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November 13, 2018

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

Re: Northwest Pipeline LLC
Docket No. RP19-_____
Supply Shortage Operational Flow Order Remedy

Dear Ms. Bose:

Pursuant to Part 154 of the regulations¹ of the Federal Energy Regulatory Commission (Commission or FERC), Northwest Pipeline LLC (Northwest) tenders for filing and acceptance the following tariff sheets as part of its FERC Gas Tariff, Fifth Revised Volume No. 1 (Tariff):

Third Revised Sheet No. 232-A
Fourth Revised Sheet No. 232-B
Fourth Revised Sheet No. 232-C
Third Revised Sheet No. 232-D

Fourth Revised Sheet No. 232-E
Fourth Revised Sheet No. 232-F
Second Revised Sheet No. 232-G

Statement of Nature, Reasons and Basis for the Filing

The purpose of this filing is to make changes to Northwest's Tariff to ensure that the remedies outlined under the Operational Flow Order (OFO) pursuant to General Terms and Conditions (GT&C) Section 14.15 are sufficient to resolve adverse operating conditions if there is a lack of supply on the opposite side of a constrained point when Northwest's facilities can be fully utilized, but there is insufficient displacement gas to meet the primary firm nomination requests.

Background

Northwest's system is designed with specific displacement assumptions, requiring that certain offsetting volumes must be scheduled to flow in one direction in order for customers shipping in the opposite direction to receive their contracted quantities. Northwest's Tariff contains operational remedies that are designed to reduce the primary firm scheduled quantities through a given constraint point to the greater of the physical design capacity or the posted operationally

¹ 18 C.F.R. Part 154 (2018).

available capacity in order for Northwest to meet its primary firm service commitments.² Section 14.15 (d) of the GT&C of the Tariff outlines the order of operational remedies that Northwest will follow in order to alleviate this type of adverse operating condition. These OFO operational remedies include requiring (1) a shipper with a Contract-specific OFO (CSOFO) to flow gas to the extent such flow will alleviate the adverse operating condition; (2) Realignment OFO Shippers with unutilized maximum daily quantities on the downstream side of the constraint point to realign to those points; and (3) Must-flow OFO Shippers to nominate their pro rata share of the displacement requirement through the given constraint point in order for Northwest to meet its primary firm service obligations.

On October 9, 2018, Enbridge Westcoast Energy Inc.'s (Enbridge) BC Pipeline experienced a rupture on its system.³ Northwest submitted to the Commission a Gas Supply interruption report pursuant to 18 C.F.R. Section 260.9(b), notifying the Commission of an interruption of gas supply on its system at its Sumas, Washington receipt point.⁴ As a result of the rupture on the Enbridge system, Northwest is only receiving a fraction (~300-500 MDth/d) of the 1,300 MDth/d design capacity at the Sumas receipt point. It is not known how long it will take to receive the pre-incident quantities.

Proposed Changes

Failure of Gas Supply

As a result of the recent events on Enbridge, Northwest is currently experiencing operating conditions under which shippers have limited access to supply on the opposite side of an OFO constraint point.⁵ Therefore, in order to maintain system reliability, it is crucial that Northwest add a new provision to GT&C Section 14.15 (d) in its Tariff that will apply when Northwest's current operational remedies are insufficient to provide the necessary displacement through an OFO constraint point due a lack of supply on the opposite side of a constrained point. It will also be necessary to correct inconsistencies in Northwest's existing provisions relating to the inability to secure a market and other failures of obtaining gas supply, as further discussed below.

Shippers who are subject to a CSOFO or Must-flow OFO are required to flow displacement gas through a given corridor. Under the procedures outlined in the Order of Operational Remedies (GT&C Section 14.15 (d)), there is no provision that requires CSOFO or Must-flow OFO shippers to nominate from their primary receipt or delivery points in order to comply with an

² An OFO will not be issued when Northwest's inability to meet firm transportation commitments is due to scheduled or unscheduled maintenance, force majeure, or the unavailability of facilities. *See* GT&C Section 14.15 (b) of the Tariff.

³ Enbridge's "Critical Notice" is available at the following link: https://noms.wei-pipeline.com/notices/ci_notice.show?id=50877.

⁴ Report was sent via email to pipelineoutage@ferc.gov to Pamela Boudreaux, Acting Director, Division of Pipeline Certificates on October 10, 2018.

⁵ An OFO was declared at Northwest's Roosevelt compressor station beginning on October 20, 2018, and is effective until further notice.

OFO. As a result, shippers can acquire gas supply at any point on the opposite side of a constraint point and nominate it to any market downstream of the constraint point utilizing alternate receipt and delivery points. The OFO operational remedies are specifically designed based on primary corridor rights to ensure that the OFOs provide the required displacement gas on a given day. In the general provisions at the end of the Order of Operational Remedies section, the Tariff further ensures that OFOs will provide the required displacement gas by allowing for nominations to be deemed confirmed, even if the downstream interconnecting party fails to confirm the nomination, and allowing such gas to be applied to the Shipper's imbalance. Since Northwest will accept gas supply and create an imbalance if any market can't be secured, the reference that limits this to a shipper's primary delivery point is unnecessary. Therefore, Northwest proposes to remove the primary delivery point limitation from the "deemed confirmed" provisions, since Northwest will accept the related supply if a customer can't find a market at any point, whether primary or secondary. Further, since this provision only applies to CSOFOs and Must-flow OFOs, Northwest is moving the provision from the general OFO provisions at the end of GT&C Section 14.15 (d) to the CSOFO and Must-flow OFO provisions in the Order of Operational Remedies section.

Inconsistent with a Shipper's OFO obligation to flow gas through a given constraint corridor, is a provision in GT&C Section 14.15 (f) that allows shippers to avoid OFO noncompliance penalties if they are unable to acquire supply from their "primary receipt point." To correct this inconsistency, Northwest proposes to remove the "primary receipt point" limitation for the following reasons:

- (1) shippers subject to a CSOFO or Must-flow OFO are required to flow gas through a given corridor, there is no reference in those sections to flowing gas from a primary receipt point to a primary delivery point;
- (2) since the OFO compliance occurs after the Timely nomination cycle, Commission policy doesn't allow Northwest to reserve or withhold receipt point capacity from shippers wanting to nominate alternate gas at a given point and pursuant to Section 12.1 of the GT&C of Northwest's Tariff, Timely nomination requests from a Shipper at secondary points have a higher priority than Intraday nomination requests from a Shipper at primary points;
- (3) not removing the limitation would result in operational problems (as illustrated below); and
- (4) not removing the limitation would result in the shifting of the OFO burden to parties that wouldn't otherwise have an OFO obligation.

By allowing shippers to avoid their OFO obligations (or penalty for noncompliance) because they chose not to nominate their primary receipt or delivery point rights in the Timely cycle, thus allowing their point rights to be utilized by other shippers on a secondary basis, would make the OFO remedies ineffective in providing the necessary displacement the system requires on a

given day. For example, assume Northwest had to issue a northbound OFO through a given constraint point on the southern part of its system requiring southbound shippers to have a pro rata share of the Must-flow OFO obligations. Further assume that one of the southbound Must-flow OFO shippers flexes out of path, allowing other secondary shippers to utilize the remaining capacity at that Must-flow OFO shipper's primary receipt point. If the Must-flow OFO shipper didn't have to comply with the OFO, simply because they chose to not utilize their primary receipt point rights in the Timely cycle, then the northbound primary firm nominations would exceed Northwest's physical design capacity or operationally available capacity for the day, since Northwest's OFO remedies don't allow for a further reallocation of the Must-flow OFO in subsequent cycles. This would cause greater harm to parties subject to Northwest's proposed OFO provision by shifting the CSOFO and Must-flow OFO burdens.

