



PUGET SOUND ENERGY

REDACTED

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

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RCR18/[REDACTED]

September 4, 2012

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. 12-108 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.)

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

In the Matter of

Puget Sound Energy, Inc.

FE Docket No.

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 20,000 MMBTU units of natural gas per day term beginning on November 1, 2012 and ending on October 31, 2015. Currently, these Canadian gas supplies are reported under PSE's existing Blanket Authorization DOE/FE Order No. 3043.

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. 11-148-NG was granted on December 7, 2011.

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, 2011, PSE provided electric service to 1,086,282 electric customers and 760,895 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 20,000 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 4, 2012.

Respectfully submitted,

By 

Robert E. Neate

Assistant General Counsel

Puget Sound Energy, Inc.

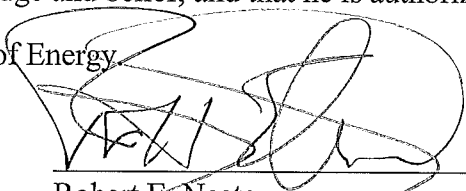
P.O. Box 97034

Bellevue, WA 98009-9734

VERIFICATION

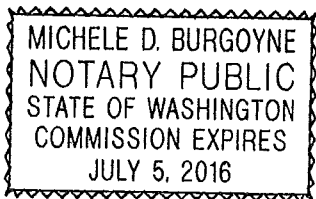
STATE OF WASHINGTON)
) ss.
COUNTY OF KING)


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 4th day of September, 2012.




Print Name: Michele D. Burgoyne
Notary Public in and for the State of Washington,
residing at Shoreline, WA
My commission expires: 7/5/16

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:

[Redacted]
 Duns Number: **[Redacted]**
 Contract Number: _____
 U.S. Federal Tax ID Number: N/A

and **Puget Sound Energy, Inc.**
 P.O. Box 97034 PSE 11N Bellevue, WA 98009-9737
 Duns Number: 00794-2113
 Contract Number: _____
 U.S. Federal Tax ID Number: 91-037-4630

Notices:

[Redacted]
 Attn: **[Redacted]**
 Phone: **[Redacted]** Fax: **[Redacted]**

P.O. Box 97034 PSE 11N Bellevue, WA 98009-9737
 Attn: Gas Trading
 Phone: 425-462-3688 Fax: 425-462-3175

Confirmations:

Attn: **[Redacted]**
 Phone: **[Redacted]** Fax: **[Redacted]**

P.O. Box 97034 PSE 11N Bellevue, WA 98009-9737
 Attn: Gas Trading
 Phone: 425-462-3103 Fax: 425-462-3836

Invoices and Payments:

Attn: **[Redacted]**
 Phone: **[Redacted]** Fax: **[Redacted]**

P.O. Box 97034 PSE 11N Bellevue, WA 98009-9737
 Attn: Gas Accounting
 Phone: 425-462-3197 Fax: 425-462-3175

Wire Transfer or ACH Numbers (if applicable):

BANK: **[Redacted]**
 BANK: **[Redacted]**
 ACCT: **[Redacted]**

BANK: Key Bank
 ABA: 125000574
 ACCT: 479681024630

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"/> Check</p>
<p>Section 2.6 Confirming Party <input type="checkbox"/> Seller (default) <input type="checkbox"/> Buyer <input checked="" type="checkbox"/> [Redacted]</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 checked="" type="checkbox"/> Gas Daily Midpoint (default) <input type="checkbox"/> _____</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 14.5 Choice Of Law _____ Alberta</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 14.10 Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) <input type="checkbox"/> Confidentiality does not apply</p>
<p><input type="checkbox"/> Special Provisions Number of sheets attached: <input type="checkbox"/> Addendum(s):</p>	

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

Party Name _____
 By **[Redacted]**
 By **[Redacted]**

Puget Sound Energy, Inc.
 Party Name **[Signature]**
 By **WAYNE R. GOULD**
 DIRECTOR
 By **NATURAL GAS RESOURCES**

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.

