

Schedule No. GTC-1

ON SYSTEM  
GENERAL TERMS AND OPERATING CONDITIONS

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1. DEFINITIONS: The following terms and abbreviations, when used in these General Terms and Operating Conditions (Rate Schedule No. GTC-1), the Rate Schedules, and the Service Agreements (Agreements), shall have the following meaning:
  - 1.1 "BTU" shall mean British Thermal Unit.
  - 1.2 "Cubic foot of gas" shall mean that quantity of gas which, at a temperature of 60° Fahrenheit and at pressure of 14.9 pounds per square inch absolute, occupies 1 cubic foot.
  - 1.3 "Day" shall mean a period of 24 consecutive hours, beginning and ending at 8:00 a.m. Mountain Time.
  - 1.4 "Dekatherm" shall mean 1,000,000 BTUs.
  - 1.5 "Gas" shall mean natural gas of the quality specified in Section 2 hereof.
  - 1.6 "Gross heating value" shall mean the number of BTUs in a cubic foot of gas as calculated from a gas analysis obtained by gas chromatography. The heating value shall be calculated by summation of the heating values determined by GPA standard 2145. The heating value shall be calculated on a dry basis at a temperature of 60 degrees Fahrenheit and a pressure of 14.9 pounds per square inch absolute.
  - 1.7 "Maximum Daily Delivery Quantity (MDDQ)" shall mean the maximum quantity of gas, after adjustments for compressor station fuel and line losses and other unaccounted for gas, if applicable, which Utility shall deliver to Shipper, or for Shipper's account, at the Point(s) of Delivery on any day.
  - 1.8 "Maximum Daily Receipt Quantity (MDRQ)" shall be the MDDQ that Utility has contracted to receive at the Point(s) of Receipt on behalf of Shipper, including the compressor station fuel, line losses and other unaccounted for gas for any particular day.
  - 1.9 "MCF" shall mean 1,000 cubic feet of gas and shall be measured as set forth in Section 4 hereof.
  - 1.10 "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.

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- 1.11 "Point(s) of Delivery" shall mean point(s) where Utility delivers gas for the account of Shipper.
- 1.12 "Point(s) of Receipt" shall mean point(s) where Utility receives gas for the account of Shipper.
- 1.13 "Primary Point(s) of Receipt" shall mean those point(s) designated as Primary in the Firm Gas Transmission Service Agreement where Shipper is entitled to firm service.
- 1.14 "Psia" shall mean pounds per square inch absolute.
- 1.15 "Psig" shall mean pounds per square inch gauge.
- 1.16 "Secondary Point(s) of Receipt" shall mean points other than Primary Point(s) of Receipt where Utility receives gas for the account of Shipper for transportation under a Firm Gas Transmission Service Agreement.
- 1.17 "Service Date" shall mean the date Utility receives a formal written request for transportation and/or storage service from Shipper.
- 1.18 "Shipper" shall mean the party on whose behalf Utility provides transportation or storage service.
- 1.19 "Utility" shall mean MPC's Energy Services Transportation Business Unit (TBU).

QUALITY OF GAS:

- 2.1 General Standards: Gas delivered to Utility shall be merchantable natural gas, at all times complying with the following quality requirements:
  - A. Gas shall be in its natural state as produced, including all hydrocarbon constituents therein contained except liquid or liquefiable hydrocarbons removed by Shipper. Shipper shall also have the right to remove nonhydrocarbon constituents. Shipper may enrich the gas to the extent required to meet the gross heating requirement set forth in paragraph "B" below, and may subject the gas, or permit the gas to be subjected, to compression, cooling, cleaning, dehydration and other processes. If Shipper is transferring gas to the Utility transmission line directly, provisions must be made by the Shipper to odorize the gas to the requirements set forth in the Department of Transportation publication CFR Title 49 Part 192.625.

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- B. The gross heating value of gas delivered to Utility shall not be less than 900 BTUs per cubic foot, and shall not be more than 1,200 BTUs per cubic foot. Utility may reject receipt of gas having a gross heating value of less than 900 BTUs per cubic foot or more than 1,200 BTUs per cubic foot. Acceptance of gas not meeting this gross heating value requirement shall not constitute a waiver of Utility's right to reject receipt of nonconforming gas.
- C. Gas shall be merchantable and usable by the ultimate consumers without further treatment. In particular, the gas received by Utility hereunder at the Point(s) of Receipt shall be commercially free of dust, gum, gum-forming constituents, gasoline, other objectionable substances, and other solid or liquid matter that may become separated from the gas during transportation or storage and shall conform to the following specifications:
- |    |                            |   |
|----|----------------------------|---|
| 1. | Dust, rust or other solids | None  |
| 2. | Carbon dioxide             | Not more than 2% by volume  |
| 3. | Oxygen                     | Not more than 10 parts per million or .001% by volume                                       |
| 4. | Hydrogen sulfide           | Not more than 1/4 grain per 100 cubic feet  |
| 5. | Total sulfur               | Not more than 20 grains per 100 cubic feet  |
| 6. | Temperature                | Not more than 120° Fahrenheit.  |
| 7. | Water vapor                | Not more than 4 pounds of water vapor per 1,000,000 cubic feet of gas                       |
| 8. | Hydrocarbons               | None liquefiable at temperatures in excess of 15( Fahrenheit at pressures up to 1,200 psig. |
| 9. | Nitrogen                   | Not more than 15% by volume   |
- D. Unless otherwise agreed, Utility shall not be required to receive at any Point of Receipt gas that is of a quality inferior to that required by a third party at any Point of Delivery.