Again, since this provision only applies to CSOFOs and Must-flow OFOs, Northwest is moving the provision from the general OFO provisions to the specific CSOFO and Must-flow OFO provisions. In addition, Northwest is clarifying in its Tariff that shippers seeking to avoid non-compliance OFO penalties must provide an affidavit prior to the Intraday 1 cycle that they were unable to acquire gas supply for the gas day the OFO compliance is required.⁶

Section 14.15 (d) (iii), for Realignment OFOs, has a reference to designated primary receipt points that has no meaning. In the sentence where this reference is used, Northwest allows its shippers to elect, at their sole discretion, to voluntarily decrease their nominations through a constrained point in lieu of acquiring supplies on the opposite side of a constraint point. As a result, Northwest is removing the reference to designated primary receipt points. Additionally, Northwest is proposing to move the failure of gas supply language pertaining to the Realignment OFO from a general OFO provision in GT&C Section 14.15 (f) to the Realignment OFO provision in GT&C Section 14.15 (d) and expand its rights to decrease a Realignment Shipper's previously scheduled quantities if they do not comply with an OFO and if Northwest has invoked a "Supply Shortage OFO" as discussed below.

The current OFO operational remedies provided for in Northwest's Tariff have historically been sufficient to provide the necessary displacement gas. However, the recent events on Enbridge have brought to light the possibility that, in the case of a major supply interruption, there may be insufficient supply available on the opposite side of a constraint point for the current remedies to be effective. In this case, if after exerting good faith efforts, Shippers with CSOFO and Must-flow OFO obligations are not able to provide the needed displacement going in the opposite direction through the constrained point due to the lack of supply, Northwest needs a new remedy that will allow it to honor only those scheduled quantities that, in total, sum to the greater of the physical design capacity or posted operationally available capacity. While Northwest currently has curtailment procedures in Section 12 of the GT&C of its Tariff, those procedures apply when Northwest's facilities are incapable of meeting at least the physical design capacity at a given point. Northwest's OFO procedures on the other hand, apply when Northwest's facilities can be

⁶ Northwest will provide on its Designated Site a form of the affidavit.

fully utilized, but there is insufficient displacement gas to meet the primary firm nomination requests.

As a result, Northwest proposes to add to GT&C Section 14.15 (d) an additional operational remedy as the last step in the Operational Remedies that will be referred to as a “Supply Shortage OFO.” A Supply Shortage OFO is only applicable when Northwest has declared a Supply Shortage OFO due to a supply interruption that would result in operational problems. This remedy will reduce all shippers’ previously scheduled primary firm nominations that are flowing through the constraint point, in the constrained direction, down to the greater of the physical design capacity or the posted operationally available capacity using the same pro rata methodology as outlined in Section 12 of the GT&C.

The proposed tariff changes in this filing, such as, decreasing Realignment Shipper’s previously scheduled nominations through the OFO constraint point by the quantities they fail to realign or reduce as part of their realignment OFO obligation and providing Shipper’s subject to a CSOFO or Must-flow OFO additional time to acquire supply at any point, are necessary to minimize the impact that a failure of gas supply will have on Shippers subject to the new Supply Shortage OFO.

Northwest posted a draft version of this filing on its Designated Site on November 6, 2018, to provide its shippers an opportunity to review and provide comments on the proposed changes. A conference call was held on November 9, 2018, to review the changes and solicit feedback. Northwest believes all shippers’ concerns raised have been sufficiently addressed.

For the ease of the reader to easily identify the proposed changes, Northwest has included as part of this filing in the attached Appendix, a version of the redlined tariff changes that show the proposed changes without the inclusion of the redlined edits that were due to simple pagination changes.

Filings Pending Before the Commission

In compliance with 18 C.F.R. § 154.204(f), Northwest states that it has no other tariff filings pending before the Commission that may significantly impact this filing.

Effective Date and Waiver Request

Northwest respectfully requests that the Commission grant a waiver of the 30-day notice period contained in Section 154.207 of the Commissions regulations to allow the request to become effective on November 27, 2018, so Northwest can implement this operational remedy as quickly as possible. To that end, Northwest also requests that the Commission expedite issuance of a notice of this request and establish a shortened comment period of seven (7) days. Northwest requests that the Commission grant any waivers it may deem necessary for the acceptance of this filing.

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Procedural Matters

Pursuant to the applicable provisions in Section 154 of the Commission's regulations, Northwest submits an eTariff .xml filing package, containing the following items:

- Proposed tariff sheets,
- Marked tariff sheets,
- Appendix, and
- Transmittal letter.

Service and Communications

In compliance with 18 C.F.R. § 154.7(b), Northwest certifies that copies of this filing have been served electronically upon Northwest's customers and upon interested state regulatory commissions.

All communications regarding this filing should be served by e-mail to:

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The undersigned certifies that the contents of this filing are true and correct to the best of his knowledge and belief; that the paper and electronic versions of the submitted tariff sheets contain the same information; and that he possesses full power and authority to sign this filing.

Respectfully submitted,

NORTHWEST PIPELINE LLC

David J. Madsen

Director, Business Development &
Regulatory Affairs

Enclosures

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

If after a good faith effort a Shipper is unable to find a market for OFO compliance gas, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.

If a Shipper subject to a Contract-Specific OFO is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper. Failure of gas supply occurs when a Shipper is unable to make a nomination at a receipt point from the downstream side of an OFO constraint point because such Shipper cannot, after exerting good faith efforts, physically obtain gas supply at any such receipt points by the timeline pursuant to Section 14.15(e). Shipper will provide to Transporter a signed affidavit, the form of which is posted on Transporter's Designated Site, prior to the Intraday 1 Nomination Cycle on the Gas Day for which the OFO has been issued, of its good faith efforts to obtain gas supply before Transporter will honor Shipper's request to be exempt from penalties.

(iii) Realignment OFO - Service Agreements that are subject to a Realignment OFO, requiring Shippers with unutilized MDQs on the downstream side of the constraint point to realign to those points, are those Service Agreements that meet the following criteria: have capacity that contains receipt points on both sides of the constrained point with primary firm corridor rights through such constrained point.

A Shipper's Realignment OFO obligation on any given day for a Service Agreement that is subject to a Realignment OFO is based upon the percentage of primary rights that are scheduled through a given constraint point and its unutilized MDQ on the downstream side of such constraint point. In no event will a Shipper be required to bring on supplies on the downstream side of a constraint point that exceed the scheduled quantity that was scheduled through the constraint point or its unutilized MDQ on the downstream side of the constraint point.

