FERC GAS TARIFF

FIRST REVISED VOLUME NO. 1

OF

KERN RIVER GAS TRANSMISSION COMPANY

(TRANSPORTATION RATE SCHEDULES)

FILED WITH THE
FEDERAL ENERGY REGULATORY COMMISSION

COMMUNICATIONS CONCERNING THIS TARIFF SHOULD BE SENT TO:

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Second Revised Sheet No. 2 Second Revised Sheet No. 2 : Superseded
Superseding: First Revised Sheet No. 2

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PRELIMINARY STATEMENT

Kern River Gas Transmission Company, hereinafter referred to as "Transporter," is a "natural gas company" as defined by the Natural Gas Act (52 Stat. 821, 15 U.S.C. Sections 717-717w) and, as such, is subject to the jurisdiction of the Federal Energy Regulatory Commission, hereinafter referred to as the "FERC." Transporter is engaged in the business of transporting natural gas in interstate commerce.

Transporter owns and operates a natural gas transmission system, which extends from the Overthrust area of Southwest Wyoming at an interconnection with the facilities of Northwest Pipeline Corporation near Opal, Wyoming, through the states of Utah and Nevada to points of termination in Kern County near Bakersfield, California.

Transporter is engaged in the business of transporting for shippers natural gas owned by shippers, pursuant to authority granted by the FERC to Transporter to perform such service under the terms of Transportation Service Agreements between shippers and Transporter.

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Original Sheet No. 4 Original Sheet No. 4 : Superseded

SYSTEM MAP

Effective Date: 01/01/2000 Status: Effective
FERC Docket: RP00- 79-000

Fifteenth Revised Sheet No. 5 Fifteenth Revised Sheet No. 5 : Superseded
Superseding: Fourteenth Revised Sheet No. 5

STATEMENT OF RATES
RATE SCHEDULES KRF-1, CH-1, UP-1, MO-1, SH-1
(RATES PER DTH)

The rates shown below are those rates which Transporter is authorized to charge 1/ for service rendered from the effective date through the fifteenth (15th) year after commencement of operations.

	Base Tariff Rate	Surcharges ACA	Surcharges GRI	Rate After Surcharges
Monthly Reservation/Demand Rate: 1/				
Maximum Over 50% L.F.	$17.7200		$0.2000	$17.9200
50% L.F. and Under	$17.7200		$0.1230	$17.8430
Minimum	$0.0000		$0.0000	$0.0000
Daily Reservation/Demand Rate: 1/				
Maximum Over 50% L.F.	$0.5826		$0.0066	$0.5892
50% L.F. and Under	$0.5826		$0.0040	$0.5866
Minimum	$0.0000		$0.0000	$0.0000
Firm Transportation Commodity/Usage Rate: 1/				
Maximum	$0.0573	$0.0022	$0.0072	$0.0667
Minimum	$0.0023	$0.0022	$0.0000	$0.0045
Authorized Overrun Rate: 1/				
Maximum	$0.6399	$0.0022	$0.0072	$0.6493
Minimum	$0.0023	$0.0022	$0.0000	$0.0045

1/ For invoicing purposes, the rates and surcharges set forth above will be applied, as appropriate, to a) Shipper's Maximum Daily Quantity ("MDQ") as stated in the Transportation Service Agreement and b) volumes of gas received by Transporter from Shipper for transportation after such MDQ and volumes of gas received are multiplied by the current Thermal Conversion Factor as defined in the General Terms and Conditions of this Tariff ("Thermal Conversion Factor"). The current Thermal Conversion Factor is 1.047 Dth per Mcf.

Effective Date: 01/01/2000 Status: Effective
FERC Docket: RP00- 79-000

Thirteenth Revised Sheet No. 6 Thirteenth Revised Sheet No. 6 : Superseded
Superseding: Twelfth Revised Sheet No. 6

STATEMENT OF RATES
RATE SCHEDULE KRI-1
(RATES PER DTH)

The rates shown below are those rates which Transporter is authorized to charge 1/ for service rendered from the effective date through the fifteenth (15th) year after commencement of operations.

	Base Tariff Rate	Surcharges ACA	Surcharges GRI	Rate After Surcharges
Interruptible Transportation Rate: 1/				
Maximum	$0.6399	$0.0022	$0.0072	$0.6493
Minimum	$0.0023	$0.0022	$0.0000	$0.0045

1/ For invoicing purposes, the rates and surcharges set forth above will be applied to the volumes of gas received by Transporter from Shipper for transportation after such volumes of gas received are multiplied by the current Thermal Conversion Factor as defined in the General Terms and Conditions of this Tariff ("Thermal Conversion Factor"). The current Thermal Conversion Factor is 1.047 Dth per Mcf.

ORIGINAL SHEET NOS. 7 THROUGH 9
RESERVED FOR FUTURE USE

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES

1. AVAILABILITY

This Rate Schedule is available for the Transportation of Natural Gas on a firm basis by Kern River Gas Transmission Company (hereinafter called "Transporter") to any shipper (hereinafter called "Shipper"):

(a) which desires firm service and to the extent Transporter has available capacity to render such firm service for Shipper; and

(b) which completes a valid Transportation Service Request Form pursuant to Section 3.1 of this Rate Schedule and executes a Transportation Service Agreement for service hereunder.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to Gas transported by Transporter for Shipper pursuant to the executed Transportation Service Agreement for service under this Rate Schedule. Shippers under this Rate Schedule additionally may release their rights to transportation service on a permanent or temporary basis pursuant to the terms of Section 15 of the General Terms and Conditions of this Tariff.

Service rendered under this Rate Schedule shall consist of:

(a) The receipt by Transporter of Shipper's gas at the Receipt Point(s), including volumes for fuel used and lost and unaccounted-for gas that Shipper is obligated to provide pursuant to Section 12 of the General Terms and Conditions of this Tariff; and

(b) The Transportation of Gas up to Shipper's Maximum Daily Quantity (MDQ) on a firm basis, subject to Section 13 of the General Terms and Conditions of this Tariff; and

(c) The delivery of Gas in Thermally Equivalent quantities after Transportation (less any fuel used and lost and unaccounted-for gas pursuant to Section 12 of the General Terms and Conditions of this Tariff) by Transporter to Shipper at the Delivery Point(s).

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(continued)

3. QUALIFICATION FOR SERVICE

3.1 All Shippers requesting firm transportation service must provide the information required by this Section 3 and in Transporter's Transportation Service Request Form (Tariff Sheet No. 401) in order to qualify for firm transportation service. No request for firm service will be processed until a completed Transportation Service Request Form has been provided. A request for service shall be made no earlier than ninety (90) Days prior to the proposed commencement date of service and shall not be accepted unless firm capacity to render the service is available; provided, however, if (i) additional facilities on Transporter's system are required; (ii) Transporter posts the requested capacity for bid, or (iii) Transporter announces an open season for the requested capacity, then a request may be made at an earlier date. Any modification of an existing transportation service shall be requested by Shipper's submission of a new Transportation Service Request Form indicating on the form that the service requested is a modification of an existing service.

All completed Transportation Service Request Forms are to be sent to:

Attention: Kern River Gas Transmission Company
Marketing Services Department
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Fax No. (801) 584-6444

Any request shall include the information or items listed below, and any additional information required by Transporter to process the request; provided, that the request for additional information shall not affect the priority of Shipper's request.

(a) Gas Quantities: Shipper shall provide the Maximum Daily Quantity stated in Mcf.

(b) Receipt/Delivery Point: The designated Primary Receipt Point(s) and Primary Delivery Point(s), including the maximum daily quantity at each point, for the requested Transportation together with the names of the entities delivering the Gas to and receiving the Gas from Transporter.

(c) Term: The proposed commencement and termination dates of service.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES (continued)

(d) Shipper Certification: A statement by the Shipper certifying that all necessary upstream and downstream arrangements will be in place on the date the transportation service is to commence and that the Shipper will have title to or the right to acquire title to the Gas to be delivered to Transporter.

(e) Facilities: Identification and location of any facilities to be constructed or installed by any party affected by the proposed Transportation service.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES
(continued)

3. QUALIFICATION FOR SERVICE (continued)

3.1 (continued)

(f) Creditworthiness: Shipper shall provide proof, in its Transportation Service Request Form, that it meets Transporter's creditworthiness standards, as described in Section 7 of this Rate Schedule.

(g) Prepayment: A check or wire transfer in an amount equal to the lesser of $10,000 or the total Reservation Charge applicable to the proposed service for a three (3) Month period. This amount shall be credited to Shipper's invoice for the first Month of the requested transportation service. If no service is provided under this Rate Schedule, Transporter shall refund the entire amount of the prepayment within thirty (30) Days after Shipper's request.

All prepayments made to Transporter are to be sent by check or wire transfer to:

Federal Reserve Bank of New York
The Fuji Bank and Trust Company, New York
ABA No. 026008905
FUJI TR NYC
Attention: Trust Department
Account No. 30981018

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES (continued)

3. QUALIFICATION FOR SERVICE (continued)

3.2 Transporter shall not be required to perform or to continue service under this Rate Schedule on behalf of any Shipper who is or has become insolvent or who, at Transporter's request, fails within a reasonable period to demonstrate creditworthiness. Transporter shall seek appropriate FERC authorization, if necessary, prior to termination of service when the Shipper, its Guarantor or any parent entity fails to maintain creditworthiness or becomes insolvent. For purposes herein, the insolvency of a Shipper shall be evidenced by the filing by or against any Shipper or Guarantor (hereinafter collectively referred to as "the Shipper") of a petition in bankruptcy or the entry of a decree or order by a court having jurisdiction in the premises adjudging the Shipper bankrupt or insolvent, or approving, as properly filed, a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Shipper under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator, (or other similar official) of the Shipper or of any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, with said order or decree continuing unstayed and in effect for a period of sixty (60) consecutive Days.

3.3 If Transporter cannot satisfy a request due to insufficient capacity, such request shall not be of a continuing nature but rather shall remain valid only until the date Transporter notifies Shipper of insufficient capacity and shall thereafter be deemed a nullity for all purposes.

3.4 A Transportation Service Agreement (Tariff Sheet No. 200) shall be executed by Shipper and Transporter following Transporter's approval in writing or electronically through Transporter's EBB of Shipper's request for service and prior to commencement of service. In the event the Transportation Service Agreement is not executed and returned by Shipper at least 24 hours prior to the effective date of the Transportation Service Agreement, Transporter may consider the request for service invalid.

4. DELIVERIES AND RECEIPTS

4.1 Receipt Points: The Primary Receipt Point(s) for all Gas transported by Transporter under this Rate Schedule shall be at the interconnection(s) between Transporter's system and the connecting facilities of Shipper or Shipper's designee shown on an exhibit to the Transportation Service Agreement. The Secondary Receipt Points for Gas Transported by Transporter under this Rate Schedule shall be all other points at which Transporter is authorized to receive Gas into Transporter's System, identified on the master receipt point list maintained by Transporter on its Electronic Bulletin Board and as may be revised by Transporter from time to time. Capacity in excess of Shipper's maximum receipt quantity entitlement at a Primary Receipt Point shall be available to Shipper on a Secondary Receipt Point basis; provided however that any quantities scheduled by Shipper for transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES (continued)

4. DELIVERIES AND RECEIPTS (continued)

4.2 Delivery Points: The Primary Delivery Point(s) for all Gas transported by Transporter under this Rate Schedule shall be at the interconnection(s) between Transporter's system and the facilities of Shipper or Shipper's designee shown on an exhibit to the Transportation Service Agreement. The Secondary Delivery Points for Gas transported by Transporter under this Rate Schedule shall be all other points at which Transporter is authorized to deliver Gas from Transporter's system, identified in the master delivery point list maintained by Transporter on its Electronic Bulletin Board and as may be revised by Transporter from time to time. Capacity in excess of Shipper's maximum delivery quantity entitlement at a Primary Delivery Point shall be available to Shipper on a Secondary Delivery Point basis; provided however that any quantities scheduled by Shipper for transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

4.3 Common Facilities: Receipt Points and Delivery Points shall include the points on or adjacent to the facilities owned by Transporter as a tenant-in-common with Mojave Pipeline Company, at which Transporter has the right, respectively, to receive or to deliver Gas, to the extent of Transporter's rights to utilize such points.

5. RATES AND CHARGES

5.1 Applicable Rates and Charges: The rates and charges for service under this Rate Schedule shall be the Reservation Charge, Transportation Charge, ACA and GRI Charges, Authorized Overrun Charge, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.4, 5.5, 5.7, and 5.8 of this Rate Schedule.

5.2 Reservation Charge: For Shippers with whom Transporter has negotiated a reservation rate, an amount obtained by multiplying (a) the Shipper's MDQ as stated in the Transportation Service Agreement, as adjusted by the Thermal Conversion Factor defined in the General Terms and Conditions of this Tariff ("Thermal Conversion Factor"), by (b) an amount per Dth of MDQ which shall be no greater than the Maximum Monthly Reservation Rate as shown on Sheet No. 5 of Transporter's effective Tariff. Unless the parties otherwise agree, the Maximum Reservation Rate shall apply.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES (continued)

5. RATES AND CHARGES (continued)

5.4 ACA and GRI Surcharges: (a) ACA Surcharge: An amount obtained by multiplying (i) the volume of Gas received by Transporter from Shipper for Transportation during the Month, exclusive of volumes for fuel used and lost and unaccounted-for gas, as adjusted by the Thermal Conversion Factor, by (ii) the FERC Annual Charge Adjustment ("ACA") Surcharge as set forth on Sheet Number 5 of Transporter's effective Tariff. (b) GRI Surcharge: The sum of the amount obtained by multiplying (i) Shipper's MDQ as stated in the Transportation Service Agreement, as adjusted by the Thermal Conversion Factor, by (ii) the monthly Reservation Rate component of the Gas Research Institute ("GRI") Surcharge applicable to Shipper as set forth on Sheet Number 5 of Transporter's effective Tariff, and the amount obtained by multiplying (iii) the volume of Gas in Mcf received by Transporter from Shipper for Transportation during the month, exclusive of volumes for fuel used and lost and unaccounted for Gas as provided in Section 12 of the General Terms and Conditions of this Tariff, as adjusted by the Thermal Conversion Factor, by (iv) the Usage Rate component of the GRI Surcharge as set forth on Sheet Number 5 of Transporter's effective Tariff.

5.5 Authorized Overrun Charge: an amount obtained by multiplying (a) the volume of Gas, in Mcf, in excess of the Maximum Daily Quantity, received by Transporter from Shipper for Transportation, as adjusted by the Thermal Conversion Factor, by (b) the Authorized Overrun Rate per Dth as set forth on Sheet Number 5 of Transporter's effective Tariff, unless otherwise agreed to by Shipper and Transporter.

5.6 Minimum Monthly Bill: The minimum monthly bill shall be the Reservation Charge for each month, unless Transporter and Shipper mutually agree otherwise.

5.7 Incidental Charges: Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. If service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.

5.8 Imbalance Charge and Scheduling Penalty: Transporter shall charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10 of the General Terms and Conditions.

5. RATES AND CHARGES (continued)

5.9 Discounted Recourse Rates: Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates shall not be less than any applicable Minimum Rates set forth on Sheet No. 5 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter shall file with the FERC any required reports reflecting such adjusted rates.

Downward adjustment to any rate shall be for a specified term. At the expiration of such term, unless otherwise agreed upon, the rate for transportation service shall revert to the Maximum Monthly Reservation Rate and associated commodity rate under this Rate Schedule.

Notwithstanding the above, if an adjusted rate was provided by contract to Shipper prior to the effective date of the Stipulation and Agreement of Settlement filed March 31, 1999 (Settlement), then commencing on the effective date of the Settlement and continuing through the term of that contract, the equivalent daily base tariff Reservation/Demand Rate as adjusted will be reduced by an amount equal to the difference between the Commodity/Usage Rate in effect immediately prior to the Settlement and the Commodity/Usage Rate under the terms of the Settlement; provided, however, that the new base Reservation/Demand Rate may not exceed the Settlement maximum base Reservation/Demand Rate and may not be less than the Settlement minimum base Reservation/Demand Rate.

5.10 Negotiated Rates: Notwithstanding the foregoing provisions of this Section 5, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. ACA and GRI surcharges pursuant to Section 5.4 and imbalance charges/and or scheduling penalties pursuant to Section 5.8 of this rate schedule, as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

RATE SCHEDULE KRF-1
KERN RIVER FIRM TRANSPORTATION SERVICES (continued)

7. ESTABLISHMENT AND MAINTENANCE OF CREDIT (continued)

Chapter XI of the Federal Bankruptcy Act, but only with adequate assurances that the billing will be paid promptly as a cost of administration under the federal court's jurisdiction.

(iii) Shipper should not be subject to the uncertainty of pending liquidation or regulatory proceedings in state or federal courts which could cause a substantial deterioration in its financial condition, which could cause a condition of insolvency, or the ability to exist as an ongoing business entity.

(iv) If Shipper has an ongoing business relationship with Transporter, no delinquent balances should be consistently outstanding for transportation services made previously by Transporter and Shipper must have paid its account in the past according to the established terms and not made deductions or withheld payment for claims not authorized by contract.

(v) No significant collection lawsuits or judgments are outstanding which would seriously reflect upon the business entity's ability to remain solvent.

(d) If a Shipper fails to satisfy the credit criteria, such Shipper may still obtain service hereunder if it elects one of the following options: (i) to prepay in advance each month for one (1) month service; (ii) to provide a standby irrevocable letter of credit drawn upon a bank acceptable to Transporter, in an amount equal to Transporter's estimate of providing three (3) months of the service requested by Shipper; (iii) to provide a security interest in collateral provided by the Shipper found to be satisfactory to Transporter; or (iv) to provide a guarantee by a person or another entity which satisfies the credit appraisal. Transporter's credit appraisal procedures involve the establishment of dollar credit limits on a standardized nondiscriminatory basis. To the extent that a Shipper's accounts with Transporter do not exceed such limit, no new credit appraisal shall be conducted when an existing contract is amended or a request for a new contract is made; provided that the Shipper's payment history with Transporter has been satisfactory and there is no bona fide basis for questioning a Shipper's creditworthiness.

Effective Date: 08/01/1993 Status: Effective
FERC Docket: RS92- 65-003

Original Sheet Nos. 18 Through 49 Original Sheet Nos. 18 Through 49 : Superseded

ORIGINAL SHEET NOS. 18 THROUGH 49
RESERVED FOR FUTURE USE

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES

1. AVAILABILITY

This Rate Schedule is available for the Transportation of Natural Gas on an interruptible basis by Kern River Gas Transmission Company (hereinafter called "Transporter") to any shipper (hereinafter called "Shipper"):

(a) which completes a valid Transportation Service Request Form pursuant to Section 3 of this Rate Schedule and executes a Transportation Service Agreement for service hereunder and

(b) to the extent that capacity is available on Transporter's system from time to time for the delivery of Gas to Transporter and the redelivery by Transporter for the account of Shipper.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule shall apply to Gas transported by Transporter for Shipper pursuant to the executed Transportation Service Agreement for service under this Rate Schedule.

Service rendered under this Rate Schedule shall consist of:

(a) The receipt by Transporter of Shipper's Gas at the Receipt Point(s) specified in Shipper's Transportation Service Agreement, including volumes for fuel used and lost and unaccounted-for gas that Shipper is obligated to provide pursuant to Section 12 of the General Terms and Conditions of this Tariff; and

(b) The Transportation of Gas up to Shipper's Maximum Daily Quantity (MDQ) on an interruptible basis; and

(c) The delivery of Gas in Thermally Equivalent quantities after Transportation (less any fuel used and lost and unaccounted-for gas pursuant to Section 12 of the General Terms and Conditions of this Tariff) by Transporter to Shipper at the Delivery Points specified in Shipper's Transportation Service Agreement.