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- 2.2 Utility's Option to Treat: Utility, at its option, may refuse to accept delivery of any gas not meeting the quality specifications set out in this Section. Thereafter, Shipper shall have the right to conform the gas to the above specification. If Shipper does not elect to conform the gas to the specifications, then Utility may, at its option, accept gas tendered by Shipper which does not meet the specifications above, treat the gas to conform it to the specifications and charge Shipper for the actual cost of such treating, including, but not limited to, capital costs, O&M, fuel and shrinkage. Any Shipper tendering nonspecification gas shall indemnify the Utility for any injury, damage, loss or liability caused by the delivery of such gas, except to the extent Utility knowingly and willingly accepts such nonspecification gas.
- 2.3 Hydrogen Sulfide: At Utility's sole discretion, Utility may install, at Shipper's expense, a properly operating hydrogen sulfide monitoring device (H2S monitor) that is capable of curtailing any deliveries to the Utility of gas containing hydrogen sulfide in excess of 1/4 grain per 100 cubic feet (4 ppm).
3. PRESSURE:
- 3.1 Pressure at the Point(s) of Receipt: Shipper shall cause the gas to be tendered at the Point(s) of Receipt at a pressure sufficient to enter the Utility's system, provided Shipper shall not, except with the agreement of the Utility, be permitted to tender the gas at any Point of Receipt at a pressure in excess of the pressure specified for that Point of Receipt as set forth in the Agreement. If Shipper can supply gas at a higher pressure than the design of the pipeline system, Utility shall install, as a part of the equipment required under Section 4.3 below, pressure limiting devices to ensure the maximum allowable operating pressure (MAOP) of the pipeline shall not be exceeded.
- 3.2 Pressure at the Point(s) of Delivery: Utility shall cause the gas to be delivered at the Point(s) of Delivery at such pressures sufficient to effect delivery into the receiving facilities against the pressures prevailing from time-to-time.
4. MEASUREMENT AND TESTS:
- 4.1 Unit of Volume: The unit of volume for all gas measured hereunder shall be 1 cubic foot of gas.
- 4.2 Billing Unit: The billing unit of the gas transported or stored hereunder shall be one Dekatherm.

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- 4.3 Ownership of Measuring Equipment: All necessary measuring devices and materials will be furnished, installed, owned, operated and maintained by the Utility. Shipper may install and operate check measuring equipment provided it does not interfere with the use of the Utility's equipment in determining the volumes of gas being measured.

The Utility shall have the option to install additional facilities that are required to provide service. Shipper shall pay, in addition to the rate(s) stated in the applicable Rate Schedule, at the Utility's option, the cost of the additional facilities.

If required by Utility for electronic metering, Shipper assumes responsibility for the installation and maintenance costs for a communication line necessary for electronic metering of gas quantities transported.

- 4.4 Metering and Computation of Volumes: The gas shall be metered by orifice meter, turbine meter, positive displacement meter or combination of meter types in a measurement facility constructed, installed and maintained by the Utility at or near the Point(s) of Receipt or Point(s) of Delivery. Such measurement facilities shall be constructed and installed in accordance with the most current provision for the meter type in the applicable American Gas Association Report. The volumes of gas received by or delivered to the Utility shall be the volumes received directly from the online measurement device. Such volumes shall be calculated and corrected volumes from the online measurement device or computed from the meter records will be converted into the units of measurement specified herein in accordance with the methods prescribed by the currently adopted American Gas Association Report for the meter type. Corrections shall be made for gas volume deviation from the Ideal Gas Laws at the pressure and temperature at which the gas is metered. To determine the factors for such correction, a quantitative analysis of the gas shall be made at reasonable intervals with such apparatus as shall be agreed upon by the Utility and Shipper, and such factors shall be obtained from data contained in "Manual for the Determination of Supercompressibility Factors for Natural Gas" published by the American Gas Association as report "PAR Research Project NX-19" dated 1962 or "Compressibility Factors of Natural Gas and Other Related Hydrocarbon Gases" published by the American Gas Association as "Transmission Measurement Committee Report No. 8" dated November 1992, or any subsequent revision acceptable to the Utility and Shipper. For the purpose of measurement and meter calibration in the case of electronic measurement utilizing absolute pressure transducers, the actual atmosphere pressure shall be measured and used during calibration. Otherwise, the average atmospheric pressure will be used for gauge pressure transducers. A barometer or electronic barometer calibrated to a standard shall be used to determine the current atmospheric pressure.

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- 4.5 Specific Gravity: Tests to determine the specific gravity of the gas being metered shall be performed at reasonable intervals. The gas samples to be tested shall be representative of the gas delivered at the Point(s) of Delivery or Receipt. All such determinations of specific gravity shall be made by using gas chromatography and then calculating the specific gravity of the natural gas. The specific gravity of the gas flowing through each meter determined by the above-mentioned method shall be used in computing the volume of gas delivered through such meter. The specific gravity determined by any test shall apply from the date the test was taken until the date of the next year.
- 4.6 Temperature: The temperature of the gas delivered at the Point(s) of Receipt or Delivery hereunder, if required, shall be determined by means of standard electronic temperature devices or a recording temperature chart. The arithmetic average of readings recorded during each chart period shall be used in computing the volumes delivered hereunder.
- 4.7 Equipment Testing: The accuracy of the Utility's electronic measuring equipment shall be verified by test, using means and methods generally acceptable in the gas industry, at least annually or otherwise as agreed to by the Utility and Shipper. Shipper shall have the right to witness and verify all tests of the Utility's measuring equipment. Notice of the time and nature of each test shall be given to Shipper by the Utility sufficiently in advance to permit convenient arrangement for the presence of a representative of Shipper. Measuring equipment found to be registering inaccurately shall be adjusted to read as accurately as possible. If Shipper fails to witness any test, the results of the test shall nevertheless be considered accurate until the next test. All tests of such measuring equipment shall be made at the Utility's expense, except that Shipper shall bear the expense of tests made at its request if the inaccuracy is found to produce an error of 2% or less in the measurement of gas. The Utility will conduct all tests on all equipment operated by the Utility.
- 4.8 Measuring Equipment Out of Repair: If, for any reason, any measuring equipment is inoperative or inaccurate so that the volume of gas measured is not correctly indicated by the reading thereof, and if such reading is in error by more than 2% in the measurement of gas, then the volume of gas measured, during the period such measuring equipment is inoperative or inaccurate, shall be determined by the parties hereto on the basis of the best data available using the first of the following methods which is feasible.
- A. By using the registration of any check measuring equipment installed and accurately registering;

