

MIST STORAGE SERVICE OPERATING STATEMENT

SECTION 1. Introductory Statement

This Operating Statement describes how Northwest Natural Gas Company (d/b/a NW Natural), a natural gas distribution company, shall provide firm ("Firm"), modified firm ("Modified Firm") and interruptible ("Interruptible") storage and related transportation services pursuant to Section 284.224 of the Federal Energy Regulatory Commission's (hereafter "FERC" or "Commission") rules and regulations, 18 C.F.R. § 284.224. NW Natural reserves the right not to offer or commence service or to discontinue any Interruptible service when, in NW Natural's judgment, any impairment of its firm services, including its ability to use storage to support firm services and gas purchases for firm services, would or may result. NW Natural also reserves the right to file to modify this Operating Statement as deemed necessary and appropriate from time to time.

SECTION 2. Definitions

- 2.1 "Agreement" means the terms of this Operating Statement as such may be amended and supplemented from time to time together with the applicable Service Agreement (including all Exhibits). All references to interstate "Storage Services" refer to storage and related transportation on NW Natural's distribution system.
- 2.2 "Authorized Overrun Quantities" shall mean a quantity of Gas in excess of Customer's Maximum Daily Injection or Withdrawal Quantity which Owner agrees, in its judgment, to inject or withdraw for Customer on any Day, pursuant to Section 6.
- 2.3 "Customer" shall mean any eligible Party who contracts for any of the Storage Services offered by Owner pursuant to this Operating Statement and applicable Service Agreement.
- 2.4 "Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 AM (Central Clock Time) including Saturdays, Sundays and Federal banking holidays, except that in the event that an obligation falls due on a Saturday, Sunday or United States Federal banking holiday the obligation shall be due on the next business Day with said business Day meaning any Day except Saturday, Sunday or Federal banking holidays.
- 2.5 "Delivery Point(s)" shall mean the point(s) where Owner shall provide, to Customer, Gas withdrawn from Mist, as specified in Section 8 and in the Service Agreement.

- 2.6 "Dth" shall mean a unit of heating value equal to 10 therms or one million Btus (1 MMBtu).
- 2.7 "Force Majeure" means an event of force majeure as specified in Section 12.
- 2.8 "Gas" means natural gas of a quality at least equal to the quality specified in Section 9.
- 2.9 "Maximum Daily Injection Quantity" or "MDIQ" means the maximum quantity of Gas, specified in the Service Agreement, which Customer is entitled to inject into Mist on any Day. Unless otherwise agreed by Owner, the MDIQ will be 40% of the MDWQ contracted for.
- 2.10 "Maximum Daily Withdrawal Quantity" or "MDWQ" means the maximum quantity of Gas, specified in the Service Agreement, which Customer is entitled to withdraw from Mist on any Day.
- 2.11 "Maximum Storage Capacity" or "MSC" means the maximum quantity of Gas which Customer is entitled to store at Mist at any given time.
- 2.12 "Mist" means the underground natural gas storage facilities constructed and operated by Owner located in Columbia County, Oregon, near the town of Mist.
- 2.13 "Month" means a period beginning at 9:00 AM Central Clock Time on the first Day of the calendar Month and ending at 9:00 AM Central Clock Time on the first day of the following Month.
- 2.14 "NAESB" means North American Energy Standards Board.
- 2.15 "Owner" means NW Natural.
- 2.16 "Party" means Owner or Customer.
- 2.17 "Receipt Point(s)" means the point(s) where Customer shall provide Gas to Owner for injection into Mist, as specified in Section 8 and in the Service Agreement.
- 2.18 "Requesting Party" means any person, including existing Customers, that makes a request to Owner for new or additional Storage Service under this Operating Statement.
- 2.19 "Storage Account" shall mean, for accounting purposes, the account maintained by Owner into which Customer nominates Gas for injection or from which Customer nominates Gas for withdrawal under a Service Agreement. The Storage Account may not have a negative balance.

- 2.20 "Storage Service" means interstate natural Gas storage and related transportation services on Owner's local distribution system. Specifically, the injection, storage and withdrawal of Gas from Mist, related transportation, and any ancillary activities as may be provided to Customer by Owner pursuant to Owner's FERC certificate issued under 18 C.F.R. § 284.224, the terms of this Operating Statement, and an applicable Service Agreement with such Customer. Storage Service as used herein shall not include any services offered by Owner pursuant to the Tariffs approved by the Public Utility Commission of Oregon and the Washington Utilities and Transportation Commission.
- 2.21 "Title Transfer Point" shall mean the paper point at which a title transfer to Working Gas may occur as described in Section 7. For purposes of this Operating Statement such point is deemed to be Mist.
- 2.22 "Transporter" means any upstream or downstream third Party which provides services required to effectuate delivery /redelivery of Gas to/from Owner's system.
- 2.23 "Working Gas" means the actual quantity of working gas in storage for Customer's account at the beginning of any given Day.
- 2.24 Additional terms indicated by capitalization and utilized in this Operating Statement shall have the meaning ascribed to them where first utilized.

SECTION 3. Interstate Storage Services

3.1 Requests for Service and Creditworthiness.

- 3.1.1 A Requesting Party desiring Storage Service under this Operating Statement may make an oral or written request to Owner which includes information such as, but not limited to: (i) the exact legal name of the party requesting Storage Service; (ii) type of Storage Service requested; (iii) proposed Maximum Daily Injection and Withdrawal Quantities; (iv) proposed term of service; and (v) other necessary information, if any.
- 3.1.2 A Storage Service request shall not be valid and Owner shall not be required to grant any service request if: (i) Owner determines, based on its credit analysis, that the Requesting Party does not have sufficient credit or financial stability to Owner's satisfaction, as described in Section 3.2 below; (ii) the service requested would require the construction, modification, expansion or acquisition of any facilities; (iii) the service requested would not comply with this Operating Statement; (iv) for firm service requests, Owner lacks adequate injection/withdrawal or transportation capacity to provide the requested service; or (v) the service requested is at less than the applicable maximum rate; provided, however, that Owner may agree to provide service under this Operating Statement at less than the applicable maximum rate.

- 3.1.3 Owner shall consider the Storage Service request and contact the Requesting Party regarding whether it can provide such service and, if so, will provide the details according to which Owner is willing to provide such service. If Owner can provide some, but not all of the requested Storage Service, Owner will advise the Requesting Party of the maximum quantities that Owner would be able to accommodate. If more than one request for Firm Storage Service is received, then Owner shall tender Service Agreements in order of the highest Net Present Value proposed to be paid by such Requesting Parties. If Owner is unable to accept, in full, requests for Storage Service from Requesting Parties when they have proposed to pay the same rate, then Owner shall tender Service Agreements reflecting each Requesting Party's *pro rata* share of the capacity requested on such business Day.
- 3.1.4 Owner shall tender a Service Agreement to the Requesting Party upon Owner's acceptance of such Party's request for Storage Service. The Service Agreement shall be invalid unless signed by the Requesting Party and returned to Owner within thirty (30) days after Owner tenders such Service Agreement for execution.
- 3.2 Creditworthiness. As a condition of eligibility for Storage Service, a Requesting Party may be required to establish and provide proof, to Owner's satisfaction, of its creditworthiness. Owner shall be entitled to undertake such credit searches as it deems necessary and appropriate and to require that it receive sufficient information to establish that the potential Customer is creditworthy. Owner's determination regarding the results of its creditworthiness check will be communicated to the Requesting Party and must be resolved to Owner's satisfaction prior to the execution of any Service Agreement. If the Requesting Party is sufficiently creditworthy, no security shall be required. If a Requesting Party cannot establish that it is creditworthy, the creditworthiness requirements can nonetheless be satisfied by the posting of appropriate security acceptable to Owner, not to exceed the equivalent of three months of firm service reservation charges. The amount of security required shall be in the Owner's judgment, and may be based on the factors including, but not limited to, the potential Customer's asset base and financial strength and the level of Storage Service(s) requested.
- 3.3 Additional Security. Owner shall have the right to require a Customer to provide additional security as adequate assurance of performance within three (3) business Days of Owner's written demand therefor if Owner, in its judgment, has reasonable grounds for insecurity regarding Customer's ability to perform any of its obligations under an Agreement. For purposes of this provision, adequate assurance shall mean any financial security in a form and amount satisfactory to Owner, including, but not limited to, security deposits, irrevocable letters of credit, guarantees, or such other security acceptable to Owner. Owner may also