Service rendered under this Rate Schedule is interruptible and shall be provided only when and to the extent that Transporter determines capacity is available in its existing facilities. Service rendered under this Rate Schedule is subject to curtailment or interruption at any time. Service shall be performed only when Transporter has capacity available to provide such Transportation without impairment to the service being provided, up to MDQ, or subject to Section 13 of the General Terms and Conditions of this tariff, in excess of MDQ, for any customer which has contracted for firm transportation service.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES (continued)

3. QUALIFICATION FOR SERVICE

3.1 All Shippers requesting new interruptible transportation service must provide the information required by this Section 3 and Transporter's Transportation Service Request Form (Tariff Sheet No. 401), in order to qualify for interruptible transportation service. No request for interruptible service will be processed until a completed Transportation Service Request Form has been provided either in written form or electronically through Transporter's EBB. Any amendment to an existing transportation service shall be requested by Shipper's submission of a new Transportation Service Request Form either in written form or electronically through Transporter's EBB, indicating on the form that the service requested is an amendment to an existing service.

All completed Transportation Service Request Forms are to be sent to:

Attention: Kern River Gas Transmission Company
Marketing Services Department
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Fax No. (801) 584-6444

Any request shall include the information listed below. Shipper shall provide any additional information required by Transporter to process the request; provided, that the request for additional information shall not affect the priority of Shipper's request.

(a) Gas Quantities: Shipper shall provide the Maximum Daily Quantity stated in Mcf.

(b) Term: The proposed commencement and termination dates of service for the Shipper.

(c) Shipper Certification: A statement by the Shipper certifying that all necessary upstream and downstream arrangements will be in place on the date the transportation service is to commence and that the Shipper will have good title or the right to acquire title to the Gas to be delivered to Transporter.

(d) Facilities: Identification and location of any facilities to be constructed or installed by any party affected by the proposed transportation service.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES (continued)

3. QUALIFICATION FOR SERVICE (continued)

3.1 (continued)

(e) Credit Evaluation:

(i) Shipper shall render to Transporter complete audited financial statements or financial statements certified by the chief financial or chief accounting officer of the Shipper (which certificate shall state that such financial statements fairly present the financial condition and results of operations of the Shipper for the period indicated therein) prepared in accordance with generally accepted accounting principles or, for non-U.S.-based Shippers, prepared in accordance with equivalent principles.

(ii) a list of Shipper's affiliates, including parent and subsidiaries, if applicable.

3.2 (a) Transporter shall not be required to accept a request for new or additional service, or subject to the receipt of any necessary regulatory authorization, to continue service on behalf of any Shipper who is or has become insolvent or who fails to maintain creditworthiness until such Shipper has met a credit appraisal acceptable to Transporter, except as provided in Section 3.2(c) below.

(b) An acceptable credit appraisal must meet the following criteria:

(i) If current reports have not already been provided pursuant to Section 3.1(e) above, Shipper shall provide current financial statements, annual reports, 10-K reports or other filings with regulatory agencies, a list of all corporate affiliates, parent companies and subsidiaries, and any reports from credit reporting agencies which are available. Transporter shall apply consistent evaluative practices to determine the acceptability of the Shipper's overall financial condition, working capital, and profitability trends.

(ii) Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws such as an assignment for the benefit of creditors, or any informal creditors' committee agreement. An exception can be made for a Shipper who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act, but only with adequate assurances that the billing will be paid promptly as a cost of administration under the federal court's jurisdiction.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES (continued)

3.QUALIFICATION FOR SERVICE (continued)

(iii) Shipper should not be subject to the uncertainty of pending liquidation or regulatory proceedings in state or federal courts which could cause a substantial deterioration in its financial condition, which could cause a condition of insolvency, or the ability to exist as an ongoing business entity.

(iv) If Shipper has an ongoing business relationship with Transporter, no delinquent balances should be consistently outstanding for natural gas sales or transportation services made previously by Transporter and Shipper must have paid its account in the past according to the established terms and not made deductions or withheld payment for claims not authorized by contract.

(v) No significant collection lawsuits or judgments are outstanding which would seriously reflect upon the business entity's ability to remain solvent.

(c) If a Shipper fails to satisfy the credit criteria, such Shipper may still obtain service hereunder if it elects one of the following options: (i) to prepay in advance each month for one (1) month service; (ii) to provide a standby irrevocable letter of credit drawn upon a bank acceptable to Transporter, in an amount equal to Transporter's estimate of providing three (3) months of the service requested by Shipper; (iii) to provide a security interest in collateral provided by the Shipper found to be satisfactory to Transporter; or (iv) to provide a guarantee by a person or another entity which satisfies the credit appraisal. Transporter's credit appraisal procedures involve the establishment of dollar credit limits on a standardized nondiscriminatory basis. To the extent that a Shipper's accounts with Transporter do not exceed such limit, no new credit appraisal shall be conducted when an existing contract is amended or a request for a new contract is made; provided that the Shipper's payment history with Transporter has been satisfactory and there is no bona fide basis for questioning a Shipper's creditworthiness.

3.3 A Transportation Service Agreement (Tariff Sheet No. 300) shall be executed by Shipper and Transporter following Transporter's approval in writing, or electronically through Transporter's EBB, of Shipper's request for service and prior to commencement of service.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES (continued)

4. DELIVERIES AND RECEIPTS

4.1 Receipt Points: All existing receipt points on Transporter's system shall be included in the Transportation Service Agreement (shown on Exhibit A) and shall be available as receipt points for gas transported under this Rate Schedule. Shipper's Transportation Service Agreement shall be deemed amended from time to time to add any new receipt points added on Transporter's system. Transporter shall maintain a master receipt point list on its Electronic Bulletin Board and revise such list from time to time as necessary.

4.2 Delivery Points: All existing Delivery Points on Transporter's system shall be included in the Transportation Service Agreement (shown on Exhibit B) and shall be available as Delivery Points for Gas transported under this Rate Schedule. Shipper's Transportation Service Agreement shall be deemed amended from time to time to add any new Delivery Points added on Transporter's system. Transporter shall maintain a master delivery point list on its Electronic Bulletin Board and revise such list from time to time as necessary.

4.3 Common Facilities: Receipt Points and Delivery Points shall include the points on or adjacent to the facilities owned by Transporter as a tenant-in-common with Mojave Pipeline Company, at which Transporter has the right to receive or to deliver Gas, to the extent of Transporter's rights to utilize such points.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(continued)

5.RATES AND CHARGES

5.1 Applicable Rates and Charges: The rates and charges for service under this Rate Schedule shall be the Transportation Charge, ACA and GRI Surcharges, Incidental Charges, and any Imbalance Charge and/or Scheduling Penalties, if applicable, all as specified in Sections 5.2, 5.3, 5.5 and 5.6 of this Rate Schedule.

5.2 Transportation Charge: An amount obtained by multiplying (a) the volume of Gas in Mcf received by Transporter from Shipper for Transportation during the Month, exclusive of volumes for fuel used and lost and unaccounted-for gas, as adjusted by the Thermal Conversion Factor defined in the General Terms and Conditions of this Tariff ("Thermal Conversion Factor"), by (b) the Maximum Interruptible Transportation Rate as shown on Tariff Sheet No. 6 of Transporter's effective Tariff. Transporter has the right to negotiate the rate to a level not less than the Minimum Interruptible Transportation Rate nor greater than the Maximum Interruptible Transportation Rate, as shown on Tariff Sheet No. 6 of Transporter's effective Tariff.

5.3 ACA and GRI Surcharges: Amounts obtained by multiplying (a) the volume of Gas received by Transporter from Shipper for Transportation during the Month, exclusive of volumes for fuel used and lost and unaccounted-for gas, as adjusted by the Thermal Conversion Factor, by (b) the FERC Annual Charge Adjustment ("ACA") Surcharge as set forth on Sheet No. 6 of Transporter's effective Tariff, the Gas Research Institute ("GRI") Surcharge as set forth on Sheet No. 6 of Transporter's effective Tariff, and/or any other such similar surcharges as may be authorized in the future, to the extent such charges are applicable to the service provided to Shipper.

5.4 Minimum Monthly Bill: None.

5.5 Incidental Charges: Where applicable, Transporter will charge Shipper an amount to reimburse Transporter for 100% for any facilities, filing costs or similar fees which have not been previously paid by Shipper which Transporter incurs in establishing or rendering service. In addition, if service requires construction of new delivery facilities, Transporter may collect a contribution in aid of construction or incremental facility charge as provided in Section 20 of the General Terms and Conditions.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(continued)

5. RATES AND CHARGES (continued)

5.6 Imbalance Charge and Scheduling Penalty: Transporter shall charge Shipper an Imbalance Charge and Scheduling Penalty as provided in Section 10, General Terms and Conditions.

5.7 Discounted Recourse Rates: Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates shall not be less than any applicable Minimum Rates set forth on Sheet No. 6 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter shall file with the FERC any required reports reflecting such adjusted rates.

Downward adjustment to any rate shall be for a specified term. At the expiration of such term, the rate for transportation services shall revert to the maximum allowable rate under this Schedule.

5.8 Negotiated Rates: Notwithstanding the foregoing provisions of this Section 5, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. ACA and GRI surcharges pursuant to Section 5.3 and imbalance charges and/or scheduling penalties pursuant to Section 5.6 of this rate schedule, as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions of this tariff will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

RATE SCHEDULE KRI-1
KERN RIVER INTERRUPTIBLE TRANSPORTATION SERVICES
(continued)

6. PRIORITY OF SERVICE

A Shipper receiving service under Rate Schedule KRI-1 shall not lose its priority of service by the renewal or extension of the term of that service; provided, however any renewal or extension must be pursuant to a rollover or evergreen provision of the Transportation Service Agreement. Shipper's pre-existing priority shall not apply to any increase in MDQ or new points of delivery.

7. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions contained in Transporter's effective Tariff, except as modified in the executed Transportation Service Agreement, are applicable to this Rate Schedule and are hereby made a part hereof. Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order.

Effective Date: 02/01/2000 Status: Effective
FERC Docket: RP00-157-000

Sheet Nos. 58 Through 69 Sheet Nos. 58 Through 69 : Superseded

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GENERAL TERMS AND CONDITIONS
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GENERAL TERMS AND CONDITIONS
(continued)

1. DEFINITION OF TERMS

Except where the context expressly states another meaning, the following terms when used in this Tariff and in any Transportation Service Agreement incorporating said Tariff, shall be construed to have the following meanings:

1.1 "Backhaul": any transportation that is not flowing in the same direction as gas flowing from the Opal receipt point to the terminus of the system.

1.2 "Business Day": "Business Day is defined as Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S. and similar holidays for transactions occurring in Canada and Mexico." GISB 3.2.1.

1.3 "British Thermal Unit":"Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm2 and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry." GISB 2.3.9.

1.4 "Composite Gas Stream": the composite of all Gas receipts and/or nominations from Shippers for transportation by Kern River. Composite Gas Stream shall be the theoretical gas stream that will result from the combination of all gas receipts from all Shippers as determined by a computer model that utilizes analytical and flow data generated at each of the Receipt Points. The computer model determines what the Composite Gas Stream composition will be on a feed forward basis.

1.5 "Confirmation Requester": "A Confirmation Requester is a Service Provider (including a Point Operator) which is seeking to confirm a quantity of gas via the information outlined in GISB Standard 1.4.3 with another Service Provider (the Confirming Party) with respect to a nomination at a location." GISB 1.2.8.

1.6 "Confirming Party": "A Confirming Party is a Service Provider (including a Point Operator) which provides a confirmation for a quantity of gas via the information outlined in GISB Standard 1.4.4 to another Service Provider (the Confirmation Requester) with respect to a nomination at a location." GISB 1.2.9.

1.7 "Confirming Parties": "The term Confirming Parties refers to the Confirmation Requester and the Confirming Party." GISB 1.2.10.

1.8 "Confirmation by Exception": "Confirmation by Exception ("CBE") means that the Confirming Parties agree that one party deems that all requests at a location are confirmed by the other party (the CBE party) without response communication from that party. The CBE party can take exception to the request by so informing the other party within a mutually agreed upon time frame." GISB 1.2.11.

GENERAL TERMS AND CONDITIONS (continued)

1. DEFINITION OF TERMS (continued)

1.18 "Guarantor": any person or entity which is creditworthy as determined in accordance with the creditworthiness requirement for the service provided hereunder and has agreed to be responsible for the debts of Shipper under the Transportation Service Agreement.

1.19 "Interconnect Operator": any person or entity responsible for the operation and/or maintenance of the facilities connected with the Transporter's facilities.

1.20 "Intra-Day Nomination": "An intra-day nomination is a nomination submitted after the nomination deadline whose effective time is no earlier than the beginning of the gas day and runs through the end of that gas day." GISB 1.2.4.

1.21 "MDQ" or "Maximum Daily Quantity": the maximum volume of Natural Gas (exclusive of fuel used and lost and unaccounted-for gas) which Transporter is obligated to receive for Transportation from Shipper on any Day at the receipt points specified in the Transportation Service Agreement.

1.22 "Month": the period beginning at 9:00 a.m. CCT on the first Day of the calendar Month and ending at 9:00 a.m. CCT on the first Day of the succeeding calendar Month.

1.23 "Negotiated Rate": A rate or formula for computing a rate for Transportation service which may be greater than, equal to or less than the Recourse Rate, but which may not be less than the Minimum Base Tariff Rate as set forth on Sheet No. 5 or 6. A Negotiated Rate must be mutually agreed upon by Transporter and Shipper for a specific time period and may be based on a rate design other than the rate design used to compute Transporter's currently effective rates.

1.24 "Operational Balancing Agreement (OBA)": "An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect." GISB 2.2.1.

1.25 "Operational Flow Order (OFO)": "An operational flow order is an order issued to alleviate conditions, inter alia, which threaten or could threaten the safe operations or system integrity, of the transportation service provider's system or to maintain operations required to provide efficient and reliable firm service. Whenever a Transportation Service Provider experiences these conditions, any pertinent order should be referred to as an Operational Flow Order." GISB 1.2.6.

1.26 "Package ID": "A package ID is a way to differentiate between discrete business transactions." GISB 1.2.5.

1.27 "Priority of Service Date": the date and time of Transporter's receipt from any Shipper of a completed Transportation Service Request Form. However, for all requests received during an open season the Priority of Service Date shall mean the first day and opening time of such open season.

1.28 "Psia": pounds per square inch absolute.

1. DEFINITION OF TERMS (continued)

1.29 "Psig": pounds per square inch gauge.

1.30 "Quantity": the number of units of gas, either specified in Mcf or Dth.

1.31 "Recourse Rate": The Maximum Base Tariff Rate on Sheet No. 5 or 6 of this tariff. For purposes of this tariff, Recourse Rate and Maximum Base Tariff Rate are synonymous.

1.32 "Shipper": an entity with whom Transporter has executed a Transportation Service Agreement for the Transportation of Gas on Transporter's pipeline system, or a Replacement Shipper who has executed a Released Transportation Service Agreement with Transporter and acquired firm transportation service rights pursuant to the provisions of Section 15 of these General Terms and Conditions.

1.33 "Thermal Conversion Factor": the Btu factor, as determined by Transporter, which reflects the thermal content of the system-wide composite gas stream delivered to Transporter. The Thermal Conversion Factor will be used solely to assign a heating value to volumetric quantities of gas for invoicing purposes. The Thermal Conversion Factor will be expressly stated on Sheet Nos. 5 and 6 of Transporter's effective Tariff.

1.34 "Thermally Equivalent": an equal number of Btu's. The determination of thermally equivalent volumes shall be accomplished by multiplying the unit of measurement, as provided in paragraph 2.2 of Section 2, by the Total Heating Value adjusted to the standard conditions of the measured volumes.

1.35 "Total Heating Value": the number of Btu's liberated by the complete combustion of one Cubic Foot of Gas. The average Total Heating Value in any Month shall be the volume weighted average of the Total Heating Values for each Day during such Month, adjusted to reflect the actual water vapor content of the Gas delivered.

1.36 "Transportation": the receipt of Gas of Shipper at receipt points on Transporter's transmission system (referred to as "Receipt Points"), and the delivery of Thermally Equivalent volumes by Transporter to Shipper or for Shipper's account (after making allowance for any requisite fuel and loss reimbursement) to Delivery Points on Transporter's transmission system (referred to as "Delivery Points").

1.37 "Transporter": Kern River Gas Transmission Company.

1.38 "Volume": the number of units of gas, either specified in Mcf or Dth.

1.39 "Year": a period of 365 consecutive Days; provided, however, that any such Year which contains a date of February 29 shall consist of 366 consecutive Days.

GENERAL TERMS AND CONDITIONS
(continued)

2. MEASUREMENT (continued)

2.1 GISB Flowing Gas Standards (continued)

GISB 2.3.19: "The transportation service providers should accept GISB-approved allocation methodology types from the upstream or downstream custody transfer party who is providing the point confirmation."

GISB 2.3.20:"A new allocation detail may be needed when a nomination changes."

GISB 2.3.21: "The timing for reporting daily operational allocations after the gas has flowed is within one business day after end of gas day. If the best available data for reporting daily operational allocations is the scheduled quantity, that quantity should be used for the daily operational allocation."

GISB 2.3.22: "The responsibility for calculation and reporting of allocated quantities should rest with the party responsible for accepting GISB allocation types. The party receiving nominations should provide allocation statements."

GISB 2.3.23: "As a minimum, allocations should be provided both by contract and location."

GISB 2.3.24: "Delivery point allocations should be performed at the lowest level of detail provided by nominations."

GISB 2.3.27: "Allocated quantities and imbalances should be expressed in the same units as the nominated quantities."

GISB 2.3.31: "No imbalance penalty should be imposed when a prior period adjustment applied to the current period causes or increases a current month penalty."

2.2 Unit of Volume: The unit of volume for the purpose of measurement shall be one Cubic Foot of Gas. The readings and registrations of the measuring equipment hereinafter provided for and determinations of Total Heating Value shall be computed in terms of such volumes.

2.3 Factors Considered in Computation: To determine the volume of Gas delivered, required factors such as pressure, temperature, specific gravity and deviations from Boyle's Law shall be reflected in accordance with the American Gas Association Bulletin Number 3 and any modifications and amendments thereof, and applied in a practical manner.

GENERAL TERMS AND CONDITIONS
(continued)

2. MEASUREMENT (continued)

2.4 Determination of Dekatherms Received or Delivered: The number of Dekatherms received or delivered during any Day at a Receipt or Delivery Point shall be determined by multiplying the number of cubic feet of Natural Gas received or delivered on such Day at such point by the Total Heating Value for that Day and by dividing the total so obtained by 1,000,000.

2.5 Assumed Atmospheric Pressure: The absolute atmospheric pressure used for volume calculations shall be assumed to be a specific pressure determined by calculations based on the actual elevation above sea level at the site of the meter rounded off to the nearest one hundredth of a pound.

3. MEASURING EQUIPMENT

3.1 Installation and Operation: Transporter shall install, maintain and operate at its own expense, at or near each Receipt or Delivery Point, a measuring station properly equipped with meters and other necessary measuring equipment and any related measurement and interconnection facilities; provided, however, that Transporter may require at its option that Shipper bear the expense of furnishing and installing such equipment in any instance in which Shipper requests a new or additional Receipt Point or Delivery Point for Shipper's convenience. Unless otherwise mutually agreed upon, such measuring equipment shall be of a type generally accepted in industry practice by which the volume of Gas received from and delivered to Shipper shall be measured. Where orifice meters are used, they shall be installed and operated in accordance with ANSI/API 2530, September 1985, and any modifications and amendments thereof, and applied in a practical manner. Where positive displacement meters, turbine meters, or other measuring devices are used, they shall be installed and operated in accordance with then-current American Gas Association recommendations, where available. Btu measuring equipment shall be installed by Transporter at a location or locations where the Total Heating Value of the Gas received and delivered by Transporter can be satisfactorily determined. Btu measurement may also be determined by Gas samples.

