



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

Conoco Phillips – Station 2

September 1, 2011

Office of Natural Gas Regulatory Activities
U.S. Department of Energy
Attn: Larine Moore, Docket Manager
Forrestal Building, Docket Room 3E-042 (FE34)
1000 Independence Avenue S.W.
Washington, D.C. 20585

Re: Application of Puget Sound Energy, Inc. for Long-Term Authorization to Import and Export Natural Gas from and to Canada
FE Docket No. 11-118-NG

To Whom It May Concern:

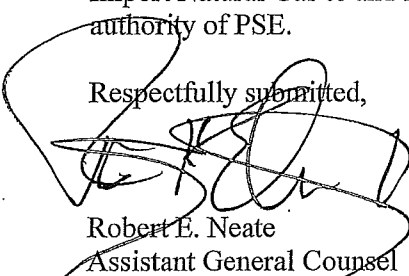
Pursuant to Section 3 of the Natural Gas Act of 1938 (15 U.S.C. § 717b), DOE Delegation Order Nos. 0204-111 and 2404-127, and the Regulations of the Department of Energy set forth in 10 C.F.R. Part 590, Puget Sound Energy, Inc. ("PSE") hereby submits for filing an original and three (3) copies of its 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. Clay Riding (w/encl.)

COPY



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

In the Matter of

Puget Sound Energy, Inc.

FE Docket No. 11-118-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.¹ 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 November 1, 2011 and ending on October 31, 2015. Currently, these Canadian gas supplies are reported under PSE's existing Blanket Authorization DOE/FE Order No. 2729.

In support of this request, PSE shows the following:

¹ PSE's Application for Blanket Authorization to Import Natural Gas from Canada in FE Docket No. 09-123-NG was granted on November 19, 2009.

**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: Clay Riding, Director
Natural Gas Resources
P.O. Box 97034
Bellevue, WA 98009-9734
telephone: (425) 462-3179

**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, 2010, PSE provided electric service to 1,080,692 electric customers and 753,636 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 DOE/FE Order No. 2729, issued in FE Docket No. 00-123-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 authority to export natural gas to Canada because of enhanced storage and market opportunities to meet its business needs. Historically PSE has reported its transactions under this contract as part of its blanket authorizations.

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

The Commission'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 arrangements approved by DOE.

IV PUBLIC INTEREST

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

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

**V
ENVIRONMENTAL IMPACT**

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

**VI
REPORTING REQUIREMENTS**

PSE agrees to file quarterly reports of its import and export activities pursuant to the extension of Authorization requested in this Application.

WHEREFORE, in consideration of the foregoing premises, Puget Sound Energy, Inc. respectfully requests:

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

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: September 1, 2011.

Respectfully submitted,

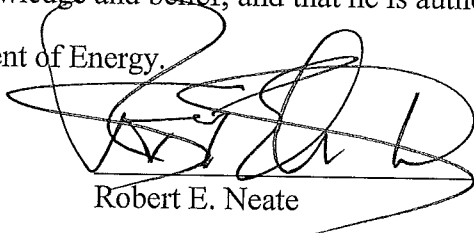
By 

Robert E. Neate
Assistant General Counsel
Puget Sound Energy, Inc.
P.O. Box 97034
Bellevue, WA 98009-9734

VERIFICATION

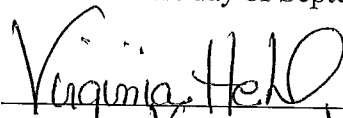
STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

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.


Robert E. Neate

SUBSCRIBED AND SWORN TO before me this 1st day of September, 2011.




Print Name: Virginia Hehl
Notary Public in and for the State of Washington,
residing at Mercon Island
My commission expires: 10/29/13



TRANSACTION CONFIRMATION FOR IMMEDIATE DELIVERY

Date: October 6, 2010

This Confirmation confirms the verbal agreement reached between representatives of the Buyer and Seller herein and is hereby made part of and subject to terms and conditions in the attached General Terms and Conditions ("GTC"). A fully executed gas Sale and Purchase Agreement will supercede the GTC and govern the Transaction previously governed by the GTC.

