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Utility Program

## CASCADE NATURAL GAS CORPORATION

## RULES AND REGULATIONS

## RULE 17 - FIRM SERVICE PRIORITY

## A. Firm System Supply Customers

The order of priority of firm service for the various classifications served by the Company under its various firm system supply service rate schedules is defined herein.

Should the Company's supply of firm system supply gas be insufficient at any time or any location, for reasons other than Force Majeure as defined in Company's Rule No. 14, to meet the full requirements of all customers served under firm system supply service base rate schedules, Company will be required to curtail service to the customers receiving firm system supply service in the inverse order of the firm service classification listed hereinafter. Such curtailment, when required, will be imposed to protect continuity of service to firm system supply customers having a higher service priority.

No curtailment of customers receiving firm system supply service will be imposed by Company until all customers receiving interruptible system supply service in the area affected have been ordered curtailed to one hundred percent of their requirements, excluding plant protection.

In the event it should become necessary to curtail firm service due to Force Majeure conditions, the Company may curtail firm service without reference to priorities established herein.

Company shall not be liable in damages or otherwise to any customer for failure to deliver gas that may be curtailed pursuant to this order of priority of firm service.

**ORDER OF PRIORITY (by Firm Service Classification)**

1. Requirements of residential customers.
2. Requirements of commercial and institutional customers as follows:
  - a. Commercial and institutional customers served under Rate Schedule Nos. 104 and 105
  - b. Commercial or institutional customers served on other base rate schedules
 Also includes requirements of: (1) Essential agricultural service, and (2) Other high priority users not covered elsewhere.
3. Requirements of industrial customers using gas as feedstock in a process in which natural gas is used as a raw material and as plant protection requirements of lower priority customers.
4. Requirements of industrial customers with consumption of less than 1,000 therms per day.
5. Requirements of industrial customers with consumption of more than 1,000 therms per day but less than 10,000 therms per day.
6. Requirements of industrial customers with consumption of more than 10,000 therms per day.

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BY

  
 Jon T. Stoltz

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CASCADE NATURAL GAS CORPORATION

**RULES AND REGULATIONS**  
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**RULE 17 - FIRM SERVICE PRIORITY (Continued)**

**ADMINISTRATION OF CURTAILMENT**

When curtailment of firm system supply service, due to either gas supply or capacity failures, is required by Company, it shall be imposed first on customers in the lowest firm service Order of Priority category at the rate of 100% of each customer's requirements (excepting minor requirements for essential services as approved by Company) on a customer by customer basis and will then proceed to customers in the next lowest Order of Priority category until sufficient volumes have been curtailed to bring remaining requirements into balance with available system supply. In the event only a partial curtailment of total volumes in any category or sub-category is required, such curtailment will be rotated among customers in each category from one curtailment period to the next to prevent any one customer in a certain category from being curtailed to a greater extent than other customers in that same category.

Company shall have the right to make such inspection of customer's gas consuming facilities and to review operating schedules for such facilities as may be necessary to determine customer's requirements and proper position in the Order of Priority. If the customer refuses such inspection, the customer will be assigned the lowest priority consistent with otherwise verifiable information.

For purposes of applying the above Order of Priority, the various classifications of customers are defined in Company's Rule 15 entitled Definitions under Sections C, D, E and F which specifically define customers by category as Residential, Commercial, Industrial and Institutional, respectively.

**BILLING ADJUSTMENT**

The monthly bill for any firm system supply customer curtailed by Company for a reason contained in this Rule shall be adjusted for the entire month in which curtailment occurred. The amount of the adjustment shall be an amount equal to fifty (50) percent of the difference between the amount of the gas bill for such month as determined under the Firm System Supply Service Rate Schedule on which regular billings are rendered and an amount as determined under Company's Interruptible Service Rate Schedule 170 as it may be in effect from time to time in the Tariff filed with the Oregon Public Utility Commission. Such Billing Adjustment shall be provided as a reduction of the month's billing for the month in which the curtailment was experienced by the customer being billed. No Billing Adjustment will be made in the event curtailment of firm service by Company is necessary due to Force Majeure conditions as defined in Company's Rule No. 14, entitled Force Majeure.

**CURTAILMENT NOTICE**

Company shall give as much advance notice as possible with respect to each curtailment order, but in no event less than two hours notice, unless prevented from doing so by Force Majeure conditions. In each curtailment order imposed by Company, Company's curtailment and restoration notices, respectively, shall be given by telephone communication or personal contact by Company personnel to responsible representative of the customer and such order shall specify both the volumes to be curtailed and/or restored at the time that curtailment and/or restoration of customer's requirement is to be effective.