3.2 Check Measuring Equipment: Shipper may install, maintain and operate, at its own expense, such check measuring equipment as desired, provided that such equipment shall not be installed on property containing Transporter's measuring equipment at or near the Receipt or Delivery Points. However, measurement of Gas for purposes of this Tariff shall be done by means of the measuring equipment installed pursuant to Paragraph 3.1, except in cases specifically provided to the contrary in this Section 3.

GENERAL TERMS AND CONDITIONS (continued)

3. MEASURING EQUIPMENT (continued)

3.3 Notice of Equipment Tests: The party operating the measurement facilities shall give notice to the other party of the time and location of all tests of Gas delivered hereunder or of any equipment used in measuring or determining the nature or quality of such Gas, in order that such other party may conveniently have its representative present. Upon request and thirty (30) days written notice, each party will submit to the other its records, together with calculations therefrom, for inspection and verification, subject to return within thirty (30) days after receipt.

3.4 Calibration and Test of Meters: The accuracy of Transporter's measuring equipment shall be verified by Transporter at reasonable intervals and, if requested, in the presence of representatives of Shipper. In the event Shipper shall notify Transporter that it desires a special test of any of Transporter's measuring equipment, the parties shall cooperate to secure a prompt verification of the accuracy of such equipment. Any Shipper requesting such a special test of Transporter's measuring equipment shall bear Transporter's out-of-pocket costs of the test if the equipment is found to be accurate within one percent (1%).

3.5 Correction of Metering Errors: If, upon test, any measuring equipment, including Transporter's Btu measuring equipment, is found to be in error by not more than one percent, previous recordings of such equipment shall be considered accurate in computing deliveries of Gas, but such equipment shall be adjusted at once to record accurately.

If, upon test, any measuring equipment is found to be inaccurate by an amount exceeding one percent of the average rate of flow for the period since the last preceding test, such equipment shall be adjusted at once to record accurately, and any previous recordings of such equipment shall be corrected to zero error for any period which is known definitely; but in case the period is not known or agreed upon, such correction shall be for a period extending over one-half of the time elapsed since the date of the last test.

3.6 Correction of Stated Metered Volumes: GISB 2.3.14: "Measurement data corrections should be processed within 6 months of the production month with a 3 month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard."

GENERAL TERMS AND CONDITIONS
(continued)

4. QUALITY (continued)

4.1 Gas Quality at Delivery Point(s) (continued)

(e) shall contain not more than 0.2% by volume of oxygen;

(f) shall contain not more than 3.0% by volume of carbon dioxide or nitrogen;

(g) shall contain not more than a combined total of 4.0% by volume of inerts, including carbon dioxide, nitrogen, oxygen and any other inert compound;

(h) shall contain not more than 0.25 grain of hydrogen sulfide per 100 Cubic Feet of Gas (the gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products);

(i) shall contain not more than 0.3 grains of mercaptan sulfur per 100 Cubic Feet of Gas;

(j) shall contain not more than 0.75 grains of total sulfur per 100 Cubic Feet of Gas;

(k) shall not contain any toxic or hazardous substance, in concentrations which, in the normal use of the Gas, results in an unacceptable risk to health, is injurious to pipeline facilities, is a limit to merchantability or contrary to applicable governmental standards;

(l) shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per Cubic Foot of Gas on a dry basis;

(m) shall have a temperature of not less than forty degrees (40) Fahrenheit, and not more than one hundred twenty degrees (120) Fahrenheit.

4.2 Gas Quality at Receipt Point(s):

Gas nominated or delivered by Shipper to Transporter at the Receipt Point(s) for Transportation shall comport with the requirements set forth in Paragraph 4.1 herein, or be subject to rejection and non-acceptance by Transporter pursuant to Section 4.5 (with the exception of the following Gas blending rights).

GENERAL TERMS AND CONDITIONS
(continued)

4. QUALITY (continued)

4.3 Gas Blending Rights: Notwithstanding Section 4.2, if the Composite Gas Stream contains less than ninety-five (95)% of the maximum allowable concentration of hydrogen sulfide (4.1(h)), mercaptan sulfur (4.1(i)), total sulfur (4.1(j)), nitrogen or carbon dioxide (4.1(f)), or total inerts (4.1.g)), then Transporter shall allow reduced restrictions on said Gas components as described below and Shipper may tender, at any Receipt Point, Gas which contains not more than:

(a) one (1) grain of hydrogen sulfide per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average hydrogen sulfide content of the Composite Gas Stream does not exceed 0.25 grain per 100 Cubic Feet of Gas; and

(b) Ten (10) grains of total sulfur per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average total sulfur content of the Composite Gas Stream does not exceed 0.75 grain per 100 Cubic Feet of Gas; and

(c) Five (5) grains of mercaptan sulfur per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average mercaptan sulfur content of the Composite Gas Stream does not exceed 0.30 grain per 100 Cubic Feet of Gas; and

(d) Four percent (4.0%) by volume of carbon dioxide, subject to the condition that the volume weighted average carbon dioxide content of the Composite Gas Stream does not exceed three percent (3.0%), and the Composite Gas Stream meets the requirements of Section 4.3(f) below; and

(e) Six percent (6.0%) by volume of nitrogen, subject to the condition that the volume weighted average nitrogen content of the Composite Gas Stream shall not exceed three percent (3.0%), and the Composite Gas Stream meets the requirements of Section 4.3(f) below; and

(f) Six percent (6.0%) by volume of inerts, subject to the condition that the volume weighted average total inerts of the Composite Gas Stream shall not exceed four percent (4.0%).

GENERAL TERMS AND CONDITIONS
(continued)

4. QUALITY (continued)

4.4 Quality Tests:

(a) Location of Tests. The quality of the Gas received and delivered by Transporter hereunder shall be determined by tests which Transporter shall cause to be made at Receipt Points, and other locations along its system.

(b) Specification for Tests. Transporter shall determine the Total Heating Value of Gas and its component analysis at least once each Month in accordance with the Gas Measurement Committee Report No. 3 prepared by the Gas Measurement Committee of the American Gas Association, dated September 1985 or any subsequent revisions (AGA-3). Such determination shall be made using either an on-line chromatograph or by chromatographic analysis of a representative sample of Gas taken with a continuous flow proportional sampler. Chromatography shall be performed in accordance with Gas Processors Association (GPA) publications 2261-86 and 2286-86 or any subsequent revisions. The values of the physical constants for the Gas components shall be determined by the use of the physical constants listed in Table 5 of AGA-3. For components of the Gas not listed in said Table 5, GPA publication 2145-88 or any subsequent revision shall be used.

(c) Non-Hydrocarbon Tests. Tests shall be made to determine the total sulfur, hydrogen sulfide, mercaptans, carbon dioxide, nitrogen and oxygen content of the Gas, and the hydrocarbon dew point and water vapor content of such Gas by approved standard methods in general use in the gas industry. Tests shall be made frequently enough to assure that the Gas continuously conforms to the quality requirements.

GENERAL TERMS AND CONDITIONS
(continued)

4. QUALITY (continued)

4.5 Failure to Conform:

(a) If the Gas offered for Transportation by Shipper shall fail at any time to conform to any of the specifications set forth in Section 4.2, then Transporter shall have the right, upon written (including by telecopy) or oral notice to Shipper, to immediately refuse to accept all or any portion of such Gas.

(b) Notwithstanding the foregoing, however, in the event the provisions of Section 4.3 are in effect, the following procedures shall apply:

(i) When the calculated quality of the Composite Gas Stream approaches 90% of the allowable maximums for those Gas components whose specifications are subject to blending, then Transporter shall notify all Shippers whose Gas does not conform with Section 4.2.

(ii) When the calculated quality of the Composite Gas Stream equals or exceeds 95% of the allowable maximums for those Gas components whose specifications are subject to blending, Transporter shall immediately notify all Shippers whose Gas does not conform that Transporter will commence curtailing receipt of their Gas in the following manner:

1) Transporter shall determine which Gas nominations or receipts do not conform with Section 4.2. For each Shipper whose Gas nominations or deliveries to Transporter do not conform with Section 4.2, Transporter shall identify the quantity of the Gas component that is in excess of the limits set forth in Section 4.2, compute a total thereof for all Shippers, and calculate the percentage of said total for each Shipper.

GENERAL TERMS AND CONDITIONS
(continued)

4. QUALITY (continued)

4.5(b) Failure to Conform: (continued)

2) The calculated percentage shall be used to determine the quantity of non-conforming component that each of the non-conforming Shippers must eliminate from its Gas nominations and/or deliveries, in order to bring said Composite Gas Stream back to 93% of the quality specifications, of Section 4.2. The required reduction of the non-conforming component will be calculated on the assumption that Shipper will replace its nominations or deliveries of out of compliance Gas by the required reduction volume using gas containing none of the non-conforming component. The required reduction, as well as the newly calculated maximum allowable concentration of the non-conforming component, shall be communicated to each of the non-conforming Shippers.

3) Shipper shall reduce the non-conforming component by either replacing nominated or existing Gas deliveries to Transporter with Gas containing less of the non-conforming component or by reducing nominations or deliveries of non-conforming Gas until, inclusive of the reductions of non-conforming components similarly required of any other non-conforming Shippers, the composition of the Composite Gas Stream is again calculated to contain 93% or less of the maximum allowable quality specifications of Section 4.2.

4) Should Shipper fail to take adequate corrective action to comply with its obligation in Section 4.5(b)(ii)(3) to reduce the non-conforming component, Transporter shall have the right to curtail receipts of non-conforming Gas from Shipper as determined in Section 4.5(b)(ii)(2) above.

(c) Continuation of Obligation to Pay: In the event Transporter refuses to accept Gas tendered by Shipper because such Gas does not conform to the specifications set forth herein, Shipper shall not be relieved of its obligation to pay any Reservation Charge provided for in Shipper's Transportation Service Agreement.

5. INVOICING AND PAYMENT (continued)

5.1 GISB Invoicing Standards (continued)

GISB 3.3.11: "Information provided with (sales and transportation) invoices should be consistent with information previously provided by the billing party, as updated for changes for settlement."

GISB 3.3.12: "All statements should be standardized to the same level of detail. The specific minimum level of detail on invoice, remittance and statement of account should be guided by the development of the data elements."

GISB 3.3.13: "Regarding inadequate detail supporting documentation, supporting documentation should be provided upon request, with timing of supporting documentation to follow the timing of the flowing gas transaction."

GISB 3.3.15: "Prior period adjustment time limits should be 6 months from the date of the initial transportation invoice and 7 months from date of initial sales invoice with a 3-month rebuttal period, excluding government-required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard."

GISB 3.3.16: "Prior period adjustments are reported by production date, but they do not have to be invoiced separately by production month - nor is each production month a separate paper invoice page."

GISB 3.3.17: "Party making payment should submit supporting documentation; party receiving payment should apply payment per supporting documentation provided by the paying party; and if payment differs from invoiced amount, remittance detail should be provided with the payment."

GISB 3.3.18: "Identify invoice number(s) on all payments."

GISB 3.3.20: "The statement of account is separate from the invoice as a transaction type."

GISB 3.3.21: "The Statement of Account should report outstanding balances by invoice."

GISB 3.3.22: "Where no specific contract otherwise applies, in case of shipper level interest charges due from prior invoices, shipper level imbalance charges, and shipper level GRI refunds, a data element(s) should exist to support these charges due from the service requester. The invoice data sets (GISB Standards 3.4.x) should support a method of communicating this information at the service requester level."

GENERAL TERMS AND CONDITIONS (continued)

5. INVOICING AND PAYMENT (continued)

5.5 Failure to Pay Invoices: Should Shipper fail to pay any of the amount of any invoice when such amount is due, Shipper shall pay a late charge which shall be added to the next regular monthly invoice rendered to Shipper under this Section 5. Such late charge shall be determined by multiplying (a) the unpaid portion of the invoice by(b) the ratio of the number of Days from the due date to the date of actual payment to 365 or by the annual interest rate as determined in accordance with 18 C.F.R. Section 154.501(d)(1) or any successor provision of the FERC's Regulations. If such failure to pay continues for thirty (30) Days after payment is due, Transporter, in addition to any other remedy it may have under the Transportation Service Agreement, may discontinue transportation service; provided, however, that Transporter shall provide Shipper with a minimum of fifteen (15) Days notice before service is discontinued and shall report such discontinuance of service to the Commission. Transporter shall not be entitled to suspend further delivery of Gas if Shipper in good faith (a) disputes the amount of any such invoice or part thereof in writing; (b) pays the Transporter such amounts as it concedes to be correct; and provides documentation identifying the basis for the dispute. In such event, Transporter may demand and Shipper, within thirty (30) days of such demand, shall furnish good and sufficient surety bond, guaranteeing payment to Transporter of all disputed amounts for any invoices that are or will be affected by such dispute. If Shipper fails to provide a bond to Transporter guaranteeing payment, or if Shipper defaults in the conditions of such bond, then Transporter shall have the right, after any necessary application to and authorization by the FERC, to terminate the Transportation Service Agreement. GISB 2.3.26: "The time limitation for disputes of allocations should be 6 months from the date of the initial month-end allocation with a 3-month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard."

5.6 Disputed Invoices: GISB 3.3.19: "If invoice is in dispute, pay portion not in dispute and provide documentation identifying basis for the dispute."

5.7 Right to Set Off Unpaid Amounts: In the event that Shipper does not pay the full amount due Transporter in accordance with Section 5.3 hereof, Transporter, without prejudice to any other rights or remedies it may have, shall have the right to withhold and set off payment of any amounts of monies due or owing by Transporter to Shipper, whether in connection with this Agreement or otherwise, against any and all amounts or monies due or owing by Shipper to Transporter for services performed under the Transportation Service Agreement.

GENERAL TERMS AND CONDITIONS
(continued)

6. RECEIPT AND DELIVERY POINTS AND PRESSURES

6.1 Receipt Points:

a) Transporter shall receive Gas for the account of any Shipper under Transporter's Rate Schedule KRI-1 at the Receipt Points set forth on Shipper's executed Transportation Service Agreement, as may be amended from time to time. Transporter shall receive Gas for the account of any firm Shipper, up to the amount of Shipper's respective specified Maximum Receipt Volume entitlement, at the Primary Receipt Points set forth on Shipper's executed Transportation Service Agreement, as may be amended from time to time upon mutual written agreement of the parties. The Maximum Receipt Volume shall be the maximum volume of Gas which Transporter is obligated to receive for Transportation at each respective Primary Receipt Point on any Day. Any firm Shipper may add Primary Receipt Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Receipt Volume entitlement at any particular Primary Receipt Point, subject to the availability of capacity; provided, however, that in the event of any such addition or increase Shipper must concurrently relinquish an equivalent amount of its Maximum Receipt Volume entitlement at any one or more of the Primary Receipt Points contained in its Transportation Service Agreement. Additionally, firm Shippers may, subject to Section 13 of these General Terms and Conditions, nominate and schedule Gas for Transportation to Secondary Receipt Points. Transporter shall not be required under any circumstances to receive Gas for the account of any Shipper where the total quantity of Gas scheduled for Transportation on any Day is less than that required for the accurate measurement of quantities.

b) In the event Shipper releases any or all of its Transportation rights to a Replacement Shipper under Section 15 of the General Terms and Conditions of this Tariff and permits the Replacement Shipper to utilize Primary Receipt Points in connection with the Release, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Receipt Volume entitlement at any one or more of its Primary Receipt Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Receipt Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Maximum Receipt Volume entitlement at each such point.

6.2 Receipt Pressure: Gas shall be delivered to Transporter at the Receipt Point(s) at pressures sufficient to allow the Gas to enter the facilities of Transporter but shall not be delivered at pressures in excess of the maximum allowable operating pressure of Transporter's facilities at the Receipt Point(s). Transporter is under no obligation to modify its line pressures to permit the entry of Shipper's Gas into its System.

GENERAL TERMS AND CONDITIONS
(continued)

6. RECEIPT AND DELIVERY POINTS AND PRESSURES (continued)

6.3 Delivery Points:

a) Transporter shall deliver Gas for the account of any Shipper under Transporter's Rate Schedule KRI-1 at the Delivery Points set forth on Shipper's executed Transportation Service Agreement, as may be amended from time to time. Transporter shall deliver Gas for the account of any firm Shipper, up to the amount of Shipper's respective specified Maximum Delivery Volume entitlement, at the Primary Delivery Points set forth on Shipper's executed Transportation Service Agreement, as may be amended from time to time upon mutual written agreement of the parties. The Maximum Delivery Volume shall be the maximum volume of Gas which Transporter is obligated to deliver at each respective Primary Delivery Point on any Day. Any firm Shipper may add Primary Delivery Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Delivery Volume entitlement at any particular Primary Delivery Point, subject to the availability of capacity; provided, however, that Shipper must concurrently relinquish an equivalent amount of its Maximum Delivery Volume entitlement at any one or more of the Primary Delivery Points contained in its Transportation Service Agreement. Additionally, firm Shippers may, subject to Section 13 of these General Terms and Conditions, nominate and schedule Gas for Transportation from Secondary Delivery Points. Transporter shall not be required under any circumstances to deliver Gas for the account of any Shipper where the total quantity of Gas scheduled for Transportation on any Day is less than that required for the accurate measurement of quantities.

b) In the event Shipper releases any or all of its transportation rights to a Replacement Shipper under Section 15 of the General Terms and Conditions of this Tariff and permits the Replacement Shipper to utilize Primary Delivery Points in connection with the Release, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Delivery Volume entitlement at any one or more of its Primary Delivery Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Delivery Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Maximum Delivery Volume entitlement at each such point.

6.4 Transporter's Delivery Pressures: Transporter shall deliver Gas for Shipper's account at the pressures existing from time to time in Transporter's facilities at the Delivery Point(s).

GENERAL TERMS AND CONDITIONS
(continued)

7. FORCE MAJEURE

7.1 Definition: The term "force majeure" as employed herein shall include, but shall not be limited to blockades, insurrections, riots, epidemics, floods, washouts, landslides, mudslides, earthquakes, extreme cold or freezing weather, lightning, restraints of rulers and peoples, civil disturbances, explosions, breakage or freezing of or accident to machinery or line of pipe, the 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 a matter within the control of the party claiming suspension.

7.2 Obligations of Parties: In the event of either party's being rendered, wholly or in part by force majeure, unable to carry out its obligations under the Transportation Service Agreement, it is agreed that when such party gives notice and full particulars of such force majeure, in writing, by electronic mail or by telephone, to the other party, which shall be done as soon as practicable after the occurrence of the event of force majeure relied on, then the obligations of the parties hereto so far as such obligations are affected by such force majeure shall be suspended during the continuance of any period of force majeure, but for no longer period, and such inability to perform shall, so far as possible, be remedied with all reasonable dispatch. Provided, however, that continued payment of the monthly reservation charge applicable to firm transportation service under circumstances of non-delivery occasioned by Transporter's invocation of force majeure shall be a matter for individual negotiation between Transporter and Shipper as set forth in the executed Transportation Service Agreement. Notwithstanding anything to the contrary which may be expressed or implied in an executed Transportation Service Agreement under Rate Schedule KRF-1, no adjustment to the monthly reservation charge for Shippers under Rate Schedule KRF-1 shall be required for any interruption or curtailment of service at any Secondary Receipt Point or Secondary Delivery Point.

GENERAL TERMS AND CONDITIONS
(continued)

7. FORCE MAJEURE (continued)

7.3 Liability Not Relieved: Such causes or contingencies affecting the performance under the executed Transportation Service Agreement by either Transporter or Shipper, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve either party from its obligations to make payments of amounts then due in respect of Gas theretofore delivered.