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

Letterhead/Logo	Date: _____ Transaction Confirmation #: _____			
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.				
SELLER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: \$ _____ /MMBtu or _____				
Delivery Period: Begin: _____ End: _____				
Performance Obligation and Contract Quantity: (Select One) <table style="width:100%; border: none;"> <tr> <td style="width:33%; border: none; vertical-align: top;"> Firm (Fixed Quantity): _____ MMBtus/day ? EFP </td> <td style="width:33%; border: none; vertical-align: top;"> Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2: at election of ? Buyer or ? Seller </td> <td style="width:33%; border: none; vertical-align: top;"> Interruptible: Up to _____ MMBtus/day </td> </tr> </table>		Firm (Fixed Quantity): _____ MMBtus/day ? EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2: at election of ? Buyer or ? Seller	Interruptible: Up to _____ MMBtus/day
Firm (Fixed Quantity): _____ MMBtus/day ? EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2: at election of ? Buyer or ? Seller	Interruptible: Up to _____ MMBtus/day		
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location)				
Special Conditions:				
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____			

**EXHIBIT B
Amending Agreement to Base Contract
for Sale and Purchase of Natural Gas (NAESB)
dated August 1, 2004
between
[REDACTED] and Puget Sound Energy, Inc.**

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

1.1 Section 9.7 is deleted and replaced with the following:
[REDACTED]

1.2 Section 9.11 is deleted and replaced with the following:
[REDACTED]

1.3 (a) The definition of "Standby" shall mean an irrevocable standby letter of credit or cash [REDACTED]
[REDACTED]
[REDACTED]

1.4 Section 10.2 is amended by inserting [REDACTED] in the first sentence.

1.5 Section 10.3 is amended by deleting the following language and replacing it with the following:
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

1.6 Section 10.4 is amended by deleting the following language and replacing it with the following:
[REDACTED]

1.7 Section 10.5 is amended by deleting the following language and replacing it with the following:
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

1.8 Section 10.6 is amended by inserting the following language in line two between the words "Contract" and "such":
[REDACTED]

10. Section 9.1 is amended by deleting "the" and inserting "the" before "the" in the first and second sentences of the first sentence, and by deleting "the" in the first and second sentences of the second sentence and inserting "the" before "the" in the first and second sentences of the second sentence.

11. Section 9.2 is amended by inserting "notices" immediately after "payments" in the first sentence of the first sentence, and by deleting "the" in the first and second sentences of the first sentence and inserting "the" before "the" in the first and second sentences of the first sentence.

12. The second sentence of Section 9.3 is deleted and the following three sentences are inserted in its place:
"The performance of Performance shall constitute sufficient security in either of the following forms: a) selected by the lender; b) a letter of credit in an amount for the term; and c) a letter of credit in an amount for the term; and d) a letter of credit in an amount for the term." and the following sentence is inserted in the first sentence of the second sentence of the first sentence.

13. Section 9.4 is amended by deleting "the" and inserting "the" before "the" in the first sentence of the first sentence, and by deleting "the" in the first sentence of the first sentence and inserting "the" before "the" in the first sentence of the first sentence.

14. Section 10.1 is amended by deleting "the" and inserting "the" before "the" in the first sentence of the first sentence, and by deleting "the" in the first sentence of the first sentence and inserting "the" before "the" in the first sentence of the first sentence.

15. Section 10.2 is amended by deleting "the" and inserting "the" before "the" in the first sentence of the first sentence, and by deleting "the" in the first sentence of the first sentence and inserting "the" before "the" in the first sentence of the first sentence.

16. Section 10.3 ("Final Termination Damages Do Not Apply") is amended by adding the words "and Example 2, Attachment 1 and Example 3, Attachment 1" to the end of the first sentence.

17. Section 10.4 ("Other Agreement Sections Apply") Item (D) of the last sentence is amended by adding "the due and" before "both" occurrences in the last sentence.