~~Nominating Shippers may elect to voluntarily decrease their nominations through a constrained area by the volume which is subject to the OFO, in lieu of realigning to designated primary receipt points.~~

~~Shippers subject to a Realignment OFO will be required to, at a minimum, maintain their scheduled quantities from the Timely Nomination Cycle from receipt points on the downstream side of an OFO constraint point through the end of the Gas Day on which the OFO was declared. Realignment OFO Shippers that reduce such receipts on the downstream side of an OFO constraint point or offset their storage withdrawal with a storage injection nomination after the Timely Nomination Cycle must also reduce their Scheduled Quantities through the OFO constraint point; and~~

~~(iv) Must-flow OFO — Service Agreements that are subject to a Must-flow OFO, requiring Shippers to nominate their pro rata share (based on primary firm corridor rights) of the displacement requirement necessary to provide displacement nominations through a given constraint point in order for Transporter to obtain a net Scheduled Quantity that does not exceed the greater of the physical design capacity or the posted operationally available capacity for a given Gas Day are those Service Agreements that have capacity capable of providing displacement gas through a given constraint point utilizing their primary corridor rights.~~

~~Transporter will issue a Must-flow OFO to such Shippers for the Gas Day(s) the Must-flow OFO is to be in effect, requiring such Shippers to nominate their pro rata share (based on corridor rights) of the displacement requirement necessary to alleviate~~

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

Nominating Shippers may elect to voluntarily decrease their nominations through a constrained area by the volume which is subject to the OFO, in lieu of realigning to supplies on the opposite side of the constraint point. If Shipper is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper, and reservation charge adjustments will not be paid to such Shipper by Transporter; however, such Shipper's nominations will be decreased by a volume equivalent to that quantity of gas that does not comply with such OFO. In addition, Transporter will decrease Shipper's nomination by a volume equivalent to that quantity of gas that does not comply with such OFO if Northwest has invoked a Supply Shortage OFO pursuant to Section 14.15(v).

Shippers subject to a Realignment OFO will be required to, at a minimum, maintain their scheduled quantities from the Timely Nomination Cycle from receipt points on the downstream side of an OFO constraint point through the end of the Gas Day on which the OFO was declared. Realignment OFO Shippers that reduce such receipts on the downstream side of an OFO constraint point or offset their storage withdrawal with a storage injection nomination after the Timely Nomination Cycle must also reduce their Scheduled Quantities through the OFO constraint point; and

(iv) Must-flow OFO - Service Agreements that are subject to a Must-flow OFO, requiring Shippers to nominate their pro rata share (based on primary firm corridor rights) of the displacement requirement necessary to provide displacement nominations through a given constraint point in order for Transporter to obtain a net Scheduled Quantity that does not exceed the greater of the physical design capacity or the posted operationally available capacity for a given Gas Day are those Service Agreements that have capacity capable of providing displacement gas through a given constraint point utilizing their primary corridor rights.

Transporter will issue a Must-flow OFO to such Shippers for the Gas Day(s) the Must-flow OFO is to be in effect, requiring such Shippers to nominate their pro rata share (based on corridor rights) of the displacement requirement necessary to alleviate the operating condition (but not to exceed Contract Demand), regardless of amounts such Shippers may have nominated.

~~A Shipper subject to the Must-flow OFO will only be required to flow up to the same total percentage of their corridor rights as all Shippers, regardless of the percentage flowing before any OFO is issued, not to exceed its corridor rights through the constrained point.~~

~~Notwithstanding the foregoing, Transporter and Shipper may agree to take any other mutually agreeable action that would assist in alleviating the operating condition which necessitated the issuance of the OFO.~~

~~In no event will Transporter issue a Realignment or Must-flow OFO associated with any contract whose OFO obligation is 100 Dth or less.~~

~~If after a good faith effort a Shipper is unable to find a market for OFO compliance gas at its primary delivery points, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.~~

~~Transporter will remove OFOs in an order reversed from the order set forth above.~~

~~(c) OFO Notice, Contents and Procedures.~~

Portal Posting Requirements

~~Transporter will make reasonable efforts to notify Shippers that an operational problem is developing which could potentially necessitate the issuance of an OFO. Transporter will declare an OFO for one or more specific constraint points via an All Shipper Notice, identifying the effective date and duration of the OFO (if none is specified, the OFO will be effective until further notice).~~

~~Transporter will post to its designated site, summary level information each Gas Day the OFO is in effect.~~

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

A Shipper subject to the Must-flow OFO will only be required to flow up to the same total percentage of their corridor rights as all Shippers, regardless of the percentage flowing before any OFO is issued, not to exceed its corridor rights through the constrained point.

If after a good faith effort a Shipper is unable to find a market for OFO compliance gas, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.

If a Shipper subject to a Must-flow OFO is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper. Failure of gas supply occurs when a Shipper is unable to make a nomination at a receipt point from the downstream side of an OFO constraint point because such Shipper cannot, after exerting good faith efforts, physically obtain gas supply at any such receipt points by the timeline pursuant to Section 14.15(e). Shipper will provide to Transporter a signed affidavit, the form of which is posted on Transporter's Designated Site, prior to the Intraday 1 Nomination Cycle on the Gas Day for which the OFO has been issued, of its good faith efforts to obtain gas supply before Transporter will honor Shipper's request to be exempt from penalties.

(v) Supply Shortage OFO - Service Agreements that are subject to a Supply Shortage OFO, requiring pro-rata reductions to Shipper's nominations (based on primary firm corridor rights) to provide the necessary relief through the OFO constraint point in the constrained direction to obtain a net Scheduled Quantity that does not exceed the greater of the physical design capacity or the posted operationally available capacity for a given Gas Day, are those Service Agreements that have primary firm corridor rights scheduled through the constraint point in the

Issuance of an OFO

Subsequent to the Portal Posting on the day prior to commencement of the Gas Day, no later than 5:00 p.m. Central Clock Time (4:00 p.m. Mountain Clock Time), during the scheduling and confirmation procedure, Transporter will provide notification of the Contract-specific,

~~Realignment and Must-flow OFO obligations via an Internet E-mail to the affected Shipper(s).~~

~~Each Shipper shall designate an operational contact, and/or a third party designee, for Transporter to notify on a 24-hour a day, 365 days a year basis. If Transporter is unable to notify any Shipper because that Shipper's contact is unavailable, such Shipper shall be solely responsible for any consequences arising from such failure of communication. Each OFO notification will contain the following provisions:~~

- ~~(i) time and date of issuance;~~
- ~~(ii) time that the OFO is considered to be effective;~~
- ~~(iii) OFO type of operational remedy as defined in Section 14.15 (d) (ii), (iii) or (iv);~~
- ~~(iv) the Service Agreement subject to the OFO;~~
- ~~(v) constrained point location;~~
- ~~(vi) specific action necessary to remedy the condition;~~
- ~~(vii) any other terms Transporter may reasonably require to ensure the effectiveness of the OFO; and~~
- ~~(viii) to the extent that a Shipper has been requested to take action pursuant to Section 14.15(d) (ii), (iii) or (iv) above and such Shipper has temporarily released all or a portion of its capacity subject to the OFO recall provisions of Section 22.2(a) (2), then Transporter will provide, at a contract level, the associated Replacement Shipper's scheduled quantities used to calculate its OFO obligation.~~

~~Unless otherwise specified in the OFO, compliance must commence at the beginning of the applicable gas day.~~

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

constrained direction and the remedies outlined in (i) through (iv) above have not alleviated the adverse operating condition.

When a Supply Shortage OFO is required due to a supply interruption that would result in operational problems, Transporter will fill the OFO constraint point in the Intraday 1 Nomination Cycle to the greater of the physical design capacity or the posted operationally available capacity by allocating Shipper's primary firm nomination requests pro rata based on the Shipper's primary firm corridor rights through the OFO constraint point. If Transporter reduces Shipper nominations pursuant to a Supply Shortage OFO, reservation charge adjustments will not be paid to such Shipper by Transporter.