8. POSSESSION OF GAS AND RESPONSIBILITY

As between Transporter and Shipper, Shipper shall be deemed to be in control and possession of the Gas prior to Shipper's delivery of the Gas to Transporter for Transportation at the Receipt Point(s). Transporter shall be deemed to be in control and possession of the Gas following receipt of the Gas from Shipper at the Receipt Point(s) and prior to delivery of the Thermally Equivalent Gas volumes (less any requisite fuel and loss reimbursement) to Shipper at the Delivery Point(s), after which Shipper shall be deemed to be in control and possession.

Shipper shall have no responsibility with respect to any Gas after it has been delivered to Transporter at the Receipt Point(s) on account of anything which may be done, happen or arise with respect to said Gas, prior to the redelivery of the Thermally Equivalent volumes (less any requisite fuel and loss reimbursement) to Shipper at the Delivery Point(s). Transporter shall have no responsibility with respect to said Gas prior to its delivery to Transporter at the Receipt Point(s), after its delivery to Shipper at the Delivery Point(s), or on account of anything which may be done, happen or arise with respect to said Gas prior to such receipt or after such delivery.

GENERAL TERMS AND CONDITIONS
(continued)

10. OPERATING AND BALANCING PROCEDURES (continued)

10.3 Records of Scheduled Volumes: Transporter shall keep accurate records of the volumes of Gas scheduled for Transportation and any imbalances, which records shall be made available to Shipper at its request. If Shipper's Gas is commingled with other Gas at the Receipt Point(s) or at the Delivery Point(s), the scheduling arrangements and Transporter's records shall include procedures for the division of the total volume at such points.

10.4 Arrangements Prior to Receipt and After Delivery: It shall be Shipper's obligation to make arrangements with other parties for delivery of Gas into Transporter's system at the Receipt Point(s) and for receipt of Gas after Transportation at the Delivery Point(s). Shipper shall be obligated in such arrangements to require dispatching and operating coordination with Transporter and access to appropriate charts and records. Such arrangements shall be satisfactory to Transporter.

10.5 Operating Information and Estimates: Upon request of Transporter, Shipper shall from time to time submit estimates of the daily, monthly and annual volumes of Gas to be transported hereunder together with such other operating data as Transporter may require in order to schedule its operations.

10.6 Balancing of Transportation Quantities:

(a) Uniform Receipts and Deliveries: Transporter and Shipper shall undertake to maintain receipts and deliveries on a uniform hourly basis to the maximum extent practicable, subject to the provisions of the General Terms and Conditions of this Tariff.

(b) Departures from Scheduled Receipts and Deliveries: Shipper and Transporter shall attempt to keep departures from scheduled receipts and deliveries to a minimum and shall reconcile any imbalances, including required fuel for the month, within thirty (30) days. Any adjustment to receipts and deliveries by Shipper, whether or not pursuant to notification from Transporter, shall be coordinated with Transporter and accomplished in accordance with the scheduling procedures set forth in Section 13.

GENERAL TERMS AND CONDITIONS
(continued)

10. OPERATING AND BALANCING PROCEDURES (continued)

If on any Day Shipper delivers to Transporter quantities at the Receipt Point(s) which are in excess of or deficient by the greater of 2,000 Dth or two (2) percent of the quantities tendered for delivery to Shipper at the Delivery Point(s), Shipper shall initiate corrective action immediately after notification by Transporter.

(c) Scheduling Penalty: If on any Day the quantity of Gas which Shipper has requested and Transporter has scheduled to deliver exceeds the quantity delivered at the Delivery Point(s) or the quantity received at the Receipt Point(s) by the greater of five percent or 2,000 Mcf, then Shipper shall pay Transporter a penalty equal to the rate prescribed by this paragraph times the amount by which the quantity scheduled for delivery, less the greater of five percent or 2,000 Mcf exceeds the lesser of the quantity delivered at the Delivery Point(s) or the quantity received at the Receipt Point(s). Such amount will be adjusted by the Thermal Conversion Factor described in the General Terms and Conditions of this tariff (Thermal Conversion Factor) to determine the scheduling penalty. For customers receiving service under Rate Schedule KRI-1, the scheduling penalty rate shall be that customer's Interruptible Transportation Rate then in effect. For customers receiving service under Rate Schedule KRF-1, the scheduling penalty rate shall be that customer's transportation/commodity rate then in effect. Penalties or waivers of said penalties shall be applied uniformly and in a non-discriminatory manner. Penalties resulting from interruptible service being bumped by firm nominations in the Intraday 1 nomination cycle will be waived during non-critical periods. In all other cases, Shippers will be advised in advance, via electronic bulletin board, whether penalties will be assessed or waived. The scheduling penalty shall be calculated daily and invoiced monthly.

(d) Imbalance Penalty: Any Shipper which fails to correct any imbalances within sixty (60) days may be assessed a penalty calculated as the product of: five dollars, times either (i) the quantity, in dekatherms, by which Shipper's takes of Gas from Transporter's system exceed Shipper's deliveries of Gas to Transporter's system less fuel used and lost and accounted-for gas or (ii), the quantity, in dekatherms, by which Shipper's deliveries of Gas to Transporter's system, less fuel used and lost and unaccounted-for gas, exceed Shipper's takes of Gas from Transporter's system.

10.7 Shipper Imbalance Netting: A Shipper Imbalance is created on any Gas Day when upstream allocated/scheduled receipts differ from downstream allocated/ scheduled deliveries. A Shipper may net Shipper Imbalances between its service agreements, provided that Transporter will be reimbursed for any difference in Transportation revenues that may result from such netting.

GENERAL TERMS AND CONDITIONS (continued)

10. OPERATING AND BALANCING PROCEDURES (continued)

10.8 Shipper Imbalance Trading: A Shipper may trade imbalances with another Shipper, provided that the Shipper with an imbalance resulting from deliveries by Transporter in excess of receipts from Shipper will reimburse Transporter for any difference in Transportation revenues that may result from such trading. Any trading of Shipper Imbalances must result in each Shipper's imbalance decreasing.

(a) If a Shipper elects to trade an imbalance, it will authorize Tranporter to post information regarding the imbalance on its Designated Site so that interested parties can contact such Shipper to arrange a trade.

(b) If two Shippers agree to trade imbalances, the trade will be executed on Transporter's Designated Site; however, Shippers are responsible for finalizing and documenting the financial details of such trade, which will not be posted.

(c) Transporter will not be responsible for eliminating any imbalances between Shipper and any third party. Furthermore, Transporter will not be obligated to adjust or deviate from its standard operating and accounting procedures in order to alleviate any such imbalances.

10.9 Corrective Action by Transporter: Transporter shall have the right to take actions of whatever nature may be required (including termination or reduction of service to Shipper) to correct any imbalances which impair the operation of or threaten the integrity of its system, including maintenance of service to other Shippers.

10.10 Imbalances at Termination of Service: In the event the Thermally Equivalent quantities of Gas received and delivered are not in balance at the expiration of the primary term of the Transportation Service Agreement or such earlier termination as provided herein, then such balance shall be achieved at the earliest practical date, not to exceed 90 days after expiration or termination of the Transportation Service Agreement, by extending receipts or deliveries, as applicable, at the appropriate Receipt or Delivery Points, until such balance is achieved, or by such other method as is then mutually agreed upon by Transporter and Shipper.

GENERAL TERMS AND CONDITIONS
(continued)

11. SERVICE AGREEMENT AND SERVICE CONDITIONS

11.1 Form of Agreement: Shippers desiring service pursuant to Transporter's Rate Schedules shall execute a Transportation Service Agreement in the form contained in this Tariff. The executed Transportation Service Agreement, together with the General Terms and Conditions and applicable Rate Schedules, shall constitute the entire agreement between the parties for Gas transportation service provided therein and shall only be modified in writing.

11.2 Term of Agreement:

a) The term of the executed Transportation Service Agreement shall be determined by agreement between Transporter and Shipper.

b) At the end of the term of any agreement having a primary term of one year or more for service under Rate Schedule KRF-1, including any term extended pursuant to any contractual rollover or evergreen provision, Shipper may exercise a right of first refusal to continue such service. To exercise such right of first refusal, Shipper must agree to match the rate or rates, up to the maximum rate or rates then applicable, and the agreement term, up to a term of five years, to which a competing prospective Shipper is willing to agree with Transporter for all or any portion of the transportation rights then held by Shipper; provided, however, that nothing herein shall obligate Transporter to render service to Shipper or to any competing prospective Shipper if such persons do not agree to pay Transporter's maximum rates then applicable. If the highest bid submitted by a competing prospective Shipper is a Negotiated Rate that meets or exceeds the lowest rate Transporter is willing to accept for such service, the existing Shipper may retain its capacity by matching the bid on either a Negotiated Rate basis or a Recourse Rate basis as provided in Section 23.2(c) of the General Terms and Conditions. To exercise its right of first refusal, Shipper must agree to all other terms and conditions of service to which the competing prospective Shipper is prepared to agree, or to such other terms and conditions as may be acceptable to Transporter.

GENERAL TERMS AND CONDITIONS
(continued)

c) If Shipper chooses to exercise the foregoing right of first refusal, Shipper shall give written notice to that effect to Transporter at least one hundred twenty (120) days prior to the termination date of its Transportation Service Agreement. Transporter shall post such notice on its EBB for a minimum period of sixty (60) days and shall receive any competing offers for such transportation service only during such period.

11.3 Volumetric Obligations: The executed Transportation Service Agreement shall set forth the maximum volumes of Gas which Transporter shall be obligated to transport and deliver to Shipper on any Day.

GENERAL TERMS AND CONDITIONS
(continued)

12. REIMBURSEMENT OF FUEL USED AND LOST AND UNACCOUNTED-FOR GAS (continued)

12.2 Transportation rates set forth on Sheet Nos. 5 and 6 are exclusive of fuel used and lost and unaccounted-for gas, which all Shippers will cause to be furnished in-kind each month by applying a fuel reimbursement factor to receipt point nominations, as provided in GISB 1.3.16. Such fuel reimbursement factor is the sum of the current compressor fuel factors for the compressors used in the transportation of Shipper's gas and the current system-wide lost and unaccounted-for gas factor. The current factors are posted on Transporter's EBB and designated site on the Internet no less than seven calendar days before the beginning of the month.

12.3 The compressor fuel factors will be determined monthly as follows: for each compressor station, the historical fuel usage at that site will be adjusted for known and expected operational changes to determine projected fuel usage for the month in which the factor is to be effective. The sum of the projected fuel usage and any required true-up adjustment will be divided by projected receipt volumes at that compressor that month. (The true-up adjustment for each compressor is the difference between fuel used at that compressor and net fuel reimbursed by Shippers at that compressor two months earlier.)

12.4 The system-wide lost and unaccounted-for gas factor will be determined monthly as follows: the historical lost and unaccounted-for gas will be adjusted for known and expected operational changes to determine projected lost and unaccounted-for gas for the month in which the factor is to be effective. The sum of the projected lost and unaccounted-for gas and any required true-up adjustment will be divided by total projected receipt volumes that month. (The true-up adjustment is the difference between the gas that was lost and unaccounted-for and the net lost and unaccounted-for gas reimbursed by Shippers two months earlier.)

12.5 Backhaul Shippers will reimburse Transporter for lost and unaccounted-for gas, but will not reimburse Transporter for compressor fuel.

12.6 Transporter will file an annual report with the Commission by March 31 of each year that supports the fuel and lost and unaccounted-for gas factors used for the 12-month period beginning January 1 of the prior year.

12.7 If Shipper fails to nominate sufficient volumes to reimburse Transporter for compressor fuel used and lost and unaccounted-for gas, then Transporter will adjust the nomination accordingly and Shipper will be notified prior to gas flowing.

GENERAL TERMS AND CONDITIONS

13. SCHEDULING OF RECEIPTS AND DELIVERIES (continued)

13.1 Nomination Process (continued)

GISB 1.3.36: "In the confirmation process, where a party requesting confirmation (a Confirmation Requester) is not itself a Transportation Service Provider, the location code to be used when sending a Request for Confirmation should be the location code associated with the location where gas will be scheduled by the Transportation Service Provider; and, where a Confirmation Requester is also a Transportation Service Provider; then, as between these confirming parties (the Confirmation Requester and the Confirming Parties), and absent their mutual agreement to the contrary, the location code to be used when sending a Request for Confirmation should be the location code used by the Transportation Service Provider sending the Request for Confirmation."

GISB 1.3.37: "With the exception of otherwise stated GISB nominations deadlines, when a Transportation Service Provider receives a Nomination document from a Service Requester by the conclusion of a given quarter hour period, the Transportation Service Provider will send to the Service Requester's designated site a corresponding Quick Response document by the conclusion of the subsequent quarter hour period.

The quarter hour periods will be defined to begin on the hour and at 15, 30, and 45 minutes past the hour. A given quarter hour will contain all transactions whose receipt time is less than the beginning of the subsequent quarter hour."

GISB 1.3.38: "Transportation Service Provider's nightly processing and routine maintenance occurring outside of normal business hours are apt to interrupt the normal schedule for nominations/quick response turnaround stated in GISB Standard 1.3.37. Such delays should be kept to a minimum. The normal schedule should be resumed at the earliest opportunity and no later than the start of normal working hours the following day, seven days per week."

(b) Initial Service:

Shipper will provide Transporter with a completed Customer Nomination Form either in written form or electronically through Transporter's EBB. No transportation service will commence unless or until Transporter has received the completed Customer Nomination Form and has advised Shipper that service may commence.

GENERAL TERMS AND CONDITIONS (continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (continued)

13.1 Nomination Process (continued)

GISB 1.3.45: "When a Confirmation Requester receives a Confirmation Response document from a Confirming Party by the conclusion of a given quarter hour period, the Confirmation Requester will send to the Confirming Party's designated site a corresponding Confirmation Response Quick Response document by the conclusion of the subsequent quarter hour period.

The quarter hour periods will be defined to begin on the hour and at 15, 30, and 45 minutes past the hour. A given quarter hour will contain all transactions whose receipt time is less than the beginning of the subsequent quarter hour."

GISB 1.3.46: "Confirming Parties' nightly processing and routine maintenance occurring outside of normal business hours are apt to interrupt the normal schedule of confirmations/quick response turnaround stated in GISB Standard 1.3.45. Such delays should be kept to a minimum. The normal schedule should be resumed at the earliest opportunity and no later than the start of normal working hours the following day, seven days per week."

GENERAL TERMS AND CONDITIONS (continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (continued)

13.1 Nomination Process (continued)

5) the Service Requester is told by its Transportation Service Provider that the downstream Service Requester did not have the market or submit the nomination. This information should be imparted to the Service Requester on the Scheduled Quantity document."

(e) Ranking of Service: GISB 1.3.23: "Ranking should be included in the list of data elements. Transportation service providers should use service requester provided rankings when making reductions during the scheduling process when this does not conflict with tariff-based rules."

13.2 Scheduling Process

(a) Scheduling Priorities: The quantity of Gas Transporter is obligated to deliver on any Day shall be limited to the quantity of Gas received by Transporter for Shipper's account on such Day as adjusted for fuel used and lost and unaccounted-for Gas. Scheduled deliveries by Transporter for a Shipper shall be subject to confirmation of scheduled receipts by Transporter for Shipper's account. Except as provided in Section 13.2(b). Transporter shall schedule the volumes nominated by the Shippers in the priority and sequence described below:

(i) First: Volumes nominated by firm Shippers to their respective Primary Receipt Points and Primary Delivery Points. If the capacity available is not sufficient to serve all firm Shippers' nominated volumes at their respective Primary Receipt Points and/or Primary Delivery Points, then the available capacity shall be allocated among Shippers pro rata on the basis of MDQ. Such scheduling limitations shall be applied only to the portion or portions of Transporter's system that are capacity constrained.

(ii) Second: Volumes nominated by firm Shippers to their respective Secondary Receipt Points and Secondary Delivery Points. If the capacity available is not sufficient to serve all firm Shippers' nominated volumes at their respective Secondary Receipt Points and/or Secondary Delivery Points, then the available capacity shall be allocated among such Shippers pro rata based on nominated volumes.

GENERAL TERMS AND CONDITIONS (continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (continued)

13.2 Scheduling Process (continued)

(b) Bumping: During each nomination cycle, available capacity will be scheduled pursuant to the priority and sequence described above in Sections 13.2(i-iv). Once scheduled, nominations by firm Shippers (whether using Primary or Secondary Points) will not be bumped. Transporter will give scheduling priority to firm nominations submitted during the Evening and Intraday 1 nomination cycles over nominated and scheduled volumes for interruptible service. Nominations submitted in the Intraday 2 cycle will be scheduled in accordance with the priority and sequence in Section 13.2 and bumping is not allowed during the Intraday 2 nomination cycle. The Elapsed-Prorated-Scheduled Quantity process will apply to those nominations bumped in the Intraday 1 nomination cycle.

If volumes are reduced as a result of bumping, Transporter will provide advance notice to each affected Shipper and will indicate whether penalties will apply. Prior to the implementation of Section 284.10(c)(3)(vi) of the Commission's regulations, such notice will be provided via EBB, Internet E-mail and, if requested by Shipper, via either telephone or telecopier. When Section 284.10(c)(3)(vi) is implemented, such notice will be provided only on Transporter's Internet web site and by Internet E-mail or direct notification to the Shipper's Internet URL address, as specified by the Shipper.

Each Shipper will designate an operational contact 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 will be solely responsible for any consequences arising from such failure of communication.

(c) Contractual Priorities: The foregoing scheduling priorities and capacity allocation methodologies shall control and govern the provision of service on Transporter's system, notwithstanding anything to the contrary which may be expressed or implied in any executed Transportation Service Agreement.

13.3 Interruption/Curtailment Procedures

(a) If at any time, Transporter determines that the capacity of its system or any portion thereof, including any Receipt Points or Delivery Points, is insufficient for any reason to serve all scheduled volumes, then Transporter shall, without liability to any Shipper, curtail or interrupt deliveries in accordance with the sequence and priorities set forth below to the extent necessary to maintain priority of service:

13. SCHEDULING OF RECEIPTS AND DELIVERIES (continued)

13.3 Interruption/Curtailment Procedures (continued)

(i) First: Volumes nominated pursuant to Transporter's interruptible Transportation Service Agreements and volumes nominated pursuant to Authorized Overrun Service where such services are being provided under Negotiated Rate agreements where the Negotiated Rate is based on a formula with no specified minimum Negotiated Rate to be paid, or the specified minimum rate is the Minimum Base Tariff Rate. For interruption purposes, Transporter shall use the Minimum Base Tariff Rate. Within this priority, services shall be subject to interruption on the basis of the Shipper's Priority of Service Date, with the highest priority of service going to the service with the earliest Priority of Service Date. Should any two or more services have equal priorities based on Priority of Service Date, then the available capacity shall be allocated pro rata on the basis of nominated volumes.

(ii) Second: Volumes nominated pursuant to interruptible Transportation Service Agreements and volumes nominated pursuant to Authorized Overrun Service where the applicable rate is lower than the maximum rate but higher than the minimum rate for such service, including interruptible and authorized overrun volumes nominated under Negotiated Rate agreements where the Negotiated Rate is a stated rate per Dekatherm that is less than the Maximum Base Tariff Rate but more than the Minimum Base Tariff Rate or where the Negotiated Rate is based on a formula that includes a specified minimum Negotiated Rate to be paid that is higher than the Minimum Base Tariff Rate. In those cases, the specified minimum Negotiated Rate shall be used for interruption purposes. Within this priority, service shall be subject to interruption on the basis of the rate paid by Shipper at the time of curtailment. A service at a lower rate than another service shall receive a lower priority of service and shall be curtailed prior to the other service. Further, within this priority, services which have an equal priority based upon the rate paid shall be subject to interruption on the basis of the Shipper's Priority of Service Date, with the highest priority of service going to the service with the earliest Priority of Service Date. Should any two or more services have equal priorities based on rate paid and Priority of Service Date, then the available capacity shall be allocated pro rata on the basis of nominated volumes.

