



Puget Sound Energy, Inc.  
P.O. Box 97034  
Bellevue, WA 98009-9734

November 4, 2005

Office of Fuels Programs  
Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Docket Room 3F-056  
1000 Independence Avenue S.W.  
Washington, D.C. 20585

RECEIVED

NOV 14 2005

DOE/OFE/NGR

**Re: Application of Puget Sound Energy, Inc. for Long-Term Authorization to Import and Export Natural Gas from and to Canada**  
FE Docket No. 05-106-NG

To Whom it May Concern:

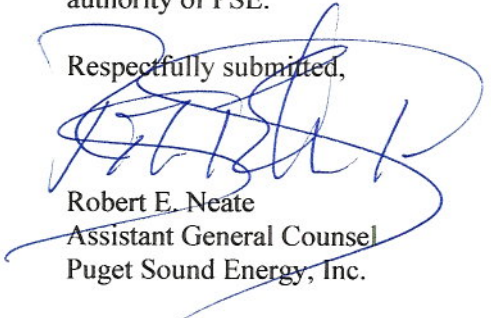
Pursuant to Section 3 of the Natural Gas Act of 1938 (15 U.S.C. § 717b), DOE Delegation Order Nos. 0204-111 and 2404-127, and the Regulations of the Department of Energy set forth in 10 C.F.R. Part 590, Puget Sound Energy, Inc. ("PSE") hereby submits for filing an original and fifteen (15) copies of its Amended Application for Long Term Authorization to Import and Export Natural Gas from and to Canada. In connection with this submittal, also enclosed is a check in the amount of \$50.00.

The undersigned has reviewed the following documents in regard to the within opinion:

- (1) The Articles of Incorporation and the By-Laws of PSE, as amended;
- (2) Other documents deemed relevant for this opinion.

Based upon the foregoing, I am of the opinion that the Application of PSE for Authorization to Import Natural Gas to and from Canada is legal, proper and within the corporate powers and authority of PSE.

Respectfully submitted,



Robert E. Neate  
Assistant General Counsel  
Puget Sound Energy, Inc.

REN/sm

Encls.

cc: Mr. Wayne R. Gould (w/encl.)

RECEIVED  
NOV 14 2005  
DOE/OFE/NGE

UNITED STATES OF AMERICA  
BEFORE THE  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

In the Matter of

Puget Sound Energy, Inc.

FE Docket No. 05-106-NG

APPLICATION OF PUGET SOUND  
ENERGY, INC. FOR LONG-TERM  
AUTHORIZATION TO IMPORT AND  
EXPORT NATURAL GAS FROM AND  
TO CANADA

Pursuant to Section 3 of the Natural Gas Act of 1938 (15 U.S.C. §717b), DOE Delegation Order Nos. 0204-111 and 2404-127, and the Regulations of the Department of Energy set forth in 10 C.F.R. Part 590, Puget Sound Energy, Inc. ("PSE") hereby applies to the United States Department of Energy ("DOE") for a Long-Term Authorization to Import and Export Natural Gas to and from Canada.<sup>1</sup> PSE requests authorization to import and export a combined total of up to 10,000 MMBTU units of natural gas per day term beginning on February 1, 2006 and ending on October 31, 2008. Currently, these Canadian gas supplies are reported under PSE's existing Blanket Authorization FE 04-03-NG.

In support of this request, PSE shows the following:

---

<sup>1</sup> PSE's Application for Blanket Authorization to Import Natural Gas from Canada in FE Docket No. 04-03-NG was granted on January 30, 2004.

## **I GENERAL**

The names, titles and mailing addresses of the persons to whom correspondence and communications in regard to this application are to be addressed are:

Puget Sound Energy, Inc.  
Attn: Robert E. Neate  
Assistant General Counsel  
P.O. Box 97034  
Bellevue, WA 98009-9734  
telephone: (425) 456-2444

Puget Sound Energy, Inc.  
Attn: Wayne R. Gould,  
Director Natural Gas Resources  
P.O. Box 97034  
Bellevue, WA 98009-9734  
telephone: (425) 462-3429

## **II BACKGROUND**

The exact legal name of the applicant is Puget Sound Energy, Inc. Puget Sound Energy, Inc., ("PSE") is a corporation organized and existing under the laws of the State of Washington and is a subsidiary of Puget Energy, Inc. PSE is a public service company furnishing electric and natural gas service within a 6,000 square mile territory, principally in the Puget Sound region of western Washington. As of December 31, 2004, PSE provided electric service to approximately 1 million electric customers and 672,000 natural gas customers. PSE transports firm supply natural gas for its distribution operations on Northwest Pipeline Corporation ("Northwest"). PSE also receives significant quantities of firm storage service from Northwest.

## **III AUTHORIZATION REQUESTED**

Utilizing the Blanket Authorization issued in Order No. 1936, issued in FE Docket No. 04-03-NG (and previous Blanket Authorizations), PSE has purchased and imported interruptible short-term supplies of Canadian gas at the U.S.-Canadian border since 1991 and has exported short-term supplies of natural gas since 2002. PSE desires to continue the

cc: Mr. Wayne R. Gould (w/encl.)

Encls.