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- B. By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculations: or
- C. By comparing measurements made during preceding periods under similar flow conditions when the meter was registering accurately.

An adjustment based on such determination shall be made for such period of inaccuracy as may be definitely known, or if not known, then for one-half the period since the date of the last meter test.

- 4.9 Gross Heating Value: The gross heating value per cubic foot of gas shall be determined from time-to-time by the Utility at the Utility's expense, using an accurately calibrated chromatograph, from samples of the gas taken at the Point(s) of Receipt or Delivery. The Shipper shall have the right to witness any and all tests of gross heating value made by the Utility. The Shipper shall have the right at any time to make or to require the Utility to make a special test of the gross heating value of gas delivered hereunder, but the Shipper shall bear the expense of any special tests made at its request.

5. INSPECTION OF EQUIPMENT AND RECORDS:

Each party shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, testing, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least 6 years.

6. BILLING:

- 6.1 Billing Under Gas Service Rate Schedules: On or before the twentieth (20th) day of each month, the Utility shall render a bill to Shipper under the applicable Rate Schedule(s) for the service rendered during the preceding month.
- 6.2 Statement by Shipper: When information necessary for billing by the Utility is in the control of the Shipper, Shipper shall furnish such information, estimated if actual is not available, to the Utility on or before the 3rd business day of the month following the month service was rendered. If Shipper furnishes estimated information, the actual information shall be furnished to the Utility on or before the 6th working day of the month following the month service was rendered.

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7. PAYMENT:

- 7.1 Payment Under Rate Schedules: Payment provisions including late payment charges are set forth in Rate Schedule No. SGS-1.
- 7.2 Adjustment of Billing Error: In the event that an error is discovered in any bill rendered by the Utility, the amount of such error shall be adjusted, provided that claim therefor shall have been made within 12 months from the date such bill was rendered. Any claim over 12 months old will not be allowed. The adjustment by either the Utility or the Shipper shall be made within 30 days of such timely claim.

8. NOTICE OF CHANGES IN OPERATING CONDITIONS:

The Utility and Shipper shall assure that each other shall be notified from time-to-time, as necessary, of expected changes in the rates of delivery or receipt of gas, or in the pressures or other operating conditions, as stipulated to in the Agreement, and the reason for such expected changes, so that they may be accommodated when they occur.

9. FORCE MAJEURE:

- 9.1 Notice: A party's obligation to perform shall be suspended in whole or in part: (1) if an event of force majeure occurs; and (2) the affected party provides written notice describing the event to the other as soon as reasonably possible after the event occurs. The affected party shall resume performance when conditions reasonably allow. The affected party shall not be required to make-up performance lost during the force majeure event.
- 9.2 Definition: The term "force majeure" shall mean acts of god, governmental action, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, storm warnings, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, and any other causes, whether of the kind enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. This term shall also include: (a) those instances where either party hereto is required to obtain servitudes, rights-of-way grants, permits or licenses to enable such party to fulfill its obligations, the inability of such party to acquire, or the delays on the part of such party in

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acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way grants, permits or licenses; and (b) those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions.

- 9.3 Strikes: The settlement of strikes or lockouts shall be within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of any opposing party when such course is inadvisable in the discretion of the party having the difficulty.

10. WARRANTIES:

10.1 Eligibility:

- A. Any Shipper transporting or storing gas on Utility's system warrants for itself, its successors and assigns, that all gas delivered to Utility for service shall be eligible for the requested service under applicable rules, regulations or orders of the appropriate regulatory authority.
- B. Shipper shall indemnify the Utility and save it harmless from all demands, suits, actions, judgements, damages, costs, losses, expenses (including reasonable attorney fees incurred enforcing this indemnity obligation or defending a third party claim) and regulatory proceedings, arising from breach of these representations and warranties.

- 10.2 Title: Shipper warrants title to all gas delivered by it to the Utility. Shipper and Utility warrant that each has the right to deliver and redeliver the gas, and that such gas is free from liens and adverse claims of every kind. Shipper shall indemnify and save Utility harmless against all loss, damage, claims and expense of every character with respect to gas delivered by it on account of royalties, taxes, payments, liens or other charges arising before or created upon delivery of the gas.

- 10.3 Firm Delivery: Shipper represents that gas supplies necessary to cover the maximum firm peak day requirement as represented by the total MDDQ plus U&UAF in the Agreement shall be supplied on a firm basis. The firmness of such gas supplies shall be reviewed by the Commission upon complaint.

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NATURAL GAS TARIFF



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11. RESPONSIBILITY FOR GAS:

Utility shall be deemed to be responsible for all gas from the time that such gas is received by it at the Point(s) of Receipt to the time that it is delivered at the Point(s) of Delivery. Utility's responsibility with respect to Shipper's gas shall be deemed to be met if the Utility exercises ordinary care in protecting such gas.