18. Section 10.5 is amended by deleting "the" and inserting "the" before "the" in the first sentence of the first sentence, and by deleting "the" in the first sentence of the first sentence and inserting "the" before "the" in the first sentence of the first sentence.

122 [REDACTED]
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[REDACTED]

130 Section 2.11 is deleted in its entirety and replaced with the following:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Section 2.11 of the "Canadian Addendum" is amended by deleting "possible" in the second sentence and replacing it with "applicable".

Section 2.12 of the "Canadian Addendum" is amended by deleting "possible" in the second sentence and replacing it with "applicable".

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

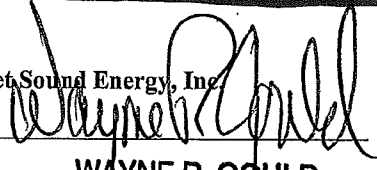
[REDACTED] the parties to this Agreement agree that the disclaimer statement appearing at the bottom of the General
[REDACTED] Conditions is hereby adopted by the North American Energy Standards Board, Inc. and that a
[REDACTED] disclaimer shall not affect the meaning, interpretation or construction of
[REDACTED].

[REDACTED] Section headings contained in this Agreement are for convenience of reference only and shall not be
[REDACTED] in any way to affect, interpret or construe any of the provisions of this Agreement.

[REDACTED] This Agreement shall be effective upon execution and delivery by each

Puget Sound Energy, Inc.

By



Title

WAYNE R. GOULD

Date

DIRECTOR

NATURAL GAS RESOURCES

By

Title

Date

[REDACTED SIGNATURE]

[REDACTED TITLE]

[REDACTED DATE]

Base Contract for Sale and Purchase of Natural Gas Canadian Addendum

This Canadian Addendum ("Canadian Addendum") is entered into as of the following date: August 1, 2004

The parties to this Canadian Addendum are the following:

[Redacted]	and Puget Sound Energy, Inc.
[Redacted]	P.O. Box 97034 PSE 11N Bellevue WA 98009-9737
Duns Number [Redacted]	Duns Number 00794-2113
Base Contract Number [Redacted]	Base Contract Number [Redacted]
Base Contract Date [Redacted]	Base Contract Date [Redacted]
U.S. Federal Tax ID Number [Redacted]	U.S. Federal Tax ID Number 91-037-4630
Canadian GST Number [Redacted]	Canadian GST Number 874436728 RT0001

IN WITNESS WHEREOF, the parties hereto agree to the terms and conditions set forth herein and have executed this Canadian Addendum in duplicate.

Party [Redacted]	Party Puget Sound Energy, Inc.
By [Redacted]	By 
Name [Redacted]	Name
Title [Redacted]	Title

WAYNE R. GOULD
DIRECTOR
NATURAL GAS RESOURCES

Addendum: This Canadian Addendum constitutes an Addendum to that certain Base Contract for Sale and Purchase of Natural Gas, as identified above, between the parties ("Base Contract"), and supplements and amends the Base Contract affecting transactions thereunder. Unless amended herein, the Base Contract continues to apply. Capitalized terms used in this Canadian Addendum which are not herein defined will have the meanings ascribed to them in the Base Contract. In the event of a conflict between the terms of this Canadian Addendum and the Base Contract, the terms of this Canadian Addendum shall apply.

Term: This Canadian Addendum shall be effective from and after the date on which it is entered into and continue in effect until terminated by either party upon 30 Days' written Notice to the other party, provided, however, that this Canadian Addendum may not be terminated prior to the expiration of the latest Delivery Period of any transactions previously agreed to by the parties which are subject to this Canadian Addendum. The obligation to make payment hereunder, including any related adjustments, shall survive the termination of this Canadian Addendum.