REN/sm

Puget Sound Energy, Inc.  
Assistant General Counsel

Robert E. Neate

Respectfully submitted,

authority of PSE.

Based upon the foregoing, I am of the opinion that the Application of PSE for Authorization to Import Natural Gas to and from Canada is legal, proper and within the corporate powers and

- (1) The Articles of Incorporation and the By-Laws of PSE, as amended;
- (2) Other documents deemed relevant for this opinion.

The undersigned has reviewed the following documents in regard to the within opinion:

Pursuant to Section 3 of the Natural Gas Act of 1938 (15 U.S.C. § 717b), DOE Delegation Order Nos. 0204-111 and 2404-127, and the Regulations of the Department of Energy set forth in 10 C.F.R. Part 590, Puget Sound Energy, Inc. ("PSE") hereby submits for filing an original and fifteen (15) copies of its Amended Application for Long Term Authorization to Import and Export Natural Gas from and to Canada. In connection with this submittal, also enclosed is a check in the amount of \$50,000.

To Whom it May Concern:

**Re: Application of Puget Sound Energy, Inc. for Long-Term Authorization to Import and Export Natural Gas from and to Canada**  
FE Docket No. 05-106-NR

Office of Fuels Programs  
Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Docket Room 3F-056  
1000 Independence Avenue S.W.  
Washington, D.C. 20585

DOE/OFE/NGR

NOV 14 2005

RECEIVED

November 4, 2005

Puget Sound Energy, Inc.  
P.O. Box 97034  
Bellevue, WA 98009-9734



RECEIVED  
NOV 14 2005  
DOE/OFE/NGE

UNITED STATES OF AMERICA  
BEFORE THE  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

FE Docket No. 05-106-06-

APPLICATION OF PUGET SOUND  
ENERGY, INC. FOR LONG-TERM  
AUTHORIZATION TO IMPORT AND  
EXPORT NATURAL GAS FROM AND  
TO CANADA

Puget Sound Energy, Inc.

In the Matter of

Pursuant to Section 3 of the Natural Gas Act of 1938 (15 U.S.C. §717b), DOE

Delegation Order Nos. 0204-111 and 2404-127, and the Regulations of the Department of

Energy set forth in 10 C.F.R. Part 590, Puget Sound Energy, Inc. ("PSE") hereby applies to

the United States Department of Energy ("DOE") for a Long-Term Authorization to Import

and Export Natural Gas to and from Canada.<sup>1</sup> PSE requests authorization to import and

export a combined total of up to 10,000 MMBTU units of natural gas per day term beginning

on February 1, 2006 and ending on October 31, 2008. Currently, these Canadian gas supplies

are reported under PSE's existing Blanket Authorization FE 04-03-NG.

In support of this request, PSE shows the following:

<sup>1</sup> PSE's Application for Blanket Authorization to Import Natural Gas from Canada in FE Docket No. 04-03-NG was granted on January 30, 2004.

Utilizing the Blanket Authorization issued in Order No. 1936, issued in FE Docket No. 04-03-NG (and previous Blanket Authorizations), PSE has purchased and imported interruptible short-term supplies of Canadian gas at the U.S.-Canadian border since 1991 and has exported short-term supplies of natural gas since 2002. PSE desires to continue the

### **AUTHORIZATION REQUESTED**

#### **III**

The exact legal name of the applicant is Puget Sound Energy, Inc. Puget Sound Energy, Inc., ("PSE") is a corporation organized and existing under the laws of the State of Washington and is a subsidiary of Puget Energy, Inc. PSE is a public service company furnishing electric and natural gas service within a 6,000 square mile territory, principally in the Puget Sound region of western Washington. As of December 31, 2004, PSE provided electric service to approximately 1 million electric customers and 672,000 natural gas customers. PSE transports firm supply natural gas for its distribution operations on Northwest Pipeline Corporation ("Northwest"). PSE also receives significant quantities of firm storage service from Northwest.

### **BACKGROUND**

#### **II**

|   |  |
|---|--|
| Puget Sound Energy, Inc.<br>Attn: Wayne R. Gould,<br>Director Natural Gas Resources<br>P.O. Box 97034<br>Bellevue, WA 98009-9734<br>telephone: (425) 462-3429 | Puget Sound Energy, Inc.<br>Attn: Robert E. Neate<br>Assistant General Counsel<br>P.O. Box 97034<br>Bellevue, WA 98009-9734<br>telephone: (425) 456-2444 |
|---|--|

The names, titles and mailing addresses of the persons to whom correspondence and communications in regard to this application are to be addressed are:

### **GENERAL**

#### **I**

The Energy Policy Act provides that the importation and exportation of natural gas from or to a nation with which there is in effect a free trade agreement shall be deemed to be within the public interest, and that applications for such importation and exportation shall be

#### **PUBLIC INTEREST**

#### **IV**

arrangements approved by DOE.

