RULE 22
GENERAL TRANSPORTATION SERVICE TERMS AND CONDITIONS (N)

PURPOSE (N)

This rule establishes the rules for general transportation service provided on Schedules 161, 162, 163, and 164. (N)

APPLICABILITY (N)

To receive transportation service on Schedule 161, 162, 163, or 164, the customer must have an executed service agreement with the Company. The customer must also have secured the purchase and delivery of gas supplies, which may include purchases from a third-party agent authorized by the customer served on this schedule. Such agent, otherwise known as a marketer or supplier and hereafter referred to as supplier, nominates and transports natural gas to the Company's system on a customer's behalf in the manner established herein. (M)(C)

GAS SUPPLY

The customer served under Schedule 161, 162, 163, or 164 must secure the purchase and delivery of gas supplies from a supplier. (C)

WAIVER OF FIRM GAS SUPPLY

Customers electing to secure the purchase and delivery of under Schedule 161, 162, 163, or 164 in lieu of firm natural gas service waive protection from natural gas supply-failure curtailment of all of their requirements. The Company has no obligation to purchase or reserve gas supply or interstate pipeline capacity for customers electing to provide their own gas supplies and/or their own interstate pipeline capacity. Customers electing to provide their own natural gas supplies in lieu of firm natural gas system supply waive any right to automatically purchase firm natural gas supplies at some future date. Transportation service is subject to curtailment per Rule 17 or entitlement as defined in this rule. (C)

SERVICE AGREEMENT

Service under Schedule 161, 162, 163, or 164 requires an executed service agreement between the Company and the customer. The service agreement shall define the annual minimum quantity of gas to be delivered. The service agreement term shall be for a period not less than the period covered under the customer's natural gas purchase contract with the customer's supplier. However, in no event shall the service agreement be for less than one year and the termination date of the service agreement in any year shall be September 30th. A customer may not switch service types between interruptible transportation service and firm transportation service during the primary term of a service agreement. Switching service types requires a minimum of 60 days' notice prior to the expiration of the service agreement and is subject to availability of sufficient capacity. (C) (N) (N)

SUPPLIER AND RELATED RESPONSIBILITIES

The customer must provide in writing to the Company the name and telephone number of its supplier who will have authority to nominate natural gas supplies on Company's distribution system for delivery on customer's behalf. (M)

(continued) (N)

(M) refers to content previously on Sheet Nos. 163.1, 163.2, and 163.3. (N)

RULE 22
GENERAL TRANSPORTATION SERVICE TERMS AND CONDITIONS (N) (N)

SUPPLIER AND RELATED RESPONSIBILITIES (continued) (N)

The supplier is the customer's designated representative who satisfies or undertakes the following transportation duties and obligations: (M)

1. Submitting and/or receiving notices on behalf of a customer;
2. Making nominations on behalf of a customer. A nomination is a request to have a physical quantity of customer-owned gas delivered to a specific Company receipt point(s) for a specific gas day. Nominations are not considered final until confirmed by the Pipeline;
3. Arranging for trades of imbalances on behalf of a customer as permitted under the terms and conditions herein established. An imbalance is the difference between a confirmed nominations and the volume of gas actually used by or delivered to a customer served under this schedule for a defined period of time;
   a. A positive imbalance exists when the volume of transportation gas confirmed for a customer's account is greater than the volume of gas used. (T)
   b. A negative imbalance exists when the volume of Transportation gas confirmed for customer's account is less than the volume of gas used; and, (T)
4. Performing operational and transportation-related administrative tasks on behalf of a customer as the Company permits.

Unless the Company and customer otherwise agree, a customer shall select one supplier for each account at any given time.

Under no circumstances will the appointment of a supplier relieve a customer of the responsibility to make full and timely payments to the Company for all distribution service.

Each supplier must meet any applicable registration and licensing requirements established by law or regulation. The Company shall have the right to establish reasonable financial and non- discriminatory credit standards for qualifying suppliers. Accordingly, in order to serve customers on the Company's system, the supplier shall provide the Company, on a confidential basis, with audited balance sheet and other financial statements, such as annual reports to shareholders and 10-K reports, for the previous three years, as well as two trade and two banking references. To the extent that such annual reports and 10-K reports are not publicly available, the supplier shall provide the Company with a comparable list of all corporate affiliates, parent companies and subsidiaries. The supplier shall also provide its most recent reports from credit reporting and bond rating agencies. The supplier shall be subject to a credit investigation by the Company. The Company will review the supplier's financial position periodically.