The parties hereby agree to the following provisions. In the event the parties fail to check a box, the default provision for each section shall apply. **Select only 1 box from each section.**

Section 2.26: Spot Price Publication: Delete the selection made on the cover page of the Base Contract and replace it with the following:

- Canadian Gas Price Reporter (default if the Delivery Point is in Canada)
- Gas Daily Midpoint (default if the Delivery Point is in the United States)
-

Section 10.4: Termination Currency

- U.S. Dollars (default)
- Canadian Dollars
-

Section 14.5: Choice of Law: If a selection is made herein, delete the selection made on the cover page of the Base Contract and replace it with the following:

- Laws of the Province of Alberta

Delete Section 2.1 and replace it with the following:

2.1 "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.

Delete Section 2.4 and replace it with the following:

2.4 "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. 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.

Delete Section 2.8 and replace it with the following:

2.8 "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.

Add the following as Section 2.30:

2.30 "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.

Add the following as Section 2.31:

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

Add the following as Section 2.32:

2.32 "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.

Delete Section 5 and replace it with the following:

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.

Add the following to Section 6:

Sections 6.2, 6.3 and 6.4 apply if the Delivery Point is in Canada.

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.

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 possible 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 8.3, 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 to be acquired for export from Canada.

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.

Delete Section 7.5 and replace it with the following:

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) 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.

Delete Section 7.7 and replace it with the following:

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, 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 7.1 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.

Add the following as Section 7.8:

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

Add the following as Section 10.3.4:

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.

Delete Section 10.4 and replace it with the following:

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, 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.

Delete Section 10.5 and replace it with the following:

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. 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.

Delete Exhibit A ("Transaction Confirmation") and replace it with the following:

**TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY**

EXHIBIT A

Letterhead/Logo	Date: _____ Transaction Confirmation # _____
-----------------	---

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____

This Transaction Confirmation is also subject to the Canadian Addendum between Seller and Buyer dated _____;
 Yes (default) No

The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

<p>SELLER:</p> <p>_____</p> <p>_____</p> <p>Attn: _____</p> <p>Phone: _____</p> <p>Fax: _____</p> <p>Base Contract No: _____</p> <p>Transporter: _____</p> <p>Transporter Contract Number: _____</p>	<p>BUYER:</p> <p>_____</p> <p>_____</p> <p>Attn: _____</p> <p>Phone: _____</p> <p>Fax: _____</p> <p>Base Contract No: _____</p> <p>Transporter: _____</p> <p>Transporter Contract Number: _____</p>
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Contract Price: U.S. \$ _____ /MMBtu or Canadian \$ _____ /GJ or _____

Delivery Period: Begin: _____ End: _____

Performance Obligation and Contract Quantity: (Select One)

Units: MMBtu or GJ or Other _____

<p>Firm (Fixed Quantity):</p> <p>_____ Units/day</p> <p><input checked="" type="checkbox"/> EFP</p>	<p>Firm (Variable Quantity):</p> <p>_____ Units/day Minimum</p> <p>_____ Units/day Maximum</p> <p>subject to Section 4.2, at election of</p> <p><input type="checkbox"/> Buyer or <input checked="" type="checkbox"/> Seller</p>	<p>Interruptible:</p> <p>Up to _____ Units/day</p>
--	---	---

Delivery Point(s): _____
 (If a pooling point is used, list a specific geographic and pipeline location)

Canadian Export Zero Rating (Section 6.3) No (default) Yes

Special Conditions:

<p>Seller: _____</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>	<p>Buyer: _____</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>
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**NOVATION OF MARKETING AND TRADING CONTRACT
AND TRADING TRANSACTIONS AND CONSENT AGREEMENT**

dated as of the Effective Time among:

PUGET SOUND ENERGY INC. (the "Remaining Party"),

[REDACTED] (the "Transferor")

and

[REDACTED] (the "Transferee").

Each of Transferor, Transferee and Remaining Party are referred to herein individually as a "Party" and collectively as the "Parties."