Trader: Martin Bagley

Contract Number: 60288 Trade Date: September 29, 2010

Deal Number: 60101-1248

Trade Pilot Number: 201111-1052

Seller:

ConocoPhillips Canada Marketing & Trading ULC
401 - 9th Avenue SW
Calgary, Alberta T2P 2H7

Buyer:

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

Attention: Confirmations
Phone: (403) 233.4110
Fax: (403) 233.5302

Attention: Confirmations
Phone: (425) 462-3220
Fax: (425) 462-3280

Deal Type: Long Term

Contract Class: Firm

Pipeline Name: Westcoast Energy Inc.

Delivery Point: Station 2

Delivery Period: November 1, 2011
Commencement Date:

Termination Date: October 31, 2015

Contract Quantity: 10000

Unit: MMBtu

Pricing Information:

Table with 6 columns: Index Name, Percent, Adjustment, Unit Price, Currency, Unit. Row 1: CGPR AECO Monthly, 100%, -0.0550, US\$, MMBtu

Special Provisions:

IF THE FOREGOING ACCURATELY REFLECTS THE MUTUAL AGREEMENT OF THE PARTIES HERTO, PLEASE EXECUTE THIS TRANSACTION CONFIRMATION AS INDICATED BELOW AND RETURN BY FACSIMILE TO (403) 233.5302 PRIOR TO THE CONFIRMATION DEADLINE (OR TWO BUSINESS DAYS AFTER RECEIPT IF NOT INDICATED IN CONTRACT). IF NO OBJECTION IS RECEIVED IN WRITING BY CONOCOPHILLIPS PRIOR TO THE CONFIRMATION DEADLINE, THIS TRANSACTION CONFIRMATION SHALL BE BINDING UPON BOTH PARTIES.

Seller: ConocoPhillips Canada Marketing & Trading ULC

Buyer: Puget Sound Energy, Inc.

Signature: Jacqueline Drellick
Title: Jacqueline Drellick, Contract Analyst
Date: October 6, 2010

Signature: Joan Jacobs
Title: Joan Jacobs, Manager
Date: Power & Gas Supply Operations
10/7/10

Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: August 1, 2004. The parties to this Base Contract are the following:

ConocoPhillips Canada Limited
 401 - 9th Avenue SW, Calgary, Alberta T2P 2H7
 Duns Number: 24-494-6596
 Contract Number: n/a
 U.S. Federal Tax ID Number: n/a

and Puget Sound Energy, Inc.
See Exhibit C
 Duns Number: _____
 Contract Number: _____
 U.S. Federal Tax ID Number: _____

Notices:

ConocoPhillips Canada Limited
 Attn: Contract Administration, Gas & Power Marketing
 Phone: (403) 233.3019 Fax: (403) 233.5426

Puget Sound Energy, Inc.
 Attn: William Walters
 Phone: (425) 462.3576 Fax: (425) 462.3175

Confirmations:

ConocoPhillips Canada Limited
 Attn: Confirmations
 Phone: (403) 233.4679 Fax: (403) 233.5426

See Exhibit C
 Attn: _____
 Phone: _____ Fax: _____

Invoices and Payments:

ConocoPhillips Canada Limited
 Attn: Kha Ta
 401 - 9th Avenue SW, Calgary, AB T2P 3C5
 Phone: (403) 233.4173 Fax: (403) 233.5426

See Exhibit C
 Attn: _____
 Phone: _____ Fax: _____

Wire Transfer or ACH Numbers (if applicable):

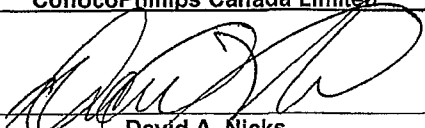
BANK: Bank of Nova Scotia
 ABA: Bank #002 / Transit #10009
 ACCT: CAD 00019-10 / USD 05871-17
 Other Details: _____

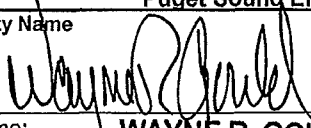
BANK: See Exhibit C
 ABA: See Exhibit C
 ACCT: See Exhibit C
 Other Details: _____