modify any and all security requirements based upon changes in Customer's financial condition or level of Storage Service(s). In addition to any and all other remedies available, Owner shall not be required to commence service, to continue to provide service under any Agreement, and may terminate any Agreement with a Customer that: (1) when requested by Owner to demonstrate creditworthiness fails to do so in Owner's reasonable judgment; (2) files a petition or otherwise commences, authorizes, or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (3) otherwise becomes bankrupt or insolvent (however evidenced); (4) makes an assignment or other general arrangement for the benefit of creditors; (5) is unable to pay its debts as they become due; or (6) defaults in a payment obligation.

All of Owner's creditworthiness review standards and requirements shall be imposed on a non-discriminatory basis. Security shall no longer be required where Owner deems that security is no longer needed or when the Customer is no longer receiving Storage Services from Owner.

SECTION 4. Firm Storage Service

- 4.1 Service Description. From time to time, subject to Owner having available capacity, Owner will offer Firm Storage Services (which includes interstate natural Gas storage and related transportation services on Owner's local distribution system) to Requesting Parties and/or Customers on a non-discriminatory basis. Such Requesting Parties or Customers must meet the eligibility requirements set forth herein and must execute a Service Agreement setting forth the essential terms for Storage Service. An Agreement for Firm Storage Service shall be for a term as set forth in the applicable Service Agreement. Firm Storage Service Working Gas, MDIQ, and MDWQ quantities will not be subject to curtailment, interruption, or discontinuance except as provided herein or in the Service Agreement. Subject to the other applicable provisions herein, a Customer may nominate to withdraw amounts up to the MDWQ and Owner will schedule such amounts on a firm basis until such Customer's Working Gas inventory falls below fifty percent (50%) of its Maximum Storage Capacity. In such an event, the level of withdrawals that a Customer can request on a firm basis will be less than the full MDWQ, and will be limited to the amount specified in the withdrawal table attached to Customer's Service Agreement. However, withdrawals above the firm amount in the table up to the full MDWQ in Customer's Service Agreement can be nominated by Customer and Owner will schedule such quantities on an as-available basis ahead of Interruptible Storage Services or Authorized Overrun Quantities, as provided for herein.
- 4.2 Rates and Charges. Rates for Firm Storage Services under this Operating Statement are set forth in the Statement of Currently-Effective rates. The rates

to be paid by Customer may be discounted by Owner but shall not exceed the applicable maximum rates approved by the Commission from time to time for Firm Storage Service. The rates for Firm Storage Service shall consist of: a monthly reservation charge per Dth, a monthly capacity charge per Dth, an authorized overrun service charge, a fuel-in-kind charge, and other applicable charges, as described below.

- 4.2.1 Monthly Deliverability Reservation Charge. A monthly charge, as set forth in the Service Agreement, shall apply for each Dth of Customer's Maximum Daily Withdrawal Quantity (MDWQ).
- 4.2.2 Monthly Capacity Charge. A monthly charge, as set forth in the Service Agreement, shall apply for each Dth of Customer's Maximum Storage Capacity (MSC).
- 4.2.3 Fuel-in-Kind Charge. Customers shall pay a fuel-in-kind charge for each Dth of Gas injected by Owner for Customer's MDIQ on each Day of a given Month.
- 4.2.4 Authorized Overrun Service Charge. A charge, as set forth in the Service Agreement, may apply for each Dth of Gas withdrawn in excess of Customer's MDWQ or injected in excess of Customer's MDIQ on each Day of a given Month.
- 4.2.5 Other Applicable Charges. Other applicable charges may apply as discussed in this Operating Statement in Section 10.2 regarding interest on any late payment amounts and, if applicable, such charges shall be set forth on the monthly invoice.
- 4.2.6 Service Charge Credit. If Owner fails to deliver or receive, other than as may be excused by Force Majeure, ninety-five percent (95%) or more of the aggregate Confirmed Daily Nominations (as hereinafter defined) of all Firm and Modified Firm Storage Service Customers for more than twenty-eight (28) Days in any given Contract Year, then for each Day during that Contract Year in excess of twenty-eight (28) Days that Owner so fails to deliver or receive (a "Credit Day"), Customer, as its sole remedy, shall be entitled to a Service Charge Credit calculated as set forth below.

For the purpose of this subsection 4.2.6, Confirmed Daily Nomination shall mean for any day, the lesser of (1) Customer's Maximum Daily Withdrawal Quantity (MDWQ)(as may be reduced by the provisions of Customer's Service Agreement) or Maximum Daily Injection Quantity (MDIQ), as applicable; (2) the quantity of Gas that the connecting downstream pipeline(s), local distribution company pipeline(s), or end-user(s) is/are capable of accepting for Customer's account at Customer's point(s) of primary delivery; or (3) Customer's nomination to Owner. Additionally, for

purposes of this subsection, Contract Year shall mean the 12 month period beginning with the commencement of Storage Service under a Firm Service Agreement and ending one day prior to the anniversary date of service commencement, and each subsequent 12 month period thereafter during the term of the Agreement.

The Service Charge Credit for each Credit Day for a particular Customer shall be computed as follows:

$$\begin{array}{rcl} \text{Service Charge} & A + B & C - D \\ \text{Credit for Each} & & \\ \text{Credit Day} & = \frac{\quad}{(30.41)} \times \frac{\quad}{(C)} \end{array}$$

where A = Customer's Monthly Reservation Charge (product of Reservation Charge per Dth and MDWQ)
 B = Customer's Monthly Capacity Charge (product of Capacity Charge per Dth and MSC)
 C = Customer's Confirmed Daily Nomination for the Credit Day
 D = Actual quantity of gas delivered or received by Owner for Customer's account for the Credit Day

At the anniversary date of a Customer's Contract Year, Owner will determine the applicable number of Days that performance fell below 95%, if any, and then determine if any Credit Days apply. If Credit Days are applicable to such Customer, Owner will calculate the Service Charge Credit and it will appear as a credit to the charges listed on such Customer's next regular monthly invoice for Storage Service.

4.3 Owner reserves the right to seek authorization from the Commission to increase, decrease, revise, restructure, or otherwise modify the maximum rates charged under this Operating Statement for Firm Storage Service, including the fuel charge, to assure Owner's right to charge and collect fair and equitable rates under the Commission's applicable rules and regulations. Nothing herein shall be construed to deny any Customer any rights that it may have under the Commission's rules and regulations to participate fully in rate or certificate proceedings to contest any proposed change in rates charged or this Operating Statement.