The Transferor and the Remaining Party have entered into one or more contracts for the purchase or sale of natural gas or derivative products related thereto (each an "Old Transaction"). Each Old Transaction is evidenced by a master agreement as identified as a "Contract" and by an individual written confirmation (an "Old Confirmation"), as both are identified in the attached Appendix A.

Transferor and Transferee entered into a Canadian Natural Gas Business Purchase and Sale Agreement dated as of May 5, 2010 (the "Purchase Agreement") pursuant to which Transferor wishes to transfer by novation to Transferee, and Transferee wishes to accept the transfer by novation of, all the rights, liabilities, duties and obligations of Transferor under and in respect of each Old Transaction, with the effect that Remaining Party and Transferee enter into the new transactions (each a "New Transaction"), as more particularly described below.

The Remaining Party wishes to accept the Transferee as its sole counterparty with respect to the New Transactions.

The Transferor and the Remaining Party wish to have released and discharged, as a result and to the extent of the transfer described above, their respective obligations under and in respect of the Old Transactions.

Accordingly, the Parties agree as follows: ---

1. Effective Time; Early Termination.

- (a) This Novation Agreement shall, upon its execution by each of the Parties, be binding on the Parties; provided, however, that the provisions of Section 2 regarding the sale, novation and transfer of the rights, liabilities, duties and obligations under the Old Transactions from the Transferor to the Transferee shall not become effective until 9:00 am Central Daylight Savings Time, when such time is applicable, or Central Standard Time on the date specified in a notice issued by the Transferee to the Remaining Party and the Transferor (the "Effective Time"), which notice can be revoked or amended by the Transferee at any time prior to the Effective Time.
- (b) Transferee shall have the right to terminate this Novation Agreement by delivering a written notice to the Remaining Party and the Transferor at any time prior to the Effective Time.

2. Transfer, Release, Discharge and Undertakings.

With effect from and including the Effective Time and in consideration of the mutual representations, warranties and covenants contained in this Novation Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties):

- (a) the Remaining Party and the Transferor are each released and discharged of and from any and all liability as a consequence of or relating to action and actions, causes or causes of action, suits, debts, dues, sums of money, claims and demands whatsoever at law or in equity arising out of, or which are in any way related to, any Old Transaction after the Effective Time, provided that such release and discharge shall not affect any settlement, payment, rights, performance of any liabilities, obligations or duties of the Remaining Party or the Transferor under any Old Transaction arising or accruing prior to, or with respect to the period prior to, the Effective Time but which have not been settled, paid or performed as of the Effective Time (collectively, the "Excluded Liabilities"). All such Excluded Liabilities shall be paid or performed by the Remaining Party or the Transferor in accordance with the terms of the Old Transactions;
- (b) in respect of each New Transaction, the Remaining Party and the Transferee each undertake liabilities and obligations towards the other and acquire rights against each other identical in their terms to each corresponding Old Transaction (and, for the avoidance of doubt, as if the Transferee were the Transferor and with the Remaining Party remaining the Remaining Party, save for any rights, liabilities or obligations of the Remaining Party or the Transferor with respect to Excluded Liabilities); and
- (c) each New Transaction shall be governed by the Old Transaction, as amended and novated to the Transferee by this Novation Agreement, which shall form the new agreement between the Transferee and the Remaining Party with respect thereto (the "New Agreement") and the relevant Old Confirmation (which, in conjunction and as deemed modified to be consistent with this Novation Agreement, shall be deemed to be an individual written confirmation between the Remaining Party and the Transferee).
- (d) Notwithstanding anything in this Novation Agreement to the contrary, the Transferee and the Remaining Party agree that, as between the Transferee and the Remaining Party, all of the rights, liabilities, duties and obligations of each of the Transferee and the Remaining Party that are assigned, assumed or continued hereunder shall be limited to those rights, liabilities, duties and obligations set forth in the New Agreement and the New Transactions.