Notwithstanding the foregoing, Transporter and Shipper may agree to take any other mutually agreeable action that would assist in alleviating the operating condition which necessitated the issuance of the OFO.

In no event will Transporter issue a Realignment or Must-flow OFO associated with any contract whose OFO obligation is 100 Dth or less.

Transporter will remove OFOs in an order reversed from the order set forth above.

(e) OFO Notice, Contents and Procedures.

Portal Posting Requirements

Transporter will make reasonable efforts to notify Shippers that an operational problem is developing which could potentially necessitate the issuance of an OFO. Transporter will declare an OFO for one or more specific constraint points via an All Shipper Notice, identifying the effective date and duration of the OFO (if none is specified, the OFO will be effective until further notice).

Transporter will post to its designated site, summary level information each Gas Day the OFO is in effect.

~~(f) Failure to Comply with OFO. If Shipper (or Shipper's designee or successor) fails to comply with the terms of an OFO for reasons other than force majeure or Transporter's negligence/misconduct, such Shipper, its designee or successor shall be liable for a penalty equal to the greater of ten dollars (\$10.00) or four (4) times the highest absolute price at NW Wyoming Pool, NW south of Green River, NW Stanfield, NW Sumas, or El Paso Bondad as reflected in the Daily Price Survey published in "Gas Daily" for each of the days during which a Shipper fails to comply with an OFO for each Dth of gas that does not comply.~~

~~Transporter may in its reasonable judgment waive penalties due to noncompliance with an issued OFO. No penalties shall be assessed on Shipper for noncompliance with an issued OFO when such OFO is due to Transporter's negligence or misconduct or due to force majeure invoked by Transporter.~~

~~Upon request from a Releasing Shipper that has been assessed an OFO penalty, Transporter will provide scheduled quantity data for its associated Replacement Shippers that was used to determine such OFO penalty.~~

~~If Shipper is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper, and reservation charge adjustments will not be paid to such Shipper by Transporter; however, such Shipper's nominations will be decreased by a volume equivalent to that quantity of gas that does not comply with such OFO.~~

~~Failure of gas supply occurs when a Shipper is unable to make a nomination at the specified primary receipt point because such Shipper cannot, after exerting good faith efforts, physically obtain a gas supply at that receipt point, by the time the OFO is to become effective. Transporter will verify the good faith efforts of Shipper to obtain a gas supply before honoring Shipper's request to be exempt from penalties.~~

~~Shipper acknowledges that Transporter does not have access to third party information that may be necessary to detect or prevent certain actions that could be taken by other Shippers for the purpose of avoiding their OFO obligations. Shipper's acknowledgement shall not be interpreted to limit Shipper's obligations under 18 CFR § 1c.1.~~

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

Issuance of an OFO

Subsequent to the Portal Posting on the day prior to commencement of the Gas Day, no later than 5:00 p.m. Central Clock Time (4:00 p.m. Mountain Clock Time), during the scheduling and confirmation procedure, Transporter will provide notification of the Contract-specific, Realignment and Must-flow OFO obligations via an Internet E-mail to the affected Shipper(s).

Each Shipper shall designate an operational contact, and/or a third-party designee, for Transporter to notify on a 24-hour a day, 365 days a year basis. If Transporter is unable to notify any Shipper because that Shipper's contact is unavailable, such Shipper shall be solely responsible for any consequences arising from such failure of communication. Each OFO notification will contain the following provisions:

- (i) time and date of issuance;
- (ii) time that the OFO is considered to be effective;
- (iii) OFO type of operational remedy as defined in Section 14.15 (d) (ii), (iii), (iv) or (v);
- (iv) the Service Agreement subject to the OFO;
- (v) constrained point location;
- (vi) specific action necessary to remedy the condition;
- (vii) any other terms Transporter may reasonably require to ensure the effectiveness of the OFO; and
- (viii) to the extent that a Shipper has been requested to take action pursuant to Section 14.15(d) (ii), (iii) or (iv) above and such Shipper has temporarily released all or a portion of its capacity subject to the OFO recall provisions of Section 22.2(a) (2), then Transporter will provide, at a contract level, the associated Replacement Shipper's scheduled quantities used to calculate its OFO obligation.

Unless Transporter has invoked a Supply Shortage OFO, or unless otherwise specified in the OFO, compliance must commence at the beginning of the applicable gas day (Evening Nomination Cycle). If Transporter has invoked a Supply Shortage OFO, compliance by Shippers subject to a Contract-Specific or Must-flow OFO must commence no later than the Intraday 1 Nomination Cycle.

~~(g) Penalty Revenue Crediting. One hundred percent of all penalty revenues received by Transporter pursuant to Section 14.15(f) during any month will be credited to firm transportation Shippers. Such credits will be allocated to all firm transportation Shippers under Rate Schedule TF-1 (Large Customer), excluding discounted firm transportation service and Shippers receiving service under a capacity release Service Agreement, Rate Schedule TF-1 (Small Customer) for the months they paid a reservation charge due to conversion to Rate Schedule TF-1 (Large Customer) service, and Rate Schedule TF-2 (collectively, the specified Shippers), except each penalty revenue credit shall be allocated only to those specified Shippers who were not assessed such penalty on the day(s) for which such penalty revenues are to be credited. The credits will be allocated to the specified Shippers pro rata in proportion to reservation revenue (total revenue, net of credits from capacity releases as described in Section 23 of the General Terms and Conditions, less volumetric charges and all surcharges) received by Transporter from each and all of the specified Shippers for each applicable month. Such revenue credits shall be reflected as a credit billing adjustment to the next month's billings rendered after the applicable month. In the event that such credit billing adjustments would result in a credit total invoice to any Shipper, Transporter will refund the credit billing adjustment to the Shipper in cash within 30 days after determination of the amount of the credit due to the Shipper.~~

~~(h) Shipper Not Liable. Shipper will not be liable for any non-OFO penalties which might otherwise be imposed by Transporter with respect to any action taken by such Shipper in conformance with an OFO issued by Transporter.~~

~~(i) Transporter Not Liable. Transporter will not be liable for any damages, costs or expenses incurred as a result of an OFO unless such damages result from the negligence or willful misconduct of Transporter.~~

~~14.16 Disaster Recovery Procedures. In the event of a disaster such that Transporter's or Receiving Party's communication capability is not available for confirmation and scheduling of gas receipts and deliveries, nominations will remain in effect as confirmed for the most current day, unless alternate emergency communication methods are established. Transporter may declare an entitlement period on the system until normal communications are restored.~~

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

(f) Failure to Comply with OFO. If Shipper (or Shipper's designee or successor) fails to comply with the terms of an OFO for reasons other than force majeure or Transporter's negligence/misconduct, such Shipper, its designee or successor shall be liable for a penalty equal to the greater of ten dollars (\$10.00) or four (4) times the highest absolute price at NW Wyoming Pool, NW south of Green River, NW Stanfield, NW Sumas, or El Paso Bondad as reflected in the Daily Price Survey published in "Gas Daily" for each of the days during which a Shipper fails to comply with an OFO for each Dth of gas that does not comply. Transporter may in its reasonable judgment waive penalties due to noncompliance with an issued OFO. No penalties shall be assessed on Shipper for noncompliance with an issued OFO when such OFO is due to Transporter's negligence or misconduct or due to force majeure invoked by Transporter.