If the supplier fails to comply with or perform any of the obligations on its part established in this schedule including but not limited to failure to deliver gas, pay bills in a timely manner, execute an upstream transportation capacity assignment, or, in general, act in good faith on behalf of the customer, the Company maintains the right to terminate the supplier's eligibility to act as a supplier on the Company's system. (M)

(continued) (N)

(M) refers to content previously found on Sheet Nos. 163.3 and 163.4. (N)

RULE 22 (N)
GENERAL TRANSPORTATION SERVICE TERMS AND CONDITIONS (N)

NOMINATIONS (M)

A Transportation customer served on Schedule 161, 162, 163, or 164 is required to report estimated gas supply requirements for the upcoming month at least by the 15th day of the current month, in order to provide the Company with information for gas supply acquisition purposes. Such estimate shall include any scheduled down time or increased production time. (C)

A Transportation customer is required to report estimated gas requirements daily to the Company's gas scheduling department at least thirty-two hours prior to the beginning of each gas day, as defined in Rule 2, unless other arrangements are agreed upon in writing with the Company. Such estimated requirement shall be considered as customer's daily nomination. Such daily nomination will separately identify gas quantities, if any, pursuant to obligations established below, as well as the customer's current estimated gas requirement at customer's facility (excluding gas provided to the transporting pipeline for compression and line losses). In the event Company's supplier determines that the customer's actual consumption is out of balance with the customer's nomination, the supplier shall inform the customer of the adjustments necessary to get back in balance. Changes to a customer's daily nomination are allowed during the gas day provided the change is communicated to the Company one hour prior to the upstream pipeline's re-nomination deadline (C)

The Company shall have the right to adjust a customer's daily nominations when, in the Company's sole judgment, such action is necessary to bring into balance its system nominations as a receiving party on a pipeline system, or otherwise to maintain operational control or maintain the integrity of the Company's distribution system. The Company accepts customer purchased gas at the receipt point subject to customer's warranty that at the time of the Company's receipt, customer has good title to all gas received, free and clear from all liens, encumbrances and claims. Customer shall indemnify and hold Company harmless should a third party make any claims regarding customer's title to gas transported under this schedule. The supplier shall warrant that it has or will have entered into the necessary arrangements for the purchase of gas supplies which it desires the Company to transport to its customers, and that it has or will have entered into the necessary upstream transportation arrangements for the delivery of these gas supplies to the designated receipt point. The supplier shall warrant to the Company that it has good title to or lawful possession of all gas delivered to the Company at the designated receipt point on behalf of the supplier or the supplier's customers. The supplier shall indemnify the Company and hold it harmless from all suits, actions, debts, accounts, damage, costs, losses, taxes, and expenses arising from or out of any adverse legal claims of third parties to or against said gas supply.

The supplier shall be responsible for making all necessary arrangements and securing all required regulatory or governmental approvals, certificates or permits to enable gas to be delivered to the Company's system. (M)

(continued) (N)

(M) refers to content previously found on Sheet Nos. 163.4 and 163.5. (N)

RULE 22 (N)
GENERAL TRANSPORTATION SERVICE TERMS AND CONDITIONS (N)

NOMINATIONS (continued) (N)

The customer shall be deemed to be in control and possession of the customer purchased gas until the Company has accepted it at the receipt point. The Company shall be deemed to be in control or possession of the customer purchased gas until the equivalent therms are delivered to the customer at the delivery point. (M)

Failure to report estimated gas transportation requirements or comply with the written arrangements may be considered as a zero nomination for such gas day and may result in the penalties as described below.

A Transportation customer is required to notify the Company's gas scheduling department in advance of operating changes that would cause actual gas day consumption to vary either up or down by 10% or more from the reported gas day estimate. Such notification may mitigate potential penalties but will not indemnify customer from the responsibility for penalties described in the section below entitled Imbalances.

IMBALANCES

Each customer served on this rate schedule shall be required to satisfy any monthly imbalance condition in the manner established below.

Upon notification by the Company that the customer has an imbalance greater than 5%, the customer will have 45 non-entitlement days to eliminate any such imbalance. The Company will bill the customer an imbalance penalty if the customer has not completely satisfied such imbalance condition. These non-entitlement penalties are $10.00 per MMBtu on the imbalance over -the allowed tolerance on a monthly basis.

Under any agency established hereunder, the Company shall rely upon information concerning the applicable customer's distribution service which is provided by the designated representative. All such information shall be deemed to have been provided by the customer. Similarly, any notice or other information provided by the Company to the supplier concerning the provision of distribution service to such customer shall be deemed to have been provided to the customer. The customer shall rely upon any information concerning distribution service that is provided to the supplier as if that information had been provided directly to the customer.

