTN's existing facilities, which capacity is not subject to a prior claim under a pre-existing agreement pursuant to Rate Schedule FTS-1 or under another class of firm service.
- (b) In the event where natural gas tendered by Shipper to GTN at the receipt point(s) for transportation, or delivered by GTN to Shipper (or for Shipper's account) at the delivery point(s), is commingled with other natural gas at the time of measurement, the determination of deliveries applicable to Shipper shall be made in accordance with operating arrangements satisfactory to Shipper, GTN and any third party transporting to or from GTN's system.
- (c) GTN shall process requests for interruptible transportation service on a non-discriminatory basis. Available interruptible capacity shall be allocated by GTN first to the Shipper(s) paying the highest rate, followed by a pro-rata tie breaker, as provided for in Section 6.19 of these General Terms and Conditions.

6.28.6 Bidding for a Parcel.

(a) Preliminary Qualification.

Replacement Shippers are encouraged to demonstrate creditworthiness in advance of any postings through the customer activities link on GTN's Internet website as credit requirements will take differing amounts of time to process depending on the particular financial profile of Replacement Shippers.

Releasing Shippers may exercise their option to waive the credit requirements, in accordance with Section 6.18.4.3, for any Replacement Shipper wishing to bid on a Parcel posted by that Releasing Shipper. Such waiver must be made on a nondiscriminatory basis. Releasing Shipper must inform GTN of such waiver through the customer activities link on GTN's Internet website before it will authorize such Replacement Shipper's participation with respect to that particular Parcel.

Should a Releasing Shipper waive the credit requirements for a Replacement Shipper, the Releasing Shipper shall be liable for all charges incurred by the Replacement Shipper in the event such Replacement Shipper defaults on payment to GTN for such capacity release service.

Any potential Replacement Shipper may submit a bid for Parcels posted for release. GTN will determine the highest valued bid, based on the bid evaluation method selected by the Releasing Shipper, and verify that the Shipper placing the bid meets GTN's credit requirements before awarding the parcel. Upon notification by GTN of an award of a Parcel, GTN shall complete a new FTS-1, FHS, or LFS-1 contract with the particulars of the awarded Parcel and Replacement Shipper shall execute this new contract electronically.

Once a Replacement Shipper has acquired capacity, authority is granted to the Replacement Shipper to release that capacity, unless the Releasing Shipper has specified that the Parcel cannot be re-released.

The execution of the FTS-1, FHS, or LFS-1 service agreement will constitute an obligation on the part of the Replacement Shipper to be bound by the terms and conditions of GTN's capacity release program as set forth in these Transportation General Terms and Conditions.

(b) Submitting a Bid.

All bids must be submitted through the customer activities link on GTN's Internet website. Such bids shall be "open" for all participants to review. The particulars

of all bids will be available for review but not the identity of bidders. GTN will post the identity of the winning bidder(s) only.

A Replacement Shipper cannot request that its bid be "closed", nor can a Releasing Shipper specify that "closed" bids be submitted on its releases. A Replacement Shipper may submit only one bid per Parcel posted at any one point in time. Bids received after the close of the Bid Period shall be invalid. The Replacement Shipper may bid for no more than the quantity of the Parcel posted by the Releasing Shipper. Simultaneous bids for more than one Parcel are permitted.

A valid bid to contract for a Parcel must contain the following information:

- (1) Replacement Shipper's legal name, e-mail, telephone number and the name of the individual responsible for authorizing the bid.
 - (2) The identification of the Parcel bid on.
 - (3) Term of service requested. The term of service must not exceed the term included in the Parcel.
 - (4) Percentage of the applicable maximum rate or price in dollars and cents per Dth/d, that the Replacement Shipper is willing to pay for non-index-based releases or the index-based formula as detailed in the capacity release offer. A Replacement Shipper may not bid below the minimum applicable charge or rate.
 - (5) The quantity desired not to exceed the quantity contained in the Parcel, expressed on a Dth/d delivered basis and greater than the minimum quantity acceptable to Replacement Shipper.
 - (6) Whether or not Replacement Shipper is an affiliate of the Releasing Shipper.
 - (7) An affirmative statement that Replacement Shipper agrees to be bound by the terms and conditions of Rate Schedule FTS-1 and GTN's capacity release provisions in its tariff.
 - (8) Whether the bid is a contingent bid.
- (c) Confirmation of Bids.

It is the Replacement Shipper's sole responsibility to confirm the correctness of the submitted bid and to take any corrective action necessary by resubmitting a bid

when notified of an invalid or incomplete bid by GTN. This must be done before the close of the Bid Period.

(d) Withdrawn or Revision of Bids.

A previously submitted bid may be withdrawn or revised and resubmitted at any time prior to the close of the Bid Period with no obligation on the Replacement Shipper's part. In accordance with NAESB Standard 5.3.15, bids cannot be withdrawn after the bid period ends. Resubmitted bids must be equal to or greater in value than the initial bids. Lower valued bids will be invalid. In accordance with NAESB Standard 5.3.13, bids should be binding until notice of withdrawal is received by GTN on its Internet website.

6.28.7 Allocation of Parcels.

(a) Primary Allocation.

In accordance with NAESB Standard 5.3.3, winning bids for Parcels shall be awarded based on one of the following options to be selected by the Releasing Shipper when posting a Parcel:

Option 1 - Highest Rate Equivalent

Bids will be given priority based on the maximum rate bid as represented by (1) a Replacement Shipper's bid of the percentage of the maximum authorized reservation charge or a volumetric equivalent of the maximum reservation charge applicable to the Parcel on a 100% load factor basis, or (2) a Replacement Shipper's bid in terms of absolute dollars and cents per Dth. A bid queue will be maintained for each individual Parcel.

Option 2 - Present Value

Bids will be given priority based on the net present value of the bid according to the following formula:

$$\text{Present Value per} = P * R * \frac{(1 + i)^n - 1}{i (1 + i)^n}$$

where: P = percent of the maximum authorized rate or charge that the Replacement Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth [or a volumetric equivalent of the maximum reservation charge(s) applicable to the Parcel on a 100% load factor basis] in effect at the time of the bid for service from the same receipt point to the same delivery point under the Releasing Shipper's rate schedule.

For short-term capacity releases not subject to a rate cap, P * R shall equal a Replacement Shipper's bid in terms of absolute dollars and cents per Dth.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract, not to exceed the maximum periods to be released by the Releasing Shipper. For releases greater than or equal to one month, the period is the number of months. For releases less than one month the period is the number of days.

A bid queue will be maintained for each individual Parcel.

Option 3 - Net Revenue

Bids will be given priority based on the net revenue for the term of the bid.

Option 4 – Releasing Shipper’s Bid Evaluation Methodology

The Releasing Shipper may establish a method for evaluation of the highest valued bid. The Releasing Shipper must specify the evaluation method and provide an example of the evaluation method with each individual Parcel. In this event, GTN shall evaluate the bids in accordance with the Releasing Shipper’s method and allocate the capacity to the highest valued bid. The Releasing Shipper’s bid evaluation methodology must be objective and non-discriminatory. In the event the Releasing Shipper does not specify how capacity will be allocated when there are multiple highest valued bids, the capacity will be allocated on a pro rata basis.

If Releasing Shipper does not specify an option for determining best bid, Option 2 will be the default option used.

Under all options, GTN will evaluate and rank all bids for Parcels. For indexed capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology.

(b) Right of First Refusal.

In the event of a Prearranged Shipper's bid for a Parcel, pursuant to the methodology specified by the Releasing Shipper, if the bid submitted by a subsequent Replacement Shipper exceeds the value of the Prearranged Shipper's bid, the Prearranged Shipper will be allowed to match the higher valued bid. The Prearranged Shipper will be allowed a match period, as specified in Section 6.28.8, to match the higher valued bid, otherwise, the allocation will be awarded to subsequent Replacement Shipper(s) in accordance with the primary and secondary allocation mechanisms.

(c) Secondary Allocation.

To the extent there is more than one Replacement Shipper submitting a winning bid, the Parcel shall be allocated based on one of the following tie-breaker methodologies to be selected by the Releasing Shipper: pro rata or order of submission (first come/first serve).

(d) Confirmation of Allocation.

Upon each completion of an allocation, the successful Replacement Shipper(s) will be notified of the terms under which they have contracted for the awarded Parcel. The notification will be provided in the form of an e-mail to the Replacement Shipper(s). Such notification will be sent within one hour of completion of the allocation. The notice will include the Replacement Shipper's Rate Schedule FTS-1, FHS, or LFS-1 service agreement number and the pertinent terms of the Replacement Shipper's bid as well as any additional terms specified by the Releasing Shipper.

(e) Expired Bids.

All unfulfilled bids, as well as any unfulfilled portions of bids which receive a partial award, will become ineffective as of the completion of bid reconciliation and the close of the Bid Period.

6.36 CREDITING OF INTERRUPTIBLE TRANSPORTATION REVENUES ON EXTENSIONS

(1) Interruptible Transportation Revenue Credits on Coyote Springs Extension.

- (a) **Applicability.** Revenue credits from interruptible transportation revenues received by GTN from Rate Schedules ITS-1 (E-3) and IHS (E-3) Shippers shall be provided to GTN's firm Shippers under Rate Schedules FTS-1 (E-3) and FHS (E-3) ("Eligible Shippers"), excluding Shippers receiving service under a Capacity Release Service Agreement.
- (b) **Crediting Percentage.** GTN shall credit to Eligible Shippers 90 percent of interruptible transportation revenues received during each 12-month period, commencing November 1st of each year, but only to the extent that such transportation revenues exceed the amount of fixed costs which were allocated to interruptible transportation (Cost Allocation Amount) by GTN as part of designing GTN's effective transportation rates during such 12-month period. To the extent that GTN is required to provide interruptible transportation revenue credits during any period during which this Section 6.36 shall be or shall have been in effect for less than 12 months, a "Short Period", GTN shall pro rate the Cost Allocation Amount by the number of days during such Short Period as compared to the total number of days in such 12 months. To calculate the interruptible transportation revenue credit due under the provisions of this section, where applicable, such prorated Cost Allocation Amount shall be compared to GTN's actual interruptible revenues for the Short Period.
- (c) **Timing of Credits.** Within 45 days after November 1st of each 12-month period or after the end of a Short Period, if applicable, GTN shall determine the total amount of the applicable Rate Schedules ITS-1 (E-3) and IHS (E-3) revenues received during the 12-month period or Short Period and the distribution of the interruptible revenue credits due to Eligible Shippers as described below. Such revenue credits shall be reflected as a credit billing adjustment in the next invoices rendered to the Eligible Shippers. In the event that such credit billing adjustment would result in a credit total invoice to any Shipper, GTN will refund the excess credit billing adjustment to the Shipper in cash within 15 days after determination of the amount of the credit due to the Shipper.
- (d) **Exclusion.** Revenue credits shall not be awarded for that portion of interruptible revenues that are attributable to: (1) the recovery by GTN of variable costs, which portion shall be equal to the minimum usage charge for Rate Schedules ITS-1 (E-3) and IHS (E-3), and (2) relate to other volumetric surcharges such as ACA.

- (e) **Distribution Method.** Interruptible transportation revenue credits shall be credited to each Eligible Shipper on a pro rata basis in proportion to the reservation revenues received during the 12-month period or Short Period from each Eligible Shipper divided by the total reservation revenue for each Eligible Shipper received during such period. The reservation revenues shall include the reservation charges which the Eligible Shippers actually pay prior to the distribution of all revenue credits, and including reservation charges applicable to capacity which was released into GTN's Capacity Release Programs during the 12-month period year or Short Period by the Eligible Shipper.
 - (f) GTN shall pay interest to Eligible Shippers on any revenue credits from the date such credits accrue. Such interest shall be calculated based upon the rate of interest specified in Section 154.67(c) of the Commission's regulations.
- (2) **Interruptible Transportation Revenue Credits on Medford Extension.**
- (a) **Applicability.** Revenue credits from interruptible transportation revenues received by GTN from Rate Schedules ITS-1 (E-1) and IHS (E-3) Shippers shall be credited to the deferred account for Washington Water Power Company's WP Natural Gas subsidiary in accordance with the mechanism approved by Order of June 1, 1995, 71 FERC Paragraph 61,268.
 - (b) **Crediting Percentage.** GTN shall credit to the deferred account 90 percent of interruptible transportation revenues received during each 12-month period, commencing November 1st of each year, but only to the extent that such transportation revenues exceed the amount of fixed costs which were allocated to interruptible transportation (Cost Allocation Amount) by GTN as part of designing GTN's effective transportation rates during such 12-month period. To the extent that GTN is required to provide interruptible transportation revenue credits during any period during which this Section 6.36 shall be or shall have been in effect for less than 12 months, a "Short Period", GTN shall pro rate the Cost Allocation Amount by the number of days during such Short Period as compared to the total number of days in such 12 months. To calculate the interruptible transportation revenue credit due under the provisions of this section, where applicable, such pro rated Cost Allocation Amount shall be compared to GTN's actual interruptible revenues for the Short Period.
 - (c) **Exclusion.** Revenue credits shall not be awarded for that portion of interruptible revenues that are attributable to the recovery by GTN of variable costs, which portion shall be equal to the minimum usage charge for Rate Schedules ITS-1 (E-1) and IHS (E-3).