3. Coordination of Credit Support.

- (a) In the event that a credit support provider or other entity (the "Guarantor") has provided a guaranty (the "Old Guaranty") to the Transferor with respect to the obligations of the Remaining Party under the Old Transactions, the following provisions shall apply:
 - (i) Upon the request of the Transferee issued no later than five (5) Business Days before the Effective Time (which request may be included in the notice of the Effective Time issued under Section 1(a) above), such Guarantor shall issue a guaranty for the benefit of the Transferee, in form and substance substantially similar to the Old Guaranty and, in any event, reasonably satisfactory to the Transferee (the "New Guaranty") no later than two (2) Business Days prior to the Effective Time.
 - (ii) To the extent the Effective Time does not occur as a result of a cancellation of the notice related thereto under Section 1(b), the Transferee shall promptly return the New Guaranty to the Guarantor.
 - (iii) The Old Guaranty shall remain in effect until such time as the Excluded Liabilities have been paid in full or performed by the Remaining Party in accordance with the terms of the Old Transactions. Provided the Effective Time has occurred, the Transferor agrees to return the Old Guaranty to the Guarantor promptly upon such occurrence.

- (b) In the event that the Remaining Party has provided a letter of credit, maintained for the benefit of the Remaining Party (the "Old LC"), to the Transferor with respect to the obligations of the Remaining Party under the Old Transactions, the following provisions shall apply:
- (i) Upon the request of the Transferee issued no later than five (5) Business Days before the Effective Time (which request may be included in the notice of the Effective Time issued under Section 1(a) above), (A) the Remaining Party shall issue an irrevocable, standby letter of credit, in form and substance substantially similar to the Old LC, and in any event reasonably satisfactory to the Transferee (the "New LC"), to the Transferee and (B) the Transferor shall cancel and return the Old LC to the Remaining Party, in each case, no later than two (2) Business Days prior to the Effective Time.
 - (ii) To the extent the Effective Time does not occur as a result of a cancellation of the notice related thereto under Section 1(b), the Remaining Party shall re-issue the Old LC to the Transferor and the Transferee shall promptly return the New LC to the Remaining Party.
 - (iii) The Remaining Party agrees that the Transferee may, after the Effective Time, draw on the New LC any amounts due to the Transferor in respect of Excluded Liabilities and the New LC issued to the Transferee shall specifically include a draw condition in respect of such amounts. The Transferee agrees to promptly pay to the Transferor any amounts so drawn. To the extent any such draw reduces the amount available under the New LC below what is required in respect of the New Transactions, the Remaining Party shall take such actions as are required in respect of such New Transactions to replenish or replace the New LC.
- (c) In the event that the Remaining Party has provided cash or cash-equivalent collateral (such as treasury securities) to the Transferor or the Transferor has received and holds any cash drawn on an Old LC, in either case, in accordance with the Old Transactions, the following provisions shall apply:
- (i) Upon the request of the Transferee issued no later than five (5) Business Days before the Effective Time (which request may be included in the notice of the Effective Time issued under Section 1(a) above), the Transferor shall transfer such cash or cash-equivalent collateral to the Transferee free and clear of any lien or encumbrance.
 - (ii) To the extent the Effective Time does not occur as a result of a cancellation of the notice related thereto under Section 1(b), the Transferee shall promptly return such cash or cash-equivalent collateral to the Transferor.
 - (iii) The Transferee shall, after the Effective Time, apply any amount of cash or cash-equivalent collateral held by the Transferee to make payment to the Transferor in respect of the Excluded Liabilities to the extent that the Remaining Party has paid such amounts to the Transferee. To the extent any such application reduces the amount of cash or cash-equivalent collateral posted to the Transferee below what is required in respect of the New Transactions, the Remaining Party shall take such actions as are required in respect of such New Transactions to post additional cash or cash-equivalent collateral to the Transferee.
- (d) With respect to any guarantees, letters of credit, cash or other credit support provided by the Transferor in respect of the Old Transactions, the Remaining Party agrees to release and return such credit support pursuant to terms governing the Old Transactions; provided, however, that in the absence of express terms therein such credit support shall be returned promptly upon the Transferor's payment of all amounts due in respect of Excluded Liabilities.
- (e) To the extent any provisions of the New Transactions (or any master agreement, credit support document or other document in respect thereto) or the Old Transactions (or any master agreement, credit support document or other document in respect thereto) are inconsistent with the provisions of

this Section 3, such provisions shall be deemed amended to the extent necessary to reflect the provisions of this Section 3.