4.4 Injections and Withdrawals.

4.4.1 Maximum Storage Capacity. Customer's Maximum Storage Capacity ("MSC") shall be set forth in the Service Agreement.

4.4.2 Injections. Subject to Force Majeure or as otherwise provided for herein in Sections 8.9 (routine maintenance) and the scheduling and service priority provisions set forth in Section 8, Customer will be allowed to inject Gas owned by Customer into Mist on each Day on a firm basis in an amount that is confirmed by Owner up to Customer's Maximum Daily

Injection Quantity ("MDIQ"), as set forth in the Service Agreement, so long as injection of such quantities does not cause Customer to exceed its MSC. On any Day, Owner is not obligated to receive more than the MDIQ in a Firm Service Agreement.

- 4.4.3 Withdrawals. Subject to Force Majeure or as otherwise provided for herein in Sections 8.9 (routine maintenance) and the scheduling and service priority provisions set forth in Section 8, Customer will be allowed to withdraw Gas owned by Customer from Mist on each Day on a firm basis in an amount that is confirmed by Owner up to Customer's Maximum Daily Withdrawal Quantity ("MDWQ"), as set forth in the Service Agreement, so long as the withdrawal of such quantities does not cause Customer to incur a negative Working Gas balance; provided, however, that once a Firm Storage Service Customer's Working Gas inventory falls below fifty percent (50%) or less, then firm withdrawals will be limited to the amount specified in the withdrawal table attached to Customer's Service Agreement. The withdrawal of any amounts above such firm amount up to the MDWQ may be requested by Customer and will be accommodated by Owner on an as-available basis, and such quantities will be scheduled ahead of Interruptible Storage Services or Authorized Overrun Quantities. On any Day, Owner is not obligated to deliver more than the lesser of the MDWQ or the firm amount specified in the withdrawal table in a Firm Service Agreement.
- 4.4.4 Authorized Overrun Quantities. If, within the judgment of Owner, operating conditions permit and Customer will neither exceed its Maximum Storage Capacity nor incur a negative Working Gas balance, Owner may authorize Customer to inject or withdraw quantities in excess of Customer's MDIQ or MDWQ amounts. Such Authorized Overrun Quantities shall have the lowest priority of any storage service offered by Owner.
- 4.5 Title Transfer. In accordance with any applicable terms in the Service Agreement, Firm Storage Service Customers may request to transfer Working Gas quantities to another Customer or to Owner. Such transfers will be accomplished through the title transfer provisions in Section 7.
- 4.6 Storage Balance at Service Agreement Expiration or Termination. Customer shall be responsible for the withdrawal of all of its positive Firm storage balance in its Storage Account: (i) on or before sixty (60) Days after the date upon which any applicable Service Agreement expires by its own terms; or (ii) on or before thirty (30) Days after the date of termination; provided that during such grace periods following expiration or termination, Customer shall pay Owner the maximum rates specified in the Statement of Currently Effective Rates for the additional Storage Service notwithstanding any previously mutually agreed upon discount. Such withdrawals shall be made at withdrawal rates that are mutually

agreed upon between Owner and Customer subject to operating conditions at Mist. If Customer fails to remove its positive storage balance by the end of such grace period and Customer does not enter into a new Firm Storage Service Agreement, then Owner shall purchase from Customer the Gas in Customer's Storage Account, free and clear of any adverse claims, at a price equal to fifty percent (50%) of the price set forth in the Canadian Gas Price Reporter, ICE NGX Monthly Indices Report under the heading "ICE NGX AB-NIT Month Ahead & Bidweek" "ICE NGX AB-NIT Month Ahead (7A)," in US\$/MMBtu, that is applicable for the month in which the Gas purchase takes place; provided, however, that if Customer's failure to remove the Gas during such grace period is due to Owner's inability to confirm the nomination (up to the applicable Firm MDWQ), then Customer shall be entitled to additional time at no additional charge to complete the withdrawal equal to the number of days Customer was prevented from withdrawing.

SECTION 5. Modified Firm Storage Service

- 5.1 Service Description. From time to time, subject to Owner having available capacity, Owner will offer Modified Firm Storage Services (which includes interstate natural Gas storage and related transportation services on Owner's local distribution system) to Requesting Parties and/or Customers on a non-discriminatory basis. Such Requesting Parties or Customers must meet the eligibility requirements set forth herein and must execute a Service Agreement setting forth the essential terms for Storage Service. An Agreement for Modified Firm Storage Service shall be for a term as set forth in the applicable Service Agreement. Modified Firm Storage Service Working Gas, MDIQ, and MDWQ quantities will not be subject to curtailment, interruption, or discontinuance except for the potential to cut the MDWQ (in whole or in part) for a limited number of days as provided in the Modified Firm Service Agreement, not to exceed 15 days during any winter reliability period as described below. Subject to the other applicable provisions herein, a Customer may nominate to withdraw amounts up to the MDWQ and Owner will schedule such amounts on a Firm basis until such Customer's Working Gas inventory falls below fifty percent (50%) of its Maximum Storage Capacity. In such an event, the level of withdrawals that a Customer can request on a Firm basis will be less than the full MDWQ, and will be limited to the amount specified in the withdrawal table attached to Customer's Service Agreement. However, withdrawals above the Firm amount in the table up to the full MDWQ in Customer's Service Agreement can be nominated by Customer and Owner will schedule such quantities on an as-available basis ahead of Interruptible Storage Services or Authorized Overrun Quantities, as provided for herein.

Under this Modified Firm Storage Service, Owner will have the right to cut Customer MDWQ during the winter reliability period, measured from November 1st to March 31st, if Owner determines such cut is needed for reliability reasons and provided notice of such cut is given by one hour prior to the timely NAESB

nomination cycle deadline. In the event that Owner must otherwise cut multiple Customers' Modified Firm Storage Service but can offer such Customers limited withdrawals, such limited service will be restricted on a *pro rata* basis based on each Customer's applicable MDWQ using the NAESB "elapsed pro rata" methodology.

- 5.2 Rates and Charges. Rates for Modified Firm Storage Services under this Operating Statement are set forth in the Statement of Currently-Effective rates. Maximum Modified Firm Storage Service rates are not to exceed Firm maximum rates, discounted by a factor of 151 minus the number of days of a potential cut to Customer's MDWQ (15) and divided by 151. The rates to be paid by Customer may be discounted further than this maximum rate calculation by Owner but shall not exceed this maximum rate calculation, which factors in maximum Firm rates approved by the Commission from time to time for Firm Storage Service. The rates for Modified Firm Storage Service shall consist of: a monthly reservation charge per Dth, a monthly capacity charge per Dth, a non-discounted authorized overrun service charge, a non-discountable fuel-in-kind charge, and other applicable charges, as described below.
- 5.2.1 Monthly Deliverability Reservation Charge. A monthly charge, as set forth in the Service Agreement, shall apply for each Dth of Customer's Maximum Daily Withdrawal Quantity (MDWQ).
- 5.2.2 Monthly Capacity Charge. A monthly charge, as set forth in the Service Agreement, shall apply for each Dth of Customer's Maximum Storage Capacity (MSC).
- 5.2.3 Fuel-in-Kind Charge. Customers shall pay a fuel-in-kind charge for each Dth of Gas injected by Owner for Customer's MDIQ on each Day of a given Month.
- 5.2.4 Authorized Overrun Service Charge. A charge, as set forth in the Service Agreement, may apply for each Dth of Gas withdrawn in excess of Customer's MDWQ or injected in excess of Customer's MDIQ on each Day of a given Month.
- 5.2.5 Other Applicable Charges. Other applicable charges may apply as discussed in this Operating Statement in Section 10.2 regarding interest on any late payment amounts and, if applicable, such charges shall be set forth on the monthly invoice.
- 5.2.6 Service Charge Credit. If Owner fails to deliver or receive, other than as may be excused by Force Majeure, ninety-five percent (95%) or more of the aggregate Confirmed Daily Nominations (as hereinafter defined) of all Firm and Modified Firm Storage Service Customers for more than twenty-eight (28) Days in any given Contract Year, then for each Day during that