Upon request from a Releasing Shipper that has been assessed an OFO penalty, Transporter will provide scheduled quantity data for its associated Replacement Shippers that was used to determine such OFO penalty.

Shipper acknowledges that Transporter does not have access to third-party information that may be necessary to detect or prevent certain actions that could be taken by other Shippers for the purpose of avoiding their OFO obligations. Shipper's acknowledgement shall not be interpreted to limit Shipper's obligations under 18 CFR § 1c.1.

(g) Penalty Revenue Crediting. One hundred percent of all penalty revenues received by Transporter pursuant to Section 14.15(f) during any month will be credited to firm transportation Shippers. Such credits will be allocated to all firm transportation Shippers under Rate Schedule TF-1 (Large Customer), excluding discounted firm transportation service and Shippers receiving service under a capacity release Service Agreement, Rate Schedule TF-1 (Small Customer) for the months they paid a reservation charge due to conversion to Rate Schedule TF-1(Large Customer) service, and Rate Schedule TF-2 (collectively, the specified Shippers), except each penalty revenue credit shall be allocated only to those specified Shippers who were not assessed such penalty on the day(s) for which such penalty revenues are to be credited. The credits will be allocated to the specified Shippers pro rata in proportion to reservation revenue (total revenue, net of credits from capacity

~~14.17 Interconnect Balancing Agreements. NAESB WCQ Flowing Gas Related Standard 2.3.29 will apply.~~

~~Transporter may enter into and operate pursuant to interconnect balancing agreements with other pipelines or gas suppliers relating to operating procedures governing nominating, scheduling and balancing for the receipt or delivery of gas at points of interconnection. As part of the provisions of these agreements, Transporter will allow the trading of imbalances between receipt points or between delivery points located in the same geographical area. For receipt points, the same geographical area means receipt points located in the same market hub, or producing basins located within contiguous gathering areas. For delivery points, the same geographical area means the zones used by Northwest for nominations.~~

~~14.18 Pre-Determined Allocations ("PDAs"). In the event an OBA is not in effect at a particular interconnecting point on Transporter's system, NAESB WCQ Flowing Gas Related Standards 2.3.1 through 2.3.6, 2.3.8, 2.3.15 through 2.3.23, and 2.3.25 through 2.3.27 will apply.~~

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

releases as described in Section 23 of the General Terms and Conditions, less volumetric charges and all surcharges) received by Transporter from each and all of the specified Shippers for each applicable month. Such revenue credits shall be reflected as a credit billing adjustment to the next month's billings rendered after the applicable month. In the event that such credit billing adjustments would result in a credit total invoice to any Shipper, Transporter will refund the credit billing adjustment to the Shipper in cash within 30 days after determination of the amount of the credit due to the Shipper.

(h) Shipper Not Liable. Shipper will not be liable for any non-OFO penalties which might otherwise be imposed by Transporter with respect to any action taken by such Shipper in conformance with an OFO issued by Transporter.

(i) Transporter Not Liable. Transporter will not be liable for any damages, costs or expenses incurred as a result of an OFO unless such damages result from the negligence or willful misconduct of Transporter.

14.16 Disaster Recovery Procedures. In the event of a disaster such that Transporter's or Receiving Party's communication capability is not available for confirmation and scheduling of gas receipts and deliveries, nominations will remain in effect as confirmed for the most current day, unless alternate emergency communication methods are established. Transporter may declare an entitlement period on the system until normal communications are restored.

14.17 Interconnect Balancing Agreements. NAESB WGQ Flowing Gas Related Standard 2.3.29 will apply.

Transporter may enter into and operate pursuant to interconnect balancing agreements with other pipelines or gas suppliers relating to operating procedures governing nominating, scheduling and balancing for the receipt or delivery of gas at points of interconnection. As part of the provisions of these agreements, Transporter will allow the trading of imbalances between receipt points or between delivery points located in the same geographical area. For receipt points, the same geographical area means receipt points located in the same market hub, or producing basins located within contiguous gathering areas. For delivery points, the same geographical area means the zones used by Northwest for nominations.

14.18 Pre-Determined Allocations ("PDAs"). In the event an OBA is not in effect at a particular interconnecting point on Transporter's system, NAESB WGQ Flowing Gas Related Standards 2.3.1 through 2.3.6, 2.3.8, 2.3.15 through 2.3.23, and 2.3.25 through 2.3.27 will apply.

RESERVED FOR FUTURE USE

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

If after a good faith effort a Shipper is unable to find a market for OFO compliance gas, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.

If a Shipper subject to a Contract-Specific OFO is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper. Failure of gas supply occurs when a Shipper is unable to make a nomination at a receipt point from the downstream side of an OFO constraint point because such Shipper cannot, after exerting good faith efforts, physically obtain gas supply at any such receipt points by the timeline pursuant to Section 14.15(e). Shipper will provide to Transporter a signed affidavit, the form of which is posted on Transporter's Designated Site, prior to the Intraday 1 Nomination Cycle on the Gas Day for which the OFO has been issued, of its good faith efforts to obtain gas supply before Transporter will honor Shipper's request to be exempt from penalties.

(iii) Realignment OFO - Service Agreements that are subject to a Realignment OFO, requiring Shippers with unutilized MDQs on the downstream side of the constraint point to realign to those points, are those Service Agreements that meet the following criteria: have capacity that contains receipt points on both sides of the constrained point with primary firm corridor rights through such constrained point.

A Shipper's Realignment OFO obligation on any given day for a Service Agreement that is subject to a Realignment OFO is based upon the percentage of primary rights that are scheduled through a given constraint point and its unutilized MDQ on the downstream side of such constraint point. In no event will a Shipper be required to bring on supplies on the downstream side of a constraint point that exceed the scheduled quantity that was scheduled through the constraint point or its unutilized MDQ on the downstream side of the constraint point.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

Nominating Shippers may elect to voluntarily decrease their nominations through a constrained area by the volume which is subject to the OFO, in lieu of realigning to supplies on the opposite side of the constraint point. If Shipper is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper, and reservation charge adjustments will not be paid to such Shipper by Transporter; however, such Shipper's nominations will be decreased by a volume equivalent to that quantity of gas that does not comply with such OFO. In addition, Transporter will decrease Shipper's nomination by a volume equivalent to that quantity of gas that does not comply with such OFO if Northwest has invoked a Supply Shortage OFO pursuant to Section 14.15(v).

Shippers subject to a Realignment OFO will be required to, at a minimum, maintain their scheduled quantities from the Timely Nomination Cycle from receipt points on the downstream side of an OFO constraint point through the end of the Gas Day on which the OFO was declared. Realignment OFO Shippers that reduce such receipts on the downstream side of an OFO constraint point or offset their storage withdrawal with a storage injection nomination after the Timely Nomination Cycle must also reduce their Scheduled Quantities through the OFO constraint point; and

(iv) Must-flow OFO - Service Agreements that are subject to a Must-flow OFO, requiring Shippers to nominate their pro rata share (based on primary firm corridor rights) of the displacement requirement necessary to provide displacement nominations through a given constraint point in order for Transporter to obtain a net Scheduled Quantity that does not exceed the greater of the physical design capacity or the posted operationally available capacity for a given Gas Day are those Service Agreements that have capacity capable of providing displacement gas through a given constraint point utilizing their primary corridor rights.