For purposes of this Section 3, "Business Day" means a day other than a Saturday, Sunday or a statutory holiday in either the Province of Alberta or the State of New York or any other day on which the banks located in either the City of Calgary, Alberta or the City of New York, New York are not open for business during normal banking hours.

4. Representations, Warranties and Covenants.

- (a) On the date of this Novation Agreement and on each Effective Time:
- (i) the Transferor represents and warrants (x) that its novation of its right, title and interest in and to the Old Transactions is free and clear of any security interests, pledges, hypothecations, mortgages, deeds of trust, liens (including any environmental or tax liens), violations, charges, leases, adverse claims, options, restrictions of any kind (whether on sale, transfer, disposition or otherwise), license or other encumbrances, whether imposed by law, agreement, understanding or otherwise (each, an "Encumbrance") whatsoever, and (y) that it has the power and authority to execute this Novation Agreement and to effect the sale, novation and transfer of all the rights, liabilities, duties and obligations of the Transferor under the Old Transactions to Transferee;
 - (ii) the Transferee (x) represents and warrants that it has the power and authority to execute this Novation Agreement and to accept the sale, novation and transfer of all the rights, liabilities, duties and obligations of the Transferor under the Old Transactions, (y) agrees to be bound by the terms of each New Transaction and to perform all of the obligations thereunder in accordance with the terms thereof, and (z) agrees that it shall provide written notice to Remaining Party of the Effective Time promptly following the closing date under the Purchase Agreement; and
 - (iii) each of the Transferor and the Remaining Party represents and warrants to each other and to the Transferee that:
 - (A) it has made no prior transfer (whether by way of security or otherwise) of the Old Transactions or any interest or obligation in or under the Old Transactions or in respect of any Old Transaction; and
 - (B) as of the Effective Time, all obligations of the Transferor and the Remaining Party under each Old Transaction required to be performed on or before the Effective Time have been fulfilled.
- (b) The Transferor makes no representation or warranty and does not assume any responsibility with respect to the legality, validity, effectiveness, adequacy or enforceability of any New Transaction or the New Agreement or any documents relating thereto and assumes no responsibility for the condition, financial or otherwise, of the Remaining Party, the Transferee or any other person or for the performance and observance by the Remaining Party, the Transferee or any other person of any of its obligations under any New Transaction or the New Agreement or any document relating thereto and any and all such conditions and warranties, whether express or implied by law or otherwise, are hereby excluded.
- (c) Each Party hereto represents to the other Parties that (i) its obligations hereunder and, as to the Remaining Party and the Transferee, under the New Transactions are legal, valid and binding on it, and enforceable in accordance with their terms; and (ii) the person signing this Novation Agreement for such party is authorized and duly empowered to do so.

- (d) The Remaining Party hereby (i) consents to the disclosure of the Old Confirmations (and all documents related thereto) and any information regarding prospective transactions between the Remaining Party and the Transferor in connection with the Transferor's sale process for its natural gas trading and marketing business and releases the Transferor from any claims or liability which may have arisen from such disclosure, (ii) consents to the foregoing sale, novation and transfer from Transferor to Transferee, and (iii) agrees to be bound by the terms of each New Transaction and to perform all of the obligations thereunder in accordance with the terms thereof.
- (e) The Remaining Party acknowledges that the Transferor and Transferee intend for each Old Transaction identified on Appendix A and, to the extent the Transferee provides its prior approval, any prospective transaction between the Remaining Party and the Transferor that is executed prior to the Effective Time be deemed to be New Transactions in accordance with this Novation Agreement. The Remaining Party hereby consents to any amendment of Appendix A to reflect the addition of any New Transactions included in any notice thereof from the Transferor and the Transferee to the Remaining Party.
- (f) In the event the Transferee receives payments due to the Transferor with respect to the Old Transactions, or the Transferor receives payments due to the Transferee with respect to the New Agreement, then the Transferee or the Transferor; as applicable, shall hold such payments in trust for the proper party and promptly re-deliver such payments to such Party.