12. TERMINATION:

The Utility's obligation to provide service, and Shipper's contractual right to receive such service, shall terminate on the earlier of: (a) the date provided in the applicable Agreement for the termination of said service; or (b) the date on which the Utility determines on a nondiscriminatory basis to cease transporting gas. Further, the Agreement may be terminated or renegotiated as to the applicable terms at any time by Shipper or the Utility, each in their sole discretion, if the Montana Public Service Commission (MPSC) or the FERC, whichever, is applicable, determines that the rates of fees per dekatherm as provided in the Agreement are not in accordance with the MPSC's or the FERC's regulations or governing statutes, or are not fair and equitable to all parties. The Utility reserves the further right to unilaterally terminate or temporarily suspend service if the Utility, in the reasonable exercise of its sole discretion, determines that such service is injurious to the physical operation of any of the Utility facilities or if a Shipper does not comply with any provisions contained in this Rate Schedule or Agreement. Shipper shall not be entitled to transportation service under the Agreement or otherwise, subsequent to the effective date of any termination hereunder.

13. LIABILITY OF PARTIES:

The Utility and Shipper each assume full responsibility and liability for the maintenance and operation of its respective properties and equipment and shall indemnify and save harmless the other party from all liability and expense due to any and all damage, claims or actions, including injury or death of persons, arising from any act or accident in connection with installation, presence, maintenance and operation of the property and equipment of the indemnifying party save and except such damage, claim or action caused by the negligence of the party otherwise to be indemnified hereunder.

14. TAXES:

All production (including ad valorem-type production taxes), gathering, delivery, sales, severance, or other excise taxes or assessments upon the gas delivered hereunder by Shipper to the Utility, which are now or hereafter in existence or authorized for collection by any state or other governmental agency or duly constituted authority, either directly or indirectly, shall be paid or caused to be paid by

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Shipper. Shipper shall be responsible for all taxes imposed upon the transportation of the gas to be transported hereunder, and shall reimburse the Utility for any such taxes incurred by or assessed to the Utility.

15. BALANCING:

15.1 Balancing Obligations: The Shipper shall be responsible for monitoring and making the necessary adjustments to maintain net receipts (daily receipts less Fuel Reimbursement) at a rate equal to deliveries. The Utility may take any action it deems necessary, intended to maintain an equal balance between daily net receipts and daily deliveries. By the 10th day of the month following the month of gas flow, the Utility will notify Shipper of Shipper's previous month's imbalance. Imbalances between net receipts and deliveries will be treated as set forth in this Section. Subject to Section 15.2, it is recognized that the parties may be unable to control exactly the quantities of gas received and delivered on any day and that the quantities received by the utility from a shipper may vary from the quantities delivered on any day to such Shipper.

15.2 Monthly Imbalances:

- A. Cumulative monthly imbalance volumes, expressed as a percentage of total monthly actual deliveries of ten percent (10%) or less, will be carried forward to the following month.
- B. Cumulative monthly imbalance volumes expressed as a percentage of total monthly actual deliveries which are greater than 10% may be treated as Cash Out Volumes. Cash Out Volumes may be traded between Shippers, purchased by the Utility from Shipper or sold by the Utility to Shipper as follows:
  - 1. Shippers interested in trading Cash Out Volumes shall provide written notice to the Utility requesting placement on the Cash Out Volume trading list. This notice will remain in effect until changed by Shipper.
  - 2. By the 10th day of the month, the Utility shall provide a Cash Out Volume trading list, identifying the Shipper, naming its trading contact, and specifying positive or negative imbalance status (excluding volumes) to all Shippers with Cash Out Volumes from the preceding month.
  - 3. Shippers agreeing to trade Cash Out Volumes shall both provide written notice to the Utility, stating the applicable volume to be traded and the counterparty Shipper. Such written notice shall be deemed to be the Shipper's approval to allow the Utility to make the Cash Out Volume trade on Shipper's behalf.

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4. All contractual arrangements, exchange of consideration, documentation, and cash out pricing shall be the responsibility of the trading Shippers.
  5. If, by the last day of the month in which Shipper receives notice of a Cash Out Volume, the Utility does not receive corresponding written notices from Trading Shippers which document the Cash Out Volume trade, or if the Shipper's trade does not eliminate the Shipper's total Cash Out Volume, the Cash Out Volume shall be treated in the following manner:
    - a. Positive Cash Out Volumes: Utility shall purchase positive Cash Out Volumes from Shipper at the lowest weighted average daily price\*, as defined below, during the month the Cash Out Volume was created.
    - b. Negative Cash Out Volumes: Utility shall sell negative Cash Out Volumes to Shipper at the highest weighted average daily price\*, as defined below, plus \$0.20/dekatherm, during the month the Cash Out Volume was created.
- \* The weighted average daily price shall be that price reported in the Canadian Natural Gas Daily Outlook under "AECO/NIT Energy Exchange Inc. (EEI) same day trading." This price will be converted to a price per dekatherm in U.S. dollars by multiplying the price per gigajoule by 1.054615 and converting from Canadian to U.S. funds using the exchange rate reported in Canadian Natural Gas Daily Outlook for the applicable day. For Shippers with deliveries in Billings and Laurel Montana, the weighted average daily price shall be that price reported in gas daily under the "daily price survey" daily midpoint, for delivery in CIG (N Syst.).
- c. Cash Out Accounting: A statement documenting the disposition of any Cash Out Volume will be included with Shipper's monthly transportation invoice for the month following the month in which the Cash Out Volume was created.