Transporter will issue a Must-flow OFO to such Shippers for the Gas Day(s) the Must-flow OFO is to be in effect, requiring such Shippers to nominate their pro rata share (based on corridor rights) of the displacement requirement necessary to alleviate the operating condition (but not to exceed Contract Demand), regardless of amounts such Shippers may have nominated.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

A Shipper subject to the Must-flow OFO will only be required to flow up to the same total percentage of their corridor rights as all Shippers, regardless of the percentage flowing before any OFO is issued, not to exceed its corridor rights through the constrained point.

If after a good faith effort a Shipper is unable to find a market for OFO compliance gas, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.

If a Shipper subject to a Must-flow OFO is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper. Failure of gas supply occurs when a Shipper is unable to make a nomination at a receipt point from the downstream side of an OFO constraint point because such Shipper cannot, after exerting good faith efforts, physically obtain gas supply at any such receipt points by the timeline pursuant to Section 14.15(e). Shipper will provide to Transporter a signed affidavit, the form of which is posted on Transporter's Designated Site, prior to the Intraday 1 Nomination Cycle on the Gas Day for which the OFO has been issued, of its good faith efforts to obtain gas supply before Transporter will honor Shipper's request to be exempt from penalties.

(v) Supply Shortage OFO - Service Agreements that are subject to a Supply Shortage OFO, requiring pro-rata reductions to Shipper's nominations (based on primary firm corridor rights) to provide the necessary relief through the OFO constraint point in the constrained direction to obtain a net Scheduled Quantity that does not exceed the greater of the physical design capacity or the posted operationally available capacity for a given Gas Day, are those Service Agreements that have primary firm corridor rights scheduled through the constraint point in the

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

constrained direction and the remedies outlined in (i) through (iv) above have not alleviated the adverse operating condition.

When a Supply Shortage OFO is required due to a supply interruption that would result in operational problems, Transporter will fill the OFO constraint point in the Intraday 1 Nomination Cycle to the greater of the physical design capacity or the posted operationally available capacity by allocating Shipper's primary firm nomination requests pro rata based on the Shipper's primary firm corridor rights through the OFO constraint point. If Transporter reduces Shipper nominations pursuant to a Supply Shortage OFO, reservation charge adjustments will not be paid to such Shipper by Transporter.

Notwithstanding the foregoing, Transporter and Shipper may agree to take any other mutually agreeable action that would assist in alleviating the operating condition which necessitated the issuance of the OFO.

In no event will Transporter issue a Realignment or Must-flow OFO associated with any contract whose OFO obligation is 100 Dth or less.

Transporter will remove OFOs in an order reversed from the order set forth above.

(e) OFO Notice, Contents and Procedures.

Portal Posting Requirements

Transporter will make reasonable efforts to notify Shippers that an operational problem is developing which could potentially necessitate the issuance of an OFO. Transporter will declare an OFO for one or more specific constraint points via an All Shipper Notice, identifying the effective date and duration of the OFO (if none is specified, the OFO will be effective until further notice).

Transporter will post to its designated site, summary level information each Gas Day the OFO is in effect.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

Issuance of an OFO

Subsequent to the Portal Posting on the day prior to commencement of the Gas Day, no later than 5:00 p.m. Central Clock Time (4:00 p.m. Mountain Clock Time), during the scheduling and confirmation procedure, Transporter will provide notification of the Contract-specific, Realignment and Must-flow OFO obligations via an Internet E-mail to the affected Shipper(s).

Each Shipper shall designate an operational contact, and/or a third-party designee, for Transporter to notify on a 24-hour a day, 365 days a year basis. If Transporter is unable to notify any Shipper because that Shipper's contact is unavailable, such Shipper shall be solely responsible for any consequences arising from such failure of communication. Each OFO notification will contain the following provisions:

- (i) time and date of issuance;
- (ii) time that the OFO is considered to be effective;
- (iii) OFO type of operational remedy as defined in Section 14.15 (d) (ii), (iii), (iv) or (v);
- (iv) the Service Agreement subject to the OFO;
- (v) constrained point location;
- (vi) specific action necessary to remedy the condition;
- (vii) any other terms Transporter may reasonably require to ensure the effectiveness of the OFO; and
- (viii) to the extent that a Shipper has been requested to take action pursuant to Section 14.15(d) (ii), (iii) or (iv) above and such Shipper has temporarily released all or a portion of its capacity subject to the OFO recall provisions of Section 22.2(a) (2), then Transporter will provide, at a contract level, the associated Replacement Shipper's scheduled quantities used to calculate its OFO obligation.

Unless Transporter has invoked a Supply Shortage OFO, or unless otherwise specified in the OFO, compliance must commence at the beginning of the applicable gas day (Evening Nomination Cycle). If Transporter has invoked a Supply Shortage OFO, compliance by Shippers subject to a Contract-Specific or Must-flow OFO must commence no later than the Intraday 1 Nomination Cycle.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

(f) Failure to Comply with OFO. If Shipper (or Shipper's designee or successor) fails to comply with the terms of an OFO for reasons other than force majeure or Transporter's negligence/misconduct, such Shipper, its designee or successor shall be liable for a penalty equal to the greater of ten dollars (\$10.00) or four (4) times the highest absolute price at NW Wyoming Pool, NW south of Green River, NW Stanfield, NW Sumas, or El Paso Bondad as reflected in the Daily Price Survey published in "Gas Daily" for each of the days during which a Shipper fails to comply with an OFO for each Dth of gas that does not comply. Transporter may in its reasonable judgment waive penalties due to noncompliance with an issued OFO. No penalties shall be assessed on Shipper for noncompliance with an issued OFO when such OFO is due to Transporter's negligence or misconduct or due to force majeure invoked by Transporter.

Upon request from a Releasing Shipper that has been assessed an OFO penalty, Transporter will provide scheduled quantity data for its associated Replacement Shippers that was used to determine such OFO penalty.

Shipper acknowledges that Transporter does not have access to third-party information that may be necessary to detect or prevent certain actions that could be taken by other Shippers for the purpose of avoiding their OFO obligations. Shipper's acknowledgement shall not be interpreted to limit Shipper's obligations under 18 CFR § 1c.1.

(g) Penalty Revenue Crediting. One hundred percent of all penalty revenues received by Transporter pursuant to Section 14.15(f) during any month will be credited to firm transportation Shippers. Such credits will be allocated to all firm transportation Shippers under Rate Schedule TF-1 (Large Customer), excluding discounted firm transportation service and Shippers receiving service under a capacity release Service Agreement, Rate Schedule TF-1 (Small Customer) for the months they paid a reservation charge due to conversion to Rate Schedule TF-1 (Large Customer) service, and Rate Schedule TF-2 (collectively, the specified Shippers), except each penalty revenue credit shall be allocated only to those specified Shippers who were not assessed such penalty on the day(s) for which such penalty revenues are to be credited. The credits will be allocated to the specified Shippers pro rata in proportion to reservation revenue (total revenue, net of credits from capacity

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

releases as described in Section 23 of the General Terms and Conditions, less volumetric charges and all surcharges) received by Transporter from each and all of the specified Shippers for each applicable month. Such revenue credits shall be reflected as a credit billing adjustment to the next month's billings rendered after the applicable month. In the event that such credit billing adjustments would result in a credit total invoice to any Shipper, Transporter will refund the credit billing adjustment to the Shipper in cash within 30 days after determination of the amount of the credit due to the Shipper.