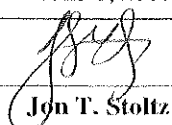
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## CASCADE NATURAL GAS CORPORATION

## RULES AND REGULATIONS

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## RULE 17 - FIRM SERVICE PRIORITY (Continued)

## UNAUTHORIZED USE DURING CURTAILMENT

Customers shall be obligated to limit their use of gas to the quantities permitted by curtailment notice (gas day entitlement). Any quantity taken in excess of that permitted by the curtailment notice is unauthorized gas. Company shall bill and customer shall pay for any unauthorized quantities at the rate of \$0.60 per therm for all gas used in excess of 105% of the customer's gas day entitlement in addition to the regular charges incurred under the Firm System Supply Rate Schedule under which customer's bill is rendered. The payment of the unauthorized use charge shall not under any circumstances be considered to give the customer the right to take unauthorized quantities or to exclude any remedies which may be available to the Company to prevent such unauthorized use.

## B. Optional Firm Services Customers

Should the Company's supply of **Optional Firm Gas Supply** be insufficient at any time or any location, for reasons other than Force Majeure as defined in Company's Rule No. 14, to meet the full requirements of all customers served under **Optional Firm Gas Supply** service rate schedules, Company will be required to curtail service to customers receiving **Optional Firm Gas Supply** service on a pro-rata basis.

Should the Company's entitlement to firm pipeline transmission capacity be insufficient at any time or any location, for reasons other than Force Majeure as defined in Company's Rule No. 14, to meet the full requirement of all customers served under **Optional Firm Pipeline Capacity** service, Company will be required to curtail service to customers receiving **Optional Firm Pipeline Capacity** service on a pro-rata basis.

## ADMINISTRATION OF CURTAILMENT

When curtailment of **Optional Firm Gas Supply** or **Optional Firm Pipeline Capacity** service is required by Company, it shall be imposed upon all customers that have signed up for **Optional Firm Gas Supply** or **Optional Firm Pipeline Capacity** on a customer by customer pro-rata basis, (excepting minor requirements for essential services as approved by Company) until sufficient volumes have been curtailed to bring remaining requirements into balance with available **Optional Firm Gas Supply** or **Optional Firm Pipeline Capacity**. In the Event only a partial curtailment of total volumes of the customers receiving **Optional Firm Gas Supply** or **Optional Firm Pipeline Capacity** is required, such curtailment will be rotated among customers from one curtailment period to the next to prevent any one customer from being curtailed to a greater extent than other customers.

## CURTAILMENT NOTICE

Company shall give as much advance notice as possible with respect to each curtailment order, but in no event less than two hours notice, unless prevented from doing so by Force Majeure conditions. In each curtailment order imposed by Company, Company's curtailment and restoration notices, respectively, shall be given by telephone communication or personal contact by Company personnel to responsible representative of the customer and such order shall specify both the volumes to be curtailed and/or restored at the time that curtailment and/or restoration of customer's requirement is to be effective.

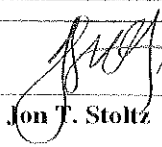
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**RULE 17 - FIRM SERVICE PRIORITY (Continued)**

**UNAUTHORIZED USE DURING CURTAILMENT**

Customers shall be obligated to limit their use of gas to the quantities permitted by curtailment notice (gas day entitlement). Any quantity taken in excess of that permitted by the curtailment notice is unauthorized gas. Company shall bill and customer shall pay for any unauthorized quantities at the rate of \$0.60 per therm for all gas used in excess of 105% of the customer's gas day entitlement plus the incremental cost of any additional gas supplies the Company may have had to purchase, in addition to the regular charges incurred under the base Sales Rate Schedule under which customer's bill is rendered. The payment of the unauthorized use charge shall not under any circumstances be considered to give the customer the right to take unauthorized quantities or to exclude any remedies which may be available to the Company to prevent such unauthorized use.

**C. Definitions:**

To clarify the Order of Priority, the following definitions (in addition to those in Rule 15) apply to this Rule 17:

1. Plant Protection Gas: Minimum volumes required to prevent physical harm to the plant facilities or danger to plant personnel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production.
2. Feedstock Gas: Natural gas used as a raw material for its chemical properties in creating an end product.
3. Essential Agricultural Use and High-Priority Use: As defined in Section 281.203(a). Title 18, Code of Federal


**ESSENTIAL AGRICULTURAL USE AND PRIORITY USE**

Notwithstanding anything else herein to the contrary: (1) a Firm "essential agricultural user" shall not be curtailed except as may be required to protect the needs of Firm "high-priority users"; and (2) the requirement of all Firm "high-priority users", except residential customers, shall be included in Order of Priority 2 hereof. An interruptible "essential agricultural user" or "high-priority user" desiring protection from curtailment, as contemplated by Section 401 of the Natural Gas Policy Act of 1978 (Public Law 95-621), can obtain such protection by executing a contract under an appropriate Firm rate schedule of the Company.

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