Contract Year in excess of twenty-eight (28) Days that Owner so fails to deliver or receive (a "Credit Day"), Customer, as its sole remedy, shall be entitled to a Service Charge Credit calculated as set forth below.

For the purpose of this subsection 5.2.6, Confirmed Daily Nomination shall mean for any day, the lesser of (1) Customer's Maximum Daily Withdrawal Quantity (MDWQ) (as may be reduced by the provisions of Customer's Service Agreement) or Maximum Daily Injection Quantity (MDIQ), as applicable; (2) the quantity of Gas that the connecting downstream pipeline(s), local distribution company pipeline(s), or end-user(s) is/are capable of accepting for Customer's account at Customer's point(s) of primary delivery; or (3) Customer's nomination to Owner (so long as such MDWQ has not otherwise been cut pursuant to Section 5.1 during the winter reliability period). Additionally, for purposes of this subsection, Contract Year shall mean the 12 month period beginning with the commencement of Storage Service under a Modified Firm Service Agreement and ending one day prior to the anniversary date of service commencement, and each subsequent 12 month period thereafter during the term of the Agreement.

The Service Charge Credit for each Credit Day for a particular Customer shall be computed as follows:

$$\begin{array}{rcl} \text{Service Charge} & A + B & C - D \\ \text{Credit for Each} & & \\ \text{Credit Day} & = \frac{\quad}{(30.41)} \times \frac{\quad}{(C)} \end{array}$$

where A = Customer's Monthly Reservation Charge (product of Reservation Charge per Dth and MDWQ)

B = Customer's Monthly Capacity Charge (product of Capacity Charge per Dth and MSC)

C = Customer's Confirmed Daily Nomination for the Credit Day

D = Actual quantity of gas delivered or received by Owner for Customer's account for the Credit Day

At the anniversary date of a Customer's Contract Year, Owner will determine the applicable number of Days that performance fell below 95%, if any, and then determine if any Credit Days apply. If Credit Days are applicable to such Customer, Owner will calculate the Service Charge Credit and it will appear as a credit to the charges listed on such Customer's next regular monthly invoice for Storage Service.

- 5.3 Owner reserves the right to seek authorization from the Commission to increase, decrease, revise, restructure, or otherwise modify the maximum rates charged under this Operating Statement for Modified Firm Storage Service, including the fuel charge, to assure Owner's right to charge and collect fair and equitable rates under the Commission's applicable rules and regulations. Nothing herein shall be construed to deny any Customer any rights that it may have under the

Commission's rules and regulations to participate fully in rate or certificate proceedings to contest any proposed change in rates charged or this Operating Statement.

5.4 Injections and Withdrawals.

5.4.1 Maximum Storage Capacity. Customer's Maximum Storage Capacity ("MSC") shall be set forth in the Service Agreement.

5.4.2 Injections. Subject to Force Majeure or as otherwise provided for herein in Sections 8.9 (routine maintenance) and the scheduling and service priority provisions set forth in Section 8, Customer will be allowed to inject Gas owned by Customer into Mist on each Day on a Firm basis in an amount that is confirmed by Owner up to Customer's Maximum Daily Injection Quantity ("MDIQ"), as set forth in the Service Agreement, so long as injection of such quantities does not cause Customer to exceed its MSC. On any Day, Owner is not obligated to receive more than the MDIQ in a Modified Firm Service Agreement.

5.4.3 Withdrawals. Subject to the limited interruption provisions described in Section 5.1 or Force Majeure or as otherwise provided for herein in Sections 8.9 (routine maintenance) and the scheduling and service priority provisions set forth in Section 8, Customer will be allowed to withdraw Gas owned by Customer from Mist on each Day on a Firm basis in an amount that is confirmed by Owner up to Customer's Maximum Daily Withdrawal Quantity ("MDWQ"), as set forth in the Service Agreement, so long as the withdrawal of such quantities does not cause Customer to incur a negative Working Gas balance; provided, however, that once a Modified Firm Storage Service Customer's Working Gas inventory falls below fifty percent (50%) or less, then Firm withdrawals will be limited to the amount specified in the withdrawal table attached to Customer's Service Agreement. The withdrawal of any amounts above such Firm amount up to the MDWQ may be requested by Customer and will be accommodated by Owner on an as-available basis, and such quantities will be scheduled ahead of Interruptible Storage Services or Authorized Overrun Quantities. On any Day, Owner is not obligated to deliver more than the lesser of the MDWQ or the Firm amount specified in the withdrawal table in a Modified Firm Service Agreement.

5.4.4 Authorized Overrun Quantities. If, within the judgment of Owner, operating conditions permit and Customer will neither exceed its Maximum Storage Capacity nor incur a negative Working Gas balance, Owner may authorize Customer to inject or withdraw quantities in excess of Customer's MDIQ or MDWQ amounts. Such Authorized Overrun Quantities shall have the lowest priority of any storage service offered by Owner.

- 5.5 Title Transfer. In accordance with any applicable terms in the Service Agreement, Modified Firm Storage Service Customers may request to transfer Working Gas quantities to another Customer or to Owner. Such transfers will be accomplished through the title transfer provisions in Section 7.
- 5.6 Storage Balance at Service Agreement Expiration or Termination. Customer shall be responsible for the withdrawal of all of its positive Modified Firm storage balance in its Storage Account: (i) on or before sixty (60) Days after the date upon which any applicable Service Agreement expires by its own terms; or (ii) on or before thirty (30) Days after the date of termination; provided that during such grace periods following expiration or termination, Customer shall pay Owner the maximum rates specified in the Statement of Currently Effective Rates for the additional Storage Service notwithstanding any previously mutually agreed upon discount. Such withdrawals shall be made at withdrawal rates that are mutually agreed upon between Owner and Customer subject to operating conditions at Mist. If Customer fails to remove its positive storage balance by the end of such grace period and Customer does not enter into a new Firm or Modified Storage Service Agreement, then Owner shall purchase from Customer the Gas in Customer's Storage Account, free and clear of any adverse claims, at a price equal to fifty percent (50%) of the price set forth in the Canadian Gas Price Reporter, ICE NGX Monthly Indices Report under the heading "ICE NGX AB-NIT Month Ahead & Bidweek" "ICE NGX AB-NIT Month Ahead (7A)," in US\$/MMBtu, that is applicable for the month in which the Gas purchase takes place; provided, however, that if Customer's failure to remove the Gas during such grace period is due to Owner's inability to confirm the nomination (up to the applicable Firm MDWQ), then Customer shall be entitled to additional time at no additional charge to complete the withdrawal equal to the number of days Customer was prevented from withdrawing.