(h) Shipper Not Liable. Shipper will not be liable for any non-OFO penalties which might otherwise be imposed by Transporter with respect to any action taken by such Shipper in conformance with an OFO issued by Transporter.

(i) Transporter Not Liable. Transporter will not be liable for any damages, costs or expenses incurred as a result of an OFO unless such damages result from the negligence or willful misconduct of Transporter.

14.16 Disaster Recovery Procedures. In the event of a disaster such that Transporter's or Receiving Party's communication capability is not available for confirmation and scheduling of gas receipts and deliveries, nominations will remain in effect as confirmed for the most current day, unless alternate emergency communication methods are established. Transporter may declare an entitlement period on the system until normal communications are restored.

14.17 Interconnect Balancing Agreements. NAESB WGQ Flowing Gas Related Standard 2.3.29 will apply.

Transporter may enter into and operate pursuant to interconnect balancing agreements with other pipelines or gas suppliers relating to operating procedures governing nominating, scheduling and balancing for the receipt or delivery of gas at points of interconnection. As part of the provisions of these agreements, Transporter will allow the trading of imbalances between receipt points or between delivery points located in the same geographical area. For receipt points, the same geographical area means receipt points located in the same market hub, or producing basins located within contiguous gathering areas. For delivery points, the same geographical area means the zones used by Northwest for nominations.

14.18 Pre-Determined Allocations ("PDAs"). In the event an OBA is not in effect at a particular interconnecting point on Transporter's system, NAESB WGQ Flowing Gas Related Standards 2.3.1 through 2.3.6, 2.3.8, 2.3.15 through 2.3.23, and 2.3.25 through 2.3.27 will apply.

APPENDIX

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

If after a good faith effort a Shipper is unable to find a market for OFO compliance gas, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.

If a Shipper subject to a Contract-Specific OFO is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper. Failure of gas supply occurs when a Shipper is unable to make a nomination at a receipt point from the downstream side of an OFO constraint point because such Shipper cannot, after exerting good faith efforts, physically obtain gas supply at any such receipt points by the timeline pursuant to Section 14.15(e). Shipper will provide to Transporter a signed affidavit, the form of which is posted on Transporter's Designated Site, prior to the Intraday 1 Nomination Cycle on the Gas Day for which the OFO has been issued, of its good faith efforts to obtain gas supply before Transporter will honor Shipper's request to be exempt from penalties.

(iii) Realignment OFO - Service Agreements that are subject to a Realignment OFO, requiring Shippers with unutilized MDQs on the downstream side of the constraint point to realign to those points, are those Service Agreements that meet the following criteria: have capacity that contains receipt points on both sides of the constrained point with primary firm corridor rights through such constrained point.

A Shipper's Realignment OFO obligation on any given day for a Service Agreement that is subject to a Realignment OFO is based upon the percentage of primary rights that are scheduled through a given constraint point and its unutilized MDQ on the downstream side of such constraint point. In no event will a Shipper be required to bring on supplies on the downstream side of a constraint point that exceed the scheduled quantity that was scheduled through the constraint point or its unutilized MDQ on the downstream side of the constraint point.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

Nominating Shippers may elect to voluntarily decrease their nominations through a constrained area by the volume which is subject to the OFO, in lieu of realigning to supplies on the opposite side of the constraint point. If Shipper is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper, and reservation charge adjustments will not be paid to such Shipper by Transporter; however, such Shipper's nominations will be decreased by a volume equivalent to that quantity of gas that does not comply with such OFO. In addition, Transporter will decrease Shipper's nomination by a volume equivalent to that quantity of gas that does not comply with such OFO if Northwest has invoked a Supply Shortage OFO pursuant to Section 14.15(v).

Shippers subject to a Realignment OFO will be required to, at a minimum, maintain their scheduled quantities from the Timely Nomination Cycle from receipt points on the downstream side of an OFO constraint point through the end of the Gas Day on which the OFO was declared. Realignment OFO Shippers that reduce such receipts on the downstream side of an OFO constraint point or offset their storage withdrawal with a storage injection nomination after the Timely Nomination Cycle must also reduce their Scheduled Quantities through the OFO constraint point; and

(iv) Must-flow OFO - Service Agreements that are subject to a Must-flow OFO, requiring Shippers to nominate their pro rata share (based on primary firm corridor rights) of the displacement requirement necessary to provide displacement nominations through a given constraint point in order for Transporter to obtain a net Scheduled Quantity that does not exceed the greater of the physical design capacity or the posted operationally available capacity for a given Gas Day are those Service Agreements that have capacity capable of providing displacement gas through a given constraint point utilizing their primary corridor rights.

Transporter will issue a Must-flow OFO to such Shippers for the Gas Day(s) the Must-flow OFO is to be in effect, requiring such Shippers to nominate their pro rata share (based on corridor rights) of the displacement requirement necessary to alleviate the operating condition (but not to exceed Contract Demand), regardless of amounts such Shippers may have nominated.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

A Shipper subject to the Must-flow OFO will only be required to flow up to the same total percentage of their corridor rights as all Shippers, regardless of the percentage flowing before any OFO is issued, not to exceed its corridor rights through the constrained point.

If after a good faith effort a Shipper is unable to find a market for OFO compliance gas, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.

If a Shipper subject to a Must-flow OFO is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper. Failure of gas supply occurs when a Shipper is unable to make a nomination at a receipt point from the downstream side of an OFO constraint point because such Shipper cannot, after exerting good faith efforts, physically obtain gas supply at any such receipt points by the timeline pursuant to Section 14.15(e). Shipper will provide to Transporter a signed affidavit, the form of which is posted on Transporter's Designated Site, prior to the Intraday 1 Nomination Cycle on the Gas Day for which the OFO has been issued, of its good faith efforts to obtain gas supply before Transporter will honor Shipper's request to be exempt from penalties.

(v) Supply Shortage OFO - Service Agreements that are subject to a Supply Shortage OFO, requiring pro-rata reductions to Shipper's nominations (based on primary firm corridor rights) to provide the necessary relief through the OFO constraint point in the constrained direction to obtain a net Scheduled Quantity that does not exceed the greater of the physical design capacity or the posted operationally available capacity for a given Gas Day, are those Service Agreements that have primary firm corridor rights scheduled through the constraint point in the

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

constrained direction and the remedies outlined in (i) through (iv) above have not alleviated the adverse operating condition.

When a Supply Shortage OFO is required due to a supply interruption that would result in operational problems, Transporter will fill the OFO constraint point in the Intraday 1 Nomination Cycle to the greater of the physical design capacity or the posted operationally available capacity by allocating Shipper's primary firm nomination requests pro rata based on the Shipper's primary firm corridor rights through the OFO constraint point. If Transporter reduces Shipper nominations pursuant to a Supply Shortage OFO, reservation charge adjustments will not be paid to such Shipper by Transporter.

Notwithstanding the foregoing, Transporter and Shipper may agree to take any other mutually agreeable action that would assist in alleviating the operating condition which necessitated the issuance of the OFO.

In no event will Transporter issue a Realignment or Must-flow OFO associated with any contract whose OFO obligation is 100 Dth or less.

~~If after a good faith effort a Shipper is unable to find a market for OFO compliance gas at its primary delivery points, Transporter will deem a Shipper's nomination as confirmed, even if a downstream interconnecting pipeline or delivery point where the gas is intended to flow fails to confirm a market or accept the gas. Transporter will treat such nomination for gas that did not actually move through the delivery point as a Shipper Imbalance and handle any imbalance resulting from OFO compliance as provided in Section 15.10.~~

Transporter will remove OFOs in an order reversed from the order set forth above.