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:**

<p>Section 1.2 Transaction Procedure <input type="checkbox"/> Oral (default) <input checked="" type="checkbox"/> Written</p>	<p>Section 7.2 Payment Date <input checked="" type="checkbox"/> 25th Day of Month following Month of delivery (default) <input type="checkbox"/> _____ Day of Month following Month of delivery</p>
<p>Section 2.5 Confirm Deadline <input checked="" type="checkbox"/> 2 Business Days after receipt (default) <input type="checkbox"/> _____ Business Days after receipt</p>	<p>Section 7.2 Method of Payment <input checked="" type="checkbox"/> Wire transfer (default) <input type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Cheque</p>
<p>Section 2.6 Confirming Party <input type="checkbox"/> Seller (default) <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> Puget Sound Energy, Inc.</p>	<p>Section 7.7 Netting <input checked="" type="checkbox"/> Netting applies (default) <input type="checkbox"/> Netting does not apply</p>
<p>Section 3.2 Performance Obligation <input checked="" type="checkbox"/> Cover Standard (default) <input type="checkbox"/> Spot Price Standard</p> <p><i>Note: The following Spot Price Publication applies to both of the immediately preceding.</i></p> <p>Section 2.26 Spot Price Publication <input type="checkbox"/> Gas Daily Midpoint (default) <input checked="" type="checkbox"/> Canadian Gas Price Reporter</p>	<p>Section 10.3.1 Early Termination Damages <input checked="" type="checkbox"/> Early Termination Damages Apply (default) <input type="checkbox"/> Early Termination Damages Do Not Apply</p> <p>Section 10.3.2 Other Agreement Setoffs <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) <input type="checkbox"/> Other Agreement Setoffs Do Not Apply</p>
<p>Section 6 Taxes <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) <input type="checkbox"/> Seller Pays Before and At Delivery Point</p>	<p>Section 14.5 Choice Of Law <u>Alberta</u></p> <p>Section 14.10 Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) <input type="checkbox"/> Confidentiality does not apply</p>
<p><input checked="" type="checkbox"/> Special Provisions Number of sheets attached: <u>8</u> <input type="checkbox"/> Addendum(s): <u>n/a</u></p>	

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

ConocoPhillips Canada Limited
 Party Name
 By 
 Name: David A. Nicks
 Title: Vice President, Gas and Power Marketing

Puget Sound Energy, Inc.
 Party Name
 By 
 Name: WAYNE R. GOULD
 Title: DIRECTOR

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 telephonic 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:

1.2. 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 of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning 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.

2.2. "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).

- 2.4. "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.
- 2.5. "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 the 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 prepayment, 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.
- 2.14. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.15. "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. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP 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 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.
- 2.26. "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 the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed 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 for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for 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 Transaction Confirmation containing 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.

4.3. 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, then 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 shall have responsibility for and 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. Notice 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 Y), 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 and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not 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, 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:

10.3.2. 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 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.

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, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the 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

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.

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 covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher 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 or failure 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 Day's 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 DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

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.
- 14.9. 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 hereto 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 EXCLUDES, AND ANY USER OF THIS 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.**

EXHIBIT A

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

Date: _____

THIS TRANSACTION CONFIRMATION IS SUBJECT TO THE EXECUTED CONTRACT BETWEEN SELLER AND BUYER DATED

Contract Number: _____ Trade Date: _____

Deal Number: _____

Seller:

Buyer:

Attention: _____ Confirmations
Phone: _____
Fax: _____

Attention: _____ Confirmations
Phone: _____
Fax: _____

Deal Type: _____

Contract Class: _____

Pipeline Name: _____

Delivery Point: _____

Delivery Period
Commencement Date: _____

Termination Date: _____

Contract Quantity: _____

Unit: _____

Pricing Information:

Index Name:	Percent	Price/Adj.	Unit Price	Currency	Unit
-------------	---------	------------	------------	----------	------

Special Provisions:

IF THE FOREGOING ACCURATELY REFLECTS THE MUTUAL AGREEMENT OF THE PARTIES HERETO, PLEASE EXECUTE THIS TRANSACTION CONFIRMATION AS INDICATED BELOW AND RETURN BY FACSIMILE TO (403) 233.5426 PRIOR TO THE CONFIRMATION DEADLINE (OR TWO BUSINESS DAYS AFTER RECEIPT IF NOT INDICATED IN CONTRACT). IF NO OBJECTION IS RECEIVED IN WRITING BY CONOCOPHILLIPS PRIOR TO THE CONFIRMATION DEADLINE, THIS TRANSACTION CONFIRMATION SHALL BE BINDING UPON BOTH PARTIES.