The Commissioner's policies and directives in restructuring the natural gas industry create a nationwide natural gas market, composed of many suppliers and purchasers operating in an openly competitive environment. Accordingly, PSE can engage in natural gas marketing activities beyond its existing distribution territories. Therefore, if the opportunity exists, PSE intends to use its Long-Term Authorization to purchase and import and sell and export gas for its own account as well as for the account of its Canadian or U.S. suppliers and its Canadian or U.S. purchasers. The subject application is similar to other blanket import and export

the gas to PSE or, for its account, to others.

construction will be required to receive the gas at or deliver the gas to the border or to deliver gas to the point of exportation and to deliver gas supplies to PSE's markets; no new utilize existing pipeline capacity to receive the gas at the point of importation, to deliver the competitive market prices. Any imports and exports under the requested authorization will export transaction will be established in the contract and/or determined by prevailing following the approval thereof by the Department of Energy. The price for each import and PSE will report purchases and sales under this contract effective the first of the month this contract as part of its blanket authorizations.

opportunities to meet its business needs. Historically PSE has reported its transactions under authority to export natural gas to Canada because of enhanced storage and market

per day of natural gas from and to Canada; and

2. That PSE be authorized to import a total quantity of 10,000 MMBTU units  
inconsistent with the public interest;  
Natural Gas from and to Canada pursuant to Section 3 of the Natural Gas Act is not  
issuance of a Long-Term Authorization as requested in this Application to Import and Export  
1. That the Assistant Secretary for Fossil Energy or his delegate find that the  
respectfully requests:

WHEREFORE, in consideration of the foregoing premises, Puget Sound Energy, Inc.  
extension of Authorization requested in this Application.

PSE agrees to file quarterly reports of its import and export activities pursuant to the

## REPORTING REQUIREMENTS

### VI

impact statement or environmental assessment is not required.  
National Environmental Policy Act, 42 U.S.C. § 4321, et seq. Therefore, an environmental  
action significantly affecting the quality of the human environment within the meaning of the  
and exportation of natural gas. Consequently, granting this Application will not be a federal  
No new facilities will be constructed in the United States for the proposed importation

## ENVIRONMENTAL IMPACT

### V

free trade agreement, PSE submits that its Application is within the public interest.  
exportation of natural gas from and to Canada, a nation with which the United States has a  
granted without modification or delay. Because PSE's application is for the importation and

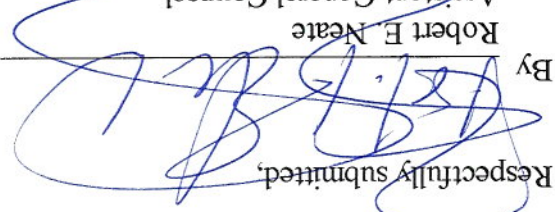


APPLICATION OF PUGET SOUND ENERGY, INC.  
FOR LONG-TERM AUTHORIZATION TO  
IMPORT AND EXPORT NATURAL GAS FROM  
AND TO CANADA - 5

3. That such other and further authority be granted to Puget Sound Energy, Inc. as may be necessary to authorize importation and exportation of natural gas from and to Canada as proposed in this application.

DATED: November 7, 2005.

Respectfully submitted,

  
By \_\_\_\_\_

Robert E. Neate

Assistant General Counsel

Puget Sound Energy, Inc.

P.O. Box 97034

Bellevue, WA 98009-9734



Print Name: Michelle D. Burgoyne  
Notary Public in and for the State of Washington,  
residing at Strommuck, WA  
My commission expires: 10-5-08

SUBSCRIBED AND SWORN TO before me this 7th day of November, 2005.

*[Signature]*  
Robert E. Neate

Robert E. Neate, being first sworn, deposes and says that he is Assistant General Counsel of Puget Sound Energy, Inc.; that he has read the foregoing Application for Authorization to Import and Export Natural Gas from and to Canada and is familiar with the contents thereof; that all the statements and matters contained therein are true and correct to the best of his information, knowledge and belief; and that he is authorized to execute and file the same with the Department of Energy.

STATE OF WASHINGTON )  
) ss. )  
COUNTY OF KING )

VERIFICATION

**Term Transaction Confirmation**  
**Natural Gas**

Confirmation ID: 24294

Confirmation Party: Anadarco Confirms



This Transaction Confirmation is subject to the NAESB Standard 6.3.1 entered into between the Buyer and Seller as of 01-Oct-2003. The Terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt, unless otherwise specified in the NAESB Standard 6.3.1.

**Buyer: Puget Sound Energy, Inc.**  
 411 - 108th Ave. NE OBC - 14E  
 One Bellevue Centre Building  
 Bellevue, Washington  
 United States, 98004-5515

**Seller: Anadarco Canada Corporation**  
 425 - 1st Street SW  
 Box 2595 Str M  
 Calgary, Alberta  
 Canada, T2P 4V4

Attention: Kevin Foley  
 Phone: (425) 462-3103  
 Fax: (425) 462-3836

Attention: Trade Administration  
 Phone:  
 Fax:

Trade Date: 09-Jan-2004  
 Performance Obligation: Firm

| Pipe           | Delivery Point | Deal Start* | Deal End*   | Base Price**        | Price / Ad. | Price \$ | Units | Units / Day |
|----------------|----------------|-------------|-------------|---------------------|-------------|----------|-------|-------------|
| WEI Huntington |                | 01-Nov-2004 | 31-Oct-2008 | Sumas Monthly Index | 0.0400      | USD      | MMBTU | 10,000      |

notes:  
 Buyer has right to convert to a fixed price for a term of 1 year or less upon 5 business days notice prior to the commencement of the delivery period for the fixed price. Puget can make multiple elections during the term of the contract.