(iii) Third: Volumes nominated pursuant to interruptible Transportation Service Agreements and volumes nominated pursuant to Authorized Overrun Service where such services are being provided at the Maximum Base Tariff Rate, including interruptible and authorized overrun volumes nominated under Negotiated Rate agreements where the Negotiated Rate is a stated rate per Dekatherm that is greater than or equal to the Maximum Base Tariff Rate. Within this priority, available capacity shall be allocated first according to earliest Priority of Service Dates and then pro rata based on nominated volumes.

GENERAL TERMS AND CONDITIONS
(continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (continued)

13.3 Interruption/Curtailment Procedures (continued)

(iv) Fourth: Volumes nominated by firm Shippers to their respective Secondary Receipt Points and Secondary Delivery Points. Within this priority, capacity shall be allocated pro rata based on nominated volumes.

(v) Fifth: Volumes nominated by firm Shippers to their respective Primary Receipt Points and Primary Delivery Points. Such curtailment shall be limited to the portion of Transporter's System in which capacity is constrained, and shall be on a pro rata basis in proportion to the MDQs set forth in the firm Transportation Service Agreements.

b. Notwithstanding the foregoing, no Shipper receiving interruptible service or Authorized Overrun Service during a Month will have such service curtailed solely to provide service to another Shipper either to commence or to increase interruptible service or Authorized Overrun Service during such Month.

The foregoing scheduling priorities and capacity allocation methodologies shall control and govern service on Transporter's system, notwithstanding anything to the contrary which may be expressed or implied in any executed Transportation Service Agreement.

13.4 Allocation of Receipts

Unless prohibited by applicable law or regulation, the quantities received by Transporter at any receipt point shall be allocated among Shippers and services as follows:

(i) In accordance with allocation procedures specifically agreed to by Transporter and the Interconnect Operator of the Receipt Point(s), as set forth in an Operational Balancing Agreement (OBA), provided; however, Transporter will not be required to enter into agreements with such Interconnect Operators if they are not creditworthy in accordance with the provisions set forth in Section 3 of Rate Schedule KRI-1. (An OBA is a contract between two parties which specifies the procedures to manage operating variances at an interconnect.)

GENERAL TERMS AND CONDITIONS (continued)

13. SCHEDULING OF RECEIPTS AND DELIVERIES (continued)

13.4 Allocation of Receipts (continued)

(ii) In the absence of a methodology set forth in 13.4(i), Shipper shall cause the Interconnect Operator at the receipt point to submit electronic notification (a fax may be used if mutually agreed upon by Interconnect Operator and Transporter) to Transporter of the pre-determined allocation ("PDA") methodology to be utilized in determining actual receipts among all Shippers scheduled to receive service at the receipt point. GISB 2.3.5: "The upstream or downstream party providing the point confirmation should submit the pre-determined allocation to the allocating party after or during confirmation and before start of gas day." Such PDA will be effective for the term specified in the PDA agreement, provided that the term may not cover a period of less than one Day. The chosen methodology must allocate receipts, to the maximum extent possible, based upon confirmed nominations.

(iii) In the absence of methodology set forth in 13.4 (i) or (ii) above, Transporter will rely on its default methodology of allocating quantities to all Shippers. GISB 2.3.18: "The types of allocation methodologies is a list from which two parties may agree. If the two parties cannot agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation."

13.5 Allocation of Deliveries

Unless prohibited by applicable law or regulation, the quantities delivered by Transporter at any Delivery Point shall be allocated among Shippers and services as follows:

(i) In accordance with any allocation procedures specifically agreed to by Transporter and the Interconnect Operator of Delivery Point(s) as set forth in the Operational Balancing Agreement; provided, however, Transporter will not be required to enter into agreements with such Interconnect Operators if they are not creditworthy in accordance with the provisions set forth in Section 3 of Rate Schedule KRI-1.

13. Scheduling of Receipts and Deliveries (continued)

13.5 Allocation of Deliveries (continued)

(ii) In the absence of a methodology set forth in 13.5(i) above, Shipper shall cause the Interconnect Operator at the Delivery Point to submit electronic notification (or by fax if mutually agreed upon by Interconnect Operator and Transporter) to Transporter of the pre-determined allocation ("PDA") methodology to be utilized in determining actual deliveries among all Shippers and services scheduling service at such Delivery Point. GISB 2.3.5: "The upstream or downstream party providing the point confirmation should submit the PDA to the allocating party after or during confirmation and before the start of the gas day." Such PDA will be effective for the term specified in the PDA agreement provided that such term may not cover a period of less than one Day. The chosen methodology must allocate deliveries, to the maximum extent possible, based upon confirmed nominations.

(iii) In the absence of a methodology as described in 13.5(i) or (ii) above, Transporter may rely on its default methodology of allocating quantities to all Shippers. GISB 2.3.18: "The types of allocation methodologies is a list from which two parties may agree. If the two parties cannot agree upon an allocation methodology, pro rata based upon confirmed nominations should be used as the default method. The party responsible for custody transfer (the party performing the measurement function) should provide the allocation."

13.6 Notification of Allocation Rules

Upon written notification to Transporter, the Interconnect Operator may change its respective allocations and allocation methodologies prospectively during the Month, but not retroactively.

Upon receipt of a request from Shipper, Transporter will notify Shipper of the allocation procedure utilized at Shipper's Receipt and Delivery Points.

GENERAL TERMS AND CONDITIONS
(continued)

15. CAPACITY RELEASE PROGRAM (continued)

15.1 Applicability (continued)

(b) GISB Capacity Release Standards (continued)

GISB 5.3.12: "Bids and offers should be complete before being posted. Only posted offers and bids should be available electronically."

GISB 5.3.17: "Transportation service providers should provide on request operationally available capacity separate from unsubscribed capacity."

GISB 5.3.18: "System-wide notices should have a separate category for notices that are not critical."

GISB 5.3.20: "Capacity Release historical data should be made available on a consistent basis from the transportation service provider, which should provide for retrieval of open and closed offers during the FERC archival period."

GISB 5.3.21: "On the bidding formats, the number of decimal places for offers, bids, and awards should be equal to the number of decimal places in the stated rates per pipeline rate schedule."

GISB 5.3.22: "For less than maximum rate transactions only, converting daily rate to monthly rate is accomplished by multiplying the daily rate times number of days in rate period, dividing the result by number of months in rate period and taking the remainder out to 5 decimals places and rounding up or down to the transporter's specified decimal place. Converting a monthly rate to a daily rate is accomplished by multiplying the monthly rate by number of months in rate period; dividing the result by number of days in rate period and taking the remainder out to 5 decimals places and rounding up or down to the transporter's specified decimal place."

GISB 5.3.23: "All tariff rates should be adjusted to reflect a standard calculation of daily and monthly rates."

GISB 5.3.27: "For purposes of bidding and awarding, maximum/minimum rates specified by the Releasing Shipper should include the tariff reservation rate and all demand surcharges, as a total number or as stated separately."

GISB 5.3.28: "Release quantity should be expressed as a numeric quantity only."

GISB 5.3.29: "Basis for released quantity should be per day for transportation, storage injection, storage withdrawal, and a per-release quantity for storage capacity and total release period quantity."

GISB 5.3.30: "The UPPD bidder confirmation and validation process should support the association of a replacement capacity contract with another contract for balancing or related purposes. The support for this process between parties should be on a mutually agreeable basis."

15. CAPACITY RELEASE PROGRAM (continued)

15.2 Releasing Shipper's Release Request

A Releasing Shipper that desires to release its rights to service must electronically submit to Transporter, in accordance with the applicable time requirements and deadlines contained in this Section 15, a Release Request in the form set forth in this Tariff with respect to the proposed release (the "Release"). The Release Request shall contain the following information, and the Release shall comply with and otherwise be subject to the following terms and conditions:

a) Releasing Shipper's: legal name, address, Service Agreement number, Dunn and Bradstreet number, as well as the name, telephone number, and fax number of the person to contact concerning the Release Request;

b) the maximum daily quantity to be released (or any minimum and maximum acceptable MDQ);

c) the commencement date (or earliest acceptable commencement date) and expiration date (or latest acceptable expiration date), and any minimum and maximum acceptable term of the Release (the "Release Term"), as well as the applicable posting and bidding periods for any Release under Section 15.3 which the Releasing Shipper desires Transporter to post for bidding pursuant to Section 15.4, and any other applicable posting and bidding periods which the Releasing Shipper desires Transporter to utilize instead of the applicable minimum periods set forth in Section 15.8; provided, however, that all specified bidding and posting periods shall be stated in terms of the number of Business Days in the relevant period;

d) with respect to the Receipt Points and Delivery Points for the Release:

i) whether the Replacement Shipper shall be permitted to utilize Primary Receipt Points and Primary Delivery Points in connection with the Release, and, if so, the specific Primary Receipt Points and Primary Delivery Points, and the respective associated Maximum Receipt Volume and Maximum Delivery Volume entitlement at each such point, at which the Releasing Shipper is willing to release its Transportation rights and at which the Replacement Shipper must acquire such rights.

15. CAPACITY RELEASE PROGRAM (continued)

15.2 Releasing Shipper's Release Request (continued)

ii) if the Releasing Shipper permits the Replacement Shipper to utilize Primary Receipt Points and Primary Delivery Points in connection with the Release, then the Release Request must also specify whether the Releasing Shipper shall permit the Replacement Shipper to change the Primary Receipt Points and Primary Delivery Points or the respective associated Maximum Receipt Volume and Maximum Delivery Volume entitlements at such points. To the extent expressly permitted by the Releasing Shipper and subject to any restrictions imposed by the Releasing Shipper, the Replacement Shipper shall be entitled to utilize any Primary Receipt Points or Primary Delivery Points on Transporter's System in connection with the Release, subject also to capacity availability and all applicable terms and conditions of Transporter's Tariff.

iii) To the extent that the Release Request expressly permits the Replacement Shipper to utilize Primary Receipt Points and Primary Delivery Points, then the Releasing Shipper and the Replacement Shipper must comply with the requirements of Section 6.1 and Section 6.3 of the General Terms and Conditions of this Tariff regarding any required relinquishment of Maximum Receipt Quantity or Maximum Delivery Quantity entitlements.

iv) The Replacement Shipper shall be entitled to utilize any Secondary Receipt Point or Secondary Delivery Point on Transporter's System in connection with any Release, subject to all applicable terms and conditions contained in Transporter's Tariff.

e) the monthly or daily reservation rate in dollars and cents or percent of maximum tariff rate for the service to be released ("Release Reservation Rate"), and any and all other applicable reservation charges and surcharges for the service to be released (collectively, the "Release Reservation Surcharges"), including any minimum acceptable Release Reservation Rate and Release Reservation Surcharges. The Release Reservation Rate and the Release Reservation Surcharges shall be collectively referred to at times in this Section 15 as the "Total Release Reservation Charge." If the term of the Total Release Reservation Rate begins or ends outside of a calendar month, a daily rate must be

15. CAPACITY RELEASE PROGRAM (continued)

15.2 Releasing Shipper's Release Request (continued)

utilized. The Release Request must also specify whether the Releasing Shipper shall accept bids designed on a one-part volumetric basis for all or any portion of the Total Release Reservation Charge and, if so, the corresponding objective, nondiscriminatory economic standard which the Releasing Shipper desires Transporter to utilize to determine the award of the Release if any or all bids are submitted on a one-part volumetric basis; provided, however, that any Release for which the Replacement Shipper pays all or any portion of the Total Release Reservation Charge on a one-part volumetric basis may not be the basis for a subsequent Release by the Replacement Shipper and may not utilize a monthly rate;

f) whether the Release shall occur on a firm recallable or nonrecallable basis and, if on a recallable basis, the specific terms and conditions under which recall may occur, including whether and to what extent prior notice of the recall shall be provided by the Releasing Shipper to the Replacement Shipper;

g) GISB 5.3.8: "Reput method and rights should be specified at the time of the deal. Reput methods and rights are individually negotiated between the releasing shipper and replacement shipper."

h) whether bids may be submitted on a contingency basis and, if so, the objective, nondiscriminatory terms and conditions governing acceptance of such bids, and all related requirements concerning any bids submitted on a non-contingency basis; provided, however, that any and all such contingencies must be resolved during the evaluation period;

i) whether Releasing Shipper desires the: 1) highest rate, 2) net revenue or 3) present value methodology for Transporter to utilize in determining the award of the Release rights;

j) whether the Releasing Shipper desires to have the proposed Release marketed by Transporter in accordance with Section 15.12;

k) an irrevocable statement that, subject only to the provisions of Section 15.4(d), the Releasing Shipper shall release its Transportation rights on the terms and conditions set forth in its Release Request if all such terms and conditions are accepted by a Bidder, including any and all terms and conditions governing bids which may be submitted on a contingency basis; and

15. CAPACITY RELEASE PROGRAM (continued)

15.2 Releasing Shipper's Release Request (continued)

l) whether the Releasing Shipper has entered into a binding agreement to release such Transportation rights to a party who has executed a Released Transportation Service Agreement with Transporter ("Prearranged Bidder"). In such event, the Releasing Shipper additionally shall submit:

i) Prearranged Bidder's: legal name, Released Transportation Service Agreement number; Dunn and Bradstreet number, as well as the name, telephone number, and fax number of the person to contact concerning the Pre-Arranged Release;

ii) the Release Term, MDQ, Release Reservation Rate, Release Reservation Surcharges, and all other terms and conditions to which the Prearranged Bidder has agreed, including without limitation whether either the Release Reservation Rate or Release Reservation Surcharges shall be paid on a one-part volumetric basis; and

iii) a statement which represents and warrants that the Prearranged Bidder has entered into a binding agreement with the Releasing Shipper to accept the Transportation rights on the terms and conditions prescribed in the Release Request. Upon Transporter's request, the Releasing Shipper shall provide Transporter with a true and complete copy of a fully executed written agreement between the Releasing Shipper and the Prearranged Bidder concerning the proposed Release.

m) whether there are any restrictions upon the Replacement Shipper's right to release subsequently any or all of the transportation rights received from the Releasing Shipper under the Release; and

n) any other terms and conditions of the Release, including whether Releasing Shipper shall require Replacement Shipper to execute a contract with the Releasing Shipper with respect to the Release, a copy of which shall be provided by Releasing Shipper to any Bidder upon request. In the event of a conflict, the terms and conditions of Transporter's Tariff, the Base Transportation Service Agreement, and the Released Transportation Service Agreement shall take precedence over the terms and conditions contained in any such contract between the Releasing Shipper and the Replacement Shipper.

GENERAL TERMS AND CONDITIONS
(continued)

15. CAPACITY RELEASE PROGRAM (continued)

15.3 Releases Permitted Without Prior Posting and Bidding

A Releasing Shipper may, at its option, elect to release some or all of its Transportation rights without following the prior posting and bidding procedures set forth in this Section 15, if its proposed Release qualifies under this Section 15.3.

a) Less than 31 Day Release Election: Prior posting and bidding pursuant to the procedures set forth in this Section 15 shall not be required if:

i) the Release commences and terminates within the same calendar Month;

ii) the Releasing Shipper has submitted to Transporter a Release Request with respect to the Release;

iii) the proposed Replacement Shipper has entered into an effective Released Transportation Service Agreement with Transporter incorporating the information, terms and conditions contained in the Releasing Shipper's Release Request;

iv) the Release is not rolled-over, renewed or otherwise extended beyond the term described in Section 15.3(a)(I), unless the Releasing Shipper either follows the prior posting and bidding procedures set forth in this Section 15, or the new or extended Release is exempt from the prior posting and bidding procedures pursuant to the provisions of Section 15.3(b); and

v) the commencement date of the term of any Release under this Section 15.3(a) is at least 28 Days after the termination date of any previous Release under this Section 15.3(a) by Releasing Shipper to the same Replacement Shipper, or if the previous Release to the same Replacement Shipper occurred either pursuant to the prior posting and bidding procedures set forth in this Section 15 or pursuant to Section 15.3(b).

In the event the Releasing Shipper elects to release its Transportation rights under this Section 15.3(a) without prior posting and bidding, then Transporter shall post the terms and conditions of the Release and the identity of the Replacement Shipper on its EBB no later than 9:00 a.m. CCT.

15. CAPACITY RELEASE PROGRAM (continued)

15.3 Releases Permitted Without Prior Posting and Bidding (continued)

b) Maximum Rate Prearranged Bidder: Additionally, prior posting and bidding pursuant to the procedures set forth in this Section 15 shall not be required if the Releasing Shipper has provided to Transporter the information required by Section 15.2(l) regarding a Prearranged Bidder which has agreed to pay a Total Release Reservation Charge which is equal to Transporter's combined respective maximum Monthly Reservation Rate and any and all other maximum reservation charges and surcharges applicable to the rate schedule governing the Transportation rights to be released (the "Governing Rate Schedule"), or the one-part volumetric equivalent thereof, as may be revised from time to time (individually, the "Tariff Reservation Rate" and the "Tariff Reservation Surcharges," and collectively, the "Total Tariff Reservation Charge"). In the event the Releasing Shipper elects to release its Transportation rights under this Section 15.3(b) without prior posting and bidding, then Transporter shall post the terms and conditions of any Release under this Section 15.3(b) and the identity of the Prearranged Bidder on its EBB no later than 9:00 a.m. CCT.

15.4 Transporter's Posting of Release Requests

a) Upon electronic receipt by Transporter from the Releasing Shipper of all applicable information required by Section 15.2 hereof, Transporter shall post such information, and any other information related to the Release required by this Section 15, on its Electronic Bulletin Board, assigning an individual Release number to each such Release Request unless Releasing Shipper requests an alternate posting time which comports with the timeline as set forth in Section 15.8 of this Tariff. Notwithstanding the foregoing, Transporter shall not post the identity of any Prearranged Bidder pursuant to this Section 15.4(a). The period of time for Transporter's posting of the information related to the Release ("Posting Period"), and the period of time during which bids shall be received on such Release ("Bidding Period"), shall be in accordance with the relevant periods of time set forth in Section 15.8.

b) In the event the Release Request indicates that bids for the Release shall be accepted on a one-part volumetric basis for the Release Reservation Rate or the Release Reservation Surcharges, Transporter shall determine the applicable respective maximum one-part volumetric Release Reservation Rate and Release Reservation Surcharges and shall post this information pursuant to

GENERAL TERMS AND CONDITIONS (continued)

15. CAPACITY RELEASE PROGRAM (continued)

15.4 Transporter's Posting of Release Requests (continued)

Section 15.4(a). The applicable maximum one-part volumetric Release Reservation Rate shall be the applicable Daily Reservation Rate set forth in Transporter's Tariff, which is the 100% load factor equivalent of the applicable maximum Tariff Reservation Rate on an annualized basis divided by 365. The applicable maximum one-part volumetric Release Reservation Surcharges shall be the 100% load factor equivalent of the applicable maximum Tariff Reservation Surcharges on an annualized basis divided by 365.

c) Transporter makes no express or implied representation or warranty to any party concerning the willingness or ability either of any Releasing Shipper to release Transportation rights hereunder or of any Bidder to accept Transportation rights hereunder.

d) GISB 5.3.25: "A releasing shipper should not be able to specify an extension of the original bid period or the pre-arranged deal match period, without posting a new release."

e) GISB 5.3.16: "The releasing party has the right to withdraw its offer during the bid period, where unanticipated circumstances justify and no minimum bid has been made." GISB 5.3.14: "Offers should be binding until written or electronic notice of withdrawal is received by the capacity release service provider." Transporter shall post notice of withdrawal on its EBB as soon as possible, but in no event more than one Business Day, following receipt of such notice.