Buyer:

Seller:

Title: _____

Title: _____

Date: _____

Date: _____

Special Provisions
NAESB Base Contract for Sale and Purchase of Natural Gas

Special Provisions ("Special Provisions") attached to and forming a part of that certain Base Contract for Sale and Purchase of Natural Gas dated August 1, 2004 (the "Base Contract") by and between ConocoPhillips Canada Limited ("ConocoPhillips") and Puget Sound Energy, Inc. ("PSE"). Capitalized terms used in these Special Provisions shall have the meanings ascribed to them in the Base Contract. Sections referenced in these Special Provisions refer to a Section of the General Terms and Conditions of the Base Contract, unless stated otherwise.

A. AGREEMENTS

SECTION 1. PURPOSES AND PROCEDURES

1. Add the following to Section 1.4 after the words "such recording." in the third line: "All telephone recordings made by CPCL will be held and maintained in accordance with CPCL's information handling and security policies and any applicable provincial or federal information privacy legislation."
2. Delete the last sentence of Section 1.4.

SECTION 2. DEFINITIONS

1. Add the following definitions in Section 2 where they would appear alphabetically and renumber the remaining subsections accordingly:

'Affiliate' of a party shall mean (i) any person or entity that directly or indirectly controls that party; (ii) any entity that is directly or indirectly controlled by that party; or (iii) any entity that is directly or indirectly controlled by the same person or entity.

'Alternative Damages' shall mean such damages, expressed in United States dollars or United States dollars per MMBtu, or Canadian dollars or Canadian dollars per GJ, 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.

'GJ' shall mean 1 gigajoule; 1 gigajoule = 1,000,000,000 Joules. The standard conversion factor between Dekatherms and GJ's is 1.055056 GJ's per Dekatherm.

'Joule' shall mean the joule specified in the SI system of units.

'Termination Currency' means United States Dollars.

'Termination Currency Equivalent' shall mean, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency that the Non-Defaulting Party would be required to pay, on the Early Termination Date, to purchase such amount of Other Currency for spot delivery, as determined by the Non-Defaulting Party in a commercially reasonable manner.

2. Replace the definition of "Business Day" in Section 2.4 with the following:

'Business Day' shall mean any day except Saturday, Sunday, or a statutory or banking holiday observed in the jurisdiction specified pursuant to Section 14.5 or Alberta. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party's principal place of business. The relevant party, in each instance unless otherwise specified, shall be the party to whom the Notice is being sent and by whom the Notice is to be received.

3. Replace the definition of "Contract Price" in Section 2.8 with the following:

'Contract Price' shall mean, if the Delivery Point is in the United States, the amount expressed in U.S. Dollars per MMBtu or, if the Delivery Point is in Canada, the amount expressed in Canadian Dollars per GJ, unless specified otherwise in a transaction, to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

4. The definition of "Credit Support Obligation(s)" in Section 2.11 is amended by deleting "a margin agreement, a prepayment," and replacing "a security interest in an asset" with "a security interest in one or more assets".

SECTION 3. PERFORMANCE OBLIGATION

1. 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.

SECTION 5. QUALITY AND MEASUREMENT

1. Delete Section 5 in its entirety and replace with:

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 or one GJ, as agreed to by the parties in a transaction. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

1. Add the following as Section 6.2:

The Contract Price does not include any amounts payable by Buyer for the goods and services tax ("GST") imposed pursuant to the Excise Tax Act (Canada) ("ETA") or any similar or replacement value added or sales or use tax enacted under successor legislation. Notwithstanding whether the parties have selected "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract, Buyer will pay to Seller the amount of GST payable for the purchase of Gas in addition to all other amounts payable under the Contract. Seller will hold the GST paid by Buyer and will remit such GST as required by law. Buyer and Seller will provide each other with the information required to make such GST remittance or claim any corresponding input tax credits, including GST registration numbers.