SECTION 5. Interruptible Storage Service

- 6.1 Service Description. From time to time, subject to Owner having available capacity, Owner will offer Interruptible Storage Services (which includes interstate natural Gas storage and related transportation services on Owner's local distribution system) to Requesting Parties and/or Customers on a non-discriminatory basis. Such Requesting Parties or Customer must meet the eligibility requirements set forth herein and must execute a Service Agreement setting forth the essential terms of the Storage Service. Interruptible Storage Service will be subject to curtailment, interruption, and discontinuance at any time for any reason whether or not caused by an event of Force Majeure. Requesting Parties or Customers may request such Interruptible Storage Service at any time, however, Owner shall have no obligation to provide said service.

- 6.2 Rates and Charges. Rates for Interruptible Storage Services are set forth in the Statement of Currently-Effective Rates. The rates to be paid by Customer may be discounted by Owner but shall not exceed the applicable maximum rate approved by the Commission from time to time for Interruptible Storage Service. The rate for Interruptible Storage Service shall consist of: an inventory charge, a fuel-in-kind charge, an authorized overrun charge, and other applicable charges, as described below.
- 6.2.1 Working Gas Inventory Charge. A charge, as set forth in the Service Agreement, shall apply per Dth of Gas accounted for by Owner as interruptible Working Gas inventory within Customer's Storage Account on each Day during a given Month.
- 6.2.2 Fuel-in-Kind Charge. Customers shall pay a fuel-in-kind charge for each Dth of Gas injected by Owner for Customer's account during a given Month.
- 6.2.3 Authorized Overrun Service Charge. A charge, as set forth in the Service Agreement, may apply for each Dth of Gas withdrawn in excess of Customer's MDWQ or injected in excess of Customer's MDIQ on each Day of a given Month.
- 6.2.4 Other Applicable Charges. Other applicable charges may apply as discussed in this Operating Statement in Section 10.2 regarding interest on any late payment amounts and, if applicable, such charges shall be set forth on the monthly invoice.
- 6.3 Owner reserves the right to seek authorization from the Commission to increase, decrease, revise, restructure, or otherwise modify the maximum rates charged under this Operating Statement for Interruptible Storage Service, including the fuel charge, to assure Owner's right to charge and collect fair and equitable rates under the Commission's applicable rules and regulations. Nothing herein shall be construed to deny any Customer any rights that it may have under the Commission's rules and regulations to participate fully in rate or certificate proceedings to contest any proposed change in rates charged or this Operating Statement.
- 6.4 Injections and Withdrawals.
- 6.4.1 Establishment of Storage Account. Owner shall establish a Storage Account for each Customer using this service which reflects the interruptible Working Gas inventory up to the Maximum Storage Capacity set forth in the Service Agreement. Whenever Owner receives interruptible quantities from, or delivers interruptible quantities to, a Customer, Owner will adjust the Customer's Storage Account, as appropriate, to reflect the new balance.

- 6.4.2 Injections. On an interruptible basis, and subject to the scheduling and confirmation process herein, Customer will be allowed to inject Gas owned by Customer into Mist on each Day in an amount up to Customer's Maximum Daily Injection Quantity (MDIQ), as set forth in the Service Agreement, so long as injection of such quantities does not cause Customer to exceed its MSC.
- 6.4.3 Withdrawals. On an interruptible basis, and subject to the scheduling and confirmation process herein, Customer will be allowed to withdraw Gas owned by Customer from Mist on each Day in an amount up to Customer's Maximum Daily Withdrawal Quantity (MDWQ), as set forth in the Service Agreement, so long as withdrawal of such quantities does not cause Customer to incur a negative Working Gas balance.
- 6.5 Authorized Overrun Quantities. If, within the judgment of Owner, operating conditions permit and Customer will neither exceed its Maximum Storage Capacity nor incur a negative Working Gas balance, Owner may authorize Customer to inject or withdraw quantities in excess of Customer's MDIQ or MDWQ amounts ("Authorized Overrun Quantities"). Authorized Overrun Quantities shall have the lowest priority of any Storage Service offered by Owner.
- 6.6 Title Transfer. In accordance with any applicable terms in the Service Agreement, Interruptible Storage Service Customers may request to transfer Working Gas quantities to another Customer or to Owner. Such transfers will be accomplished through the title transfer provisions in Section 7.
- 6.7 Interruption Notices. In the event that Owner determines, in its judgment, that some or all injections or withdrawals nominated under Interruptible Storage Service Agreements must be interrupted for any reason, including, but not limited to, in order to satisfy Owner's obligations to Firm Storage Service Customers, or that such interruption is otherwise necessary or is otherwise appropriate to avoid adverse impact on the operation of Owner's system, Owner will notify the Customer at least one (1) hour prior to the next applicable upstream pipeline nomination deadline. Interruption notices may be issued by Owner to Customer, by phone, or email.

If an interruption will require Customer to reduce its Working Gas inventory, the notice will be made by phone or email and will specify that, within seven (7) days of the date of the notice, Customer is required to reduce its Working Gas inventory existing on the day of the notice to the level specified by Owner in the notice.

Prior to the end of the seven day period (or any extension thereof), Owner may notify Customer that it has revised the required level applicable to Customer's

Working Gas inventory. If the new level is higher than that specified in the notice, the seven day period continues to apply to that portion of Customer's Working Gas inventory that is in excess of the revised level. If the revised level is lower than that specified in the notice, thus requiring additional Gas to be withdrawn, the seven day period applicable to the volume of Customer's Working Gas inventory in excess of the previously specified level is still valid, but a new seven day period will apply to the volume of Customer's Working Gas inventory that is in excess of the newly specified allowed level.

In the event that Customer fails to comply with the notice within the time period specified (or any applicable extensions), then Owner shall take title to all of Customer's Working Gas inventory in excess of the Working Gas inventory level specified by Owner, free and clear of all liens, encumbrances, and adverse claims.

- 6.8 Storage Balance at Service Agreement Expiration or Termination. Customer shall be responsible for the withdrawal of all of its positive interruptible storage balance in its Storage Account by the end of the Day upon which the Service Agreement expires or the termination date, if earlier. Such withdrawals shall be made at withdrawal rates that are mutually agreed upon between Owner and Customer subject to operating conditions at Mist. If Customer fails to do so, in addition to any other remedies available to it, Owner shall take title to any of Customer's positive interruptible storage balance remaining, free and clear of all liens, encumbrances, and adverse claims.
- 6.9 Low Balance Elimination. At any time, Owner may issue a notice requiring any Customer with an interruptible Storage Balance of less than 500 Dth to eliminate its existing interruptible Storage Balance within seven (7) Days. Such notice may be issued by Owner to Customer via email. If Customer fails to comply with this notice, Owner shall take title to any of Customer's positive interruptible storage balance remaining, free and clear of all liens, encumbrances, and adverse claims.

SECTION 7. Title Transfers

- 7.1 A Customer ("Transferor") may request that Owner transfer title to Working Gas quantities in Transferor's Storage Account to the Storage Account of another Customer or to Owner ("Transferee"). Subject to the provisions herein, Owner will document the change in Storage Account balances for the respective parties, but Transferor and Transferee will be responsible for any other Gas sale documentation that may be necessary to complete the title transfer transaction. The provisions in this Section 7, however, do not apply to any permanent assignment of all or any portion of a Customer's Service Agreement and in such an event, the provisions in Section 15 would apply.