\*Deal Start and Deal End refer to transaction day not gas day

\*\* Base Price Description  
 Sumas Monthly Index:  
 As per Platts Inside FERCs Gas Market Report "Northwest Pipeline Corp. - Canadian border" Index Price in USD/MMBtu.

Agreed to and accepted by:

**Buyer: Puget Sound Energy, Inc.**  
 Signature: *[Signature]*  
 Name: Eric H. Markell  
 Title: SR Vice President Energy Services  
 Date: 1.30.04

**Seller: Anadarco Canada Corporation**  
 Signature: *[Signature]*  
 Name: D.M. BROWN  
 Title: Manager, Gas Marketing  
 Date: 1.30.04

**Base Contract for Sale and Purchase of Natural Gas**

This Base Contract is entered into as of the following date: October 1, 2003. The parties to this Base Contract are the following:

**Anadarko Canada Corporation**  
 Duns Number: 20-075-2277  
 Contract Number: 300-PUGET-A  
 U.S. Federal Tax ID Number: N/A  
 Canadian GST Number: 871433199 RT

and  
**Puget Sound Energy, Inc.**  
 Duns Number: 00794-2113  
 Contract Number: N/A  
 U.S. Federal Tax ID Number: 91-037-4630  
 Canadian GST Number: N/A

**Notices:**  
 425 - 1<sup>st</sup> Street S.W. Box 2595 5th M  
 Calgary, Alberta T2P 4V4  
 Attn: Equity Supply Representative  
 Phone: (403) 231-0432  
 Fax: (403) 231-0389

**Confirmations:**  
 425 - 1<sup>st</sup> Street S.W. Box 2595 5th M  
 Calgary, Alberta T2P 4V4  
 Attn: Gas Control  
 Phone: (403) 231-0502  
 Fax: (403) 231-0389

**Invoices and Payments:**  
 425 - 1<sup>st</sup> Street S.W. Box 2595 5th M  
 Calgary, Alberta T2P 4V4  
 Attn: Marketing Accounting  
 Phone: (403) 231-0140  
 Fax: (403) 231-0555

**Wire Transfer or ACH Numbers (if applicable):**  
 If by wire transfer of Canadian Dollar funds, to:  
 Beneficiary Bank: The Toronto-Dominion Bank  
 340 - 5<sup>th</sup> Avenue S.W.  
 Calgary, Alberta  
 Transit #: 80609  
 Bank Code: 004  
 Account #: 0319646  
 If by wire transfer of U.S. Dollar funds, to:  
 Intermediary Bank of America NT & SA  
 New York, N.Y.  
 ABA Routing #: 026009593  
 Account #: 6550826336  
 For the Account of:  
 The Toronto Dominion Bank  
 The Toronto-Dominion Bank  
 Beneficiary Bank:  
 The Toronto-Dominion Bank  
 340 - 5<sup>th</sup> Avenue S.W.  
 Calgary, Alberta  
 Transit #: 80609  
 Bank Code: 004  
 Account #: 7310437

**Notices:**  
 425 - 1<sup>st</sup> Street S.W. Box 2595 5th M  
 Calgary, Alberta T2P 4V4  
 Attn: Gas Trading  
 Phone: (425) 462-3688  
 Fax: (425) 462-3175

**Confirmations:**  
 P.O. Box 97034 OBC-14E  
 Bellevue, WA 98009-9737  
 Attn: Gas Trading  
 Phone: (425) 462-3103  
 Fax: (425) 462-3836

**Invoices and Payments:**  
 P.O. Box 97034 OBC-14E  
 Bellevue, WA 98009-9737  
 Attn: Gas Trading  
 Phone: (425) 462-3103  
 Fax: (425) 462-3836

**Wire Transfer or ACH Numbers (if applicable):**  
 BANK: Bank of America  
 ABA: 111000012  
 ACGT: 3751636238  
 Other Details: Please notify PSE's Treasury Dept.  
 at (425) 462-3257 of the transfer date.

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select only one box from each section:

|             |                       |  |
|-------------|-----------------------|--|
| Section 1.2 | Transaction Procedure | <input checked="" type="checkbox"/> Oral (default)<br><input type="checkbox"/> Written   |
| Section 2.5 | Confirm (deadline)    | <input checked="" type="checkbox"/> 2 Business Days after receipt (default)<br><input type="checkbox"/> Business Days after receipt  |
| Section 7.2 | Payment Date          | <input checked="" type="checkbox"/> 25 <sup>th</sup> Day of Month following Month of delivery (default)<br><input type="checkbox"/> Day of Month following Month of delivery |
| Section 7.2 | Method of Payment     | <input checked="" type="checkbox"/> Wire transfer (default)<br><input type="checkbox"/> Automated Clearinghouse Credit (ACH)<br><input type="checkbox"/> Check               |