(e) OFO Notice, Contents and Procedures.

Portal Posting Requirements

Transporter will make reasonable efforts to notify Shippers that an operational problem is developing which could potentially necessitate the issuance of an OFO. Transporter will declare an OFO for one or more specific constraint points via an All Shipper Notice, identifying the effective date and duration of the OFO (if none is specified, the OFO will be effective until further notice).

Transporter will post to its designated site, summary level information each Gas Day the OFO is in effect.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

Issuance of an OFO

Subsequent to the Portal Posting on the day prior to commencement of the Gas Day, no later than 5:00 p.m. Central Clock Time (4:00 p.m. Mountain Clock Time), during the scheduling and confirmation procedure, Transporter will provide notification of the Contract-specific, Realignment and Must-flow OFO obligations via an Internet E-mail to the affected Shipper(s).

Each Shipper shall designate an operational contact, and/or a third-party designee, for Transporter to notify on a 24-hour a day, 365 days a year basis. If Transporter is unable to notify any Shipper because that Shipper's contact is unavailable, such Shipper shall be solely responsible for any consequences arising from such failure of communication. Each OFO notification will contain the following provisions:

- (i) time and date of issuance;
- (ii) time that the OFO is considered to be effective;
- (iii) OFO type of operational remedy as defined in Section 14.15 (d) (ii), (iii), (iv) or (v);
- (iv) the Service Agreement subject to the OFO;
- (v) constrained point location;
- (vi) specific action necessary to remedy the condition;
- (vii) any other terms Transporter may reasonably require to ensure the effectiveness of the OFO; and
- (viii) to the extent that a Shipper has been requested to take action pursuant to Section 14.15(d)(ii), (iii) or (iv) above and such Shipper has temporarily released all or a portion of its capacity subject to the OFO recall provisions of Section 22.2(a)(2), then Transporter will provide, at a contract level, the associated Replacement Shipper's scheduled quantities used to calculate its OFO obligation.

Unless Transporter has invoked a Supply Shortage OFO, or unless otherwise specified in the OFO, compliance must commence at the beginning of the applicable gas day (Evening Nomination Cycle). If Transporter has invoked a Supply Shortage OFO, compliance by Shippers subject to a Contract-Specific or Must-flow OFO must commence no later than the Intraday 1 Nomination Cycle.

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

(f) Failure to Comply with OFO. If Shipper (or Shipper's designee or successor) fails to comply with the terms of an OFO for reasons other than force majeure or Transporter's negligence/misconduct, such Shipper, its designee or successor shall be liable for a penalty equal to the greater of ten dollars (\$10.00) or four (4) times the highest absolute price at NW Wyoming Pool, NW south of Green River, NW Stanfield, NW Sumas, or El Paso Bondad as reflected in the Daily Price Survey published in "Gas Daily" for each of the days during which a Shipper fails to comply with an OFO for each Dth of gas that does not comply. Transporter may in its reasonable judgment waive penalties due to noncompliance with an issued OFO. No penalties shall be assessed on Shipper for noncompliance with an issued OFO when such OFO is due to Transporter's negligence or misconduct or due to force majeure invoked by Transporter.

Upon request from a Releasing Shipper that has been assessed an OFO penalty, Transporter will provide scheduled quantity data for its associated Replacement Shippers that was used to determine such OFO penalty.

~~If Shipper is unable to comply with the terms of an OFO due to failure of gas supply, penalties shall not be assessed to Shipper, and reservation charge adjustments will not be paid to such Shipper by Transporter; however, such Shipper's nominations will be decreased by a volume equivalent to that quantity of gas that does not comply with such OFO.~~

~~Failure of gas supply occurs when a Shipper is unable to make a nomination at the specified primary receipt point because such Shipper cannot, after exerting good faith efforts, physically obtain a gas supply at that receipt point, by the time the OFO is to become effective. Transporter will verify the good faith efforts of Shipper to obtain a gas supply before honoring Shipper's request to be exempt from penalties.~~

Shipper acknowledges that Transporter does not have access to third-party information that may be necessary to detect or prevent certain actions that could be taken by other Shippers for the purpose of avoiding their OFO obligations. Shipper's acknowledgement shall not be interpreted to limit Shipper's obligations under 18 CFR § 1c.1.

(g) Penalty Revenue Crediting. One hundred percent of all penalty revenues received by Transporter pursuant to Section 14.15(f) during any month will be credited to firm transportation Shippers. Such credits will be allocated to all firm transportation Shippers under Rate Schedule TF-1 (Large Customer), excluding discounted firm transportation service and

Shippers receiving service under a capacity release Service Agreement, Rate Schedule TF-1 (Small Customer) for the months they paid a reservation charge due to conversion to Rate Schedule TF-1(Large Customer) service, and Rate Schedule TF-2 (collectively, the specified Shippers), except each penalty revenue credit shall be allocated only to those specified Shippers who were not assessed such penalty on the day(s) for which such penalty revenues are to be credited. The credits will be allocated to the specified Shippers pro rata in proportion to reservation revenue (total revenue, net of credits from capacity

GENERAL TERMS AND CONDITIONS
(Continued)

14. OPERATING CONDITIONS (Continued)

releases as described in Section 23 of the General Terms and Conditions, less volumetric charges and all surcharges) received by Transporter from each and all of the specified Shippers for each applicable month. Such revenue credits shall be reflected as a credit billing adjustment to the next month's billings rendered after the applicable month. In the event that such credit billing adjustments would result in a credit total invoice to any Shipper, Transporter will refund the credit billing adjustment to the Shipper in cash within 30 days after determination of the amount of the credit due to the Shipper.

(h) Shipper Not Liable. Shipper will not be liable for any non-OFO penalties which might otherwise be imposed by Transporter with respect to any action taken by such Shipper in conformance with an OFO issued by Transporter.

(i) Transporter Not Liable. Transporter will not be liable for any damages, costs or expenses incurred as a result of an OFO unless such damages result from the negligence or willful misconduct of Transporter.

14.16 Disaster Recovery Procedures. In the event of a disaster such that Transporter's or Receiving Party's communication capability is not available for confirmation and scheduling of gas receipts and deliveries, nominations will remain in effect as confirmed for the most current day, unless alternate emergency communication methods are established. Transporter may declare an entitlement period on the system until normal communications are restored.

14.17 Interconnect Balancing Agreements. NAESB WGQ Flowing Gas Related Standard 2.3.29 will apply.

Transporter may enter into and operate pursuant to interconnect balancing agreements with other pipelines or gas suppliers relating to operating procedures governing nominating, scheduling and balancing for the receipt or delivery of gas at points of interconnection. As part of the provisions of these agreements, Transporter will allow the trading of imbalances between receipt points or between delivery points located in the same geographical area. For receipt points, the same geographical area means receipt points located in the same market hub, or producing basins located within contiguous gathering areas. For delivery points, the same geographical area means the zones used by Northwest for nominations.

14.18 Pre-Determined Allocations ("PDAs"). In the event an OBA is not in effect at a particular interconnecting point on Transporter's system, NAESB WGQ Flowing Gas Related Standards 2.3.1 through 2.3.6, 2.3.8, 2.3.15 through 2.3.23, and 2.3.25 through 2.3.27 will apply.

~~RESERVED FOR FUTURE USE~~