15.5 Bidding for Transportation Rights

a) Any party that desires to become a Prearranged Bidder or Bidder, or to otherwise acquire a Release pursuant to this Section 15, must pre-qualify with Transporter by entering into a Released Transportation Service Agreement with Transporter, after first satisfactorily demonstrating sufficient creditworthiness in the same manner and subject to the same terms and conditions as required for firm Shippers under Section 7 of Rate Schedule KRF-1.

GENERAL TERMS AND CONDITIONS
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15. CAPACITY RELEASE PROGRAM (continued)

15.5 Bidding for Transportation Rights (continued)

The creditworthiness requirement shall be continuing in nature with respect to the Release in the same manner and to the same extent as prescribed for firm Shippers under Section 7 of Rate Schedule KRF-1, and shall apply with respect to any and all Releases desired by a potential Replacement Shipper. No potential Replacement Shipper shall be entitled to receive any released firm transportation service rights pursuant to this Section 15 for which it has not first satisfactorily demonstrated sufficient creditworthiness with Transporter. Any satisfactory guarantee provided by the Releasing Shipper or by any third party on behalf of a potential Replacement Shipper in accordance with this Section 15 and Section 7 of Rate Schedule KRF-1 must provide, without limitation, that the Guarantor shall guarantee all financial obligations of the Replacement Shipper under its Released Transportation Service Agreement with respect to the Release.

b) Bidders may submit bids only during the Bidding Period applicable to a Release Request. A Bidder may not simultaneously submit multiple bids for the same Release. All bids shall conform to the Bid Form set forth in this Tariff, and shall comply with and otherwise be subject to all terms and conditions set forth in the Release Request. All bids shall contain the following information for each Release Request:

i) the Bidder's: legal name, address, Released Transportation Service Agreement number, Dunn and Bradstreet number, as well as the name, telephone number, and fax number of the person to contact concerning the bid;

ii) the Releasing Shipper's Service Agreement number and the Release Request number to which the bid relates;

iii) the Total Release Reservation Charge, including the Release Reservation Rate and the Release Reservation Surcharges, that the Bidder is willing to pay for the released Transportation rights, which must be no less than any respective minimum Total Release Reservation Charge, Release Reservation Rate, or Release Reservation Surcharges specified in the Release Request, and no less than any applicable respective minimum Tariff Reservation Rate or Tariff Reservation Surcharges. The Bidder must also specify whether the Total Release Reservation Charge shall be paid in whole or in part on a one-part volumetric basis, to the extent permitted by the Releasing Shipper;

15. CAPACITY RELEASE PROGRAM (continued)

15.5 Bidding for Transportation Rights (continued)

iv) the MDQ for the bid, which must be no less than any minimum MDQ and no more than any maximum MDQ specified in the Release Request;

v) the proposed date of commencement and date of expiration of the Release Term, which must be consistent with the Release Term specified in the Release Request;

vi) to the extent the Releasing Shipper expressly permits the Replacement Shipper to utilize Primary Receipt Points and Primary Delivery Points in connection with the Release, the Primary Receipt Points and Primary Delivery Points, including the respective associated Maximum Receipt Volume and Maximum Delivery Volume entitlement at each such point, which the Bidder desires to utilize initially in connection with the Release and which have been selected from the Primary Receipt Points and Primary Delivery Points specified in the Release Request; provided, however, that the Bidder's initial selection and subsequent utilization of any Primary Receipt Points and Primary Delivery Points shall be subject to, without limitation, any and all applicable limitations and restrictions contained in the Release Request and in Section 6.1 and Section 6.3 of the General Terms and Conditions in this Tariff;

vii) the objective terms and conditions of any and all contingencies upon which the bid is submitted, if the Release Request specifically provides for the submission of such contingent bids, including the date by which Bidder shall notify Transporter either in writing or electronically through Transporter's EBB if any and all such contingencies have not been satisfied;

viii) an irrevocable statement that, subject only to the provisions of Section 15.5(d), the Bidder agrees to accept the Release in accordance with all other terms and conditions of the Release Request, including any and all terms and conditions governing bids which are submitted on a contingency basis.

c) Upon electronic receipt by Transporter from Bidder of all applicable information required by this Section 15.5, Transporter shall post such information on its EBB, except for the identity of the Bidder, unless Releasing Shipper requests an alternate posting period which comports with the standard timeline as set forth in Section 15.8 of this Tariff.

15. CAPACITY RELEASE PROGRAM (continued)

15.5 Bidding for Transportation Rights (continued)

d) GISB 5.3.13: "Bids should be binding until written or electronic notice of withdrawal is received by the capacity release service provider." GISB 5.3.15:"Bids cannot be withdrawn after the bid period ends." Transporter shall post notice of such withdrawal on its EBB, to the extent that the bid has already been posted pursuant to Section 15.5(c), as soon as possible but in no event more than one Business Day following Transporter's receipt of Bidder's notice of withdrawal. Any Bidder which withdraws a bid pursuant to this Section 15.5 (d) may, at any time during the Bidding Period, submit one or more subsequent bids in accordance with this Section 15.5 for the same Release Request; provided, however, that Bidder may not submit a subsequent bid without first withdrawing an existing bid, and provided further that any subsequent bid submitted must contain a higher Total Release Reservation Charge than contained in any previous bid which Bidder has submitted for the same Release Request.

15.6 Determination of Successful Bidder

a) GISB 5.3.3: "For the capacity release business process timing model, only the following methodologies are required to be supported by capacity release service providers and provided to releasing shippers as choices from which they may select and, once chosen, should be used in determining the awards from the bid(s) submitted. They are: 1) highest rate, 2) net revenue and 3) present value. Other choices of bid evaluation methodology (including other releasing shipper defined evaluation methodologies) can be accorded similar timeline evaluation treatment at the discretion of the capacity release service provider. However, the capacity release service provider is not required to offer other choices or similar timeline treatment for other choices, nor, is the capacity release service provider held to the timeline should the releasing shipper elect another method of evaluation."

The Release Request must specify one of the following three methodologies for determining the award from the bids submitted: 1) highest rate, 2) net revenue, or 3) present value. GISB 5.3.4: "When the capacity release service provider makes awards of capacity for which there have been multiple bids meeting minimum conditions, the capacity release facilitator should award the bids, best bid first, until all offered capacity is awarded."If applied methodology, for any reason, cannot be effectively applied to permit Transporter to determine the successful Bidder, then Transporter will use a lottery to choose between bids of equal value.

i) Highest Rate methodology: the highest rate bid that meets the minimum terms and conditions of the release

ii) Net Revenue methodology: R x N x V = Net Revenue
where: R = the reservation charge and reservation surcharge
N = term of the agreement, in Days
V = volume, stated in Mcf

GENERAL TERMS AND CONDITIONS
(continued)

15. CAPACITY RELEASE PROGRAM (continued)

15.6 Determination of Successful Bidder (continued)

iii) Present Value methodology:

$$R \times \frac{1 - (1+i)^{-n}}{i} \times V = \text{Present Value}$$

where: R = the reservation charge(s) and reservation surcharge(s)
n = term of agreement, in Days
i = the annual rate of interest prescribed by FERC as computed in accordance with the formula set forth in 18 C.F.R. Section 154.501(d)
V = volumes stated in Mcf

b) If a Release Request includes a Prearranged Bidder, then the Release shall be awarded to the Prearranged Bidder if its bid has a value which is equal to or higher than the highest value of each of the bids submitted by all other Bidders, or if it matches any bid having a higher value within the time period provided by Section 15.8.

c) If only one Bidder has submitted a bid which reflects the highest value, then the Release shall be awarded to that Bidder, subject to any Prearranged Bidder's exercise of its right of first refusal as set forth above.

d) If two or more Bidders have submitted bids which each reflect the highest value, then, subject to any Prearranged Bidder's exercise of its right of first refusal, the Release shall be awarded on the basis of a lottery which is limited to such Bidders. The winner of the lottery shall be awarded the Release to the extent of the MDQ for which it has submitted a bid. Transporter shall conduct the lottery in an objective, nondiscriminatory manner. Transporter's calculation of the applied methodology and lottery shall result in only one successful Bidder per Release Request.

e) Transporter shall post on its EBB for a period of ten Business Days the terms of the successful bid and the identity of the successful Bidder in accordance with the relevant periods of time set forth in Section 15.8 of this Tariff.

GENERAL TERMS AND CONDITIONS
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15. CAPACITY RELEASE PROGRAM (continued)

15.7 Exhibit "RP" and Exhibit "RS"

a) Prior to the date of commencement of the Release Term as specified by the successful Bidder, Transporter shall prepare and transmit to the successful Bidder an initial Exhibit "RP" to its Released Transportation Service Agreement stating all applicable terms and conditions of the Release, including without limitation the MDQ, Release Reservation Rate, Release Reservation Surcharges, Total Release Reservation Charge, usage rate, volumetric surcharges, any and all other applicable rates, charges and surcharges, Release Term, Maximum Receipt Volumes at any and all of the Replacement Shipper's specified Primary Receipt Points and Maximum Delivery Volumes at any and all of the Replacement Shipper's specified Primary Delivery Points, and Governing Rate Schedule. An initial Exhibit "RS" shall likewise be prepared by Transporter and transmitted to the Releasing Shipper to reflect that the Releasing Shipper has released all or a portion of its Transportation rights, and which contains all applicable terms and conditions of the Release.

b) A Replacement Shipper that subsequently obtains a separate Release from either the same or a different Releasing Shipper by successfully bidding on a subsequent Release Request shall not execute an additional Released Transportation Service Agreement; rather, the terms and conditions of each such additional Release shall be the subject of an appropriate additional Exhibit "RP" (designated sequentially as "Exhibit RP-1", "Exhibit RP-2", etc.) to be added to such Replacement Shipper's Released Transportation Service Agreement. The Releasing Shipper shall likewise receive an appropriate additional Exhibit "RS" (designated sequentially as "Exhibit RS-1", "Exhibit RS-2", etc.) to the Releasing Shipper's Service Agreement reflecting the terms and conditions of any subsequent Release of the Releasing Shipper's Transportation rights.

c) Transporter shall prepare all initial and additional exhibits for Releasing Shippers and Replacement Shippers based on the applicable information and terms and conditions set forth in the applicable Release Request and the successful bid. Each such exhibit shall be deemed incorporated in the Transportation service agreement to which it relates, and shall thereby be deemed to amend both such agreements effective upon the date of the commencement of the term of the relevant Release without execution by Transporter, the Releasing Shipper, or the Replacement Shipper; provided, however, that any such exhibit shall be deemed ineffective and otherwise null and void if the relevant Release

GENERAL TERMS AND CONDITIONS
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15. CAPACITY RELEASE PROGRAM (continued)

15.8 Applicable Deadlines (continued

FOR SHORT-TERM RELEASES (LESS THAN FIVE MONTHS) (continued)

(iv) match or award is communicated by 3:00 p.m.;

(v) match response by 4:00 p.m.;

(vi) award posting by 5:00 p.m.;

(vii) posting of pre-arranged deals not subject to bid by 9:00 a.m. the day of nominations; and

(viii) contract tendered with contract number by 10:00 a.m.; contract executed; nomination possible for next day gas flow. (Central Clock Time) Transporter posts the contract number for the Replacement Shipper.

FOR LONGER TERM RELEASES (FIVE MONTHS OR MORE)

(i) Offers should be tendered by 1:00 p.m. four Business Days before the award for long-term releases;

(ii) open season ends no later than 2:00 p.m. on the day before nominations are due (open season is three Business Days);

(iii) evaluation period begins at 2:00 p.m. during which contingency is eliminated, determination of best bid is made, and ties are broken;

(iv) evaluation period ends at 3:00 p.m.;

(v) match or award is communicated by 3:00 p.m.;

(vi) match response by 4:00 p.m.;

(vii) award posting by 5:00 p.m.;

(viii) posting of pre-arranged deals not subject to bid by 9:00 a.m. the day of nominations; and

(ix) contract tendered with contract number by 10:00 a.m.; contract executed; nomination possible for next day gas flow.

15. CAPACITY RELEASE PROGRAM (continued)

15.9 Submission of Release Requests and Bids

a) All parties shall electronically submit all necessary information, Release Requests and bids to Transporter.

b) Any party designated as a pre-arranged bidder on a Release Request shall confirm acceptance of the Releasing Shipper's offer by electronic execution of Replacement Shipper's contract prior to 10:00 a.m. CCT one Business Day prior to gas flow.

GENERAL TERMS AND CONDITIONS
(continued)

15. CAPACITY RELEASE PROGRAM (continued)

15.9 Submission of Release Requests and Bids (continued)

(c) Any Releasing Shipper, Replacement Shipper, or Bidder which transmits to Transporter through Transporter's EBB any information, Release Request, or bid permitted or required by this Section 15, expressly represents and warrants that such transmittal shall be performed only by a person who has been duly authorized by the Releasing Shipper, the Replacement Shipper, or the Bidder, as applicable, to perform such transmittal, and to duly bind the Releasing Shipper, the Replacement Shipper, or the Bidder, as applicable, to any and all obligations which may result from such transmittal pursuant to the provisions of this Section 15.

15.10 Invoicing and Payment

(a) A Releasing Shipper who has executed an effective Base Transportation Service Agreement with Transporter ("Base Shipper") shall remain responsible for payment to Transporter of the reservation rate and any and all other applicable reservation charges and surcharges for firm Transportation service provided under its Base Transportation Service Agreement prior to any Release thereunder; provided, however, that Transporter shall not unreasonably refuse to relieve such Base Shipper from any future liability under its Base Transportation Service Agreement which may arise after the Base Shipper has unconditionally released to a Replacement Shipper all of the MDQ stated in the Base Transportation Service Agreement for the entire remaining term of the Base Transportation Service Agreement. Releasing Shipper also is responsible for payment obligations, payment procedures and crediting mechanisms that vary from or are in addition to those set forth herein when those provisions are part of a Negotiated Rate service agreement. A Releasing Shipper who is not a Base Shipper shall likewise remain responsible for payment to Transporter of, without limitation, the Release Reservation Rate and the Release Reservation Surcharges for service provided under its Released Transportation Service Agreement prior to any subsequent Release thereunder.

(b) The Releasing Shipper shall initially be invoiced only for the reservation and usage rates and any and all other applicable charges and surcharges which are related to the service provided by Transporter under the Releasing Shipper's Service Agreement subsequent to any and all Releases thereunder, and for any additional amount by which the Releasing Shipper's combined reservation rate and reservation surcharges for any Month may exceed the Total Release Reservation Charge for any corresponding Month during the term of any Release by the Releasing Shipper. Transporter shall invoice the Replacement Shipper and the Replacement Shipper shall pay Transporter in accordance with Section 5 of the General Terms and Conditions of this Tariff based

GENERAL TERMS AND CONDITIONS
(continued)

15. CAPACITY RELEASE PROGRAM (continued)

15.10 Invoicing and Payment (continued)

(c) If the Replacement Shipper fails to pay all or any portion of any invoice from Transporter by the date on which payment is due, Transporter shall send an invoice to the Releasing Shipper for all unpaid amounts related to the Release Reservation Rate and the Release Reservation Surcharges, up to the amount of the reservation rate and reservation surcharges for which the Releasing Shipper is responsible under the Releasing Shipper's Service Agreement prior to any Releases thereunder (the "Default Invoice"). The Default Invoice shall include the amount of any and all applicable interest charges and penalties related to nonpayment by the Replacement Shipper of all or any portion of the Release Reservation Rate and the Release Reservation Surcharges which have accrued from the date of receipt of Transporter's invoice by the Replacement Shipper. The Default Invoice shall also reflect a credit for any and all amounts paid to Transporter by the Replacement Shipper, including any amounts related to payment of the Release Usage Rate and Release Volumetric Surcharges to the extent that the Release Usage Rate and Release Volumetric Surcharges are less than or equal to the corresponding usage rates and volumetric charges and surcharges paid by the Releasing Shipper to Transporter for service under the Transportation Service Agreement or Released Transportation Service Agreement, as applicable. The Releasing Shipper shall pay the amount of the Default Invoice to Transporter within the applicable period of time prescribed in the Releasing Shipper's Service Agreement for payment of invoices. The Releasing Shipper shall be solely responsible for seeking and obtaining reimbursement for any such payment from the Replacement Shipper; provided, however, that Transporter shall credit the Releasing Shipper's next invoice following Transporter's receipt of any payment by the Replacement Shipper of any amounts reflected in any

15. CAPACITY RELEASE PROGRAM (continued)

15.10 Invoicing and Payment (continued)

Default Invoice which were paid by the Releasing Shipper. The foregoing credit shall include any interest on such amounts paid by the Replacement Shipper which may have accrued commencing ten Days after the date on which the relevant payment from the Replacement Shipper was received by Transporter.

d) Failure by the Releasing Shipper or the Replacement Shipper to pay timely all or any portion of any invoice from Transporter, including any failure by the Releasing Shipper to pay timely the amount of any Default Invoice, shall entitle Transporter to exercise the remedies available under the Base Transportation Service Agreement and this Tariff, including suspension and termination of service to the Releasing Shipper and the Replacement Shipper, as warranted, as well as any other remedies available to Transporter. In the event of failure by the Replacement Shipper to pay timely all or any portion of any invoice from Transporter, the Releasing Shipper shall likewise be entitled to recall temporarily or permanently all of its Transportation rights which were released to the Replacement Shipper under the relevant Release, provided, however, that the Releasing Shipper must provide both Transporter and the Replacement Shipper with not less than two (2) Days prior written notice of its intent to exercise such recall.

e) Any and all increases in the applicable Tariff Reservation Rate or the applicable Tariff Reservation Surcharges shall remain the primary responsibility of the Releasing Shipper to the extent provided in the Releasing Shipper's Service Agreement; provided, however, that the Releasing Shipper may provide in its Release Request that the Release Reservation Rate and the Release Reservation Surcharges shall increase in accordance with any corresponding increases in the applicable Tariff Reservation Rate or the applicable Tariff Reservation Surcharges. Any refunds or credits of any rates or charges ordered by the FERC shall be paid by Transporter solely to the Base Shipper , subject however to Transporter's right to seek relief at the FERC or in the courts from the obligation to make any such refunds or credits. Any Base Shipper which receives such refunds or credits shall be solely responsible for determining what portion, if any, of such refunds or credits must be additionally refunded to any and all Releasing Shippers and Replacement Shippers who received directly or indirectly a release of Transportation rights under such Shipper's Base Transportation Service Agreement.