|  |  |
|--|--|
| Section 2.6  | <input type="checkbox"/> Seller (default)<br><input type="checkbox"/> Buyer<br><input checked="" type="checkbox"/> Anadarko Canada Corporation Party     |
| Section 3.2  | <input checked="" type="checkbox"/> Cover Standard (default)<br><input type="checkbox"/> Spot Price Standard<br>Performance Obligation                   |
| <i>Note: The following Spot Price Publication applies to both of the immediately preceding.</i>                      |  |
| Section 2.26   | <input checked="" type="checkbox"/> Gas Daily Midpoint (default)<br><input type="checkbox"/> Per Schedule "1" Attached<br>Spot Price Publication         |
| Section 6  | <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point<br><input type="checkbox"/> Seller Pays Before and At Delivery Point<br>Taxes |
| Section 14.10  | <input checked="" type="checkbox"/> Confidentiality applies (default)<br><input type="checkbox"/> Confidentiality does not apply                         |
| Section 14.5   | <input checked="" type="checkbox"/> Alberta<br>Choice Of Law   |
| Section 10.3.2   | <input type="checkbox"/> Other Agreement Setoffs Apply (default)<br><input checked="" type="checkbox"/> Other Agreement Setoffs Do Not Apply             |
| Section 10.3.1   | <input checked="" type="checkbox"/> Early Termination Damages Apply (default)<br><input type="checkbox"/> Early Termination Damages Do Not Apply         |
| Section 7.7  | <input checked="" type="checkbox"/> Netting applies (default)<br><input type="checkbox"/> Netting does not apply   |
| Addendum(s): Canadian Addendum Number of sheets attached: Four<br>Special Provisions Number of sheets attached: Five |  |

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

By \_\_\_\_\_  
 Name: JULIA M. RYAN  
 Title: VICE PRESIDENT  
 ENERGY PORTFOLIO MANAGEMENT

By \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Party Name: Puget Sound Energy, Inc.

By \_\_\_\_\_  
 Name: D. M. Brown  
 Title: Manager - Gas Marketing  
 Anadarko Canada Corporation

General Terms and Conditions  
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephone transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation; as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions) which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver or any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meanings ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

"Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein, and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).

4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

7.5. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.

2.6. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.7. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.

2.8. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

2.9. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.

2.10. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.

2.11. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a repayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.

2.12. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.

2.13. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.

14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.

15. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.16. "EFF" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFF shall incorporate the meaning and remedies of "Firm" provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.

2.17. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.18. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

2.19. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

2.20. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.21. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.

2.22. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.23. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.24. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.25. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

6. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes

NAESB Standard 6.3.1

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction entered pursuant to Section 1 for a particular Delivery Period.

2.28. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

### SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

#### Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s); multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller in the event of a breach by Buyer on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

#### Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

### SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, the parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas,



When Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

### SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

### SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

**Buyer Pays At and After Delivery Point:**  
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

**Seller Pays Before and At Delivery Point:**  
Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

### SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer, provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

## SECTION 8. TITLE, WARRANTY, AND INDEMNITY

- 8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer all have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).
- 8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.
- 8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon, which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.
- 8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

## SECTION 9. NOTICES

- 9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.
- 9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.
- 9.3. Notices shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

## SECTION 10. FINANCIAL RESPONSIBILITY

- 10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of X), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).
- 10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.
- 10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

the parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the

rate of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

## SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such vents or obligations with reasonable dispatch; or (iii) economic hardship, to include without limitation, Seller's ability to sell Gas at a price or more advantageous price than the Contract Price; Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price; or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except in either case, as provided in Section 11.2; or (v) the loss of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for imbalance charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally, however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

## SECTION 12. TERM

This Contract may be terminated on 30 Days written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

## SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE

## SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract, and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule; (ii) to the extent necessary for the enforcement of this Contract; (iii) to the extent necessary to implement any transaction; or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware, which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereof for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

**DISCLAIMER:** The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. NAESB DISCLAIMS AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.

14.12. DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS UNCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

NAESB Standard 6.3.1

|   |   |
|---|---|
| <p>Date: _____</p> <p>Transaction Confirmation #: _____</p>   | <p>Letterhead/Logo</p>  |
| <p>This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.</p>   |   |
| <p><b>BUYER:</b></p> <p>Attn: _____</p> <p>Phone: _____</p> <p>Fax: _____</p> <p>Base Contract No. _____</p> <p>Transporter: _____</p> <p>Transporter Contract Number: _____</p>  | <p><b>SELLER:</b></p> <p>Attn: _____</p> <p>Phone: _____</p> <p>Fax: _____</p> <p>Base Contract No. _____</p> <p>Transporter: _____</p> <p>Transporter Contract Number: _____</p> |
| <p>Contract Price: \$ _____ /MMBtu or _____</p>   |   |
| <p>Delivery Period: Begin: _____ End: _____</p>   |   |
| <p><b>Performance Obligation and Contract Quantity: (Select One)</b></p> <p><input type="checkbox"/> Firm (Fixed Quantity): _____ MMBtus/day</p> <p><input type="checkbox"/> Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum</p> <p><input type="checkbox"/> subject to Section 4.2 at election of Buyer or <input type="checkbox"/> Seller</p> |   |
| <p><b>Delivery Point(s):</b> _____</p> <p>(If a pooling point is used, list a specific geographic and pipeline location)</p>  |   |
| <p><b>Special Conditions:</b></p>   |   |
| <p><b>Buyer:</b></p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>  | <p><b>Seller:</b></p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>   |