5. Tax Provisions.

The Remaining Party shall provide United States Internal Revenue Service Form W-9, Form W-8BEN (with parts I, II & IV fully completed) or Form W-8ECI or Form W-8IMY (with attached Form W-9 and/or Form W-8BEN) (as applicable), or any successor form, to Transferee (i) promptly upon execution of this Novation Agreement, (ii) promptly upon reasonable demand by Transferee, and (iii) promptly upon learning that any such form previously provided by the Remaining Party has become obsolete, incorrect or ineffective.

6. Delivery of Financial Statements by Transferor.

The Remaining Party hereby acknowledges and agrees that any obligation by Transferor to deliver financial statements under the New Transaction shall be satisfied, and the Remaining Party shall have no further right to request such other information, to the extent the Transferee's or The Goldman Sachs Group, Inc.'s financial statements are available at www.sec.gov/edgar.

7. Notices.

Any notice or other communication required or permitted to be given hereunder may be transmitted by mail or electronic mail to the addresses below:

Transferee's e-mail address:



Remaining Party's address:

PO Box 97034 PSE 11N
Bellevue, WA 98009-9737

8. Counterparts.

This Novation Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

9. Costs and Expenses.

The parties will each pay their own costs and expenses (including legal fees) incurred in connection with this Novation Agreement and as a result of the negotiation, preparation and execution of this Novation Agreement.

10. Amendments.

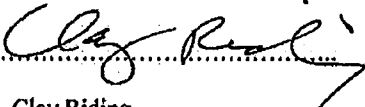
No amendment, modification or waiver in respect of this Novation Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

11. Governing Law.

This Novation Agreement will be governed by and construed in accordance with the laws of the jurisdiction of the Province of Alberta, without reference to the conflict of laws provisions thereof.


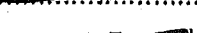


IN WITNESS WHEREOF the parties have executed this Novation Agreement on the respective dates specified below with effect from and including the Effective Time.





PUGET SOUND ENERGY INC.
(Name of Remaining Party)

By: 



Name: Clay Riding
Title: Director, Natural Gas Resources
Date: June 18, 2010


(Name of Transferor)

By: 
Name: 
Title: 
Date: 

By: 
Name: 
Title: 
Date: 


(Name of Transferee)

By: 
Name: 
Title: 
Date: 

APPENDIX A

Attached to and forming part of that certain Novation of Marketing and Trading Contract and Trading Transactions and Consent Agreement among [REDACTED] as the Transferor and [REDACTED] as the Transferee, and the Remaining Party.

Remaining Party:

Puget Sound Energy Inc.

said Contract:

NAESB between [REDACTED] and Puget Sound Energy Inc. dated August 1, 2004 and any amendments thereto

APPENDIX A (Old Transactions)

Attached to and forming part of that certain Novation of Marketing and Trading Contract and Trading Transactions and Consent Agreement between [REDACTED] as the Transferor and [REDACTED] as the Transferee, and Puget Sound Energy Inc. as the Remaining Party.

Physical Natural Gas Purchase and Sale Transactions:

Trade Date	Start Date	End Date	Month Buy or Sell	Volume	Unit of Measure	Location (Delivery Point)	Price/Basis	Index	Currency	Confirming Party
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	USD	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	USD	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	USD	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	USD	[REDACTED]