The Company shall determine the customer's daily gas supply entitlement based upon customer's gas requirements forecast and resulting nomination after Company has considered any curtailment of pipeline or distribution system capacity constraints and gas supply constraints. Such daily gas supply entitlements shall include the summation of all gas supply options and optional balancing service daily volumetric level contracted for by the customer. The Company shall notify the supplier and/or customer in the event that the gas supply entitlement is less than the customer's gas nomination(s). (M)

(continued) (N)

(M) refers to content previously found on Sheet Nos. 163.5 and 163.6. (N)

RULE 22 (N)
GENERAL TRANSPORTATION SERVICE TERMS AND CONDITIONS (N)

IMBALANCES (continued) (N)

Penalties from upstream pipeline transporter and/or other costs incurred by Company as a result of a nomination imbalance or an unauthorized overrun will be passed on directly to those customer(s) or groups of customers whose take levels contribute to the imposition of the penalty. Such penalty shall be allocated among such customers, including Company's system supply customers, in proportion to the nomination imbalance or unauthorized overrun associated with each customer or group of customers. (M)

AUTOMATIC ASSIGNMENT OF GAS SUPPLY DURING A CURTAILMENT

In the event of a curtailment, the Company may automatically take assignment of customer-owned gas supplies in order to protect the service to higher priority customers as defined in Rule 17, Order of Priority for Gas Service. If the Company takes assignment of the customer-owned gas, the Company will compensate the customer with a credit equal to the Gas Daily-midpoint price at the source of the supply for all volumes assigned plus a credit of $0.60 per therm on all but the first 5 percent of the customer's daily curtailment under the rate schedule on which the customer receives service (Schedule 161, 162, 163, or 164). (C) (C)

UNAUTHORIZED USE OF GAS DURING ENTITLEMENT PERIODS

The Company may declare an entitlement period on any day the Company, in its sole discretion, reasonably determines a critical operational condition warrants the need. During a curtailment or an entitlement period, the total physical quantity of gas taken by customers served under this rate schedule exceeds or is less than the total quantity of gas which the customer is entitled to take on such day, as defined below, then all gas taken in excess of such entitlement or not taken within said entitlement shall constitute unauthorized overrun or underrun volume. Each general system or customer-specific declared overrun entitlement period shall be specified as either an overrun or an underrun entitlement for customers such that only one penalty condition may exist at one time, whereas:

- **Underrun Entitlement** – A period of time in which delivered natural gas volumes to a transportation customer may not exceed the customer's confirmed nomination for that day.
- **Overrun Entitlement** – A period of time in which delivered natural gas volumes to a transportation customer must be equal to or more than that customer's confirmed nomination for that day. (M)

(continued) (N)

(M) refers to text previously found on Sheet Nos. 163.6 and 163.7. (N)

(N)

RULE 22
GENERAL TRANSPORTATION SERVICE TERMS AND CONDITIONS

(N)

(M)

UNAUTHORIZED USE OF GAS DURING CURTAILMENTS OR ENTITLEMENT PERIODS (continued)

Customers served under this schedule shall pay Company for all unauthorized overrun or underrun quantities that exceed the percentage specified by the Company in its declared entitlement. For a general system or customer-specific declared entitlement period, such percentage will be: (i) in the Company's sole discretion 5 percent, or, in the case of a declared overrun entitlement period announced on the day it is to be in effect, 3 percent for that day (Stage I), 8 percent (Stage II) or 13 percent (Stage III) of a customer's entitlement as set forth above.

A customer's usage of gas that exceeds the amount authorized by the Company during an entitlement period shall be considered an unauthorized overrun volume. The overrun charge that will be applied during any overrun entitlement period will equal the greater of $1.00 per therm or 150% of the highest midpoint price for the day at NW Wyoming Pool, NW south of Green River, Stanfield Oregon, NW Canadian Border (Sumas), Kern River Opal, or El Paso Bondad supply pricing points (as published in Gas Daily), converted from dollars per dekatherms to dollars per therm by dividing by ten. The overrun charge will be in addition to the incremental costs of any supplemental gas supplies the Company may have had to purchase to cover such unauthorized use, in addition to the regular charges incurred in the Rate section of this Schedule and any other charges incurred per the terms and conditions established in this Schedule. The payment of an overrun penalty shall not under any circumstances be considered as giving customer the right to take unauthorized overrun gas or to exclude any other remedies which may be available to the Company to prevent such overrun. The charge that will apply during any underrun entitlement period will be $1.00 per therm for any underrun imbalances.

NOTICE OF ENTITLEMENT

The Company shall give as much advance notice as possible for each entitlement. The Company's entitlement periods as well as restoration notices shall be given by telephonic communications, electronic communication, or personal contact by Company personnel to the customer's responsible representative. A notice of entitlement period will include the parameters for gas consumption during said entitlement period.

(M)

(M) refers to content previously found on Sheet No. 163.8.

(N)