**EXHIBIT B**  
**Amending Agreement to Base Contract**  
**for Sale and Purchase of Natural Gas (NAESB)**  
**dated October 1, 2003**  
**between**  
**Anadarco Canada Corporation and Puget Sound Energy, Inc.**

This AMENDING AGREEMENT ("Agreement") is made and entered into as of October 1, 2003, by and between Puget Sound Energy, Inc. ("PSE") and Anadarco Canada Corporation ("ACC") to amend the Base Contract for Sale and Purchase of Natural Gas, dated October 1, 2003 ("Effective Date"), between PSE and ACC ("Base Contract"), and the General Terms and Conditions of the North American Energy Standards Board, Inc. ("General Terms and Conditions"), which are by reference incorporated into the Base Contract. Capitalized terms used in this Agreement, unless otherwise defined in this Agreement, have the meanings set forth in the General Terms and Conditions.

**Section 1**  
**Agreements**

- 1.1. Section 1.2, "Oral Transaction Procedure," is deleted in its entirety.
- 1.2. Section 1.3 is amended by deleting "materially" from the first sentence and "material" from the third sentence thereof.
- 1.3. The definition of "Credit Support Obligation(s)" in Section 2.11 is amended by deleting "a margin agreement," and "a security interest in an asset".
- 1.4. Section 3.2 "Cover Standard" is amended by inserting "for all or any part of the Gas" between "sale" and "is" in the tenth line.
- 1.5. Line 10 of Section 3.2(iii) of the Cover Standard shall be amended by adding the phrase "or the non-breaching party elects, at its sole option not to replace Gas or sell Gas," after the phrase "and no such replacement or sale is available".

1.6. The Spot Price Standard of Section 3.2 shall be amended by adding the following language at the end of such section:

If the parties fail to specify an index applicable to the Spot Price Standard, the applicable index shall be the Gas Daily Spot Price Publication applicable to the deliveries. If a price index used in a transaction ceases to be available, the parties shall promptly and in good faith negotiate an alternate index for such price index and, if the parties cannot agree on a substitute methodology or index within thirty (30) days, the parties will utilize the last index price available on an interim basis until the matter is resolved. All amounts due and paid during the interim will be adjusted by the parties retroactively using the alternate index, plus interest, on the amount of the adjustment from the date of initial payment to but excluding the date of payment of the adjustment at the "prime rate of interest" referred to in Section 7.5 of the Base Contract.

1.7. Section 3 shall be amended by adding a new Section 3.5.

**Fixed Price Contracts.** From time-to-time the parties may agree to fix the Contract Price paid for a certain Contract Quantity under a transaction ("Fixed Price Contract"). A Fixed Price Contract shall mean any transaction with a Firm performance obligation in which the agreed price (per unit volume) for the delivery of the Contract Quantity is expressed either as: (i) a flat dollar amount, or (ii) a range of dollar amounts, which is limited either at the lowest value or the highest value, or both. For any Fixed Price Contract, the Contract Quantity must be nominated by Buyer and shall be deemed to be the first Gas purchased at the Delivery Point. If more than one Fixed Price Contract is applicable between the parties at the same Delivery Point for any period, then the first Gas purchased during such period shall be attributed to the Fixed Price Contract that was

executed earliest, followed by any additional Contract Quantities in chronological order of Fixed Price Contract execution.

In executing a Fixed Price Contract, the parties recognize that one of the parties may elect to hedge the commodity price risk inherent in fixing the Contract Price in a competitive market in which the price of Gas varies from day-to-day. This hedge will take the form of a financial transaction executed either on a regulated commodities exchange, such as the New York Mercantile Exchange, or over-the-counter. Such hedge enables the parties to enter into the Fixed Price Contract, and the hedge is a necessary condition for the Fixed Price Contract.

In consideration of the foregoing premises, the parties agree that, should performance of a Fixed Price Contract be interrupted or reduced due to Force Majeure or for any other reason which excuses performance of a "Firm" performance obligation for more than five (5) consecutive Days or for seven (7) Days in any Month, then the party which has received the Force Majeure or other non-performance notice may, at its sole discretion, elect to terminate the Fixed Price Contract for the remainder of the term of the Fixed Price Contract, and the termination payment provisions of 10.3.1 shall apply to such remaining term of the terminated transaction. Such termination right may be exercised within the ten (10) Business Days immediately following the interruption or reduction by delivery of a written termination notice."

1.8. The first sentence of Section 7.1 is amended by deleting "applicable" and inserting "payable by Buyer pursuant to the Contract" after "charges".

1.9. The last sentence of Section 7.4 is amended by adding the following to the end of the sentence:

", subject to Section 10.2 (viii) herein."

1.10. Section 8.1 is amended by a) inserting "Except as otherwise provided in Section 6," at the beginning of the second sentence and b) inserting "assume" before "any liability" in the third sentence.

1.11. Line 2 of Section 8.2 shall be amended by adding the phrase ", Section 5" after the phrase "Section 8.2".

1.12. Section 8.3 shall be amended by adding the following to the end of such section:

"Neither party shall be required to indemnify the Claims of the other party resulting from the gross negligence or willful misconduct of such other party."