6.38 ADJUSTMENT MECHANISM FOR FUEL, LINE LOSS, AND OTHER UNACCOUNTED FOR GAS PERCENTAGES

The effective fuel and line loss percentages under Rate Schedules FTS-1, LFS-1, FHS, ITS-1, and IHS shall be adjusted downward to reflect reductions and may be adjusted upward to reflect increases in fuel usage and line loss in accordance with this Section 6.38.

1. Computation of Effective Fuel and Line Loss Percentage.

The effective fuel and line loss percentage shall be the sum of the current fuel and line loss percentage and the fuel and line loss surcharge percentage.

2. The Current Fuel and Line Loss Percentage.

- (a) For each month, the current fuel and line loss percentage shall be determined in accordance with Section 6.38 paragraph 2(c) hereof. The current fuel and line loss shall be effective from the first day of such month and shall remain in effect for the month.
- (b) The current fuel and line loss percentage to be applicable for the month shall be posted on GTN's Internet website not less than seven (7) days prior to the beginning of the month.
- (c) The current fuel and line loss percentage for the month shall be determined on the basis of (1) the estimated quantities of gas to be received by GTN for the account of Shippers during such month and (2) the projected quantities of gas that shall be required for fuel and line loss during such month, adjusted for overrecoveries or underrecoveries of fuel and line loss during such month preceding the month in which the current fuel and line loss percentage is posted; provided, that the percentage shall not exceed the maximum current fuel and line loss percentage and shall not be less than the minimum current fuel and line loss percentage set forth on the Statement of Effective Rates and Charges.
- (d) At least thirty (30) days prior to January 1, GTN shall file with the Commission schedules supporting the current fuel and line loss percentages applicable during the twelve (12) months ending October 31.

3. The Fuel and Line Loss Surcharge Percentage.

- (a) For each twelve (12) month period beginning January 1, the fuel and line loss surcharge percentage shall be determined in accordance with Section 6.38 paragraph 3(c) hereof. The fuel and line loss surcharge percentage shall

become effective on January 1 and shall remain in effect for the twelve (12) month period ending December 31.

- (b) At least thirty (30) days prior to each January 1, GTN shall file with the Commission and post, as defined by Section 154.2(d) of the Commission's regulations, the fuel and line loss surcharge percentage, together with supporting documentation.
- (c) The fuel and line loss percentage shall be computed by quantifying GTN's actual fuel and line loss over/under collection position at October 31 of each year and dividing the result by an estimate of the quantities of gas to be delivered by GTN for the account of Shippers over the following twelve (12) month period. The over/under position will be quantified by (i) determining GTN's actual fuel consumption and line losses for each month of the preceding twelve (12) month period and (ii) subtracting the quantities retained by GTN during each month of the preceding twelve (12) month period. If the percentage so determined is +/- 0.0001%, the fuel and line loss surcharge percentage shall be deemed to be zero.

FORM OF SERVICE AGREEMENT

(For Transportation under GTN's Rate Schedules ITS-1 and IHS)

THIS AGREEMENT is made and entered into this ____ day of _____, 20____, by and between GAS TRANSMISSION NORTHWEST LLC, a Delaware limited liability company (hereinafter referred to as "GTN"), and _____, (hereinafter referred to as "Shipper").

WHEREAS, GTN owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires GTN, on an interruptible basis, to Transport certain quantities of natural gas; and

WHEREAS, GTN is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis, (if applicable) and

WHEREAS, GTN and Shipper previously made and entered into an agreement for interruptible transportation service in Contract No. _____ on _____. Service under Contract No. _____ commenced on _____, as reflected in Section 2.1 herein. GTN and Shipper now desire to amend, restate and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

- 1.1 Pursuant to the terms of this Agreement, GTN agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay GTN for such services.
- 1.2 This Interruptible Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
- 1.3 Shipper shall reimburse GTN for any and all filing fees incurred by GTN in seeking governmental authorization for the initiation, extension, or termination of service under this Agreement and the applicable Rate Schedule. Shipper shall reimburse GTN for such fees at GTN's designated office within ten (10) days of receipt of notice from GTN that such fees are due and payable. Additionally, Shipper shall reimburse GTN for any and all penalty fees or fines assessed GTN caused by the negligence of Shipper in not obtaining all proper Canadian and domestic import/export licenses, surety bonds or any other documents and

approvals related to the Canadian exportation and subsequent domestic importation of natural gas transported by GTN hereunder.

- 1.4 (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between GTN and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II Term

- 2.1 The service commencement date is _____, and service shall continue until _____, or until terminated by Shipper or GTN upon thirty (30) days written notice.

III Rate(s), Rate Schedules, and General Terms and Conditions of Service

- 3.1 Shipper shall pay GTN each month for services rendered pursuant to this Agreement in accordance with the applicable Rate Schedule, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.

If GTN and Shipper have mutually agreed on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or in writing or through the customer activities link on GTN's Internet website.

- 3.2 This Agreement in all respects shall be and remains subject to the provisions of the applicable Rate Schedule, or superseding rate schedule(s) and of the applicable Transportation General Terms and Conditions of GTN's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
- 3.3 GTN shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as GTN may deem necessary, and to make such changes effective at such times as GTN desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.
- 3.4 The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of GTN that have a higher priority of service.

IV
Miscellaneous

- 4.1 This Agreement shall be interpreted according to the laws of the state of California.
- 4.2 Shipper warrants that the requisite upstream and downstream transportation arrangements to effectuate the service to be provided pursuant to the Agreement are in place, or will be in place as of the requested effective date of service.
- 4.3 Shipper agrees to indemnify and hold GTN harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
- 4.4 Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, email or other means similarly agreed to.

"GTN" GAS TRANSMISSION NORTHWEST LLC
 700 Louisiana Street, Suite 700
 Houston, Texas 77002-2700
 Attention: Commercial Services

"Shipper" _____

 Attention: _____

- 4.5 A waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
- 4.6 This Agreement may only be amended by an instrument in writing executed by both parties hereto.
- 4.7 Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to GTN.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

GAS TRANSMISSION NORTHWEST LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

FORM OF SERVICE AGREEMENT

APPLICABLE TO FIRM HOURLY SERVICE
UNDER RATE SCHEDULE FHS

THIS AGREEMENT is made and entered into this _____ day of _____, 20____, by and between Gas Transmission Northwest LLC, a Delaware limited liability company (hereinafter referred to as "GTN"), and _____, (hereinafter referred to as "Shipper").

WHEREAS, GTN owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires GTN, on a firm basis, to transport certain quantities of natural gas; and

WHEREAS, GTN is willing to transport certain quantities of natural gas for Shipper, on a firm basis, (if applicable) and

WHEREAS, GTN and Shipper previously made and entered into Contract No. _____ on _____ for firm transportation service under Rate Schedule FHS. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. GTN and Shipper now desire to amend, restate and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

- 1.1 Pursuant to the terms of this Agreement, GTN agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay GTN for such services.
- 1.2 This Firm Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
- 1.3 Shipper shall reimburse GTN for any and all filing fees incurred by GTN in seeking governmental authorization for the initiation, extension, or termination of service under this Agreement and Rate Schedule FHS. Shipper shall reimburse GTN for such fees at GTN's designated office within ten (10) days of receipt of notice from GTN that such fees are due and payable. Additionally, Shipper shall reimburse GTN for any and all penalty fees or fines assessed GTN caused by the negligence of Shipper in not obtaining all proper Canadian and domestic import/export licenses, surety bonds or any other documents and

approvals related to the Canadian exportation and subsequent domestic importation of natural gas transported by GTN hereunder.

- 1.4 (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between GTN and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II

Quantity of Gas and Points of Receipt and Delivery

- 2.1 The point(s) of receipt and delivery, and the maximum quantities of gas to be delivered by GTN for Shipper's account at the point(s) of delivery are set forth in Exhibit A, attached hereto, and incorporated herein by reference in its entirety and made a part hereof for all purposes.

III

Term

- 3.1 The service commencement date is _____, and service shall continue until _____.

(if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of _____ unless _____ gives at least _____ prior written notice of its desire to terminate this Agreement. Under this evergreen provision, parties capable of giving notice of termination may include only Shipper (unilateral evergreen) or may include both Shipper and GTN (bilateral evergreen).

(if applicable)

Shipper shall have a regulatory right of first refusal as set forth in Section 6.33 of the General Terms and Conditions of GTN's Tariff.

(if applicable)

Shipper shall have a contractual right of first refusal which (a) shall be exercised consistent with the procedures set forth in Section 6.33 of the General Terms and Conditions of GTN's Tariff; (b) exists by virtue of this written agreement, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.33; and (c) shall not extend or apply to any subsequent agreement or amendment arising from the exercise thereof.

(if applicable)

Shipper shall not have a right of first refusal.

IV
Rate(s), Rate Schedules,
and General Terms and Conditions of Service

- 4.1 Shipper shall pay GTN each month for services rendered pursuant to this Agreement in accordance with GTN's Rate Schedule FHS, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.
- 4.2 If GTN and Shipper have mutually agreed on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein.
- 4.3 This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule FHS, or superseding rate schedule(s) and of the applicable Transportation General Terms and Conditions of GTN's FERC Gas Tariff, Fourth Revised Volume No. 1-A on file with the FERC, all of which are by this reference made a part hereof.
- 4.4 GTN shall have the right to file with the FERC any changes in terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as GTN may deem necessary, and to make such changes effective at such times as GTN desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

V
Miscellaneous

- 5.1 This Agreement shall be interpreted according to the laws of the State of California.
- 5.2 Shipper warrants that the requisite upstream and downstream transportation arrangements to effectuate the service to be provided pursuant to the Agreement are in place, or will be in place as of the requested effective date of service.
- 5.3 Shipper agrees to indemnify and hold GTN harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
- 5.4 Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, email or other means similarly agreed to:

"GTN" GAS TRANSMISSION NORTHWEST LLC
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Commercial Services

"Shipper" _____

Attention: _____

- 5.5 A waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
- 5.6 This Agreement may only be amended by an instrument in writing executed by both parties hereto.
- 5.7 Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to GTN.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

GAS TRANSMISSION NORTHWEST LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

EXHIBIT A
TO THE FIRM HOURLY AGREEMENT
Dated _____

Between

GAS TRANSMISSION NORTHWEST LLC

and _____

Start Date	End Date	Receipt Point	Delivery Point	Maximum Daily Quantity (Delivered) Dth/d	Maximum Hourly Quantity (Delivered) Dth/h	Pressure Commitments (if applicable)	
						Receipt Point Min / Max (Psig)	Delivery Point Min / Max (Psig)
_____	_____	_____	_____	_____	_____	_____	_____

(Add additional lines as needed)

Appendix B

Gas Transmission Northwest LLC - FERC Gas Tariff, Fourth Revised Volume No. 1-A

Marked Tariff

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5.6.3 – Rate Sched FHS, Rates	v.6.0.0
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5.6.3.7 – Rate Sched FHS, Negotiated Rates	v.1.0.0
5.6.3.8 – Rate Sched FHS, Capacity Release	v.1.0.0
5.6.3.9 – Rate Sched FHS, Reservation Charge Credits	v.1.0.0
5.6.3.10 – Rate Sched FHS, Backhauls	v.1.0.0
5.6.4 – Rate Sched FHS, Fuel and Line Loss	v.5.0.0
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Appendix B

Gas Transmission Northwest LLC - FERC Gas Tariff, Fourth Revised Volume No. 1-A

Marked Tariff (Continued)

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STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
 TRANSPORTATION OF NATURAL GAS

Rate Schedules FTS-1, ~~and~~ LFS-1, and FHS

For Rate Schedules FTS-1 and LFS-1:

	RESERVATION							
	DAILY MILEAGE (a) (Dth-MILE)		DAILY NON-MILEAGE (b) (Dth)		DELIVERY (c) (Dth-MILE)		FUEL (d) (Dth-MILE)	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
BASE	0.000434	0.000000	0.034393	0.000000	0.000016	0.000016	0.0050%	0.0000%
STF (e)	(e)	0.000000	(e)	0.000000	0.000016	0.000016	0.0050%	0.0000%
EXTENSION CHARGES								
MEDFORD								
E-1 (f)	0.002759	0.000000	0.004641	0.000000	0.000026	0.000026	---	---
E-2 (h) (Diamond 1)	0.002972	0.000000	---	---	0.000000	0.000000	---	---
E-2 (h) (Diamond 2)	0.001166	0.000000	---	---	0.000000	0.000000	---	---
COYOTE SPRINGS								
E-3 (i)	0.001282	0.000000	0.001283	0.000000	0.000000	0.000000	---	---
CARTY LATERAL								
	E-4 (p)	---	---	0.166475	0.000000	0.000000	0.000000	---
OVERRUN CHARGE (j)								
	---	---	---	---	---	---	---	---
SURCHARGES								
ACA (k)	---	---	---	---	(k)	(k)	---	---

For Rate Schedule FHS:

The Mainline and Extension Reservation rates shown above for Rate Schedules FTS-1 and LFS-1 shall also be applicable to service under Rate Schedule FHS, except that the Mileage and Non-Mileage Components shall be adjusted to reflect the expedited hours of gas flow (“HF”) utilizing the following formulas, rounded to 6 decimal places:

(a) Mileage Reservation Component = FTS-1M x Miles x (24/HF)

(b) Non-Mileage Reservation Component = FTS-1NM x (24/HF)

where:

<u>FTS-1M</u>	<u>=</u>	<u>Applicable FTS-1 Mileage Reservation Charge</u>
<u>FTS-1NM</u>	<u>=</u>	<u>Applicable FTS-1 Non-Mileage Reservation Charge</u>
<u>Miles</u>	<u>=</u>	<u>Distance, in pipeline miles, from the Primary Point(s) of Receipt to the Primary Point(s) of Delivery as set forth in Shipper’s Contract</u>
<u>HF</u>	<u>=</u>	<u>MDQ/MHQ</u>

STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
 TRANSPORTATION OF NATURAL GAS (a)

Rate Schedule ITS-1

	MILEAGE (n) (Dth-Mile)		NON-MILEAGE (o) (Dth)		DELIVERY (c) (Dth-Mile)		FUEL (d) (Dth-Mile)	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
BASE	(e)	0.000000	(e)	0.000000	0.000016	0.000016	0.0050%	0.0000%
EXTENSION CHARGES								
MEDFORD								
E-1 (Medford) (f)	0.002759	0.000000	0.004641	0.000000	0.000026	0.000026	---	---
COYOTE SPRINGS								
E-3 (Coyote Springs) (i)	0.001282	0.000000	0.001283	0.000000	0.000000	0.000000	---	---
CARTY LATERAL								
E-4 (Carty Lateral) (p)	---	---	0.166475	0.000000	0.000000	0.000000	---	---
SURCHARGES								
ACA (k)	---	---	(k)	(k)	---	---	---	---

Rate Schedule IHS

	<u>MILEAGE (n)</u> <u>(Dth-Mile)</u>		<u>NON-MILEAGE (o)</u> <u>(Dth)</u>		<u>DELIVERY (c)</u> <u>(Dth-Mile)</u>		<u>FUEL (d)</u> <u>(Dth-Mile)</u>	
	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>	<u>Max.</u>	<u>Min.</u>
<u>BASE</u>	(e)	0.000000	(e)	0.000000	0.000016	0.000016	0.0050%	0.0000%
<u>EXTENSION CHARGES</u>								
<u>MEDFORD</u>								
<u>E-1 (Medford) (f)</u>								
	0.006622	0.000000	0.011138	0.000000	0.000026	0.000026	---	---
<u>COYOTE SPRINGS</u>								
<u>E-3 (Coyote Springs) (i)</u>								
	0.003077	0.000000	0.003079	0.000000	0.000000	0.000000	---	---
<u>CARTY LATERAL</u>								
<u>E-4 (Carty Lateral) (p)</u>								
	---	---	0.399540	0.000000	0.000000	0.000000	---	---
<u>SURCHARGES</u>								
<u>ACA (k)</u>	---	---	(k)	(k)	---	---	---	---

STATEMENT OF EFFECTIVE RATES AND CHARGES
FOR TRANSPORTATION OF NATURAL GAS

Notes:

- (a) The mileage component shall be applied per pipeline mile to gas transported by GTN for delivery to shipper based on the primary receipt and delivery points in Shipper's contract. Consult GTN's system map in Section 3 for receipt and delivery point and milepost designations.
- (b) The non-mileage component is applied per Shipper's MDQ at Primary Point(s) of Delivery on Mainline Facilities.
- (c) The delivery rates are applied per pipeline mile to gas transported by GTN for delivery to shipper based on distance of gas transported. Consult GTN's system map in Section 3 for receipt and delivery point and milepost designations.
- (d) Fuel Use: Shipper shall furnish gas used for compressor station fuel, line loss, and other utility purposes, plus other unaccounted-for gas used in the operation of GTN's combined pipeline system in an amount equal to the sum of the current fuel and line loss percentage and the fuel and line loss percentage surcharge in accordance with Section 6.38 of this tariff, multiplied by the distance in pipeline miles transported from the receipt point to the delivery point multiplied by the transportation quantities of gas received from Shipper under these rate schedules. The current fuel and line loss percentage shall be adjusted each month between the maximum rate of 0.0050% per Dth per pipeline mile and the minimum rate of 0.0000% per Dth per mile. The fuel and line loss percentage surcharge is 0.0002% per Dth per pipeline mile. No fuel use charges will be assessed for backhaul service. Currently effective fuel charges may be found on GTN's Internet website under "Informational Postings."
- (e) Seasonal recourse rates apply to short-term firm (STF) service under Rate Schedules [FTS-1 and FHS](#) (i.e., firm service that has a term of less than one year and that does not include multiple-year seasonal service) and IT Service under Rate Schedules [ITS-1 and IHS](#). By March 1 of each year GTN may designate up to four (4) months as peak months during a twelve-month period beginning on June 1 of the same year through May 31 of the following year. All other months will be considered off-peak months. Reservation rate components that apply to STF service and per-unit-rate [ITS-1 and IHS](#) service are as follows (delivery charges and applicable surcharges continue to apply):

For STF and ITS-1:

	4 Peak Mos.	3 Peak Mos.	2 Peak Mos.	1 Peak Mo.	0 Peak Mos.
Peak NM Res.	\$0.048150	\$0.048150	\$0.048150	\$0.048150	\$0.034393
Peak Mi. Res.	\$0.000608	\$0.000608	\$0.000608	\$0.000608	\$0.000434
Off-Pk NM Res.	\$0.027515	\$0.029807	\$0.031642	\$0.033142	\$0.034393
Off-Pk Mi. Res.	\$0.000347	\$0.000376	\$0.000399	\$0.000418	\$0.000434

For IHS:

	4 Peak Mos.	3 Peak Mos.	2 Peak Mos.	1 Peak Mo.	0 Peak Mos.
Peak NM Res.	\$0.115560	\$0.115560	\$0.115560	\$0.115560	\$0.082543
Peak Mi. Res.	\$0.001459	\$0.001459	\$0.001459	\$0.001459	\$0.001042
Off-Pk NM Res.	\$0.066036	\$0.071537	\$0.075941	\$0.079541	\$0.082543
Off-Pk Mi. Res.	\$0.000833	\$0.000902	\$0.000958	\$0.001003	\$0.001042

Months currently designated as "Peak Months" may be found on GTN's Internet website under "Informational Postings." By March 1 of each year, GTN will post the Peak Months for the upcoming twelve-month period beginning June 1 of the same year.

- (f) Applicable to firm service on GTN's Medford Extension.
- (g) Reserved for Future Use.
- (h) E-2 (Diamond 1) is a negotiated reservation charge of \$0.002972 per Dth per day for first 45,000 Dth/d and E-2 (Diamond 2) is a negotiated reservation charge of \$0.001166 per Dth per day for the second 45,000 Dth/d. During leap years, E-2 (Diamond 1) is a negotiated reservation charge of \$0.002964 per Dth per day for first 45,000 Dth/d and E-2 (Diamond 2) is a negotiated reservation charge of \$0.001163 per Dth per day for the second 45,000 Dth/d.
- (i) Applicable to firm service on GTN's Coyote Springs Extension.
- (j) The Overrun Charge shall be equal to the rates and charges set forth for interruptible service under Rate Schedule ITS-1.
- (k) In accordance with Section 6.22 of the Transportation General Terms and Conditions of this FERC Gas Tariff, Fourth Revised Volume No. 1-A, all Transportation services that involve the physical movement of gas shall pay an ACA unit adjustment. The currently effective ACA unit adjustment as published on the Commission's website (www.ferc.gov) is

incorporated herein by reference. This adjustment shall be in addition to the Base Tariff Rate(s) specified above.

- (l) Reserved for Future Use.
- (m) Reserved.
- (n) The Rate Schedule ITS-1 Mileage Component shall be applied per pipeline mile to gas transported by GTN based on the distance of gas transported. Consult GTN's system map in Section 3 for receipt and delivery point and milepost designations.
- (o) The Rate Schedule ITS-1 Non-Mileage Component shall be applied per Dth of gas transported by GTN for immediate delivery to the facilities of another entity or an extension facility.
- (p) Applicable to firm service on GTN's Carty Lateral Extension.

~~RESERVED FOR FUTURE USE~~ RATE SCHEDULE FHS
FIRM HOURLY SERVICE

5.6.1 ~~RESERVED FOR FUTURE USE~~ AVAILABILITY

This rate schedule is available to any party (hereinafter called "Shipper") qualifying for service pursuant to the Commission's Regulations contained in 18 CFR Part 284, and who has executed a Firm Hourly Service Agreement with GTN in the form contained in this FERC Gas Tariff, Fourth Revised Volume No. 1-A, subject to the following limitations:

- (a) GTN has determined that it has sufficient available and uncommitted capacity to perform service requested by Shipper; and
- (b) Shipper shall be responsible, in cooperation with any intervening downstream transporter or applicable end user, for the installation of telemetered electronic measurement equipment, and other necessary facilities, as reasonably required in order to provide service.

5.6.2 ~~RESERVED FOR FUTURE USE~~ APPLICABILITY AND CHARACTER OF SERVICE

- (a) This rate schedule shall apply to firm gas transportation services performed by GTN for Shipper pursuant to the executed Firm Hourly Service Agreement between GTN and Shipper.
- (b) This transportation service shall be firm up to the Maximum Daily Quantity (“MDQ”) and Maximum Hourly Quantity (“MHQ”) as specified in the executed Firm Hourly Service Agreement, and not subject to curtailment or interruption except as provided in the Transportation General Terms and Conditions.
- (c) GTN shall receive from Shipper such daily quantities of gas up to the Shipper's MDQ plus the required quantity of gas for fuel and line loss associated with service under this Rate Schedule FHS and redeliver an amount equal to the quantity received less the required quantity of gas for fuel and line loss up to Shipper's MDQ and at hourly rates up to Shipper's MHQ.
- (d) The MHQ shall be no less than 1/24th of Shipper's MDQ and no greater than 1/4th of Shipper's MDQ.
- (e) A Shipper's MDQ and MHQ shall be uniform quantities throughout the contract term, except that GTN may, on a not unduly discriminatory basis, agree to differing monthly levels in the Shipper's MDQ and MHQ for specified periods during the term of Shipper's contract. Shipper's MDQ and MHQ as well as any differing levels in the MDQ and MHQ, as well as the period of such differing levels, shall be specified in the executed Firm Hourly Service Agreement.
- (f) Unless otherwise agreed, Shipper shall have the right to nominate Secondary Delivery Point(s), provided that service to Secondary Delivery Point(s) shall be at a uniform flow rate of 1/24th of the nominated quantity.
- (g) Firm transportation service shall be subject to all provisions of the executed Firm Hourly Service Agreement between GTN and Shipper and the applicable Transportation General Terms and Conditions.

5.6.3 ~~RESERVED FOR FUTURE USE~~RATES

Shipper shall pay GTN each month the sum of the Reservation Charges, the Delivery Charge, plus any applicable Extension Charge, Overrun Charge and applicable surcharges for the quantities of natural gas delivered. The rate(s) set forth in GTN's current Effective Rates and Charges for Transportation of Natural Gas in this FERC Gas Tariff, Fourth Revised Volume No. 1-A are applied to transportation service rendered under this rate schedule.