2. Add the following as Section 6.3:

Where Buyer indicates to Seller that Gas will be exported from Canada, the following shall apply:

6.3.1 Where Buyer is not registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer will: (i) export such Gas as soon as is reasonably practicable after Seller delivers such Gas to Buyer (or after such Gas is delivered to Buyer after a zero-rated storage service under the ETA) having regard to the circumstances surrounding the export and, where applicable, normal business practice; (ii) not acquire such Gas for consumption or use in Canada (other than as fuel or compressor gas to transport such Gas by pipeline) or for supply in Canada (other than to supply natural gas liquids or ethane the consideration for which is deemed by the ETA to be nil) before export of such Gas; (iii) ensure that, after such Gas is delivered and before export, such Gas is not further processed, transformed or altered in Canada (except to the extent reasonably necessary or incidental to its transportation and other than to recover natural gas liquids or ethane from such Gas at a straddle plant); (iv) maintain on file, and provide to Seller, if required, or to the Canada Customs and Revenue Agency, evidence satisfactory to the Minister of National Revenue of the export of such Gas by Buyer; and/or (v) comply with all other requirements prescribed by the ETA for a zero-rated export of such Gas.

6.3.2 Where Buyer is registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the

ETA for billing purposes, and Buyer hereby declares, represents and warrants to Seller that Buyer intends to export such Gas by means of pipeline or other conduit in circumstances described in Section 6.3.1 (i) to (iii).

6.3.3 Without limiting the generality of Section 8.1, Buyer indemnifies Seller for any GST, penalties and interest and all other damages and costs of any nature arising from breach of the declarations, representations and warranties contained in Section 6.3.1 or 6.3.2, or otherwise from application of GST to Gas declared, represented and warranted by Buyer to be acquired for export from Canada.

3. Add the following as Section 6.4:

In the event that any amount becomes payable pursuant to the Contract as a result of a breach, modification or termination of the Contract, the amount payable shall be increased by any applicable Taxes or GST remittable by the recipient in respect of that amount.

SECTION 7. BILLING, PAYMENT AND AUDIT

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

2. In line 3 of Section 7.2, replace "next Business Day following" with "closest Business Day to."

3. The last sentence of Section 7.4 is deleted in its entirety and replaced with the following:

"Non-payment of any amount disputed in good faith shall not constitute an Event of Default under this Contract with respect to either party."

4. The following sentence is added to the end of Section 7.4:

"Upon resolution of the billing dispute, any underpayments shall be paid or refunded with accrued interest at the rate specified in Section 7.5 for the period from the date such underpayment was due until paid."

5. Delete Section 7.5 in its entirety and replace with the following:

"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) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for Canadian currency commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum; or (ii) the maximum applicable lawful interest rate."

6. Delete Section 7.7 in its entirety and replace with the following:

"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, in the same currency, 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"

7. Add the following as Section 7.8:

"For each transaction, all associated payments shall be made in the currency of the Contract Price for such transaction."

SECTION 8. TITLE, WARRANTY AND INDEMNITY

1. Section 8.1 is amended by a) adding the following to the end of the first sentence: ", and Seller agrees to indemnify Buyer, its officers, directors, employees, agents and legal representatives, and save each of them harmless from all losses, liabilities or claims including reasonable attorneys' fee 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.", b) inserting "Except as otherwise provided in Section 6," at the beginning of the second sentence, c) inserting "assume" before "any liability" in the third sentence, and d) adding the following to the end of the second sentence: ", and Buyer agrees to indemnify Seller, its officers, directors, employees, agents and legal representatives, and save each of them 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."

2. In Section 8.2, delete the last sentence.
3. Delete Section 8.3 in its entirety.

SECTION 9. NOTICES

1. Section 9.1 is amended by inserting "-", notices" immediately after "payments."
2. 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.