1.13. Section 8.3 is amended by a) inserting ", its officers, directors, employees, agents and legal representatives," after "Buyer" in the first line and after "Seller" in the third line and b) deleting "it" in the first and third lines and inserting "each of them" in lieu thereof.

1.14. Section 9.1 is amended by inserting ", notices" immediately after "payments."

1.15. Section 9.3 is amended by: a) deleting "given" in the first line and replacing it with "deemed to be delivered"; b) deleting the third occurrence of "is" in the fourth sentence and replacing it with "if such facsimile is received"; c) adding "at nine a.m." after "been received" in the fourth line and after "delivered" in the last sentence; and d) adding "at two p.m." after "been received" in the fifth line.

1.16. The second sentence of Section 10.1 is deleted and the following is inserted in lieu thereof:

"Adequate Assurance of Performance" shall mean sufficient security in any of the following forms (at Y's sole discretion), in an amount and for the term reasonably acceptable to X: a) if Y is PSH, cash collateral or a standby irrevocable letter of credit in form and substance reasonably acceptable to X; or b) if Y is Anadarko, i) standby irrevocable letter of credit in form and substance reasonably acceptable to X, ii) cash collateral, or iii) performance bond or guaranty (including the issuer of any such security) of a creditworthy entity, each in form and substance reasonably satisfactory to X.

1.17. Section 10.2 is amended by a) inserting a comma between the words "assignment" and "or" in the first line and between the words "arrangement" and "for" in the second line; b) deleting "48" and replacing it with "72", c) deleting the remainder of the sentence following "sole election," and replacing it with "in addition to any and all



other remedies available hereunder, to immediately, upon written notice (A) withhold and/or suspend deliveries or payments under the Contract; and/or (B) terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3; and (d) deleting Section 10.2 (viii) and replacing it with the following:

"(viii) not have paid any amount due to the other party hereunder on or before the second Business Day following written notice that such payment is due; provided, that any such failure to pay shall not be deemed to be an Event of Default for such time as the non-payment is the subject of a good faith dispute being resolved in accordance with Section 15."

1.18. Section 10.4 is amended by a) in the fifth line, replacing the words "The Net Settlement Amount" with the words "If the Net Settlement Amount is due from the Defaulting Party, such amount" and b) in the sixth line, after the words "the Early Termination Date," and after the period, adding the following:

"If the Net Settlement Amount is due from the Non-Defaulting Party, such amount shall be paid, in the Termination Currency, by the close of business on the 25<sup>th</sup> Day of the month following the Early Termination Date."

1.19. Section 10.6 is amended by a) inserting "Except as otherwise provided in the Contract, " at the beginning of the second sentence and c) deleting "other" wherever it appears in the second sentence.

1.20. Section 11.1 is amended by a) inserting "and that such party is not able to avoid through reasonable diligence" at the end of the second sentence.

1.21. Section 11 is amended by adding the following new Section 11.7:

11.7 If Seller's performance of its obligations to deliver Gas to all its firm customers is excused pursuant to this Section 11, Seller shall apportion the available gas supply ratably among Buyer and other firm customers, to the maximum extent feasible, in the percentage proportion of the contract quantity due each customer compared to the aggregate contract quantity of Seller's firm Gas sales commitments at the time of the curtailment.

1.22. The first sentence of Section 12 is amended by inserting "Base" before "Contract."

1.23. The fifth sentence of Section 13 is amended by deleting "UNLESS EXPRESSLY HEREIN PROVIDED" and replacing them with "EXCEPT FOR ANY LIABILITY ARISING UNDER SECTION 8.3 AND, IF APPLICABLE, SECTION 14.10 AND AS OTHERWISE SPECIFICALLY PROVIDED HEREIN" and deleting ", UNDER ANY INDEMNITY PROVISION."

1.24. Section 14.1 is amended by replacing "approval" with "consent" in the sixth line.

1.25. Section 14.7 is amended by inserting "other than each of the parties indemnified under Section 8.3" at the end of such sentence.

1.26. Section 14.8 is deleted in its entirety and the following is inserted in lieu thereof:

Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract and that each person who executes this Contract on its behalf has the full and complete authority to do so.

1.27. Section 6.3.1 of the "Canadian Addendum" is amended by deleting "reasonably possible" in the second sentence and replacing it with "reasonable".

1.28. Section 14.10 is amended by: (a) adding a new clause (iv) after clause (iii) as follows and changing (iv) to (v): "(iv) to the extent deemed necessary or desirable by PSE for purposes of providing information regarding its gas supplies and economics to the Washington Utilities and Transportation Commission, "; and (b) adding the following to the end thereof:

"Notwithstanding any contrary provision that may be contained herein, any party to this Contract (and each employee, representative, or other agent of any such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated: (a) by this Contract; and (b) during

any arbitration proceeding conducted pursuant to Section 15 of this Contract; and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such tax treatment and tax structure; provided, however, that the foregoing shall not serve to authorize the disclosure of such information to the extent such information is subject to restrictions reasonably necessary to comply with applicable securities laws, and provided, further, that the foregoing shall not serve to authorize the disclosure of such identity or information is not confidential business information of any party to the extent the disclosure of such identity or information is not related to the tax treatment and tax structure of the transactions contemplated by this Contract. The parties to this Contract acknowledge that they have no knowledge or reason to know that such disclosure is otherwise limited."