5.6.3.1 Reservation Charge.

The Reservation Charge for Firm Hourly Service (“FHS”) shall be the sum of the Mileage and the Non-Mileage Components:

(a) Mileage Component.

The Mileage Component for FHS shall be based upon the currently effective Mileage Rate and FHS mileage formula as set forth in Section 4.1. The Mileage formula shall take into consideration the distance, in pipeline miles, from the Primary Point(s) of Receipt to the Primary Point(s) of Delivery on Mainline Facilities as set forth in Shipper's Contract, as well as the Shipper's MDQ and MHQ at such Point.

(b) Non-Mileage Component.

The Non-Mileage Component for FHS shall be based upon the currently effective Non-Mileage Rate and FHS Non-Mileage formula as set forth in Section 4.1. The Non-Mileage formula shall take into consideration the Shipper's MDQ and MHQ at Primary Point(s) of Delivery on Mainline Facilities.

(c) Shipper's obligation to pay the Reservation Charge is independent of Shipper's ability to obtain export authorization from the National Energy Board of Canada, Canadian provincial removal authority, and/or import authorization from the United States Department of Energy, and shall begin with the execution of the Firm Hourly Service Agreement by both parties. The Reservation Charge due and payable shall be computed beginning in the month in which service is first available (prorated if beginning in the month in which service is available on a date other than the first day of the month). Thereafter, the daily Reservation Charge shall be due and payable each month during the Initial (and Subsequent) Term(s) of the Shipper's executed Firm Hourly Service Agreement and is unaffected by the quantity of gas transported by GTN to Shipper's delivery point(s) in any month except as provided for in Section 5.6.3.8 of this rate schedule.

5.6.3.2 Delivery Charge.

The Delivery Charge shall be the product of the Delivery Rate as set forth in Section 4.1, the quantities of gas delivered in the month (in Dth) at point(s) of delivery on Mainline Facilities, and the distance, in pipeline miles, from the point(s) of receipt to point(s) of delivery on Mainline Facilities.

5.6.3.3 Extension Charge.

If Shipper designates in its Firm Hourly Service Agreement a Primary Point of delivery on an Extension Facility, then in addition to all other charges that are applicable, Shipper shall pay the Extension Charge, which shall consist of a reservation and delivery component.

(a) The reservation component shall be the sum of the Mileage and the Non-Mileage Component:

a. The Mileage Component shall be based upon the currently effective Mileage Extension reservation rate and the FHS Mileage formula as set forth in Section 4.1. The FHS Mileage formula shall take into consideration the distance, in pipeline miles, from the Receipt Point(s) on the Extension Facility to the Primary Point(s) of Delivery, as well as Shipper's MDQ and MHQ at the Primary Point(s) of Delivery on the Extension Facility.

b. The Non-Mileage Component shall be based upon the currently effective Non-Mileage Extension reservation rate and the FHS Non-Mileage formula as set forth in Section 4.1. The Non-Mileage formula shall take into consideration the Shipper's MDQ and MHQ at Primary Point(s) of Delivery on the Extension Facility.

(b) The delivery component of the Extension Surcharge shall be the product of the quantities delivered at the point(s) of delivery on the Extension Facility, the applicable Extension delivery rate as set forth in Section 4.1, and the distance, in pipeline miles, from the Receipt Point(s) on the Extension Facility to the point(s) of delivery.

5.6.3.4 Authorized Overrun Charge.

Quantities in excess of Shipper's MDQ or MHQ shall be transported when capacity is available on the GTN system. Authorized Overruns are interruptible in nature. The rate charged shall be the same as the rates and charges for interruptible transportation under Rate Schedule IHS as set forth in Section 4.2, and such Authorized Overruns shall be subject to the priority of service provisions of Section 6.19 of the Transportation General Terms and Conditions.

5.6.3.5 Applicability of Surcharges.

Shipper shall pay all reservation and usage surcharges applicable to the service provided to such Shipper as set forth in GTN's FERC Gas Tariff, Fourth Revised Volume No. 1-A. Such surcharges shall be deemed to be part of Shipper's Reservation and Delivery Charges.

5.6.3.6 Discounts.

Shipper shall pay the Maximum Reservation Charge, and the Maximum Delivery Charge for service under this Rate Schedule unless GTN offers to discount the Mileage Rate Component or the Non-Mileage Rate Component of the Reservation Rate or the Delivery Rate under this rate schedule. If GTN elects to discount any such rate, GTN shall provide notice to Shipper of the effective date of such discount and the quantity of gas so affected; provided, however, such discount shall not be unduly discriminatory between individual shippers. The rates for service under this rate schedule shall not be discounted below the Minimum Reservation Charge, the Minimum Delivery Rate, and applicable ACA Surcharge.

5.6.3.7 Negotiated Rates.

Notwithstanding any provision of GTN's Tariff to the contrary, GTN and Shipper may mutually agree in writing to a Negotiated Rate (including a Negotiated Rate Formula) with respect to the rates, rate components, charges, or credits that are otherwise prescribed, required, established, or imposed by this Rate Schedule or by any other applicable provision of GTN's Tariff.

5.6.3.8 Capacity Release.

(a) Releasing Shippers:

Shipper shall have the option to release capacity pursuant to the provisions of GTN's capacity release program as specified in the Transportation General Terms and Conditions. Shipper may release its capacity, up to Shipper's MDQ and at hourly rates up to Shipper's MHQ under this rate schedule, in accordance with the provisions of Section 6.28 of GTN's Transportation General Terms and Conditions of this FERC Gas Tariff, Fourth Revised Volume No. 1-A. Shipper shall pay a fee associated with the marketing of capacity by GTN (if applicable) in accordance with Section 6.28 of the Transportation General Terms and Conditions. This fee shall be negotiated between GTN and the Releasing Shipper.

(b) Replacement Shippers:

Shipper may receive released capacity service under this rate schedule pursuant to Section 6.28 of the Transportation General Terms and Conditions and is required to execute a service agreement in the form contained for capacity release under Rate Schedule FHS in this Fourth Revised Volume No. 1-A.

Shipper shall pay GTN each month for transportation service under this rate schedule and as set forth in GTN's current Statement of Effective Rates and Charges in this Fourth Revised Volume No. 1-A. Charges to be paid shall be the sum of the Reservation Charge, Delivery Charge, and other applicable surcharges or penalties.

5.6.3.9 Reservation Charge Credits.

Sections 5.1.3.9 (Rate Schedule FTS-1, Reservation Charge Credit – Force Majeure Event), 5.1.3.10 (Rate Schedule FTS-1, Reservation Charge Credit – Non-Force Majeure Event), and 5.1.3.11 (Rate Schedule FTS-1, Reservation Charge Credit – Confirmable Nominations) are incorporated herein by reference. For purposes of this Rate Schedule, confirmable nominations, as referenced in Sections 5.1.3.9, 5.1.3.10, and 5.1.3.11 shall include firm service at Shipper’s Primary Delivery Point within its MDQ and MHQ.

5.6.3.10 Backhauls.

Backhauls (as defined in Section 6.1 paragraph 31 of the Transportation General Terms and Conditions) shall be subject to the same charges as forward haul (as defined in Section 6.1 paragraph 30 of the Transportation General Terms and Conditions) except that no gas shall be retained by GTN for compressor station fuel, line loss and other unaccounted-for gas. Backhauls are subject to the operating conditions of GTN's pipeline and will not be made available to Shipper if GTN determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.

5.6.4 ~~RESERVED FOR FUTURE USE~~ FUEL AND LINE LOSS

For all Forward Hauls, Shipper shall furnish to GTN quantities of gas for compressor station fuel, line loss and other utility purposes, plus other unaccounted for gas used in the operation of GTN's combined pipeline system between the International Boundary near Kingsgate, British Columbia and the Oregon-California boundary for the transportation quantities of gas delivered by GTN to Shipper, based upon the effective fuel and line loss percentages in accordance with Section 6.38 of the General Terms and Conditions. No fuel charge shall apply to transactions that do not involve a forward haul movement of gas.

5.6.5 TRANSPORTATION GENERAL TERMS AND CONDITIONS

All of the Transportation General Terms and Conditions are applicable to this rate schedule, unless otherwise stated in the executed Firm Hourly Service Agreement between GTN and Shipper. Any future modifications, additions or deletions to said Transportation General Terms and Conditions, unless otherwise provided, are applicable to firm transportation service rendered under this rate schedule, and by this reference, are made a part hereof.

RATE SCHEDULE IHS
INTERRUPTIBLE HOURLY SERVICE

5.7.1 AVAILABILITY

This rate schedule is available to any party (hereinafter called "Shipper") qualifying for service pursuant to the Commission's Regulations contained in 18 CFR Part 284, and who has executed an Interruptible Hourly Service Agreement with GTN in the form contained in this FERC Gas Tariff, Fourth Revised Volume No. 1-A, provided that the applicable end user agrees to allow GTN, in cooperation with any intervening downstream transporter, to install telemetered electronic measurement equipment, and other necessary facilities, as reasonably required in order to provide service.

5.7.2 APPLICABILITY AND CHARACTER OF SERVICE

- (a) This rate schedule shall apply to interruptible gas transportation services performed by GTN for Shipper pursuant to the executed Interruptible Hourly Service Agreement between GTN and Shipper.
- (b) GTN shall receive from Shipper daily quantities of gas as agreed between GTN and Shipper and in accordance with Section 6.18.3 of this FERC Gas Tariff, Fourth Revised Volume No. 1-A plus the required quantity of gas for fuel and line loss associated with service under this Rate Schedule IHS and redeliver an amount equal to the quantity received less the required quantity of gas for fuel and line loss.
- (c) Transportation service rendered under this Rate Schedule shall be interruptible. The Dekatherms delivered in one Hour may be requested by Shipper to be provided on a best effort basis, but shall be no less than 1/24th and no greater than 1/4th of the total Dekatherms nominated and scheduled for delivery during the same Gas Day.
- (d) Interruptible transportation service shall be subject to all provisions of the executed Interruptible Hourly Service Agreement between GTN and Shipper and the applicable Transportation General Terms and Conditions.

5.7.3 RATES

Shipper shall pay GTN each month the Interruptible Charge plus any applicable Extension Charge and any applicable surcharges for the quantities of natural gas delivered. The rate(s) set forth in GTN's current Effective Rates and Charges for Transportation of Natural Gas in this FERC Gas Tariff, Fourth Revised Volume No. 1-A are applied to transportation service rendered under this rate schedule.

5.7.3.1 Interruptible Charge.

The monthly Interruptible Charge for Interruptible Hourly Service (“IHS”) shall be the sum of the Mileage, the Non-Mileage, and the Delivery Components:

(a) Mileage Component.

The Mileage Component for IHS shall be the product of the currently effective IHS Mileage Rate as set forth in Section 4.2, the distance, in pipeline miles, from the point(s) of receipt to the point(s) of delivery on Mainline Facilities, and the quantities of gas delivered at such point(s) during the month (Dth).

(b) Non-Mileage Component.

The Non-Mileage Component for IHS shall be the product of the currently effective IHS Non-Mileage Rate as set forth in Section 4.2 and the quantities of gas delivered during the month (Dth) at point(s) of delivery on Mainline Facilities for immediate delivery to the facilities of another entity or to an Extension Facility.

(c) Delivery Component.

The Delivery Component shall be the product of the Delivery Rate as set forth in Section 4.2, the quantities of gas delivered in the month (in Dth) at point(s) of delivery on Mainline Facilities, and the distance, in pipeline miles, from the point(s) of receipt to point(s) of delivery on Mainline Facilities.

5.7.3.2 Extension Charge.

If Shipper designates a point(s) of delivery on an Extension Facility, then, in addition to all other charges that are applicable, Shipper shall pay the Extension Charge, which shall be the product of the quantities delivered at the point(s) of delivery on the Extension Facility, the applicable IHS Extension Delivery Rate as set forth in Section 4.2, and the distance, in pipeline miles, from the point(s) of receipt(s) on the Extension Facility to the point(s) of delivery.

5.7.3.3 Applicability of Surcharges.

Shipper shall pay all usage surcharges applicable to the service provided to such Shipper as set forth in GTN's FERC Gas Tariff, Fourth Revised Volume No. 1-A. Such surcharges shall be deemed to be part of Shipper's Delivery Charges.