15.3 Imbalances During Extreme Operating Conditions: The restricted operating conditions which the Utility is authorized to impose in accordance with this provision shall be applicable during any period in which the Utility declares a Constrained Operating Time or a Critical Operating Time as defined in this section. The Utility may declare restricted operating conditions during periods of Extreme Operating Conditions as follows:

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- A. Constrained Operating Time: A Constrained Operating Time may be declared when, in the Utility's sole judgment general system flexibility cannot be afforded to Shippers to accommodate minor daily imbalances.
- B. Critical Operating Time: A Critical Operating Time may be declared in the Utility's sole judgment:
1. When the total physical deliveries from all, or a portion, the system are approaching, or expected to approach, a level that is in excess of the total physical receipts and the maximum volumes of gas available to be withdrawn from the Utility's storage facility without jeopardizing the integrity of the Utility's storage facility; or
  2. When system pressures on one or more pipeline segments are falling and approaching a level, or are expected to fall and approach a level that is at or below the minimum level the Utility considers necessary for system integrity.
- C. Notice: The Utility will notify shippers at least 20 hours prior to the start of a gas day in which an extreme operating condition is declared. For example, the Utility must give notice by 12:00 p.m. for an extreme operating condition to be effective at 8:00 a.m. on the following day. The Utility may declare a Critical Operating Time during the weekend only when a Constrained Operating Time was in effect on Friday. The only exception to the requirements to notify Shippers within the time frames noted is in the event of an unanticipated system emergency. The Utility shall provide the reasons for the extreme operating conditions to all shippers via telephone, facsimile or other electronic means. Extreme operating conditions shall be effective at the start of the day and continue day to day thereafter until the utility notifies shippers that the extreme operating condition no longer exists.

15.4 Imposition of Daily Balancing Penalties:

- A. Daily balancing penalties shall not be imposed during Constrained Operating Times.
- B. Daily balancing penalties shall be imposed during Critical Operating Times as follows:
1. Negative Daily Imbalances: Shippers with negative daily imbalances greater than 2% of actual deliveries will be charged the Balancing Penalty Rate set forth on the applicable rate schedule for all imbalance volumes greater than 2% of actual deliveries. The payment of a penalty pursuant to this section shall under no circumstances be considered as providing any Shipper the right to take imbalance volumes. The Shipper's payment of a penalty does not eliminate the imbalance. At the conclusion of

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the month, Shipper's imbalance shall continue to be subject to the provisions of 15.2 with respect to any such monthly imbalances.

2. Positive Daily Imbalances: Shippers with positive daily imbalances greater than 2% of actual deliveries will receive a prorata share of any balancing penalty funds received from Shippers with negative daily imbalances during the same period. In no event will the penalty funds paid to the Shipper exceed the value of the imbalance above 2% multiplied by the Balancing Penalty Rate. Any daily imbalance volumes that result in Shipper receiving imbalance penalty funds will be cleared from the Shipper's account.

- C. Points of Receipt: The Utility shall specify in the notice of Critical Operating Time, Point(s) of Receipt that are eligible to receive balancing penalty funds. A confirmed nomination will be allocated to Shipper's accounts at Point(s) of Receipt where an operational balancing agreement exists between the Utility and the upstream Party. Point(s) of Receipt without an operational balancing agreement will be allocated based on actual flow. Negative imbalance penalties will be based on actual flow at Point(s) of Receipt without an operational balancing agreement, even though actual flow information may not be known until after the Critical Operating Time. Shipper shall be responsible for coordinating and monitoring the gas flow information, as necessary, to avoid a negative imbalance. The Utility is under no obligation to enter into operational balancing agreements. During Critical Operating Times, the Utility will fax a notice to Shippers, documenting confirmed nominations at Point(s) of Receipt with operational balancing agreements within 4 hours of confirming nominations with the upstream party.

- 15.5 Imbalances With Other Parties: The Utility shall not be responsible for eliminating any imbalances between Shipper and any third party, including imbalances between local distribution companies and specific end users. Furthermore, the Utility shall not be obligated to deviate from its standard operating and accounting procedures in order to reduce or eliminate any such imbalances.

- 15.6 Balancing Upon Termination: Upon termination of the Agreement, any existing cumulative imbalance shall be eliminated by the delivery of gas at the earliest practicable date, not to exceed 30 days following such termination. If at the end of the 30-day period an imbalance exists, the imbalance will be resolved in accordance with the Cash Out Volume procedure set forth in Section 15.2.

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16. SERVICE AGREEMENT:

- 16.1 Form: Shipper shall enter into a contract with the Utility utilizing the Utility's appropriate standard form of Agreement.
- 16.2 Term: The term of the Agreement shall be agreed upon between Shipper and the Utility at the time of the execution thereof.
- 16.3 Miscellaneous: The Utility reserves the right to tailor Agreements to individual needs of the Shipper and the Utility at the time of the Agreement; however, any specific Agreement requirements will not unduly discriminate against or unnecessarily restrict access to any Shipper.
- 16.4 Modification: The Utility shall have the right at any time and from time-to-time to amend, modify or cancel any and all of the provisions of this Rate Schedule without liability to or consent from any Shipper.
- 16.5 Further Conditions: Transportation and storage service shall be subject to such further conditions as are contained in the Agreement.