1.29. Add a new Section 15 entitled "PAYMENT DISPUTE ARBITRATION" and the following new Sections 15.1, 15.2, 15.3, 15.4 and 15.5:

15.1 If either party ("X") disputes the amount of any payment asserted by the other party ("Y") to be due, X shall document such dispute in writing with all detailed particulars and deliver written notice of such dispute to Y. The parties must use all good faith, commercially reasonable and expeditious efforts to resolve any bona fide dispute by mutual agreement of the senior financial officers or senior gas marketing personnel of each party, no later than ten (10) Business Days after receipt of any payment dispute notice. If after such 10-Business Days the parties are unable to resolve the dispute, both parties agree to resolve such dispute through the arbitration provisions of this Section 15 and in accordance with the Alberta Arbitration Act, R.S.A. 2000, c. A-43 ("AAA"), to the extent not inconsistent with the rules specified herein.

15.2 Within ten (10) Business Days of either party's written notice to the other party of an election to arbitrate any payment dispute which arises under this Contract, each party shall choose one arbitrator. Within ten (10) Business Days after both such arbitrators are chosen, such arbitrators shall choose a third arbitrator, thus completing the whole arbitration panel. If the arbitrators appointed by the parties fail to appoint a third arbitrator within such ten (10) Business Day period, either party may request a judge of the Alberta Court of Queen's Bench to supply a list of potential arbitrators satisfying the requirements of Section 15.3 and such other requirements as the parties may agree upon. Within two (2) Business Days after receipt of the list, the parties shall independently rank the proposed arbitrators, simultaneously exchange rankings, and select as the arbitrator the individual receiving the highest combined ranking who is available to serve. If arbitration is demanded by PSB, the arbitration shall be held in Calgary, Alberta, Canada; if arbitration is demanded by Anadarko, the arbitration shall be held in Bellevue, Washington, or Seattle, Washington, U.S.A. (as PSB may elect).

15.3 All arbitrators chosen shall be disinterested parties with material knowledge of the natural gas industry. The arbitrators shall have the authority only to interpret and apply the applicable provisions of this Contract, shall not add to, subtract from, reform, or modify any of the provisions of this Contract, and shall not have the authority to grant any award that is not consistent with the terms and provisions of this Contract. The arbitrators, once chosen, shall consider any Transaction Confirmation, telephonic recordings or any other evidence which the arbitrators deem necessary and shall then accept one sealed written resolution of the subject dispute from each party on a confidential basis to be submitted within five (5) Business Days of establishment of the arbitration panel. The written submissions shall be in a form and subject to any limitations as may be prescribed by the arbitrators. The arbitrators shall then choose only one of the proposed solutions, (without modification) as the fairest solution to the dispute within five (5) Business Days of receipt of the written submissions of both parties. A majority vote of the arbitrators in favor of one of the proposed solutions shall constitute the decision of the arbitrators. The decision of the arbitrators shall be final, binding and non-appealable.

15.4 Notwithstanding any provisions of the AAA to the contrary, neither party shall have any rights of discovery in connection with an arbitration proceeding under this Section 15. Any expenses incurred in connection with hiring the arbitrators and conducting the arbitration shall be shared and paid equally between the parties. Each party shall bear and pay its own expenses incurred in connection with the arbitration. In the event either party must file a court action to enforce an arbitration award under this Section 15, the prevailing party in such court action shall be entitled to recover its court costs and reasonable attorney fees (on a solicitor-client basis). The existence, contents and results of any arbitration

D.M. BROWN  
Manager, Gas Marketing

By [Signature]  
Title VP Marketing  
Date October 8, 2003

Anadarko Canada Corporation

By [Signature]  
Title VICE PRESIDENT  
Date 10/24/03  
ENERGY PORTFOLIO MANAGEMENT

Puget Sound Energy, Inc.

2.4. This Agreement shall be effective as of the Effective Date.

2.3. The section headings contained in this Agreement are for convenience of reference only and shall not be used in any way to affect, interpret or construe any of the provisions of this Agreement.

2.2. The parties to this Agreement agree that the disclaimer statement appearing at the bottom of the General Terms and Conditions is entirely for the benefit of the North American Energy Standards Board, Inc. and that as between the parties to this Agreement such disclaimer shall not affect the meaning, interpretation or construction of this Agreement.

2.1. Except as expressly provided in this Agreement, all of the terms and conditions of the Base Contract and the General Terms and Conditions shall remain unchanged and in full force and effect and all such terms and conditions of the Base Contract and the General Terms and Conditions are by this reference incorporated into this Agreement with the same force and effect as if fully set forth herein.

Section 2 Other Provisions

15.5. If ten (10) Business Days after such arbitration proceeding as set forth in this Section 15 is complete, all monies owing pursuant to the awards (if any) made by the arbitrators have not been received by the party to whom they are due ("Prevailing Party"), the Prevailing Party shall have the right, at its sole election, to treat such event or events as an Event of Default and immediately withhold and/or suspend deliveries or payments upon notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

hereunder may not be disclosed without the prior written consent of both parties, except as otherwise required by law or court order.