5.7.3.4 Discounts.

Shipper shall pay the Maximum Delivery Charge for service under this Rate Schedule unless GTN offers to discount its IHS rate. If GTN elects to discount its rate, GTN shall provide notice to Shipper of the effective date of such discount and the quantity of gas so affected; provided, however, such discount shall not be unduly discriminatory between individual shippers. The rates for service under this Rate Schedule shall not be discounted below the Minimum Delivery Rate and applicable ACA Surcharge.

5.7.3.5 Negotiated Rates.

Notwithstanding any provision of GTN's Tariff to the contrary, GTN and Shipper may mutually agree in writing to a Negotiated Rate (including a Negotiated Rate Formula) with respect to the rates, rate components, charges, or credits that are otherwise prescribed, required, established, or imposed by this Rate Schedule or by any other applicable provision of GTN's Tariff.

5.7.3.6 Backhauls.

Backhauls (as defined in Section 6.1 paragraph 31 of the Transportation General Terms and Conditions) shall be subject to the same charges as forward haul (as defined in Section 6.1 paragraph 30 of the Transportation General Terms and Conditions) except that no gas shall be retained by GTN for compressor station fuel, line loss and other unaccounted-for gas. Backhauls are subject to the operating conditions of GTN's pipeline and will not be made available to Shipper if GTN determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.

5.7.4 FUEL AND LINE LOSS

For all Forward Hauls, Shipper shall furnish to GTN quantities of gas for compressor station fuel, line loss and other utility purposes, plus other unaccounted for gas used in the operation of GTN's combined pipeline system between the International Boundary near Kingsgate, British Columbia and the Oregon-California boundary for the transportation quantities of gas delivered by GTN to Shipper, based upon the effective fuel and line loss percentages in accordance with Section 6.38 of the General Terms and Conditions. No fuel charge shall apply to transactions that do not involve a forward haul movement of gas.

5.7.5 TRANSPORTATION GENERAL TERMS AND CONDITIONS

All of the Transportation General Terms and Conditions except Sections 6.28, 6.31, 6.35, and 6.36 are applicable to this rate schedule, unless otherwise stated in the executed Firm Hourly Service Agreement between GTN and Shipper. Any future modifications, additions or deletions to said Transportation General Terms and Conditions, unless otherwise provided, are applicable to firm transportation service rendered under this rate schedule, and by this reference, are made a part hereof.

6.1 DEFINITIONS

1. **Gas Day:** In accordance with NAESB Standard 1.3.1, the term "Gas Day" shall be 9:00 a.m. to 9:00 a.m. Central Clock Time (7:00 a.m. to 7:00 a.m. Pacific Clock Time).
2. **Business Day:** The term "Business Day" shall mean Monday through Friday, excluding U.S. Federal Banking Holidays for transactions in the United States and similar holidays for transactions occurring in Canada and Mexico.
3. **Month:** The word "month" shall mean a period extending from the beginning of the first day in a calendar month to the beginning of the first day in the next succeeding calendar month.
4. **Maximum Daily Quantity:** The term "Maximum Daily Quantity" (MDQ) shall mean the maximum daily quantity in Dth of gas which GTN agrees to deliver exclusive of an allowance for compressor station fuel, line loss and other unaccounted for gas and transport for the account of Shipper to Shipper's point(s) of delivery on each day during each year during the term of Shipper's Transportation Service Agreement with GTN.
5. **Energy Affiliate:** The term "Energy Affiliate" shall have the meaning provided in Commission Order No. 2004, et seq.
6. **Gas:** The word "gas" shall mean natural gas.
7. **Cubic Foot of Gas:** The term "cubic foot of gas" is defined in accordance with NAESB Standard 2.3.9 as that quantity of gas which measures one (1) cubic foot at standard conditions of 14.73 dry psia, 60 degrees F. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C. Standard 2.3.9 states in full "Standardize the reporting basis for Btu as 14.73 psia at 60 degrees F (101.325 kPa and 15 degrees C), and dry. Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm² and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, at 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, at 15 degrees C, and dry."

NAESB WGQ takes no position on the basis upon which transactions are communicated to trading partners and/or regulatory agencies, as applicable, nor does NAESB WGQ state whether transactions may take place between parties on a volumetric basis.

8. Mcf: The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in Section 6.1 paragraph 7 hereof. The term "MMcf" shall mean one million (1,000,000) cubic feet of gas.
9. Dekatherm: The term "Dekatherm" (or "Dth") is the quantity of heat energy equivalent to one million (1,000,000 British Thermal Units (MMBtu). Dth is the standard quantity for Nominations, confirmations and Scheduled Quantities in the United States. For purposes of this tariff and associated Service Agreements, the terms MMBtu and Dth are synonymous.
10. Btu: The term "Btu" shall mean British Thermal Unit. The term "MMBtu" shall mean one million (1,000,000) British Thermal Units. The reporting basis for Btu shall be standardized as 14.73 dry psia and 60 degrees (60°) Fahrenheit (101.325 kPa and 15.6 degrees C).
11. Gross Heating Value: The term "gross heating value" shall mean the number of Btus in a cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit, saturated with water vapor, and at an absolute pressure equivalent to thirty (30) inches of mercury at thirty-two degrees (32°) Fahrenheit.
12. Psig: The term "psig" shall means pounds per square inch gauge.
13. Releasing Shipper: A firm transportation Shipper which intends to post its service to be released to a Replacement Shipper, has posted the service for release, or has released its service.
14. Replacement Shipper: A Shipper which has contracted to utilize a Releasing Shipper's service for a specified period of time.
15. Posting Period: The period of time during which a Releasing Shipper may post, or have posted by the pipeline, all or a part of its service for release to a Replacement Shipper.
16. Release Term: The period of time during which a Releasing Shipper intends to release, or has released all or a portion of its contracted quantity of service to a Replacement Shipper.
17. Bid Period: The period of time during which a Replacement Shipper may bid to contract for a parcel which has been posted for release by a Releasing Shipper.
18. Parcel: The term utilized to describe an amount of capacity, expressed in Dth/d, from a specific receipt point to a specific delivery point for a specific period of time which is released and bid on pursuant to the capacity release provisions contained in Section 6.28 of these Transportation General Terms and Conditions.

19. **Primary Release:** The term used to describe the release of capacity by a Releasing Shipper receiving service under a Part 284 firm transportation rate schedule.
20. **Secondary Release:** The term used to describe the release of capacity by a Replacement Shipper receiving service under a Part 284 firm transportation rate schedule.
21. **Bid Reconciliation Period:** The period of time subsequent to the Bid Period during which bids are evaluated by GTN.
22. **Match Period:** The period of time subsequent to the Bid Reconciliation Period and before the notification deadline for awarding capacity for Prearranged Deals that require bidding. During this period, the Prearranged Shipper may match any higher bids for the Parcel.
23. **Mainline Facilities:** The term "Mainline Facilities" shall mean the 36-inch and 42-inch mains and appurtenant facilities extending from the interconnection with the pipeline facilities of TransCanada PipeLines Limited B.C. System and Foothills Pipe Lines (South B.C.) Ltd., near Kingsgate, British Columbia to the interconnection with the pipeline facilities of Pacific Gas and Electric Company near Malin, Oregon.
24. **Extension Facilities:** The term "Extension Facilities" shall mean the 12-inch mains and appurtenant facilities extending from GTN's mainline facilities at Milepost 304.25 and the 16-inch and 12-inch mains and appurtenant facilities extending from GTN's Mainline Facilities at Milepost 599.20 that were authorized in Docket No. CP93-618-000. The term "Extension Facility" shall mean one of the Extension Facilities.
25. **Subject Shipper:** The term "Subject Shipper" shall mean the Shippers identified in Appendix G of the Stipulation and Agreement in Docket No. RP94-149-000, et al., and Shippers that have obtained service rights from such Shippers.
26. **Nominations:** A "Nomination" shall be the provision of information to GTN necessary to effectuate a transportation transaction. Specific Nomination procedures are set forth in Section 6.19.4 of the General Terms and Conditions of Transporter's FERC Gas Tariff.
27. **Intraday Nomination:** An "Intraday Nomination" is a Nomination submitted after the Nomination deadline whose effective time is no earlier than the beginning of the Gas Day and runs through the end of the Gas Day.

28. North American Energy Standards Board Standards: The term "North American Energy Standards Board Standards" or "NAESB Standards" shall mean the standardized business practices and electronic communication practices promulgated by the North American Energy Standards Board from time to time and incorporated in the Code of Federal Regulations by the Federal Energy Regulatory Commission.
29. Asset Manager: A party that agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another party. The asset manager uses released capacity to serve the gas supply requirements of the releasing shipper and, when the capacity is not needed for that purpose, uses the capacity to make releases or bundled sales to third parties.
30. Forward Haul: The term "Forward Haul" shall refer to (1) transportation service on GTN's mainline system in which the nominated direction of flow from receipt point to delivery point is from north to south or (2) transportation service on a GTN lateral in which the nominated direction of flow from receipt point to delivery point is in the same direction as physical gas flow on the lateral.
31. Backhaul: The term "Backhaul" shall refer to transportation service on GTN's mainline system and laterals that is in the opposite direction of a Forward Haul as defined in Section 6.1 paragraph 30 above.
32. Primary Path: The term "Primary Path" shall mean the transportation path established by the receipt and delivery points as set forth in Shipper's executed Service Agreement. A shipper's Primary Path may be either a Forward Haul or a Backhaul as defined in Section 6.1 paragraphs 30 and 31 above.
33. Reverse Path: The term "Reverse Path" shall mean the transportation path that is in the opposite direction of that Shipper's Primary Path as defined in Section 6.1 paragraph 32 above. A Shipper's Reverse Path may be either a Forward Haul or a Backhaul as defined in Section 6.1 paragraphs 30 and 31 above. Reverse Path transactions rely on secondary point rights and are subject to the operating conditions of GTN's pipeline and will not be made available to Shipper if GTN determines, in its sole discretion, that such transportation is operationally infeasible or otherwise not available.
34. Negotiated Rate: The term "Negotiated Rate" shall mean a rate (including a Negotiated Rate Formula) that GTN and a Shipper have agreed will be charged for service under Rate Schedules FTS-1, LFS-1, [FHS](#), ITS-1, [IHS](#) or PAL where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or be less than the minimum rate, for such component set forth in GTN's tariff for the given service. Any Agreement entered into after the effective date of this subsection which provides for a rate under Rate

Schedules FTS-1, LFS-1, [FHS](#), ITS-1, [IHS](#) or PAL other than the applicable maximum rate shall contain a provision setting out the mutual agreement of the parties as to whether the pricing terms represent a discounted rate or a negotiated rate.

35. **Negotiated Rate Formula:** The term "Negotiated Rate Formula" shall mean a rate formula that GTN and a Shipper have agreed will apply to service under a specific contract under Rate Schedules FTS-1, LFS-1, [FHS](#), ITS-1, [IHS](#) or PAL which results in a rate where, for all or a portion of the contract term, one or more of the individual components of such rate may exceed the maximum rate, or may be less than the minimum rate, for such component set forth in GTN's Tariff for the given service.
36. **Recourse Rate:** The term "Recourse Rate" shall mean the applicable maximum rate that would apply to each respective Rate Schedule as set forth in the Statement of Rates of this FERC Gas Tariff.
37. **Existing Capacity:** The term "Existing Capacity" shall mean capacity that has been in-service beyond the initial terms of Agreements that originally supported the construction of such capacity. Existing Capacity additionally includes capacity that is still within such initial terms where Shipper Agreements pertaining to the capacity have been terminated by the pipeline. Existing Capacity additionally includes unsubscribed capacity created as part of a pipeline expansion project.
38. **Expansion Capacity:** The term "Expansion Capacity" shall mean capacity that is added to the pipeline system as part of a system expansion project where such capacity is still within the initial contract term(s) of the Agreement(s) that originally supported the construction of such capacity. Expansion Capacity includes permanent releases of capacity that are within the initial term of an original Shipper's contract.
39. **Long-Term Firm Capacity:** The term "Long-Term Firm Capacity" shall mean firm capacity that is provided on GTN's system for periods of 365 days or longer, but which may also be sold as Short-Term Firm Capacity. Unsubscribed Long-Term Firm Capacity is posted under the capacity option in the info postings menu on GTN's Internet website.
40. **Short-Term Firm Capacity:** The term "Short-Term Firm Capacity" shall mean firm capacity that is provided on GTN's system for periods of time that are less than 365 days. Unsubscribed Short-Term Firm Capacity is posted under the capacity option in the info postings menu on GTN's Internet website.
41. **Operationally Available Capacity:** The term "Operationally Available Capacity" shall mean capacity that is available on a day-to-day basis and is equal to the

physical capacities of individual receipt and delivery points less amounts scheduled to be received/delivered at such points. Operationally Available Capacity is posted under the capacity option in the info postings menu on GTN's Internet website.