15. CAPACITY RELEASE PROGRAM (continued)

15.11 Further Conditions on Release of Transportation Rights

a) Any party participating in the Release program set forth in this Section 15 agrees to be bound by and shall comply with the terms and conditions of this Tariff, and all applicable Commission rules, orders and regulations.

b) All terms and conditions in all Release Requests must be objectively stated, applicable to all potential Bidders and nondiscriminatory.

c) The minimum term for any Release shall be one Day and the maximum term shall be the remaining term of the relevant Transportation Service Agreement, or the remaining term of firm transportation service provided under the relevant Released Transportation Service Agreement as determined in accordance with the Release Term of all effective Exhibits "RS" and Exhibits "RP" thereto, as may be revised from time to time. The minimum MDQ for any Release shall be 500 Mcf per Day and the maximum MDQ shall be the maximum MDQ set forth in the Releasing Shipper's Service Agreement, as revised from time to time in accordance with any and all effective Exhibits "RS" and Exhibits "RP" thereto.

d) The maximum rates paid by the Replacement Shipper for service under any Release shall be the applicable maximum Tariff Reservation Rate and Tariff Reservation Surcharges, and applicable maximum Tariff Usage Rate and Tariff Volumetric Surcharges, as well as all other applicable maximum rates, charges and surcharges set forth in this Tariff, all as may be revised from time to time, notwithstanding any discount to such rates, charges or surcharges then in effect for the Releasing Shipper. The Release Reservation Rate and Release Reservation Surcharges shall for all purposes of this Section 15 be stated in relation to and on the same basis as the Monthly Reservation Rate set forth in this Tariff for service under the Governing Rate Schedule, subject to the additional provisions of Section 15.4(b) concerning any Release Reservation Rate or Release Reservation Surcharges which may be paid on a one-part volumetric basis. The maximum rate that may be charged for a Release shall not be affected by the amount of any marketing fee paid by the Releasing Shipper to Transporter in accordance with Section 15.12.

e) All terms and conditions of service provided under any Release must be consistent with and shall be subject to all terms and conditions of the Releasing Shipper's Service Agreement, and with all applicable terms and conditions of this Tariff, including without limitation the provisions on nominations, scheduling and curtailment of Transportation service as set forth in Section 13 of the General Terms and Conditions of this Tariff. Any subsequent Release hereunder by a Replacement Shipper additionally must be consistent with the terms and conditions

15. CAPACITY RELEASE PROGRAM (continued)

15.11 Further Conditions on Release of Transportation Rights (continued)

of such Replacement Shipper's Released Transportation Service Agreement and any and all effective Exhibits "RS" and Exhibits "RP" thereto.

f) Transporter may reject any Release Request or any bid which does not conform in all respects to the requirements of this Section 15, and such rejected Release Request or bid shall be deemed null and void from the time of such rejection.

g) Transporter shall accept nominations, schedule Transportation, afford priority of service and curtail service based on instructions and communications from the Releasing Shipper and the Replacement Shipper which are consistent with one another and with the terms and conditions of their respective Transportation service agreements and this Tariff. In the event such instructions or communications from the Releasing Shipper and Replacement Shipper in Transporter's sole opinion are inconsistent or conflicting, Transporter shall comply with the instructions and communications of the Releasing Shipper; provided, however, that such instructions and communications must not be inconsistent with this Tariff, in Transporter's sole opinion. GISB 5.3.6: "If the releasing shipper wishes to recall capacity to be effective for a gas day, the notice should be provided to the transportation service provider and the acquiring shipper no later than 8 A.M. Central Clock Time on nomination day." The Releasing Shipper must notify Transporter by 8:00 a.m. CCT on nomination day prior to exercising any right to reput any or all of the released Transportation rights, and shall be solely responsible for the provision of any required notice to the Replacement Shipper. GISB 5.3.7: "There should be no partial day recalls of capacity. Transportation service providers should support the function of reputting by releasing shippers." Releasing Shipper must comply with the terms and conditions set forth in Section 13 of the General Terms and Conditions of this Tariff in connection with the utilization of any recalled rights to Transportation service.

h) All Transportation rights released hereunder shall be scheduled and curtailed as firm Transportation service under Section 13 of these General Terms and Conditions. Interruption or curtailment of such released service shall be in accordance with interruption or curtailment of firm service under this Tariff, and additionally as may be prescribed by the terms and conditions of the release.

16. INFORMATION AND COMMUNICATIONS REGARDING TRANSPORTATION SERVICES

Section 16 describes the information and procedures Transporter will make available pursuant to FERC Order Nos. 497 and 636.

16.1 System and Service Information: Any person desiring information on the availability, pricing, or other terms of the transportation services can call the Customer Service Department at (801) 584-7799.

16.2 Service Complaints: Customers are encouraged to resolve any disputes informally with their designated customer representatives. A formal complaint concerning any transportation services offered by Transporter shall specifically state that it is a complaint under Order No. 497 and shall be directed, preferably in writing, to the Director of Marketing and Regulatory Affairs, Kern River Gas Transmission Company, 295 Chipeta Way, P.O. Box 58900, Salt Lake City, Utah 84158-0900. The Director or a designee of the Director will respond initially to the complainant within forty-eight (48) hours (exclusive of weekends and holidays), and in writing within thirty (30) Days.

16.3 Shared Facilities and Personnel: Transporter shares no facilities and no operating personnel with any affiliated marketing or brokering company for which Transporter conducts any transportation transactions.

16.4 Valid Service Requests: The specific information and format required from a shipper for a valid request for transportation service is contained in Transporter's Transportation Service Request Form, set forth at Sheet Nos. 401 through 408, inclusive, of this Tariff.

16.5 Electronic Bulletin Board:

a) Transporter has established an interactive computer system, RAPIDS II, to publicize information concerning its services and available transportation capacity and to facilitate shippers' use of the services provided by Kern River. RAPIDS II is available on a nondiscriminatory basis for use by any party (hereinafter "User") that has compatible equipment for electronic transmission of data and has executed a RAPIDS II License Agreement and accompanying Sublicense Agreement.

RAPIDS II will allow Users to (a) request new services or request amendments of existing Transportation Service Agreements, (b) submit nominations pursuant to the applicable Rate Schedule and the General Terms and Conditions contained in this tariff, (c) participate in Transporter's Capacity Release Program, and (d) obtain the following information:

GENERAL TERMS AND CONDITIONS
(continued)

16. INFORMATION AND COMMUNICATIONS REGARDING TRANSPORTATION SERVICES (continued)

16.5 Electronic Bulletin Board (continued)

i) the available capacity on Transporter's System for firm and interruptible forward haul transportation service, including capacity availability at Receipt Points and Delivery Points;

ii) the master receipt point list and the master delivery point list;

iii) the firm transportation release information described in Section 15 of these General Terms and Conditions;

iv) standards of conduct information under Order Nos. 497 and 566;

v) offers to purchase released transportation rights from firm Shippers and the terms and conditions of such offers;

vi) general system notices concerning operating conditions on Transporter's pipeline.

Transporter shall update the information on its Electronic Bulletin Board as frequently as is necessary, but shall not be obligated to provide updates more frequently than once per day. Transporter's RAPIDS II system includes an EBB that is menu-driven and incorporates search functions, an on-line help feature and the capability for users to download information. The Electronic Bulletin Board displays the most recent information ahead of less current data. Transporter shall retain daily back-up records of the information displayed on the Electronic Bulletin Board and will make such records available for review upon request. Persons that wish to utilize Transporter's RAPIDS II system should contact Transporter at the address below to obtain detailed access and log-on information:

Kern River Gas Transmission Company
Attn: Marketing Services
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Telephone No.: (801) 584-7266 Fax No.: (801) 584-6950

b) Transporter shall use reasonable efforts to ensure the accuracy of information presented on RAPIDS II; however, Transporter makes no representation or warranty of any kind to any person concerning the use of RAPIDS II, including,

16. INFORMATION AND COMMUNICATIONS REGARDING TRANSPORTATION SERVICES (continued)

16.5 Electronic Bulletin Board (continued)

without limitation, the accuracy of any posted information, and shall not be liable to any person for any damages which may arise in connection with the posting of information on RAPIDS II by Transporter or any third parties, or as a result of any person's use, abuse or misuse of RAPIDS II, unless and only to the extent that such damages are caused solely by Transporter's negligence in the performance of any obligations for which Transporter is solely and directly responsible. Notwithstanding the foregoing, in no event shall Transporter be liable to any party for any special, incidental, or consequential damages which may arise in connection with the posting of information on RAPIDS II.

16.6 Electronic Trading Partner Communications

Transporter will support GISB-approved Electronic Data Interchange ("EDI") communications through Transporter's Designated Site. Transporter will update and maintain the Designated Site with the same information provided to EBB users, as outlined in Section 16.5 a) i-vi. Access to the Designated Site may be obtained by connecting through either the Internet or a third party, on-line service provider. In order to execute transactions on the Designated Site, Shipper must submit a completed Form of Electronic Data Interchange Trading Partner Agreement to Transporter. Such form is located in Transporter's Tariff or may be obtained from Transporter's Marketing or Customer Service Department. There is no fee associated with the use of the Designated Site.

GENERAL TERMS AND CONDITIONS (continued)

17. GAS RESEARCH INSTITUTE SURCHARGE

17.1 Purpose.

(a) Transporter has joined with other gas enterprises in the formation and financing of Gas Research Institute (GRI), an Illinois not-for-profit corporation. GRI has been organized for the purpose of sponsoring Research, Development and Demonstration (RD&D) programs in the field of natural and manufactured gas to assist all segments of the gas industry in providing adequate, reliable, safe, economic and environmentally acceptable gas service for gas consumers and the general public.

(b) For the purpose of funding GRI's approved RD&D expenditures, this Section establishes a GRI Surcharge to be applicable to Transporter's Rate Schedules as set forth in this FERC Gas Tariff; provided, however, such Surcharge shall not be applicable to 1) Shippers which are interstate pipelines and which include in their rates a surcharge for RD&D expenditures by GRI or 2) gas which is purchased from or transported by another interstate pipeline and is subject to a GRI rate adjustment charge in such other interstate pipeline's effective FERC Gas Tariff or 3) service under any of Transporter's Rate Schedules where such service is provided at discounted rates, charges, or surcharges, except to the extent that the amount of the GRI Surcharge exceeds the amount of such discount.

17.2 Basis of the GRI Surcharge. Transporter's GRI Surcharge shall be that increment, adjusted to Transporter's pressure base and heating value, if required, which has been approved by the most recent Federal Energy Regulatory Commission orders approving GRI's RD&D expenditures. The GRI Surcharge shall be set forth on Sheet Nos. 5 and 6 of this tariff.

17.3 Filing Procedures. The effective date of each adjustment of the GRI Surcharge established pursuant to this subsection shall be the date specified in Transporter's filing. At least 30 days prior to the effective date of each such adjustment, Transporter shall file revised tariff sheets setting forth such adjustment. Any such filing shall not become effective unless it becomes effective without suspension or refund obligation.

17.4 Voluntary Contributions. Transporter will provide a "check the box" option on invoices for Shippers to voluntarily contribute funds to GRI in addition to amounts collected through the GRI Surcharges.

17.5 Remittance to GRI. Transporter shall collect from Shippers and remit to GRI, not later than fifteen (15) days after receipt, all amounts attributable to the GRI Surcharge and voluntary GRI contributions, less any amounts properly payable to a federal, state or local authority relating to amounts collected hereunder.

GENERAL TERMS AND CONDITIONS
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18. REVENUE SHARING (continued)

18.2 Adjustments to Annual Revenue Threshold Level. (continued)

cost-of-service components are already being recovered as general and administrative expenses or are related to the general plant within existing rates, to be effective on the in-service date of the expansion; and/or

(ii) The net increase in total system revenues (revenues from new service contracts, less reduced revenues from existing service contracts at the lower rolled-in rates) attributable to rolled-in rate system expansions, to be effective on the in-service date of the expansion.

(c) Transporter will submit an Annual Threshold Report within 90 days following the end of each 12-month period (or any partial period at the end of the Settlement) to support any adjustments to the Annual Revenue Threshold Level pursuant to Sections 18.2(a) or (b) above. Such report will also identify the Shippers receiving credits and the amounts received.

18.3 Distribution of Credits. The amount to be credited to the Shippers will be distributed within 90 days following the end of each twelve-month period (or any partial period at the end of the Settlement) to each primary and replacement firm transportation Shipper paying maximum rates on an annual or seasonal basis, pro rata based on the total maximum rate revenues received from each Shipper for the revenue sharing period, excluding revenues from ACA, GRI and any other surcharges approved by the Commission. For the purpose of determining whether a Shipper is paying maximum rates, the reservation/demand charges paid by a Replacement Shipper will be attributed to the Releasing Shipper if the Replacement Shipper is paying less than maximum rate.

GENERAL TERMS AND CONDITIONS (continued)

19. DISCOUNTING POLICY FOR RATES AND CHARGES

Transporter reserves the right to provide, by contract with any Shipper, for adjustment at any time of the rates for service to a level below the maximum rates applicable to such service, as stated in the Tariff, but no less than the minimum rates as applicable to such service, as stated in the Tariff. To the extent Transporter agrees to a discount of any demand/reservation rates and demand/reservation surcharges for firm transportation service, the discount will be apportioned first to the Gas Research Institute ("GRI") reservation surcharge and second, if the discount is greater than the GRI reservation surcharge, to the base reservation rate. To the extent Transporter agrees to discount any commodity/usage rates and surcharges for firm transportation service, the discount will be apportioned first to the GRI usage surcharge and second, if the discount is greater than the GRI usage surcharge, to the base commodity/usage rate. To the extent Transporter agrees to discount any of the usage/commodity rates or surcharges for interruptible transportation service, the discount will be apportioned first to the GRI usage surcharge and second, if the discount is greater than the GRI usage surcharge, to the base commodity/usage rate. Nothing herein will require Transporter to agree to any discount.

20. DELIVERY FACILITIES

20.1 Definition: For purposes of this Section, Delivery Facilities are defined as the facilities which are necessary for the delivery of Gas to one or more Shippers.

This includes, but is not limited to, delivery laterals and delivery point measuring equipment. It does not include any facilities which increase the system capacity such as mainline facilities, additional compression or looping.

GENERAL TERMS AND CONDITIONS (continued)

20. DELIVERY FACILITIES: (continued)

This Section states Transporter's policy regarding the construction and financing of delivery facilities constructed or modified after June 3, 1996.

20.2 Installation: Except as otherwise provided in agreements executed by Transporter prior to June 3, 1996, Transporter is not obligated or required to construct, modify, or rearrange any facilities in order to perform any service, including any facilities necessary to receive gas from, deliver gas to, or measure any gas received from or delivered to any Shipper. In the event Transporter agrees to construct, modify, or rearrange facilities for delivery of a Shipper's gas, Transporter will have the right to condition its agreement to so construct, modify or rearrange its facilities by requiring that Shipper pay Transporter for the costs associated with the installation, construction, modification, operation, maintenance and/or rearrangement of such facilities. In so conditioning its agreement to require Shipper to pay such costs, Transporter and Shipper will mutually agree to one of the following:

(a) a contribution in aid of construction ("CIAC") associated with such construction, modification and/or rearrangement of facilities, including a gross-up for applicable state and federal income tax expense; or

(b) a CIAC associated with such construction, modification, and/or rearrangement of facilities, including a gross-up for applicable state and federal income tax expense and the associated costs of operation and maintenance; or

(c) an incremental facilities charge which will reflect, as appropriate, Transporter's capital costs associated with such facilities, including depreciation, return on equity, related income taxes and all other taxes, and all associated operating and maintenance costs.

Such CIAC or incremental facility charge will be set forth, as appropriate, in the transportation service agreement with Shipper or in a separate reimbursement agreement with Shipper. Transporter will not use the revenues resulting from such incremental facilities charge or the costs associated with such CIAC and/or incremental facilities charge to determine Transporter's general rates.

All facility installation requests will be handled by Transporter in a manner which is not unduly discriminatory. For purposes of determining whether to condition its agreement, Transporter will evaluate, among other criteria, the subscription level and/or estimated throughput, cost of facilities, operating and maintenance and administrative/ general expenses in its analysis.

RESERVED FOR FUTURE USE

GENERAL TERMS AND CONDITIONS
(continued)

21. GISB ELECTRONIC DELIVERY MECHANISM AND DATA DICTIONARY STANDARDS. The following GISB standard will apply:

GISB 1.2.2: "All trading partners should accept all GISB standard data elements. Usage should be characterized as either mandatory, conditional, sender's option, business conditional and mutually agreeable.

Mandatory (M) means the data element (information) must be supplied in the transaction.

Conditional (C) means that the presence of data in a field is determined by the presence or lack of data in another field within the transmittal or related data sets.

Sender's Option (SO) means that this element is optional for the sender to send and, if sent, the receiver should receive and process.

Business Conditional (BC) means the data element is based on current variations in business practice. The business practice will be described herein, with an example. Over time, GISB expects that as business practices are standardized, elements will move out of this category. Business Conditional elements which are not supported/required by the receiver will be acknowledged in the response document with a warning message code indicating that the data elements was ignored by the receiver. (In some instances, this category will be used for country-to-country issues. Annually, GISB will consider whether any data element will continue to be categorized with this usage code.)

Mutually agreeable (MA) means that the data element is mutually agreed to between trading partners. It must be presented to GISB for technical implementation. It does not, by it definition, create a GISB standard business practice. Usage of this element in no way can be mandated for inclusion by either trading partner in order to achieve a level of service."

Transporter incorporates by reference the following GISB Definitions and Standards:

Electronic Delivery Mechanism Standards (Version 1.3)
4.2.1 through 4.2.8, 4.3.1 through 4.3.3 and
4.3.5 through 4.3.35

GENERAL TERMS AND CONDITIONS
(continued)

21. GISB ELECTRONIC DELIVERY MECHANISM AND DATA DICTIONARY STANDARDS (Continued)

Additionally, Transporter hereby incorporates, by reference, the following GISB Data Dictionary Standards:

Nominations Related Standards (Version 1.3)
1.4.1 through 1.4.7

Flowing Gas Related Standards (Version 1.3)
2.4.1 through 2.4.6

Invoicing Related Standards (Version 1.3)
3.4.1 through 3.4.4

Capacity Release Related Standards (Version 1.3)
5.4.1 through 5.4.17

Effective Date: 08/01/1999 Status: Effective
FERC Docket: RP99-347-000

Fourth Revised Sheet No. 130 Fourth Revised Sheet No. 130 : Superseded
Superseding: Sheet Nos. 130 Through 139

Fourth Revised Sheet No. 130 supersedes Third Revised Sheet No. 130, Fourth Revised Sheet No. 131, Third Revised Sheet No. 132 and Second Revised Sheet Nos. 133 through 139. These sheets are reserved for future use.

GENERAL TERMS AND CONDITIONS
(continued)

21. GISB ELECTRONIC DELIVERY MECHANISM AND DATA DICTIONARY STANDARDS
(continued)

GISB 4.3.15: "Trading partners should implement all security features (secure authentication, integrity, privacy, and non-repudiation) using a file-based approach via a commercially available implementation of PGP 2.6 or greater (or compatible with PGP 2.6). Trading partners should also implement basic authentication. This should be regarded as an interim solution since this technology is not an open standard. This technology supports all of the above security features while providing independence of choice of Web servers and browsers. Encryption keys should be self-certified and the means of exchange should be specified in the trading partner agreement."

GISB 4.3.16: "The documents identified in GISB Standard 4.3.6 should be made available in HTML or RTF format."

Additionally, Transporter hereby incorporates, by reference, the following GISB Data Dictionary standards:

Nominations Related Standards (Version 1.2)
1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5 and 1.4.6

Flowing Gas Related Standards (Version 1.2)
2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5 and 2.4.6

Invoicing Related Standards (Version 1.2)
3.4.1, 3.4.2 and 3.4.3

Capacity Release Related Standards (Version 1.2)
5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6,
5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12,
5.4.13, 5.4.14, 5.4.15, 5.4.16 and 5.4.17

Effective Date: 07/01/1998 Status: Effective
FERC Docket: RP98-222-000

Third Revised Sheet No. 132 Third Revised Sheet No. 132 : Superseded
Superseding: Sheet Nos. 132 through 139

Third Revised Sheet No. 132 supersedes Second Revised Sheet Nos. 132 through 139. These sheets are reserved for future use.

GENERAL TERMS AND CONDITIONS
(continued)

21. GAS INDUSTRY DEFINITIONS AND STANDARDS (continued)

2.3.13 1.0 Estimate missing or late measurement data and treat actual as a prior period adjustment, with the measuring party to provide the estimate.

2.3.15 1.0 There are two types of allocations: daily and monthly.

2.3.16 1.0 List of allocation, methodology types agreed upon: Ranked, Pro Rata, Percentage, and Swing.

2.3.17 1.0 The same standard allocation methodologies should be available for use at all points.