- 7.2 Transferor shall nominate a title transfer no later than the nomination deadline in Section 8. The nomination request shall specify: (1) Transferor's Service Agreement number or type; (2) Transferee's name and Service Agreement number or type, if applicable; (3) quantity of Gas subject to the transfer; (4) Day on which the transfer is requested to occur; and (5) Mist as the Title Transfer Point. No later than the deadline specified in Section 8, Owner shall notify Transferor and Transferee if the title transfer request is authorized.
- 7.3 If Transferee is a Customer, the Transferee must meet Owner's credit requirements and must have an executed Service Agreement in place with Owner. Owner may reject a title transfer request if: (a) it would cause either Transferor or Transferee to violate any contract quantity limitations set forth in its Service Agreement; (b) Transferor or Transferee is not a Customer or Owner; or (c) Owner's credit requirements are not satisfied.
- 7.4 A title transfer shall be deemed to occur at the Title Transfer Point.
- 7.5 There shall be no charge for each title transfer authorized by Owner. However, Transferor and Transferee shall each be responsible for all applicable charges payable to Owner under each of their respective Service Agreements.

SECTION 8. Nominations, Scheduling and Service Priority

- 8.1 Daily Nomination Procedure. All nominations must be submitted to Owner's Gas Supply Department by email (preferred). The contact information for Owner is set forth in Owner's Interstate Storage Service Operating Policies and Procedures, which contains further details regarding nomination and scheduling not inconsistent with this Operating Statement and which document will be provided to each Customer, and such document may be updated from time to time. Oral nominations may be accepted, however, they must be emailed to Owner within a reasonable amount of time. Owner will acknowledge receipt of the nomination request by email reply.
- 8.2 Required Information. Each nomination request shall specify: (1) the Gas Day Customer desires to inject or withdraw; (2) the applicable Customer upstream or downstream transportation agreement number; (3) Receipt or Delivery Point, as mutually agreed upon by Owner; (4) net Dth requested at the receipt or delivery point; (5) contact name and phone number; and (6) any other data required by upstream transporters or Owner to complete the nomination process.
- 8.3 Deadline. All nomination requests must be received by Owner one (1) hour prior to the applicable NAESB nomination cycle deadlines for timely nominations, evening, intraday 1 (ID1), intraday 2 (ID2), and intraday 3 (ID3). Additionally, post ID3 nominations are available to Customers to the extent Owner and any applicable upstream transporter is able to accommodate such changes. If confirmed, any actual Gas flows on Owner's system for injections or withdrawals

will not begin until the time specified for gas flow under the NAESB guidelines for the next available processing cycle depending on when the nomination is received. Owner may, but is not required to, waive the one (1) hour requirement if, in its judgement, operating conditions permit such waiver.

- 8.4 Confirmation. Owner will notify Customer to confirm the nomination in advance of the applicable upstream pipeline's next effective nomination deadline based on when Customer's nomination is received by Owner. Owner's ability to confirm nominations will be determined based on its system operating ability for the Day consistent with the service priorities set forth herein. Unless otherwise agreed or as limited by system operating constraints, all confirmed volumes will be delivered by Customer, or redelivered by Owner, at a uniform hourly rate of confirmed daily quantity divided by twenty-four (24). Variance from the uniform hourly rate will be allowed by Owner if Owner determines that it would not be detrimental to the operation of Owner's storage and related transportation facilities or adversely affect Owner's other Customers. Owner must receive confirmation from Customer's upstream transporter prior to commencing any receipts or deliveries for Customer.
- 8.5 Receipt Point(s) and Delivery Point(s). Owner and Customer shall designate in the Service Agreement a list of the currently available Receipt Point(s) and Delivery Point(s) at mutually agreeable point(s) of interconnection between an interstate pipeline and Owner's facilities.
- 8.6 Customer Scheduling of Transportation. Customer shall be solely responsible for making all arrangements and paying for the transportation of the Gas to the Receipt Point(s) for injection into Mist, and for making all arrangements and paying for the transportation of Gas from the Delivery Point(s) for Gas withdrawn from Mist.
- 8.7 Other Transporter Charges. Customer shall be responsible for all penalties and charges assessed by an upstream or downstream Transporter which solely arise from Customer's failure to provide delivery or receive redelivery of the Gas quantities provided pursuant to the nomination process in this Section.
- 8.8 Service Priorities.
- 8.8.1 Firm Storage Service.
- (a) Firm Storage Service will have the highest priority and will be scheduled prior to all other Storage Services under this Operating Statement and in all instances, Firm Storage Service will have a superior priority to interruptible and authorized overrun Storage Services, but will have equal priority with the Firm storage service provided to Owner's local distribution customers. Any Modified Firm Storage Service that has been confirmed (i.e., no longer subject to any potential cut described in Section 5.1 above) will be

treated as Firm Storage Service for purposes of this Section 8.8. Once confirmed, nominations by firm Customers will not be bumped or reduced in full or in part by Owner due to a subsequent intraday firm nomination, unless Customer is changing its own prior nomination through an intraday nomination request. Firm Storage Service will have scheduling priority (or “bumping rights”) over previously scheduled as-available, interruptible, and Authorized Overrun classes of service, except that firm nominations will not bump previously scheduled lower classes of service after the ID3 nomination cycle. Firm service nominations received outside of the timely or evening nomination cycles may be prorated based on prior confirmation of other firm Customer’s as-available MDWQ requests.

- (b) In the event that Owner must restrict initial Firm Storage Service injection requests or previously scheduled and confirmed injection amounts for reasons allowed in this Operating Statement, such service will be restricted on a *pro rata* basis based on each Customer’s applicable MDIQ using the NAESB “elapsed pro-rata” methodology. In the event that Owner must restrict initial Firm Storage Service withdrawal requests or previously scheduled and confirmed withdrawal amounts for reasons allowed in this Operating Statement, such service will be restricted on a *pro rata* basis based on each Customer’s applicable MDWQ using the NAESB “elapsed pro rata” methodology. In the event that such action must be taken, Owner will notify Customers via phone, or email.
- (c) If firm customers must be pro-rated and any firm Customer has not made a timely nomination to schedule its pro rata share on any such Day, then the firm Customers that made timely nomination requests shall, to the extent practicable, be given the ability to inject or withdraw in amounts greater than their allocated pro-rata share, not to exceed such Customer’s MDIQ and MDWQ amounts set forth in their Service Agreements. These additional amounts will be identified by Owner and will be subject to bumping in later cycles except post ID3 by firm Customers then electing to receive their portion of the pro-rata share determined for them for that Gas Day. If there is available space in the post ID3 cycle, if requested by a Customer, Owner would schedule requests for firm Customers at that time.

8.8.2 As-Available MDWQ Quantities. This priority of service applies to the withdrawals by Firm Storage Service customers for amounts that represent the difference between the firm withdrawal amount that Owner can provide as specified in the withdrawal table attached to Customer’s

Service Agreement and Customer's full MDWQ. When applicable, Owner will determine if additional capability exists to confirm a requested nomination by a firm Customer above the firm amount specified in the withdrawal table and such nominations may bump previously confirmed interruptible and Authorized Overrun services. Owner will pro-rate all requests received in this level of service if needed based on Customer MDWQ totals. Once confirmed, service in this priority level can be bumped or reduced only by subsequently received firm requests, but it will not be bumped by subsequently received as-available service requests.