SECTION 10. FINANCIAL RESPONSIBILITY, DEFAULTS AND REMEDIES

1. 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 either of the following forms (as selected by Y in its sole discretion), and in the amount and for the term reasonably acceptable to X: (a) a standby irrevocable letter of credit from a bank acceptable to X, or (b) a guarantee issued by an entity acceptable to X.
2. 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) in (vii), deleting "48" and replacing it with "72"; and
 - (c) inserting the following before the period at the end of the section: "provided however, if the Event of Default is one of the events or circumstances enumerated in (i), (ii), (iii) or (v) above, the Notice may specify the date immediately prior to the occurrence of such event or circumstance as the Early Termination Date."
3. Delete the last sentence of Section 10.3.1 under Early Termination Damages Apply and replace with the following:

"The rate of interest used in calculating net present value shall be the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for Canadian currency commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum; or (ii) the maximum applicable lawful interest rate."
4. Section 10.3.3 is amended by deleting the last sentence in its entirety.
5. Add the following as Section 10.3.4:

"The Non-Defaulting Party shall use the Termination Currency Equivalent of any amount denominated in a currency other than the Termination Currency in performing any netting, aggregation or setoff required or permitted by Section 10.3.1 or 10.3.2."
6. Delete Section 10.4 and replace it with the following:

"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, in the Termination Currency, 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 date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for Canadian currency commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum; or (ii) the maximum applicable lawful interest rate."

7. Delete Section 10.5 and replace it with the following:

"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. The parties also agree that the transactions hereunder constitute an "eligible financial contract" within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors Arrangements Act* (Canada), and similar Canadian legislation."

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

SECTION 11. FORCE MAJEURE

1. 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.
2. In Section 11.3, after "(iii)" include the words "unavailability of funds or other" before "economic hardship."
3. 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.

SECTION 13. LIMITATIONS

1. The fifth sentence of Section 13 is amended by deleting "UNLESS EXPRESSLY HEREIN PROVIDED" and replacing it with "EXCEPT FOR ANY LIABILITY ARISING UNDER SECTION 8.1 AND, IF APPLICABLE, SECTION 14.10, AND AS OTHERWISE SPECIFICALLY PROVIDED HEREIN" and deleting ", UNDER ANY INDEMNITY PROVISION".

SECTION 14. MISCELLANEOUS

1. Section 14.1 is amended by replacing "approval" with "consent" in the sixth line.
2. Section 14.7 is amended by inserting "other than each of the parties indemnified under Section 8.1" at the end of such sentence.
2. The second sentence of Section 14.8 is deleted in its entirety and replaced with the words:
"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."
3. In line 3 of Section 14.10, add the words "officers or directors" after the word "employee" and add the words "or an Affiliate of the party" after the word "party."
4. Section 14.10 is amended by: (a) adding a new clause (iv) after clause (iii) as follows and changing (iv) to (v):

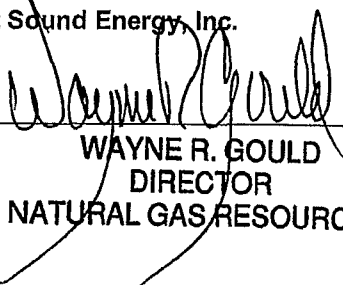
"(iv) to the extent deemed necessary or desirable by PSE for purposes of providing information regarding its gas supplies and economics to the Washington Utilities and Transportation Commission, "

B. OTHER PROVISIONS

1. This Agreement is subject to the rules, regulations, orders and other requirements, now or hereafter in effect, of all governmental and regulatory authorities having jurisdiction over this Agreement, PSE and/or ConocoPhillips. All laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of governmental and regulatory authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.
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.
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.

Puget Sound Energy, Inc.

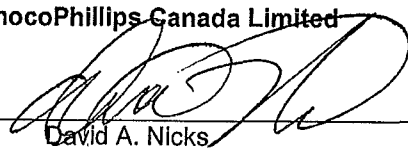
By
Title
Date



WAYNE R. GOULD
DIRECTOR
NATURAL GAS RESOURCES

ConocoPhillips Canada Limited

By
Title
Date



David A. Nicks
Vice President, Gas & Power Marketing

[End Special Provisions]

EXHIBIT C

**Address List to Base Contract
for Sale and Purchase of Natural Gas (NAESB)
dated August 1, 2004
between**

ConocoPhillips Canada Limited and Puget Sound Energy, Inc.

Puget Sound Energy, Inc.