42. The term "PAL Point" shall mean the point on GTN's system referenced on Exhibit A of a PAL Service Agreement where a Shipper can park or GTN can lend quantities of gas.
43. The term "Maximum Quantity" shall mean the maximum quantity of gas available to Shipper for PAL Service as stated on Exhibit A of a PAL Service Agreement.
44. The term "Hour" shall mean a period of sixty consecutive minutes beginning at the top of the hour, e.g., 9:00, or such other period of sixty consecutive minutes mutually acceptable to GTN and Shipper.
45. The term "Maximum Hourly Quantity" ("MHQ") shall mean the greatest number of Dekatherms that GTN is obligated to deliver at a Primary Point of Delivery to or on behalf of Shipper up to Shipper's MDQ, during any Hour. Shipper shall have the right to take up to the MHQ any Hour of the Gas Day, unless GTN and Shipper agree otherwise, in which case GTN and Shipper shall set forth the MHQ by Hour in the Firm Hourly Service Agreement.

6.18.2 Firm Service:

The provisions of this Section 6.18.2 shall be applicable to firm transportation service under Rate Schedules FTS-1, [FHS](#), and LFS-1 contained in this Fourth Revised Volume No. 1-A. Firm transportation service under this Fourth Revised Volume No. 1-A shall be provided when, and to the extent that, GTN determines that firm capacity is available on GTN's existing facilities. GTN shall not be required to provide firm transportation service in the event firm capacity is unavailable or to construct new facilities to provide firm service.

For unsubscribed capacity that becomes generally available, requests for firm capacity shall be accommodated in the following manner and subject to the following conditions and limitations:

- (a) In order to be eligible for firm capacity, a party requesting service (requestor) must be deemed creditworthy per Section 6.18.4 and submit a valid request in accordance with the provisions herein.
- (b) **Future Sales of Capacity:** GTN may sell firm capacity with service commencement dates more than one year in the future, when such capacity is either available unsubscribed capacity or capacity that will become available and is not subject to a right of first refusal or unilateral evergreen provision, by either conducting an open season or by selling such capacity on a pre-arranged basis.

If GTN conducts an open season, it will post notice of the open season on its Internet website for at least five (5) business days to afford all potential shippers an opportunity to acquire the capacity. Any potential shippers wishing to acquire capacity may request an immediate or future commencement date (if the capacity is currently available) or a future commencement date (if the capacity will become available in the future). GTN will award capacity on an NPV basis consistent with Section 6.18.2(e) of these General Terms and Conditions.

If GTN sells capacity on a pre-arranged basis, GTN will post the terms of the pre-arranged transaction and other parties will have an opportunity to bid on the capacity. At the time GTN enters into a pre-arranged service agreement, GTN will post a notice on its Internet website indicating that the pre-arranged capacity will be subject to an open bidding process within three (3) business days, even if such capacity has already been subject to an open season bidding process and is currently posted as available capacity. If another party submits a bid with a higher incremental economic value, the pre-arranged Shipper will have a one-time right to match the higher bid in order to retain the capacity. If the pre-arranged Shipper elects not to match a higher competing bid, the capacity will be awarded to the highest creditworthy bidder in accordance with Section 6.18.2(e). If there is an

open season ongoing for certain capacity, GTN will not enter into a pre-arranged deal for that capacity during the open season.

GTN will separately identify on its Internet website all capacity that is anticipated to become available and is not subject to a right of first refusal or unilateral evergreen provision. GTN will not enter into any pre-arranged deals for capacity that has not previously been posted on its Internet website.

Capacity that is reserved pursuant to this Section 6.18.2(b) will be made available for transportation service on an interim basis up to the commencement date of the service agreement for such capacity. For such interim service agreements, GTN reserves the right to limit Shipper extension rights, including the right of first refusal, within the service agreement. Transporter will indicate in any open season posting of this capacity any limitations on extension rights that will apply to such interim transportation service.

(c) Available Capacity.

GTN will post available capacity on its Internet website. Capacity that becomes available may be subject to an open season bidding process or may be sold on a first-come, first-served basis, as described below.

- (1) To the extent GTN subjects capacity to an open season bidding process, the Bid Period will be a minimum of 1 business day for capacity available for up to 1 month; a minimum of 3 business days for capacity available for greater than one month but less than one year; and a minimum of 5 business days for capacity available for one year or more. All bids not withdrawn prior to the close of the Bidding Period shall be binding. At the end of the Bidding Period, GTN will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Section 6.18.2(e). If GTN does not award capacity through the open season, GTN will post the capacity on its Internet website as available unsubscribed capacity.
- (2) To the extent available capacity is not subject to an ongoing open season bidding process, and GTN receives a request for capacity that reflects continuous service at a constant contract quantity for the entire term of service, GTN will award such capacity on a first-come, first-served basis to shippers that offer the maximum recourse rate if: 1) such request is made within five (5) days of the requested service commencement date for a service term of less than or equal to 92 days; or 2) such request is made within 30 days of the requested service commencement date for a service term greater than 92 days but less than one (1) year.

If GTN receives a request for capacity within six (6) months of the requested service commencement date, and such request reflects continuous service at a constant contract quantity for the entire term of service at the maximum rate for a term of one (1) year or greater, GTN shall either: 1) subject the quantity requested to an open season within five (5) business days of receiving such request and award the capacity at the close of the open season to the Shipper submitting the request/bid with the greatest economic value pursuant to Section 6.18.2(e), below; or 2) honor such request. The option to either conduct an open season or honor a valid request will be at GTN's discretion. If GTN conducts an open season for the requested capacity, the initial valid service request will be included in the open season, however, the Shipper submitting such request may submit a bid with greater economic value during the open season.

GTN may agree, but is not obligated, to sell firm capacity outside these timelines on a not-unduly discriminatory basis.

- (d) After the close of the Bidding Period, GTN may tender a Service Agreement for execution to the requestor(s) submitting the bid(s) having the greatest economic value for the capacity available, subject to the provisions of Section 6.18.2(f).
- (e) Valuation of Bids.

Unless otherwise specified in its open season posting, when evaluating bids for long-term firm capacity with terms of less than three years, the bid(s) with the greatest economic value will be the bid(s) with the highest net present value ("NPV") based on (1) the reservation charge and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise that requestor(s) would pay at the rates the requestor(s) has bid, and (2) the term of service specified in the request. If the economic values of separate bids are equal, then service shall be offered to such requestors on a pro-rata basis.

The NPV is the discounted cash flow of the bid according to the following formula, net of revenues lost or affected by the requests for service:

$$\text{Present Value per} = P * R * \frac{(1 + i)^n - 1}{i(1 + i)^n}$$

where: P = percent of the rate or charge that the Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth in effect at the time of the bid for service.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract.

The NPV formula will be affected by the term and rate requested. In the event GTN intends to entertain bids for service under index-based or other Negotiated Rate Formulae, the future value of which cannot be determined at the time of the bidding, GTN shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

Unless otherwise specified in its open season posting, when evaluating bids for long-term firm capacity with terms of three years or more, the bid(s) with the highest NPV will additionally take into account a third factor: Shipper's probability of default for the applicable bid term.

The NPV is the discounted cash flow of the bid according to the following formula, net of revenues lost or affected by the requests for service:

$$\text{Present Value per} = P * R * (1-PD) * \frac{(1+i)^n - 1}{i(1+i)^n}$$

where: P = percent of the rate or charge that the Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth in effect at the time of the bid for service.

PD = Shipper's probability of default for the applicable bid term.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract.

The NPV formula will be affected by the term and rate requested and Shipper's probability of default.

GTN will use S&P's most recent "Global Corporate Average Cumulative Default Rates By Rating Modifier" table, published on S&P's website, as extrapolated to reflect the maximum bid term to be used for evaluation purposes, to quantify Shipper's probability of default. The probability of default table will define a bidder's probability of default based upon (1) the applicable bid term and (2) the unenhanced senior unsecured debt rating of the Shipper. In order to increase the NPV of its bid, a Shipper may elect to post additional collateral in one-year increments, thereby reducing, by a like number of years, the time horizon (years) used to define Shipper's probability of default. Shipper unenhanced senior unsecured debt ratings will be determined consistent with Section 6.18.4 of these General Terms and Conditions. Where Shipper has established creditworthiness pursuant to Section 6.18.4.2, paragraph (1)(i), GTN, upon Shipper's request, will substitute such ratings of the Shipper with that of its guarantor.

The specific bid evaluation methodology to be used, including, where appropriate, the data to be used for evaluation of Negotiated Rate Formula bids, will be included as part of GTN's open season posting under Section 6.18.2(c) with sufficient specificity to allow a prospective shipper to calculate the value of its bid and duplicate GTN's results.

Irrespective of whether a bid(s) has the highest NPV of the bids received, GTN may reject bids for service that (i) may detrimentally impact the operational integrity of Transporter's system; (ii) do not satisfy all the terms of the specified posting; or (iii) contain terms and conditions other than those set forth in GTN's FERC Gas Tariff.

If the NPV of any Negotiated Rate revenues would exceed the NPV of the revenue stream produced by paying the Maximum Rate over the same period of time, then the Shipper bidding the Negotiated Rate shall be considered to be paying the Maximum Rate for purposes of determining the bid with the greatest economic value.

- (f) A Service Agreement tendered by GTN to requestor(s) or winning bidder(s) shall be executed as set forth above in Section 6.18.1.
- (g) Except as provided in Section 6.28, GTN shall not be obligated to tender or execute a Service Agreement for service at any rate less than the Maximum Rate set forth in the Statement of Effective Rates and Charges applicable to the service requested.
- (h) A Shipper receiving firm service ~~under FTS-1~~ shall not lose its priority for purposes of Section 6.19 by the renewal or extension of term of that service; provided, however, any renewal or extension must be pursuant to a rollover or evergreen provision of the Service Agreement. Shipper's preexisting priority shall

| not apply, however, to any increase in transportation quantity or new primary point of delivery.

6.18.3 Interruptible Service.

The provisions of this Section 6.18.3 shall be applicable to interruptible transportation service under Rate Schedules ITS-1 and IHS contained in this Fourth Revised Volume No. 1-A.

- (a) Interruptible transportation service under this Fourth Revised Volume No. 1-A shall be provided when, and to the extent that, capacity is available in GTN's existing facilities, which capacity is not subject to a prior claim under a pre-existing agreement pursuant to Rate Schedule FTS-1 or under another class of firm service.
- (b) In the event where natural gas tendered by Shipper to GTN at the receipt point(s) for transportation, or delivered by GTN to Shipper (or for Shipper's account) at the delivery point(s), is commingled with other natural gas at the time of measurement, the determination of deliveries applicable to Shipper shall be made in accordance with operating arrangements satisfactory to Shipper, GTN and any third party transporting to or from GTN's system.
- (c) GTN shall process requests for interruptible transportation service on a non-discriminatory basis. Available interruptible capacity shall be allocated by GTN first to the Shipper(s) paying the highest rate, followed by a pro-rata tie breaker, as provided for in Section 6.19 of these General Terms and Conditions.

6.28.6 Bidding for a Parcel.

(a) Preliminary Qualification.

Replacement Shippers are encouraged to demonstrate creditworthiness in advance of any postings through the customer activities link on GTN's Internet website as credit requirements will take differing amounts of time to process depending on the particular financial profile of Replacement Shippers.

Releasing Shippers may exercise their option to waive the credit requirements, in accordance with Section 6.18.4.3, for any Replacement Shipper wishing to bid on a Parcel posted by that Releasing Shipper. Such waiver must be made on a nondiscriminatory basis. Releasing Shipper must inform GTN of such waiver through the customer activities link on GTN's Internet website before it will authorize such Replacement Shipper's participation with respect to that particular Parcel.

Should a Releasing Shipper waive the credit requirements for a Replacement Shipper, the Releasing Shipper shall be liable for all charges incurred by the Replacement Shipper in the event such Replacement Shipper defaults on payment to GTN for such capacity release service.

Any potential Replacement Shipper may submit a bid for Parcels posted for release. GTN will determine the highest valued bid, based on the bid evaluation method selected by the Releasing Shipper, and verify that the Shipper placing the bid meets GTN's credit requirements before awarding the parcel. Upon notification by GTN of an award of a Parcel, GTN shall complete a new FTS-1, [FHS](#), or LFS-1 contract with the particulars of the awarded Parcel and Replacement Shipper shall execute this new contract electronically.