- 8.8.3 Interruptible Storage Service. Owner reserves the right not to offer or commence Storage Service or to discontinue any Interruptible Storage Service when, in Owner's judgment, any impairment of its Firm services or system operations, would or may result. All nomination requests by interruptible Customers will be subject to Owner's determination of its ability to provide the requested service at the requested time. Interruptible Storage Service may be bumped in a later nomination cycle by requests for service by firm and as-available MDWQ service. Such nominations are subject to a reduction to zero flow in the evening cycle, or to calculated volumes using the NAESB "elapsed pro rata" methodology. Bumping will occur to the maximum amount that can be accommodated by the applicable upstream transporter.
- 8.8.4 Authorized Overrun. Authorized Overrun service may be bumped by all higher priority levels of service, including interruptible.
- 8.8.5 Title Transfers. Title transfers will be scheduled in accordance with the provisions in Section 7.
- 8.8.6 Bumping Notices. In the event that bumping or restrictions are required, Owner will notify Customers of their revised confirmed amounts via email or phone call.
- 8.8.7 Nomination Changes. In the absence of a nomination, no changes or action will be taken by Owner with regard to a Customer's Storage Account.
- 8.9 Routine Maintenance. Owner shall have the right to interrupt, or discontinue Storage Service in whole or in part from time to time to perform routine repair and maintenance on Owner's system as necessary to maintain the operational capability of Owner's facilities or to comply with applicable regulatory requirements. Owner shall exercise due diligence to schedule routine repair and maintenance so as to minimize disruptions of service to Customers and shall provide reasonable advance notice of the same to Customers by email at least thirty (30) days in advance of the scheduled routine repair and maintenance. Upon request, Customers shall provide Owner with any information on their plans

to utilize Mist Storage Services during the scheduled routine repair and maintenance period and shall cooperate with Owner to minimize service disruptions. In any such disruption, quantities of Gas deliverable under Firm Storage Service Agreements shall take priority over quantities of Gas deliverable by Owner to Customers under Interruptible Storage Service Agreements. Notice of such interruptions or discontinuances shall be issued by Owner to Customer via email. Such interruptions or discontinuances shall in no way serve to alter the obligation(s) of Customer under any applicable Service Agreement.

SECTION 9. Gas Pressure, Quality, and Measurement

- 9.1 Gas Pressure. Owner shall redeliver Gas to Customer at pressures sufficient to enter the third party Transporter's facilities at the Delivery Point(s) against the operating pressures maintained by such transporter(s). Owner shall not be required to redeliver Gas at pressures in excess of those required by transporter(s) or in excess of transporter(s) maximum allowable operating pressure (MAOP). Customer shall deliver or cause to be delivered to Owner all Gas at the Receipt Point(s) at such pressures sufficient to enter Owner's system.
- 9.2 Quality. Gas delivered by or on behalf of the Customer to the Owner at the Receipt Point(s) shall conform to the third party Transporter's Gas quality standards. Gas redelivered by Owner to Customer at the Delivery Point(s) shall conform to the third party Transporter's quality standards.
- 9.3 Measurement. Measurement of Gas quantities hereunder shall be performed by Owner in accordance with standard gas industry practices as recommended by the American Gas Association and consistent with the established procedures of upstream Transporters.

SECTION 10. Billing and Payment

- 10.1 Monthly Statement. Owner shall render to Customer, on or before the fifteenth (15) Day of each Month, a statement which sets forth the charges owed by Customer to Owner for the preceding Month's Storage Service. The Statement will include (a) the applicable rate(s); (b) the quantities being billed at each rate; and (c) documentation sufficient to support the billed quantities.
- 10.2 Payment. Unless otherwise agreed, Customer shall pay by wire transfer in immediately available funds to Owner the full amount due to Owner under the statements rendered by Owner on or before the later of: (a) ten (10) calendar Days after Customer's receipt of same; or (b) the twenty-fifth (25th) Day of the issuing Month. If the Day for payment should fall upon a Saturday, Sunday or U.S. or Canadian banking holiday, then such payment shall be made on the next business Day. If Customer fails to pay such amounts when due, then interest shall accrue on all unpaid amounts from the date due until paid at a rate equal to

the lesser of the maximum lawful interest rate or the interest rate prescribed under FERC's rules and regulations.

- 10.3 Billing Adjustments. If an error is discovered by either Owner or Customer, in the amount billed in any statement rendered by Owner, the Owner shall use its best efforts to correct any such billing error within sixty (60) Days of the discovery of such error by Owner, if Owner discovers the error, or Owner's receipt of notification of such error from Customer, if the error is discovered by the Customer. If Customer, in good faith, disputes the amount of any such statement or any part thereof, Customer shall pay Owner such amount as it concedes to be correct pending resolution of the dispute; provided, however, if Customer disputes the amount due, Customer must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. If the disputed amount is subsequently found to correct, then Customer shall pay Owner such amount, together with any interest at the rate provided for in Section 10.2 above that accrued from the original due date of the payment. All statements shall be considered final, and any and all objections thereto shall be deemed waived, unless made in writing within twenty-four (24) months of Customer's receipt thereof. Nothing in this Section shall prevent Owner from terminating service to a Customer as provided for herein for non-payment of the undisputed amounts per statements rendered pursuant to Section 14.1. Further, nothing in this provision shall be construed to relieve Customer of its obligation to pay any required taxes not included in Owner's rates that is assessed by a taxing authority on Customer, including any taxes that may later be determined by a taxing authority to have been applicable to the Storage Service.

SECTION 11. Taxes and Other Fees

- 11.1 Import/Export. Customer hereby acknowledges and agrees that either it or its buyer or seller is the "importer/exporter of record" and it will comply with all requirements for reporting, obtaining permits, and submitting payment of duties, fees, and taxes to the United States, Canada, or agencies thereof to be made on the importation or exportation of natural gas. Customer agrees to indemnify and hold Owner harmless from any and all claims of damage or violation of any applicable law, ordinances and statutes which pertain to the importation/exportation of the Gas subject to this Operating Statement and which require reporting and/or filing of fees in connection with said import/export.

SECTION 12. Force Majeure

- 12.1 Except in regard to a Customer's obligation to make a payment that is due, neither of the Parties shall be liable in damages to the other if rendered unable, by reason of an event of force majeure, to perform, in whole or in part, any firm obligation set forth in this Operating Statement. The term force majeure as used herein shall mean: any causes or circumstances not due to the fault of the Party claiming force majeure beyond such Party's reasonable control, including acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections,

riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or pipelines, freeze-offs, water encroachment, unscheduled down-hole repairs, loss of well control, interruptions or failures of any upstream or downstream pipelines relied upon to effectuate any service under this Operating Statement, the binding order of any court or governmental authority having jurisdiction, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the Party claiming suspension and which by the exercise of due diligence such Party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the Party claiming suspension and shall be entirely within the discretion of the Party affected, and the requirement that any event of force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of those directly or indirectly involved in such strikes or lockouts when such course is inadvisable in the discretion of the Party having such difficulty. Force majeure shall not include: (i) instances where the Party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (ii) economic hardship.