Invoices:

Puget Sound Energy, Inc.
Attention: Gas Accounting
P.O. Box 97034 PSE-11N
Bellevue, WA 98009-9734
Fax: 425-462-3175

Correspondence:

Puget Sound Energy, Inc.
Attention: Gas Trading
P.O. Box 97034 PSE-11N
Bellevue, WA 98009-9734

Payments:

By Check:
Puget Sound Energy, Inc.
Energy Supply Department PSE-11N
P.O. Box 97034, Bellevue, WA 98009-9734
Please reference invoice number on your check.

Confirmations:

Attention: Gas Trading
Fax: 425-462-3836
Phone: 425-462-3103

By Wire Transfer:

Key Bank
ABA: 125000574
Account: 479681024630
BNF: Puget Sound Energy, Inc.
OB1: Gas Sales

Federal Tax ID Number: 91-037-4630
Duns # 00794-2113

Please notify PSE's Treasury Dept. at (425) 462-3257 of the transfer date

AMENDING AGREEMENT

THIS AMENDING AGREEMENT (the "Agreement") is made effective as of January 1, 2007.

BETWEEN:

CONOCOPHILLIPS CANADA LIMITED
("CPCL")

- and -

PUGET SOUND ENERGY, INC.
("Puget")

WHEREAS CPCL and Puget are parties to a NAESB Base Contract for Sale and Purchase of Natural Gas dated August 1, 2004 (the "Contract");

NOW THEREFORE, in consideration of the premises and agreements set forth in this Agreement, CPCL and Puget covenant and agree to the following changes to the Contract as follows:


Cover Sheet, Section 2.6 – Confirming Party

In the Elections Box for Section 2.6 of the Cover Sheet, delete "Puget Sound Energy, Inc." as the Confirming Party and insert "ConocoPhillips Canada Limited" as the Confirming Party.

IN WITNESS WHEREOF this Agreement has been executed by each of CPCL and Puget effective as of the date first above written.

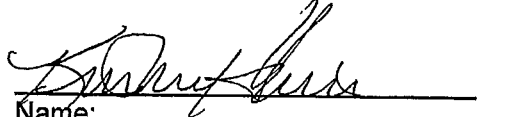
CONOCOPHILLIPS CANADA LIMITED

Per:


Name: David A. Nicks
Title: VP, Gas & Power Marketing

PUGET SOUND ENERGY, INC.

Per:


Name:
Title: EUP & Chief Resource Officer



ConocoPhillips Canada Limited
401 - 9th Avenue S.W.
P.O. Box 130, Station 'M'
Calgary, AB T2P 3C5

October 9, 2008

Puget Sound Energy, Inc.
P.O. Box 97034 PSE-09N
Bellevue, Washington, USA 98009-9734

Re: NAESB Base Contract for Sale and Purchase of Natural Gas between Puget Sound Energy, Inc. and ConocoPhillips Canada Limited dated August 1, 2004, as may be amended from time to time (the "Agreement")

Attention: Contract Administration/Treasury Department

ConocoPhillips Canada Limited ("CPCL") is counterparty with your company under the above referenced Agreement.

As part of an internal reorganization, please be advised that effective November 1, 2008, the above noted Agreement will be transferred from CPCL to the following affiliate:

CONOCOPHILLIPS CANADA MARKETING & TRADING ULC
GST #: 83782 6296
DUNS#: 243666950

Please note that all other provisions of the Agreement will remain intact.

In addition, we wish to notify you that our banking information will also change effective November 1, 2008, to the following:

Canadian Dollar Account

Account Title: ConocoPhillips Canada Marketing & Trading ULC (Gas Marketing)
Bank Name/Branch (City): JPM Chase - Toronto
Bank Code/Transit: 270/00012
Bank Account #: 4674526101

United States Dollar Account

Account Title: ConocoPhillips Canada Marketing & Trading ULC (Gas Marketing)
Bank Name/Branch (City): JPM Chase - New York
Bank Code/Transit: 021000021
Bank Account #: 802975631

We look forward to continuing our business relationship with you under our new name. Should you have any questions with respect to the counterparty name change, please contact Deanna Welch at 403.233.3638. Any banking information queries may be directed to Cash@ConocoPhillips.com, Jessica Aikins at 403.233.3244, or Terri Cooper at 403.233.3921.

Sincerely,

CONOCOPHILLIPS CANADA LIMITED

David A. Nicks
Vice President, Gas & Power Marketing