17. PRIORITY OF SERVICE AND ALLOCATION OF CAPACITY:

- 17.1 Priority 1 - Firm Transportation and Storage Service: The Utility shall supply service first to its firm Shippers and firm sales customers. If full service cannot be provided, the Utility shall provide service on a prorata basis according to the Shipper's MDDQ as specified in the Shipper's executed Agreement. Firm transportation and storage services, will be treated on a prorata basis with firm sales service for purposes of allocating available capacity. Except that the Utility shall have the right to deviate from this procedure when, in its sole discretion, it is necessary to do so to mitigate threats to the public health and safety.
- 17.2 Priority 2 - Interruptible Transportation: After Priority 1 requirements are satisfied, the Utility will provide interruptible service in the following manner:

The higher priority and the last to be interrupted will be accorded to interruptible service which is being performed under an Agreement with the highest rate. Within this priority, service shall be interrupted using Service Date as the basis so that services which are provided pursuant to later Service Dates will be interrupted before service performed pursuant to earlier Service Dates. If changes to the GTC-1 require new transportation service agreements, the service

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dates in active transportation service agreements will carry forward to the new transportation service agreements.

The Utility shall have the right, in its sole discretion to deviate from the interruptible procedure previously described when (1) necessary for system stability and/or operational reasons and (2) following the above procedures would cause an interruption in service to a Shipper who is not contributing to the problem on the Utility's system.

17.3 Allocation of Capacity: If the demand for new firm capacity which includes but is not limited to receipt point capacity, transmission capacity, distribution capacity and storage capacity is greater than the available capacity, the available capacity will be allocated on a prorata basis between Shippers and firm sales service. The applicable firm MDDQ will be used for allocating receipt point capacity, transmission capacity, distribution capacity storage capacity and deliverability. For purposes of establishing the firm sales MDDQ to be used in the allocation, the most recent filing before the Commission which sets forth the necessary information will be utilized. Firm capacity and deliverability under active transportation and storage service agreements will not be affected by this provision.

17.4 Miscellaneous:

A. Shipper and Utility shall collaborate in making receipt and delivery adjustments, if possible, which may be necessary to protect life, health and safety.

B. Upon expiration of the Agreement, Shipper's Service Date will terminate.

18. GENERAL OPERATING PROVISIONS:

18.1 Requests for Services: Service hereunder shall be requested by providing the required information to the Utility in writing utilizing Utility's Request for Service Form.

18.2 Estimates: Upon request of Utility, Shipper shall from time-to-time submit estimates of daily, monthly and annual quantities of gas to be transported, including peak day requirements.

18.3 Reservation Charges for Firm Services: The Reservation Charge is the demand component of the firm service rate schedules. This charge reserves the capacity needed by these Shippers to supply their non-curtable peak day load. Shipper must contract for a level of firm capacity necessary to supply its non-curtable and non-interruptible peak day requirement. If Shipper exceeds its contracted MDDQ, its MDDQ will be adjusted upward to equal Shippers most recent peak day use. The Firm Transportation Service Agreement will be amended to reflect

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NATURAL GAS TARIFF



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the higher MDDQ effective the first day of the month in which the new peak day occurred. The revised MDDQ will be effective until October 1 of each year subject to change during June 1 through August 1 of each year. Shippers desiring to reduce their MDDQ must notify the Utility between June 1 and August 1 with a written request to reduce the MDDQ effective October 1 and the justification for reducing the MDDQ. The Utility will make the final decision regarding the MDDQ level, however a request may not be unreasonably denied.

18.4 Unauthorized Use: For Shippers that have contracted for both firm and interruptible transportation services or interruptible transportation service only, if Utility curtails any or all of the interruptible transportation and Shipper fails to curtail to the level specified by Utility, the Shipper shall pay an Unauthorized System Use Charge as set forth in the applicable tariff on the volumes Shipper failed to curtail. The Utility will notify Shippers at least 20 hours prior to the start of a gas day in which an Unauthorized Use Charge will be imposed. For example, the Utility must give notice by 12:00 p.m. for the Unauthorized Use Charge to be effective at 8:00 a.m. on the following day. The Utility can only impose the Unauthorized Use Charge during the weekend if a Constrained Operating Time was in effect on Friday. The only exception to the requirements to notify Shippers within the time frames noted would be in the event of an unanticipated system emergency. The Utility shall provide notice stating the reasons for imposing the Unauthorized Use Charge to Shippers via telephone, facsimile or other electronic means. The imposition of Unauthorized Use Charges shall be effective at the start of the day and continue day to day thereafter until the Utility notifies Shippers that the Unauthorized Use Charges no longer apply.

18.5 Nominations: Nominations for transportation of gas and storage injections and withdrawals must be received by 12:00 P.M. one working day (excluding weekends and scheduled holidays) prior to the commencement of service. during all extreme operating conditions, late nominations will be accepted if the utility is able to confirm and schedule the nominated volumes with the interconnecting pipeline(s). Nominations must be placed in a manner specified by the Utility and transmitted electronically to the Gas Transportation Department. Nominations submitted after the deadline or nominations not submitted in the manner specified by the Utility may be rejected at the sole discretion of the Utility. The nomination will remain in effect until a revised nomination is received by the Utility. If the Utility is unable to confirm the nomination, Shipper will be notified as soon as the problem is identified by the Utility. Any discrepancy in nominations that cannot be resolved shall result in Shipper receiving the lesser of the nominated volume or the volume confirmed with the interconnecting party. The Utility shall have the right to require nomination changes that ensure net receipts and deliveries match. Nominations will be scheduled in the following order: 1) Firm transportation service at Primary Point(s) of Receipt, 2) Firm Transportation Service at Secondary Points of Receipt, 3)

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Interruptible Transportation at all Point(s) of Receipt, 4) Imbalance resolution gas. If it becomes necessary to allocate within specific classes as noted above, Shippers will be allocated a proportionate share of the receipt point capacity as follows:

$$\frac{\text{Shippers nominated volume}}{\text{Total nominated volume to be allocated}} \times \frac{\text{Receipt Point Capacity to be allocated}}{\text{Receipt Point Capacity to be allocated}} = \text{Allocated Volume}$$

A confirmed nomination at Point(s) of Receipt with an operational balancing agreement will result in the confirmed nomination being allocated to the Shipper's account. At Point(s) of Receipt without an operational balancing agreement, volumes will be allocated on the basis of actual metered volumes using a predetermined allocation if more than one Shipper is nominating at the applicable Point of Receipt. The Utility reserves the right to reject any nomination not within the Utility's ability to monitor.