Once a Replacement Shipper has acquired capacity, authority is granted to the Replacement Shipper to release that capacity, unless the Releasing Shipper has specified that the Parcel cannot be re-released.

The execution of the FTS-1, [FHS](#), or LFS-1 service agreement will constitute an obligation on the part of the Replacement Shipper to be bound by the terms and conditions of GTN's capacity release program as set forth in these Transportation General Terms and Conditions.

(b) Submitting a Bid.

All bids must be submitted through the customer activities link on GTN's Internet website. Such bids shall be "open" for all participants to review. The particulars

of all bids will be available for review but not the identity of bidders. GTN will post the identity of the winning bidder(s) only.

A Replacement Shipper cannot request that its bid be "closed", nor can a Releasing Shipper specify that "closed" bids be submitted on its releases. A Replacement Shipper may submit only one bid per Parcel posted at any one point in time. Bids received after the close of the Bid Period shall be invalid. The Replacement Shipper may bid for no more than the quantity of the Parcel posted by the Releasing Shipper. Simultaneous bids for more than one Parcel are permitted.

A valid bid to contract for a Parcel must contain the following information:

- (1) Replacement Shipper's legal name, e-mail, telephone number and the name of the individual responsible for authorizing the bid.
 - (2) The identification of the Parcel bid on.
 - (3) Term of service requested. The term of service must not exceed the term included in the Parcel.
 - (4) Percentage of the applicable maximum rate or price in dollars and cents per Dth/d, that the Replacement Shipper is willing to pay for non-index-based releases or the index-based formula as detailed in the capacity release offer. A Replacement Shipper may not bid below the minimum applicable charge or rate.
 - (5) The quantity desired not to exceed the quantity contained in the Parcel, expressed on a Dth/d delivered basis and greater than the minimum quantity acceptable to Replacement Shipper.
 - (6) Whether or not Replacement Shipper is an affiliate of the Releasing Shipper.
 - (7) An affirmative statement that Replacement Shipper agrees to be bound by the terms and conditions of Rate Schedule FTS-1 and GTN's capacity release provisions in its tariff.
 - (8) Whether the bid is a contingent bid.
- (c) Confirmation of Bids.

It is the Replacement Shipper's sole responsibility to confirm the correctness of the submitted bid and to take any corrective action necessary by resubmitting a bid

when notified of an invalid or incomplete bid by GTN. This must be done before the close of the Bid Period.

(d) Withdrawn or Revision of Bids.

A previously submitted bid may be withdrawn or revised and resubmitted at any time prior to the close of the Bid Period with no obligation on the Replacement Shipper's part. In accordance with NAESB Standard 5.3.15, bids cannot be withdrawn after the bid period ends. Resubmitted bids must be equal to or greater in value than the initial bids. Lower valued bids will be invalid. In accordance with NAESB Standard 5.3.13, bids should be binding until notice of withdrawal is received by GTN on its Internet website.

6.28.7 Allocation of Parcels.

(a) Primary Allocation.

In accordance with NAESB Standard 5.3.3, winning bids for Parcels shall be awarded based on one of the following options to be selected by the Releasing Shipper when posting a Parcel:

Option 1 - Highest Rate Equivalent

Bids will be given priority based on the maximum rate bid as represented by (1) a Replacement Shipper's bid of the percentage of the maximum authorized reservation charge or a volumetric equivalent of the maximum reservation charge applicable to the Parcel on a 100% load factor basis, or (2) a Replacement Shipper's bid in terms of absolute dollars and cents per Dth. A bid queue will be maintained for each individual Parcel.

Option 2 - Present Value

Bids will be given priority based on the net present value of the bid according to the following formula:

$$\text{Present Value per} = P * R * \frac{(1 + i)^n - 1}{i (1 + i)^n}$$

where: P = percent of the maximum authorized rate or charge that the Replacement Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth [or a volumetric equivalent of the maximum reservation charge(s) applicable to the Parcel on a 100% load factor basis] in effect at the time of the bid for service from the same receipt point to the same delivery point under the Releasing Shipper's rate schedule.

For short-term capacity releases not subject to a rate cap, P * R shall equal a Replacement Shipper's bid in terms of absolute dollars and cents per Dth.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract, not to exceed the maximum periods to be released by the Releasing Shipper. For releases greater than or equal to one month, the period is the number of months. For releases less than one month the period is the number of days.

A bid queue will be maintained for each individual Parcel.

Option 3 - Net Revenue

Bids will be given priority based on the net revenue for the term of the bid.

Option 4 – Releasing Shipper’s Bid Evaluation Methodology

The Releasing Shipper may establish a method for evaluation of the highest valued bid. The Releasing Shipper must specify the evaluation method and provide an example of the evaluation method with each individual Parcel. In this event, GTN shall evaluate the bids in accordance with the Releasing Shipper’s method and allocate the capacity to the highest valued bid. The Releasing Shipper’s bid evaluation methodology must be objective and non-discriminatory. In the event the Releasing Shipper does not specify how capacity will be allocated when there are multiple highest valued bids, the capacity will be allocated on a pro rata basis.

If Releasing Shipper does not specify an option for determining best bid, Option 2 will be the default option used.

Under all options, GTN will evaluate and rank all bids for Parcels. For indexed capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology.

(b) Right of First Refusal.

In the event of a Prearranged Shipper's bid for a Parcel, pursuant to the methodology specified by the Releasing Shipper, if the bid submitted by a subsequent Replacement Shipper exceeds the value of the Prearranged Shipper's bid, the Prearranged Shipper will be allowed to match the higher valued bid. The Prearranged Shipper will be allowed a match period, as specified in Section 6.28.8, to match the higher valued bid, otherwise, the allocation will be awarded to subsequent Replacement Shipper(s) in accordance with the primary and secondary allocation mechanisms.

(c) Secondary Allocation.

To the extent there is more than one Replacement Shipper submitting a winning bid, the Parcel shall be allocated based on one of the following tie-breaker methodologies to be selected by the Releasing Shipper: pro rata or order of submission (first come/first serve).

(d) Confirmation of Allocation.

Upon each completion of an allocation, the successful Replacement Shipper(s) will be notified of the terms under which they have contracted for the awarded Parcel. The notification will be provided in the form of an e-mail to the Replacement Shipper(s). Such notification will be sent within one hour of completion of the allocation. The notice will include the Replacement Shipper's Rate Schedule FTS-1, [FHS](#), or LFS-1 service agreement number and the pertinent terms of the Replacement Shipper's bid as well as any additional terms specified by the Releasing Shipper.

(e) Expired Bids.

All unfulfilled bids, as well as any unfulfilled portions of bids which receive a partial award, will become ineffective as of the completion of bid reconciliation and the close of the Bid Period.

6.36 CREDITING OF INTERRUPTIBLE TRANSPORTATION REVENUES ON EXTENSIONS

(1) Interruptible Transportation Revenue Credits on Coyote Springs Extension.

- (a) **Applicability.** Revenue credits from interruptible transportation revenues received by GTN from Rate Schedules ITS-1 (E-3) and IHS (E-3) Shippers shall be provided to GTN's firm Shippers under Rate Schedules FTS-1 (E-3) and FHS (E-3) ("Eligible Shippers"), excluding Shippers receiving service under a Capacity Release Service Agreement.
- (b) **Crediting Percentage.** GTN shall credit to Eligible Shippers 90 percent of interruptible transportation revenues received during each 12-month period, commencing November 1st of each year, but only to the extent that such transportation revenues exceed the amount of fixed costs which were allocated to interruptible transportation (Cost Allocation Amount) by GTN as part of designing GTN's effective transportation rates during such 12-month period. To the extent that GTN is required to provide interruptible transportation revenue credits during any period during which this Section 6.36 shall be or shall have been in effect for less than 12 months, a "Short Period", GTN shall pro rate the Cost Allocation Amount by the number of days during such Short Period as compared to the total number of days in such 12 months. To calculate the interruptible transportation revenue credit due under the provisions of this section, where applicable, such prorated Cost Allocation Amount shall be compared to GTN's actual interruptible revenues for the Short Period.
- (c) **Timing of Credits.** Within 45 days after November 1st of each 12-month period or after the end of a Short Period, if applicable, GTN shall determine the total amount of the applicable Rate Schedules ITS-1 (E-3) and IHS (E-3) revenues received during the 12-month period or Short Period and the distribution of the interruptible revenue credits due to Eligible Shippers as described below. Such revenue credits shall be reflected as a credit billing adjustment in the next invoices rendered to the Eligible Shippers. In the event that such credit billing adjustment would result in a credit total invoice to any Shipper, GTN will refund the excess credit billing adjustment to the Shipper in cash within 15 days after determination of the amount of the credit due to the Shipper.
- (d) **Exclusion.** Revenue credits shall not be awarded for that portion of interruptible revenues that are attributable to: (1) the recovery by GTN of variable costs, which portion shall be equal to the minimum usage charge for Rate Schedules ITS-1 (E-3) and IHS (E-3), and (2) relate to other volumetric surcharges such as ACA.

- (e) **Distribution Method.** Interruptible transportation revenue credits shall be credited to each Eligible Shipper on a pro rata basis in proportion to the reservation revenues received during the 12-month period or Short Period from each Eligible Shipper divided by the total reservation revenue for each Eligible Shipper received during such period. The reservation revenues shall include the reservation charges which the Eligible Shippers actually pay prior to the distribution of all revenue credits, and including reservation charges applicable to capacity which was released into GTN's Capacity Release Programs during the 12-month period year or Short Period by the Eligible Shipper.
 - (f) GTN shall pay interest to Eligible Shippers on any revenue credits from the date such credits accrue. Such interest shall be calculated based upon the rate of interest specified in Section 154.67(c) of the Commission's regulations.
- (2) **Interruptible Transportation Revenue Credits on Medford Extension.**
- (a) **Applicability.** Revenue credits from interruptible transportation revenues received by GTN from Rate Schedules ITS-1 (E-1) and IHS (E-3) Shippers shall be credited to the deferred account for Washington Water Power Company's WP Natural Gas subsidiary in accordance with the mechanism approved by Order of June 1, 1995, 71 FERC Paragraph 61,268.
 - (b) **Crediting Percentage.** GTN shall credit to the deferred account 90 percent of interruptible transportation revenues received during each 12-month period, commencing November 1st of each year, but only to the extent that such transportation revenues exceed the amount of fixed costs which were allocated to interruptible transportation (Cost Allocation Amount) by GTN as part of designing GTN's effective transportation rates during such 12-month period. To the extent that GTN is required to provide interruptible transportation revenue credits during any period during which this Section 6.36 shall be or shall have been in effect for less than 12 months, a "Short Period", GTN shall pro rate the Cost Allocation Amount by the number of days during such Short Period as compared to the total number of days in such 12 months. To calculate the interruptible transportation revenue credit due under the provisions of this section, where applicable, such pro rated Cost Allocation Amount shall be compared to GTN's actual interruptible revenues for the Short Period.
 - (c) **Exclusion.** Revenue credits shall not be awarded for that portion of interruptible revenues that are attributable to the recovery by GTN of variable costs, which portion shall be equal to the minimum usage charge for Rate Schedules ITS-1 (E-1) and IHS (E-3).

6.38 ADJUSTMENT MECHANISM FOR FUEL, LINE LOSS, AND OTHER UNACCOUNTED FOR GAS PERCENTAGES

The effective fuel and line loss percentages under Rate Schedules FTS-1, [LFS-1](#), [FHS](#), ~~and~~ [ITS-1](#), [and](#) [IHS](#) shall be adjusted downward to reflect reductions and may be adjusted upward to reflect increases in fuel usage and line loss in accordance with this Section 6.38.

1. Computation of Effective Fuel and Line Loss Percentage.

The effective fuel and line loss percentage shall be the sum of the current fuel and line loss percentage and the fuel and line loss surcharge percentage.