- 12.2 Upon the occurrence of an event of force majeure, the Party affected shall give notice to the other Party including the particulars of the event as soon as practicable, by telephone followed by written confirmation. After the occurrence, the obligations of both Parties, except for unpaid financial obligations arising prior to such event, shall be suspended to the extent and for the period of such force majeure condition.

SECTION 13. Title and Possession

- 13.1 Title. Each Customer warrants that it has good title to all natural gas delivered to the Owner for storage, and that such Gas will be free and clear of all liens, encumbrances and claims whatsoever, and that it will indemnify the Owner and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses (including attorney's fees) arising from or out of adverse claims of any and all persons to said Gas.
- 13.2 Possession. As between Customer and Owner, Customer shall be in control and possession of the Gas prior to delivery to Owner for injection at the Receipt Point(s) and after redelivery at the Delivery Point(s), and shall indemnify and hold Owner harmless from any damage or injury caused thereby. Owner shall be in control and possession of the Gas after the delivery of the same for injection at the Receipt Point(s) and until redelivery by Owner to Customer at the Delivery Point(s), and shall indemnify and hold Customer harmless from any damage or injury caused thereby, except for damages and injuries caused by the sole negligence of Customer.

SECTION 14. Default

- 14.1 Termination for Default. Owner may terminate any Agreement if Customer fails to comply with, observe, perform, or shall default in any material respect with respect to any obligation under the Agreement, including, but not limited to, the failure to pay any undisputed invoices when due, except when such failure is excused by *force majeure* or attributable to Owner's wrongful act or failure to act. If Owner exercises its right to terminate, Owner shall give Customer written notice of the default and, Customer shall be given a period of thirty (30) Days from the date of such notice in which to cure the default. If such default cannot be reasonably cured within such thirty (30) Day period, Customer may request and Owner, in its judgment, may grant Customer additional time to cure the default, provided that Customer demonstrates to Owner's satisfaction that it is making or has made substantial efforts to effect such cure and is proceeding diligently to complete such cure. Effective as of the date of termination of the Agreement, all outstanding amounts for any Storage Services rendered by Owner prior to such date shall become final and immediately due and payable.
- 14.2 Withdrawal of Storage Account Balance. Customer shall be responsible for the withdrawal of all of its positive Storage Account balance on or before thirty (30) days after the termination date of any Service Agreement as described in the provisions for each specified service. If Customer fails to do so, Owner shall take title to any of Customer's positive Storage Account balance remaining at Mist as of the termination date, free and clear of all liens, encumbrances, and adverse claims.
- 14.3 Other Rights Preserved. The availability or exercise of the right to terminate an Agreement pursuant to this Section shall not limit the right of Owner to seek any other remedy available to it at law or in equity in the event of a Customer's default.

SECTION 15. Assignment

The Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the successors and permitted assigns of the Parties, except that Customer shall not assign any of its rights or obligations under an Agreement to another Customer without the prior written consent of Owner under such terms and conditions as Owner may require related to Owner's need to obtain any required credit assurance from the assignee per Section 3.2 herein, or as a condition of the consent, a provision ensuring that Owner receives the same revenue it would have otherwise received had the Agreement not been assigned. No assignment of the Agreement shall operate to release the assignor from any of its obligations under the Agreement unless consent to the release is given in writing by the other Party or such transfer is incident to a merger or consolidation with, or transfer of all or substantially all of the assets of the transferor to, another person or business entity which shall, as part of such succession, assume all the obligations of the transferor under the Agreement. The provisions of this Section

15, however, do not apply to a Customer that is retaining its Agreement, but is entering into a transfer of Working Gas quantities pursuant to the provisions in Section 7

SECTION 16. Notice

Any notice, demand, offer or other written instrument required or permitted to be given pursuant to the Agreement, except for those provisions in Owner's operating statement requiring otherwise, shall be in writing signed by the Party giving such notice and shall be hand delivered or sent by registered letter, overnight courier with a delivery confirmation receipt included to be signed by the addressee. Unless otherwise specifically provided in the Agreement, any written notice or other communication shall be sufficiently given or shall be deemed given on the third business Day following the date on which the same is mailed by registered or certified mail, postage prepaid, addressed:

(a) if delivered to Owner:

NW Natural
220 N.W. Second Avenue
Portland, OR 97209
Attn: Senior Director, Gas Supply

(b) if delivered to Customer:

As set forth in the Service Agreement

Each Party shall have the right to change the place to which notice shall be sent or delivered by similar notice or like manner to the other Party. The effective date of notice issued pursuant to this Agreement shall be the earlier of the date of addressee's receipt of such notice or the third business Day following the date on which the same is mailed by registered or certified mail, postage prepaid.

SECTION 17. Modifications of the Operating Statement

From time to time it may become necessary to update or revise this Operating Statement. At such time, Owner will serve on all Customers a copy of the proposed updates or revisions. Owner shall have the right to propose, file and make effective with the FERC, revisions to the Operating Statement for the purpose of changing the provisions thereof effective as to the Customer, except that the Owner shall have no right to alter the rates or charges for Storage Services rendered pursuant to an Agreement, except such alterations to the rates or charges that are specifically permitted pursuant to an Agreement. The filing of such applicable changes and revisions to the Operating Statement shall be without prejudice to the right of the Customer to contest or oppose the effectiveness of such filing.

SECTION 18. General Company Liability

IN NO EVENT SHALL OWNER OR CUSTOMER BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING OUT OF SERVICE PROVIDED UNDER THIS OPERATING STATEMENT.

SECTION 19. Regulatory Requirements

Any and all Storage Services under this Operating Statement must be interstate services eligible under, and shall be fully subject to, the applicable requirements of Section 284.224 of FERC's rules and regulations, as they may be revised from time to time.

SECTION 20. Miscellaneous Provisions

- 20.1 This Operating Statement and applicable Service Agreement(s) between the Parties set forth the entire integrated agreement of the Parties hereto with respect to the subject matter hereof and supersedes all other agreements, written or oral, relating to the subject matter hereof. In the event of conflicting terms in this Operating Statement and applicable Service Agreement, the terms of the Service Agreement shall prevail.
- 20.2 A waiver by either Party of any one or more defaults by the other in the performance of any provision of an Agreement shall not operate as a waiver of any future default or defaults, whether of a like or different character.
- 20.3 Any amendment, change, modification, or alteration of a Service Agreement shall be in writing and signed by both Parties to such agreement.
- 20.4 Any provision of this Agreement held to be unenforceable in any jurisdiction shall be, as to that jurisdiction only, ineffective only to the extent of such unenforceability, without affecting any other provision of this Agreement.
- 20.5 The captions and headings in this Operating Statement and in any Service Agreement are inserted for convenience of reference only and shall not affect the construction or interpretation of the Operating Statement or the Service Agreement.
- 20.6 There are no third party beneficiaries of any Agreement between the Parties, and the provisions of any Agreement do not impart enforceable rights to anyone who is not a party.
- 20.7 AGREEMENTS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF OREGON, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.
- 20.8 The terms of any particular Agreement shall be kept confidential by the Parties; provided, however, that this confidentiality provision does not apply to any

required disclosure to a regulatory body, governmental entity or agency having jurisdiction, including, but not limited to, routine reports and disclosures required by FERC, or disclosures to third parties subject to a written confidentiality agreement to keep the information confidential that are related to a merger or consolidation with, or the transfer of all or substantially all of the assets of a Party, regardless of whether or not such merger, consolidation or transfer actually occurs