18.6 Creditworthiness: The Utility shall not be required to perform or to continue service on behalf of any Shipper who is or has become insolvent or who, at the Utility's request, falls within a reasonable period to demonstrate creditworthiness by providing at least two (2) of the items listed below:

- Audited financial statements for the two (2) most recent preceding years showing good financial strength as determined by the Utility in its sole discretion.
- A long-term bond or commercial paper rating from Standard and Poor's or Moody's equivalent to a "Ba" or better.
- An estimated financial strength rating by Dun and Bradstreet sufficient to cover the credit to be extended and a corresponding Dun and Bradstreet composite credit appraisal of "fair" or better.
- A demonstration by Shipper that it has sufficient financial capacity or backing to warrant an extension of credit. This demonstration could include proof of banking relationships sufficient to cover the Agreement, or a detailed listing of credit reference within the industry, exhibiting a good credit history.
- Shipper may receive service if Shipper prepays for such service an amount equal to the cost of performing the maximum level service requested by Shipper for a four (4) month period.

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18.7 Delivery to Third Party Storage Facilities: Shipper can nominate for delivery to third party storage facilities under the following conditions. The storage facility must be connected to the Utility's gas transmission system and the flow of gas to the third party storage is in the same general flow path as set forth in the Shipper's transmission service agreement between Point(s) of Receipt and Point(s) of Delivery. The Utility is under no obligation to incur any costs to provide delivery to third party storage. The payment of transportation charges as set forth in the Stop-in-Time Accounting Procedure in Rate Schedule T-FSG-1 will apply to gas delivered to third party storage.

18.8 Miscellaneous:

- A. The Utility shall not be required to perform or continue service on behalf of any Shipper that fails to comply with the terms contained in this Rate Schedule.
- B. Shipper shall not be entitled to receive service if Shipper is not current in its payments to the Utility for natural gas or electric Utility service, or any charge, rate or fee authorized by the Commission for transportation service; provided, however, if the amount not current pertains to a bona fide dispute, including but not limited to force majeure claims relating to transportation or storage of gas hereunder, Shipper shall be entitled to receive or continue to receive service if Shipper posts a bond satisfactory to the Utility to cover the payment due the Utility.
- C. In the event of any penalty that would otherwise be applicable under these provisions as a direct consequence of any action or failure to take action by the Utility or the failure of any facility under the Utility's control, or an event of force majeure as defined in this Rate Schedule, said penalty shall not apply.
- D. The Shipper warrants that it will not take any actions that would subject the Utility to the jurisdiction of the FERC, Department of Energy (DOE) or any successor government agency; provided, however, that service in accordance with the Utility's Order 63 certificate will not be considered a breach of this warranty.

19. POOLING

19.1 Purpose: The purpose of pooling is to allow Shippers to combine the requirements of eligible facilities (pursuant to definition 1-15 in Rule No. 1) and contract for transportation services necessary to meet the combined requirements under one agreement subject to any operational constraints identified by the Utility. Administratively, the combined requirements will be treated as one transaction for purposes of nominating, billing and managing imbalances.

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Pooling provides an option for eligible facilities to access transportation services without contracting individually with the Utility.

19.2 Conditions of Transportation Service:

- A. Shipper will be required to submit a request for transportation service form per delivery location.
- B. The Utility will maintain a date and time stamped log documenting when fully completed transportation requests are received by the utility. The Utility will attempt to tender transportation contracts in the order that transportation requests are received. A date and time stamped log documenting when transportation contracts are tendered will also be maintained by the Utility.
- C. The primary term for transportation contracts will be a minimum of one year and will continue year to year thereafter unless terminated upon at least 30 days written notice prior to the end of the primary term or any succeeding year, unless customer is physically disconnecting from the Utility's system. In this event, customer's contract can be terminated upon 30 days written notice prior to disconnection. Customer must remain disconnected from the Utility's system for a minimum of 90 days, or the contract will be reinstated.
- D. The Utility will order the necessary metering equipment upon receipt of an executed transportation contract. If as a condition of service, facilities are required that are not included in the meter charge, the Utility will set forth the estimated cost of said facilities and any additional charges to be paid by the shipper. A date and time stamped log will be maintained by the Utility documenting when executed transportation contracts are received by the Utility.
- E. Approximately 45 days from the date the utility receives an executed transportation contract, the electronic metering equipment will be installed. The Utility's ability to meet this requirement will be subject to workloads, weather conditions and delivery of electronic metering equipment. Transportation services will commence when the necessary metering facilities and communication lines are installed and functioning.
- F. To the extent possible, the Utility will endeavor to order, schedule and install metering equipment in the order in which executed transportation contracts are received.
- G. The logs noted in this Section will be available for public inspection during normal business hours. The logs will also be available for review at the Montana Power Company's internet web site.