2. The Current Fuel and Line Loss Percentage.

- (a) For each month, the current fuel and line loss percentage shall be determined in accordance with Section 6.38 paragraph 2(c) hereof. The current fuel and line loss shall be effective from the first day of such month and shall remain in effect for the month.
- (b) The current fuel and line loss percentage to be applicable for the month shall be posted on GTN's Internet website not less than seven (7) days prior to the beginning of the month.
- (c) The current fuel and line loss percentage for the month shall be determined on the basis of (1) the estimated quantities of gas to be received by GTN for the account of Shippers during such month and (2) the projected quantities of gas that shall be required for fuel and line loss during such month, adjusted for overrecoveries or underrecoveries of fuel and line loss during such month preceding the month in which the current fuel and line loss percentage is posted; provided, that the percentage shall not exceed the maximum current fuel and line loss percentage and shall not be less than the minimum current fuel and line loss percentage set forth on the Statement of Effective Rates and Charges.
- (d) At least thirty (30) days prior to January 1, GTN shall file with the Commission schedules supporting the current fuel and line loss percentages applicable during the twelve (12) months ending October 31.

3. The Fuel and Line Loss Surcharge Percentage.

- (a) For each twelve (12) month period beginning January 1, the fuel and line loss surcharge percentage shall be determined in accordance with Section 6.38 paragraph 3(c) hereof. The fuel and line loss surcharge percentage shall

become effective on January 1 and shall remain in effect for the twelve (12) month period ending December 31.

- (b) At least thirty (30) days prior to each January 1, GTN shall file with the Commission and post, as defined by Section 154.2(d) of the Commission's regulations, the fuel and line loss surcharge percentage, together with supporting documentation.
- (c) The fuel and line loss percentage shall be computed by quantifying GTN's actual fuel and line loss over/under collection position at October 31 of each year and dividing the result by an estimate of the quantities of gas to be delivered by GTN for the account of Shippers over the following twelve (12) month period. The over/under position will be quantified by (i) determining GTN's actual fuel consumption and line losses for each month of the preceding twelve (12) month period and (ii) subtracting the quantities retained by GTN during each month of the preceding twelve (12) month period. If the percentage so determined is +/- 0.0001%, the fuel and line loss surcharge percentage shall be deemed to be zero.

FORM OF SERVICE AGREEMENT

~~APPLICABLE TO INTERRUPTIBLE TRANSPORTATION SERVICE
UNDER RATE SCHEDULE ITS-1~~ (For Transportation under GTN's Rate Schedules ITS-1 and
IHS)

THIS AGREEMENT is made and entered into this ____ day of _____, 20____, by and between GAS TRANSMISSION NORTHWEST LLC, a Delaware limited liability company (hereinafter referred to as "GTN"), and _____, (hereinafter referred to as "Shipper").

WHEREAS, GTN owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires GTN, on an interruptible basis, to Transport certain quantities of natural gas; and

WHEREAS, GTN is willing to transport certain quantities of natural gas for Shipper, on an interruptible basis, (if applicable) and

WHEREAS, GTN and Shipper previously made and entered into an agreement for interruptible transportation service in Contract No. _____ on _____ ~~for interruptible transportation service under Rate Schedule ITS-1~~. Service under Contract No. _____ commenced on _____, as reflected in Section 2.1 herein. GTN and Shipper now desire to amend, restate and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

- 1.1 Pursuant to the terms of this Agreement, GTN agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay GTN for such services.
- 1.2 This Interruptible Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.
- 1.3 Shipper shall reimburse GTN for any and all filing fees incurred by GTN in seeking governmental authorization for the initiation, extension, or termination of service under this Agreement and the applicable Rate Schedule ~~ITS-1~~. Shipper shall reimburse GTN for such fees at GTN's designated office within ten (10) days of receipt of notice from GTN that such fees are due and payable. Additionally, Shipper shall reimburse GTN for any and all penalty fees or fines assessed GTN caused by the negligence of Shipper in not obtaining all

proper Canadian and domestic import/export licenses, surety bonds or any other documents and approvals related to the Canadian exportation and subsequent domestic importation of natural gas transported by GTN hereunder.

- 1.4 (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between GTN and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II Term

- 2.1 The service commencement date is _____, and service shall continue until _____, or until terminated by Shipper or GTN upon thirty (30) days written notice.

III Rate(s), Rate Schedules, and General Terms and Conditions of Service

- 3.1 Shipper shall pay GTN each month for services rendered pursuant to this Agreement in accordance with ~~GTN's~~ the applicable Rate Schedule ~~ITS-1~~, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.

If GTN and Shipper have mutually agreed on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein, or in writing or through the customer activities link on GTN's Internet website.

- 3.2 This Agreement in all respects shall be and remains subject to the ~~applicable~~ provisions of the applicable Rate Schedule ~~ITS-1~~, or superseding rate schedule(s) and of the applicable Transportation General Terms and Conditions of GTN's FERC Gas Tariff on file with the FERC, all of which are by this reference made a part hereof.
- 3.3 GTN shall have the right to file with the FERC any changes in the terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as GTN may deem necessary, and to make such changes effective at such times as GTN desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.
- 3.4 The service under this Agreement shall be conditioned upon the availability of capacity sufficient to provide the service without detriment or disadvantage to those customers of GTN that have a higher priority of service.

IV
Miscellaneous

- 4.1 This Agreement shall be interpreted according to the laws of the state of California.
- 4.2 Shipper warrants that the requisite upstream and downstream transportation arrangements to effectuate the service to be provided pursuant to the Agreement are in place, or will be in place as of the requested effective date of service.
- 4.3 Shipper agrees to indemnify and hold GTN harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
- 4.4 Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, email or other means similarly agreed to.

"GTN" GAS TRANSMISSION NORTHWEST LLC
 700 Louisiana Street, Suite 700
 Houston, Texas 77002-2700
 Attention: Commercial Services

"Shipper" _____

 Attention: _____

- 4.5 A waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.
- 4.6 This Agreement may only be amended by an instrument in writing executed by both parties hereto.
- 4.7 Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to GTN.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

GAS TRANSMISSION NORTHWEST LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

~~RESERVED FOR FUTURE USE~~ FORM OF SERVICE AGREEMENT

APPLICABLE TO FIRM HOURLY SERVICE
UNDER RATE SCHEDULE FHS

THIS AGREEMENT is made and entered into this _____ day of _____, 20____, by and between Gas Transmission Northwest LLC, a Delaware limited liability company (hereinafter referred to as "GTN"), and _____, (hereinafter referred to as "Shipper").

WHEREAS, GTN owns and operates an interstate natural gas pipeline; and

WHEREAS, Shipper desires GTN, on a firm basis, to transport certain quantities of natural gas; and

WHEREAS, GTN is willing to transport certain quantities of natural gas for Shipper, on a firm basis, (if applicable) and

WHEREAS, GTN and Shipper previously made and entered into Contract No. _____ on _____ for firm transportation service under Rate Schedule FHS. Service under Contract No. _____ commenced on _____, as reflected in Section 3.1 herein. GTN and Shipper now desire to amend, restate and supersede any prior agreements associated with services provided hereunder;

NOW, THEREFORE, the parties agree as follows:

I
General

1.1 Pursuant to the terms of this Agreement, GTN agrees to provide Shipper interstate natural gas transportation service, and Shipper agrees to pay GTN for such services.

1.2 This Firm Transportation Agreement ("Agreement") is made pursuant to the regulations of the Federal Energy Regulatory Commission (FERC) contained in 18 CFR Part 284, as amended from time to time, and all other applicable laws and regulations.

1.3 Shipper shall reimburse GTN for any and all filing fees incurred by GTN in seeking governmental authorization for the initiation, extension, or termination of service under this Agreement and Rate Schedule FHS. Shipper shall reimburse GTN for such fees at GTN's designated office within ten (10) days of receipt of notice from GTN that such fees are due and payable. Additionally, Shipper shall reimburse GTN for any and all penalty fees or fines assessed GTN caused by the negligence of Shipper in not obtaining all proper Canadian and domestic import/export licenses, surety bonds or any other documents and

approvals related to the Canadian exportation and subsequent domestic importation of natural gas transported by GTN hereunder.

1.4 (if applicable) As of _____, the terms and conditions of this Amended and Restated Agreement No. _____ represent the agreement between GTN and Shipper in its entirety and upon becoming effective supersedes any prior agreements associated with services provided hereunder, including the agreement with the same contract number as this Agreement and dated _____.

II

Quantity of Gas and Points of Receipt and Delivery

2.1 The point(s) of receipt and delivery, and the maximum quantities of gas to be delivered by GTN for Shipper's account at the point(s) of delivery are set forth in Exhibit A, attached hereto, and incorporated herein by reference in its entirety and made a part hereof for all purposes.

III

Term

3.1 The service commencement date is _____, and service shall continue until _____.

(if applicable)

Thereafter, this Agreement shall continue in full force and effect for an additional term of _____ unless _____ gives at least _____ prior written notice of its desire to terminate this Agreement. Under this evergreen provision, parties capable of giving notice of termination may include only Shipper (unilateral evergreen) or may include both Shipper and GTN (bilateral evergreen).

(if applicable)

Shipper shall have a regulatory right of first refusal as set forth in Section 6.33 of the General Terms and Conditions of GTN's Tariff.

(if applicable)

Shipper shall have a contractual right of first refusal which (a) shall be exercised consistent with the procedures set forth in Section 6.33 of the General Terms and Conditions of GTN's Tariff; (b) exists by virtue of this written agreement, notwithstanding the fact that Shipper would otherwise be ineligible for this right under Section 6.33; and (c) shall not extend or apply to any subsequent agreement or amendment arising from the exercise thereof.

(if applicable)

Shipper shall not have a right of first refusal.

IV
Rate(s), Rate Schedules,
and General Terms and Conditions of Service

- 4.1 Shipper shall pay GTN each month for services rendered pursuant to this Agreement in accordance with GTN's Rate Schedule FHS, or superseding rate schedule(s), on file with and subject to the jurisdiction of FERC.
- 4.2 If GTN and Shipper have mutually agreed on a rate other than the Recourse Rate, that rate, and any provisions governing such rate, shall be set forth herein.
- 4.3 This Agreement in all respects shall be and remains subject to the applicable provisions of Rate Schedule FHS, or superseding rate schedule(s) and of the applicable Transportation General Terms and Conditions of GTN's FERC Gas Tariff, Fourth Revised Volume No. 1-A on file with the FERC, all of which are by this reference made a part hereof.
- 4.4 GTN shall have the right to file with the FERC any changes in terms or rates/charges applicable to any of its Rate Schedules, General Terms and Conditions of Service or Form of Service Agreement as GTN may deem necessary, and to make such changes effective at such times as GTN desires and is possible under applicable law. Shipper may protest any filed changes before FERC and exercise any other rights it may have with respect thereto.

V
Miscellaneous

- 5.1 This Agreement shall be interpreted according to the laws of the State of California.
- 5.2 Shipper warrants that the requisite upstream and downstream transportation arrangements to effectuate the service to be provided pursuant to the Agreement are in place, or will be in place as of the requested effective date of service.
- 5.3 Shipper agrees to indemnify and hold GTN harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.
- 5.4 Unless herein provided to the contrary, all notices and communications with respect to this Agreement shall be in writing by mail, e-mail or other means as agreed to by the parties, and sent to the addresses stated below or to any other such address(es) as may be designated in writing by mail, email or other means similarly agreed to:

"GTN" GAS TRANSMISSION NORTHWEST LLC
700 Louisiana Street, Suite 700
Houston, Texas 77002-2700
Attention: Commercial Services

"Shipper" _____

Attention: _____

5.5 A waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.

5.6 This Agreement may only be amended by an instrument in writing executed by both parties hereto.

5.7 Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the term set forth herein, except that termination of this Agreement shall not relieve either party of the obligation to correct any quantity imbalances or Shipper of the obligation to pay any amounts due hereunder to GTN.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

GAS TRANSMISSION NORTHWEST LLC

By: _____
Name: _____
Title: _____

SHIPPER

By: _____
Name: _____
Title: _____

EXHIBIT A
TO THE FIRM HOURLY AGREEMENT
Dated _____

Between

GAS TRANSMISSION NORTHWEST LLC

and _____

<u>Start</u>	<u>End</u>	<u>Receipt Point</u>	<u>Delivery Point</u>	<u>Maximum Daily</u>	<u>Maximum Hourly</u>	<u>Pressure Commitments</u>	
				<u>Quantity</u>	<u>Quantity</u>	<u>Receipt</u>	<u>Delivery</u>
<u>Date</u>	<u>Date</u>			<u>(Delivered)</u>	<u>(Delivered)</u>	<u>Point</u>	<u>Point</u>
				<u>Dth/d</u>	<u>Dth/h</u>	<u>Min / Max</u>	<u>Min / Max</u>
						<u>(Psig)</u>	<u>(Psig)</u>
<hr/>							

(Add additional lines as needed)

~~RESERVED FOR FUTURE USE~~