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Canceling Revised Sheet No. 95.22

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20. DISTRIBUTION NETWORK TRANSPORTATION SERVICE:

- 20.1 Distribution network transportation service provides Shippers with the ability to combine distribution Point(s) of Delivery served in the same Zone...
20.2 The MDDQ for distribution level customers using 100% firm transportation service will be re-determined annually...
20.3 In accordance with Section 18.3, if the combined actual daily consumption exceeds the combined MDDQs for Point(s) of Delivery taking 100% firm service...
20.4 The Zones are defined as follows: Kalispell Zone - downstream of the Meriwether Tap; Missoula Zone - downstream of the Missoula Tap; Dillon Zone - downstream of the Pipestone Tap; Helena Zone - downstream of Helena Junction Tap and Silver City Tap; Bozeman Zone - east of the Pipestone tap, Lewistown Zone - downstream of the Lewistown Tap; Butte Zone - from the Missoula Tap to the Pipestone Tap; Havre Zone - east of the Telstad Compressor; Great Falls Zone - east of Mainline 3 and south of the Telstad Compressor; and Main Line Zone - Cut Bank to Missoula Tap, Shelby Aden Line, Carway Line and Canadian Telstad Line.

21. STANDARDS OF CONDUCT:

- 21.1 Purpose: The intent of these standards of conduct is to ensure that the Utility in providing transportation services treat their marketing affiliates as they would any other third party. The standards are also intended to promote fair competition and a level playing field among all participants on the Utility's natural gas transmission system.
21.2 Definition: For purposes of this section, marketing affiliate means a company owned by (10% of outstanding shares) or a division of The Montana Power Company whose primary purpose is to produce and/or market gas and related services. The Montana Power Company's Energy Services and Communication Division Distribution Department which purchases gas on behalf of The Montana Power Company's core customers (hereinafter "merchant function) will not be required to contract for transportation services or operate under the General Terms and

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Operating Conditions (GTC) except as specifically set forth in Section 17 of the GTC for no longer than July 1, 2002. For purposes of these Standards of Conduct, Utility shall include all employees involved in the natural gas utility business of: the Montana Power Company's services and communication division, Utility support personnel listed in Section 21.3 (K), which may be part of the Montana Power Company's shared administrative services division, and the Montana Power Company's executive management.

- 21.3 Standards of Conduct: The Utility shall conduct its transportation business to conform to the following standards:
- A. The Utility shall apply a tariff provision relating to transportation in the same manner to the same or similarly situated affiliated and nonaffiliated Shipper if there is discretion in the application of the provision.
  - B. The Utility shall uniformly apply tariff provision for all Shippers.
  - C. The Utility shall not, through a tariff provision or otherwise give its marketing affiliates preference over nonaffiliated Shippers in scheduling, transportation, storage, or curtailment priority.
  - D. The Utility shall process all similar requests for transportation in the same manner and within the same period of time.
  - E. The Utility shall not disclose to its marketing affiliates or the merchant function any information it receives from a nonaffiliated Shipper for purposes of securing transportation service.
  - F. To the extent the Utility provides information related to transportation of natural gas to its marketing affiliates, it must do so contemporaneously to all Shippers affiliated and nonaffiliated on its system. To the extent the Utility makes available information related to gas sales and marketing to its marketing affiliate it must make that information available to all shippers affiliated and nonaffiliated on its system.
  - G. The operating employees of the Utility and the operating employees of its marketing affiliates must function independently of each other. Operating employees include any

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individual employed or retained by the Utility whose primary job duties involve any of the following gas functions:

- (a) purchasing, marketing or selling;
  - (b) scheduling and interrupting or curtailing natural gas;
  - (c) determining pipeline transportation capacity or storage capacity;
  - (d) pricing of tariff utility products or services.
- H. The Utility shall not condition or tie the provision of any service by it to the use of any service provided by any marketing affiliates.
- I. The Utility shall not provide sales leads to its marketing affiliates and shall refrain from giving any appearance that the Utility speaks on behalf of its marketing affiliates. If a customer requests information about securing its own gas supplies or about gas marketers in general, the Utility shall provide a list of all marketers operating on its system, including its marketing affiliates but the Utility shall not promote its marketing affiliates.
- J. The Utility shall not represent to any customer, supplier, or third party that an advantage will accrue to such customer, supplier or third party in the use of the Utility's services as a result of that customer supplier or third party dealing with its marketing affiliates.
- K. The Utility and its marketing affiliate(s) must maintain separate books of accounts and records to ensure that separation is both functional and financial. There will be an allocation of costs associated with Utility support personnel between the utility and its marketing affiliates. Utility support personnel includes any individual employed or retained by the utility who is not utility gas operating personnel, including administrative, supervisory management, construction, engineering, accounting, legal, regulatory or financial personnel. The requirement will also ensure regulated ratepayers and other Shippers do not subsidize the marketing affiliate's efforts. The Utility will keep accurate records of cost allocations which will be subject to Commission review upon request.
- 21.4 Complaint Procedure: The Utility will endeavor, on an informal basis, to respond and resolve any complaints by Shippers or potential Shippers. If, however, a Shipper or potential Shipper finds the informal response inadequate for resolution of the concerns or questions a formal complaint may be filed with the Montana Public Service Commission.

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22. FILING FEES

Shipper shall reimburse the Utility within ten (10) days of the date of an invoice, for any and all filing fees incurred by the Utility in seeking governmental authorization for service to be provided specifically for Shipper.

23. MISCELLANEOUS PROVISION:

23.1 Waiver of Default: No waiver by either party of any default by the other in the performance of any provisions of an executed Agreement shall operate as a waiver of any continuing or future default, whether of a like or different character.

23.2 Assignability: An executed Agreement shall bind and inure to the respective successors and assigns of the parties thereto, but no assignment shall release either party from such party's obligations without the written consent of the other party, which consent shall not be unreasonably withheld.

23.3 Effect of Headings: The headings used throughout this Rate Schedule, Rate Schedules to which they apply and the executed Agreements are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any section nor to be deemed in any way to qualify, modify or explain the effects of any such terms or provisions.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

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