2.3.19 1.0 The transportation service providers should accept GISB approved allocation methodology types from the upstream or downstream custody transfer party who is providing the point confirmation.

2.3.20 1.0 When the allocation method is rank, swing or percentage, a new allocation detail may be needed when a nomination changes.

2.3.21 1.0 The timing for reporting daily operational allocations after the gas has flowed is within one business day after end of gas day. If the best available data for reporting daily operational allocations is the scheduled quantity, that quantity should be used for the daily operational allocation.

2.3.22 1.0 The responsibility for calculation and reporting of allocated quantities should rest with the party responsible for accepting GISB allocation types. The party receiving nominations should provide allocation statements.

2.3.23 1.0 As a minimum, allocations should be provided both by contract and location.

2.3.24 1.0 Delivery point allocations should be performed at the lowest level of detail provided by nominations.

2.3.27 1.0 Allocated quantities and imbalances should be expressed in the same units as the nominated quantities.

2.3.31 1.1 No imbalance penalty should be imposed when a prior period adjustment applied to the current period causes or increases a current month penalty.

3.3.1 1.0 Electronic invoicing functions should use common codes as identified by the GISB Common Codes Task Force.

GENERAL TERMS AND CONDITIONS
(continued)

21. GAS INDUSTRY DEFINITIONS AND STANDARDS (continued)

3.3.2 1.0 Standard field name descriptors should be used on paper and electronic documents. This consistency should cover all gas industry transactions.

3.3.3 1.0 Subject to regulatory and/or contractual consideration for standardizing billing units on invoices, use dekatherms (gigajoules in Canada, with a standard conversion calculation) only on invoices - to be consistent with standards proposed for nominations.

3.3.4 1.0 Unless otherwise agreed, transportation invoices should state the net billing rate, rather than the maximum discount tariff rate and the discount amount.

3.3.5 1.0 Differentiate between sales, transportation and storage transactions through charge codes. Sales, transportation and storage invoices should use the same electronic format.

3.3.6 1.0 Transactions at pooling should not be consolidated for billing purposes.

3.3.7 1.0 Clearly identify transfer imbalances as separate charge types.

3.3.8 1.0 On accuracy of invoice information, calculations need to be mathematically accurate.

3.3.9 1.0 Invoices should be based on actuals (if available) or best available data. Quantities at points where OBAs exist should be invoiced based on scheduled quantities.

3.3.10 1.0 Required invoice backup data should accompany or precede the invoice.

3.3.11 1.0 Information provided with (sales and transportation) invoices should be consistent with information previously provided by the billing party, as updated for changes for settlement.

3.3.12 1.0 All statements should be standardized to the same level of detail. The specific minimum level of detail on invoice, remittance and statement of account should be guided by the development of the data elements.

GENERAL TERMS AND CONDITIONS
(continued)

21. GAS INDUSTRY DEFINITIONS AND STANDARDS (continued)

3.3.13 1.0 Regarding inadequate detail supporting documentation, supporting documentation should be provided upon request, with timing of supporting documentation to follow the timing of the flowing gas transaction.

3.3.15 1.0 Prior period adjustment time limits should be six (6) months from the date of the initial transportation invoice and seven (7) months from date of initial sales invoice with a three (3) month rebuttal period, excluding government-required rate changes. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.

3.3.16 1.0 Prior period adjustments are reported by production date, but they do not have to be invoiced separately by production month nor is each production month a separate paper invoice page.

3.3.17 1.0 Party making payment should submit supporting documentation; party receiving payment should apply payment per supporting documentation provided by the paying party; and if payment differs from invoiced amount, remittance detail should be provided with the payment.

3.3.18 1.0 Identify invoice number(s) on all payments.

3.3.20 1.0 The statement of account is separate from the invoice as a transaction type.

3.3.21 1.0 Indicate paid amount on prior period adjustments on the statement of account.

4.3.1 1.0 By 4/01/97, all parties sending and receiving data should accept a TCP/IP using PPP connection. At a minimum, sending and receiving parties should designate an Internet address as a designated site for the receipt and delivery of GISB standardized data sets subject to the successful completion of pilot testing by 1/01/97 to ensure that security, performance (within GISB standard data transmission time), and reliability are acceptable. The GISB data file format should be utilized. The Future Technology Task Force should determine the direction of outstanding issues such as security, archiving, receipt notification, etc., by 7/01/96.

GENERAL TERMS AND CONDITIONS
(continued)

21. GAS INDUSTRY DEFINITIONS AND STANDARDS (continued)

4.3.2 1.0 On time stamping, data leaves control of the originator by the same time (deadline), regardless of mechanism (3rd party service provider time stamp is acceptable) and 15 minutes of communication time should be available to allow accumulation of all transactions to the pipeline. A standard network protocol (TCP/IP) should be in service for direct connect to the pipeline designated site by 4/01/97.

4.3.3 1.0 Originating party is any system originating/creating the document reflecting the transaction to be submitted (this could also include a third-party service provider or a transportation service provider's EBB). Within the 15-minute window the transaction should be received by the receiving party. Errors in transmission shall be governed by the terms and conditions of the trading partner agreement between the parties. The receiving party may also waive the 15-minute window requirement at its own discretion.

4.3.4 1.0 Transactional data should be retained for at least 24 months for audit purposes. This data retention requirement only applies to the ability to recover or regenerate electronic records for a period of two years and does not otherwise modify statutory, regulatory, or contractual record retention requirements.

4.3.6 1.1 By August 1, 1997 Transportation Service Providers should establish a HMTL page(s) accessible via the Internet's World Wide Web. The information that is currently provided should be posted is as follows: 1) Notices (critical notices, operation notices, system wide notices, etc.), 2) FERC Order No. 566 affiliated marketer information (affiliate allocation log, 24 hr. discount postings, etc.), 3) Operationally available and unsubscribed capacity, 4) Index of Customers, 5) Transportation Service Provider's Tariff (Terms, conditions and rate) or general terms and conditions.

4.3.7 1.1 At a minimum, the designated site should be accessible via the public Internet. This specifically does not preclude location of the designated site on a private intranet as long as the designated site is accessible via the public Internet.

4.3.8 1.1 The minimum acceptable protocol should HTTP. All sending and receiving parties should be capable of sending and receiving using HTTP.

GENERAL TERMS AND CONDITIONS
(continued)

21. GAS INDUSTRY DEFINITIONS AND STANDARDS (continued)

4.3.9 1.1 There is a time stamp (HTTP Time-stamp) that designates the time that a file is received at the designated site. The receiving party should generate a time-stamp upon successful receipt of the complete file and send an immediate response to the sending party. The time-stamp should be generated by Common Gateway Interface (CGI) of the receiving party, prior to further processing by the CGI.

4.3.10 1.1 The time-stamp should be included in the HTTP response back to the sender of the original HTTP transaction. It is recommended that the server clock generating the time-stamp be synchronized with the National Institute of Standards and Technology (NIST) time in order to mitigate discrepancies between the clocks of the sender and receiver.

4.3.11 1.1 The HTTP response should be sent to the sending Internet Protocol (IP) address. Other response documents should be returned to the official designated site defined in the Trading Partner Agreement.

4.3.12 1.1 As a minimum, within a trading partner agreement, one designated site for receipt should be identified for each trading partner. That site should be identified by a specific Uniform Resource Locator (URL). This does not preclude multiple designated sites being mutually agreed to between trading partners.

4.3.13 1.1 The sender should make three attempts to complete a unit of work. After three failed attempts, it should be considered a failure.

4.3.14 1.1 The roles of sender and receiver are defined in following table. The entire table defines a unit of work.

4.3.15 1.1 Trading partners should implement all security features (secure authentication, integrity, privacy, and non-repudiation) using a file-based approach via a commercially available implementation of PGP 2.6 or greater (or compatible with PGP 2.6). Trading partners should also implement basic authentication. This should be regarded as an interim solution since this technology is not an open standard. This technology supports all of the above security features while providing independence of choice of Web servers and browsers. Encryption keys should be self-certified and the means of exchange should be specified in the trading partner agreement.

GENERAL TERMS AND CONDITIONS
(continued)

21. GAS INDUSTRY DEFINITIONS AND STANDARDS (continued)

5.2.1 1.0 Critical notices should be defined to pertain to information on transportation service provider conditions that affect scheduling or adversely effect scheduled gas flow.

5.3.9 1.0 If the transportation service provider requires amendments for each release, the transportation service provider should automate the process of amending contracts and this may be the subject of a global agreement between the parties.

5.3.10 1.0 Capacity Release service providers should support the upload of prearranged deals.

5.3.11 1.0 Replacement Shipper initiates confirmations of prearranged deals electronically.

5.3.12 1.0 Bids and offers should be complete before being posted. Only posted offers and bids should be available electronically.

5.3.17 1.0 Transportation service providers should provide on request operationally available capacity separate from unsubscribed capacity.

5.3.18 1.0 System-wide notices should have a separate category for notices that are not critical.

5.3.20 1.0 Capacity Release historical data should be made available on a consistent basis from the transportation service provider, which should provide for retrieval of open and closed offers during the FERC archival period.

5.3.21 1.0 On the bidding formats, the number of decimal places for offers, bids, and awards should be equal to the number of decimal places in the stated rates per pipeline rate schedule.

5.3.22 1.1 For less than maximum rate transactions only, converting daily rate to monthly rate is accomplished by multiplying the daily rate times number of days in rate period, dividing the result by number of months in rate period and taking the remainder out to 5 decimals places and rounding up or down to the transporter's specified decimal place. Converting a monthly rate to a daily rate is accomplished by multiplying the monthly rate by number of months in rate period; dividing the result by number of days in rate period and taking the remainder out to 5 decimals places and rounding up or down to the transporter's specified decimal place.

GENERAL TERMS AND CONDITIONS
(continued)

21. GAS INDUSTRY DEFINITIONS AND STANDARDS (continued)

5.3.23 1.0 All tariff rates should be adjusted to reflect a standard calculation of daily and monthly rates.

5.3.27 1.0 For purposes of bidding and awarding, maximum/minimum rates specified by the Releasing Shipper should include the tariff reservation rate and all demand surcharges, as a total number or as stated separately.

5.3.28 1.0 Release quantity should be expressed as a numeric quantity only.

5.3.29 1.0 Basis for released quantity should be per day for transportation, storage injection, storage withdrawal, and a per-release quantity for storage capacity and total release period quantity.

Additionally, Transporter hereby incorporates, by reference, the following GISB Data Dictionary standards:

Nominations Related Standards (Version 1.1)
1.4.1, 1.4.2, 1.4.3, 1.4.4 and 1.4.5

Flowing Gas Related Standards (Version 1.1)
2.4.1, 2.4.2, 2.4.3, 2.4.4 and 2.4.5

Invoicing Related Standards (Version 1.1)
3.4.1, 3.4.2 and 3.4.3

Capacity Release Related Standards (Version 1.1)
5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.4.15, 5.4.16 and 5.4.17

GENERAL TERMS AND CONDITIONS (continued)

22. POOLING

22.1 General.

(a) The following GISB Standards will apply:

GISB 1.2.3: "Pooling is: 1) the aggregation of gas from multiple physical and/or logical points to a single physical or logical point, and/or 2) the dis-aggregation of gas from a single physical or logical point to multiple physical and/or logical points."

GISB 1.3.17: "If requested by a shipper or supplier on a transportation service provider's system, the transportation service provider should offer at least one pool."

GISB 1.3.18: "Deliveries from receipt points should be able to be delivered directly into at least one pool and delivery points should be able to receive quantities from at least one pool, excluding non-contiguous facilities."

(b) Availability. Pools will be available as an optional service for supply aggregation from any receipt point to the pool associated with that receipt point and for delivery from a pool to any delivery point on Transporter's system. Pooling is available under all transportation rate schedules.

(c) List of Pools. All supply area receipt points on Transporter's system may be nominated into a pool. A list of receipt points and their respective pools is posted and may be changed by notice provided on Transporter's EBB and designated site on the Internet. Any changes to the pools will be posted on Transporter's EBB at least ten (10) days prior to such changes being implemented; provided, however, any changes to the pools will become effective only on the first day of a calendar month.

22.2 Nominations. All pooling parties are subject to the applicable operating conditions outlined in Section 10 and to the applicable nomination and scheduling conditions outlined in Section 13 of the General Terms and Conditions.

(a) Receipt Point to Pool. A pooling party is not required to be a Shipper. Any party wishing to aggregate gas in a pool will be assigned a pooling number by Transporter for each pool in which it participates. A pooling party may nominate gas into its pool from any and all receipt points that comprise the particular pool.

(b) Pool to Delivery Point. To deliver gas from a pool, a pooling party must have its own transportation service agreement, or gas must be sold to a Shipper who will nominate under its own transportation service agreement, using the pool as its receipt point.

GENERAL TERMS AND CONDITIONS
(continued)

22. POOLING (continued)

22.3 Balancing. No imbalances in pools are allowed. If daily quantities nominated for aggregation by a pooling party in a designated pool are not matched by corresponding confirmations of supply and corresponding nominations for delivery from that pool, Transporter will schedule the lower volume.

22.4 Capacity Rights/Priority of Service.

(a) Receipt Point to Pool. Since a pooling party is not required to be a Shipper, capacity rights for receipt by Transporter into a pool will be determined by the Maximum Daily Quantities and Maximum Receipt Quantities pertaining to the transportation service agreement used to deliver gas from the pool to the ultimate delivery point.

(b) Pool to Delivery Point. Capacity rights from a pool to the delivery point will be determined by the Maximum Daily Quantities and Maximum Delivery Quantities pertaining to the transportation service agreement used to deliver gas from the pool to the ultimate delivery point.

(c) Priorities of service for gas that is pooled are the same as priorities of service for gas that is not pooled.

22.5 Charges.

(a) Receipt Point to Pool. Nominations to a pool from a receipt point will not incur transportation charges, nor be subject to reimbursement for fuel or lost and unaccounted-for gas allocations.

(b) Pool to Delivery Point. Nominations from a pool to any delivery point will incur transportation charges and applicable surcharges. Reimbursement for fuel and lost and unaccounted-for gas will be determined pursuant to Section 12 of these General Terms and Conditions.

GENERAL TERMS AND CONDITIONS
(continued)

22. POOLING (continued)

22.6 Warranty and Liability.

(a) Pooling party warrants that it has title to or the right to transfer title to gas nominated under the pooling provisions of this tariff. Pooling party will indemnify Transporter and save it harmless from all suits, actions, damages, costs, losses, and expenses (including reasonable attorneys' fees) arising from breach of this warranty.

(b) Transporter will have no liability to pooling party for any and all damages and costs arising out of an intended or completed pooling transaction except to the extent such liability is shown to be the result of the negligence or willful misconduct of Transporter.

(c) Pooling party agrees to defend, indemnify, and hold harmless Transporter, its officers, agents, employees and contractors ("Indemnitee") against any liability, suit, action, claim, damage, or expenses whatsoever, including costs and attorneys' fees ("Liabilities and Expenses") occurring in connection with or relating in any way to pooling party's use or reliance on Transporter's pooling services, whether such Liabilities and Expenses are suffered by Indemnitee as a direct or indirect result of pooling party's use of or reliance on Transporter's pooling services or other omissions or tortious acts by pooling party, except to the extent such Liabilities and Expenses are shown to be the result of the negligence or willful misconduct of Transporter.

(d) Neither Transporter nor pooling party shall be liable to the other or to any other party for any consequential, punitive, special, or other damages arising in any way from any error, omission, or inaccuracy of Transporter's pooling services.

GENERAL TERMS AND CONDITIONS
(continued)

23. NEGOTIATED RATES

23.1 Availability. Shipper and Transporter may agree to Negotiated Rates, as defined in Section 1 of the General Terms and Conditions of this tariff, for a specific term of service under any rate schedule contained in this tariff. The rates as shown on Transporter's Statement of Rates are available as Recourse Rates for any Shipper that does not negotiate a rate with Transporter.

23.2 Applicability.

(a) Existing Service. Notwithstanding anything to the contrary contained in this tariff, Transporter and Shipper may mutually agree to negotiate rates and contract term for all or any portion of the capacity under any existing service agreement, provided that Shipper has not acquired its capacity through a capacity release. If only a portion of the capacity under any existing service agreement will be priced at Negotiated Rates, the original service agreement must first be bifurcated, and Recourse Rates will continue to apply to the service agreement not subject to the Negotiated Rates.

(b) New Service.

(1) Requests for Service. Transporter and Shipper may mutually agree to negotiated rates and contract term for any available capacity that is requested by Shipper in accordance with Section 3.1 of Rate Schedule KRF-1, provided that such capacity has been posted for informational purposes, but is not posted for bid at the time of Shipper's request.

(2) Bids on Posted Capacity. If available capacity is posted for bid and Transporter has determined that it is willing to consider bids at Negotiated Rates, Transporter must specify in its posting that it will consider Negotiated Rate bids in addition to Recourse Rate and discounted Recourse Rate bids.

(c) Expiring/Terminating Service. An existing Shipper with a right-of-first-refusal as outlined in Section 11.2 of the General Terms and Conditions may retain all or a portion of its capacity when such capacity is posted subject to Negotiated Rate offers (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate Transporter is willing to accept for such service, or (2) by paying a Recourse Rate or discounted Recourse Rate per Dth that is equivalent to the Negotiated Rate for the capacity it wishes to retain; provided, however, that nothing herein shall obligate Transporter to render service to any Shipper at rates less than Transporter's then applicable Maximum Base Tariff Rates.

(d) Bid Evaluation Criteria. If Transporter determines that it is willing to accept Negotiated Rate offers for capacity that is available pursuant to Sections 23.2 (b)(2) or 23.2(c) above, it will state in its posting the specific basis on which Negotiated Rate offers will be considered and the bid evaluation criteria that will be used to determine the winning bid.

If Transporter's posting specifies that it will accept Negotiated Rate bids tied to an index or indices, Transporter will post an assumed value for such index or indices, where such assumed value is based on both historical and projected index prices. This assumed value will be used to compare Negotiated Rate bids with Recourse Rate and discounted Recourse Rate bids; provided, however, that if a Shipper with a Negotiated Rate bid tied to an index or indices is awarded the capacity, such Shipper will pay according to the actual value of the index or indices at the time service is rendered.

GENERAL TERMS AND CONDITIONS
(continued)

23. NEGOTIATED RATES (continued)

(1) If capacity is posted for a period of three days or less, the value of the guaranteed revenue for all bids must be determined using either of the following methods, as specified in the posting:

(i) Net Present Value (rate x quantity x term, discounted using the interest rate(s) shown in the posting);
(ii) Revenue (rate x quantity); or
(iii) Rate.

(2) If capacity is posted for a period of more than three days, Transporter may specify any bid evaluation method it chooses, provided that the bid evaluation criteria is non-discriminatory and assigns value only to guaranteed revenues. The evaluation method will be described in sufficient detail so that other parties can duplicate the calculation.

(3) The value of a Negotiated Rate bid will be capped at the value of a Recourse Rate bid under comparable terms.

(4) If more than one bid has the same value, capacity will be awarded to the bid with the highest rate.

23.3 Filing Requirement. Transporter will submit to the Commission a tariff sheet stating the name of the Shipper, the Negotiated Rate, the rate schedule, the receipt and delivery points, the contract quantities and the term applicable to any Negotiated Rate service agreement. Unless Transporter executes and files a non-conforming service agreement, such tariff sheet will contain a statement that the Negotiated Rate service agreement does not deviate in any material aspect from the form of service agreement in the tariff for the applicable rate schedule.

23.4 Rate Treatment. Transporter will not seek in future general rate proceedings discount-type adjustments to demand charge billing determinants for capacity converted from Recourse Rate service agreements to Negotiated Rate service agreements, unless the Recourse Rate had already been discounted. In those situations where Transporter had granted a market-justified discount to the Recourse Rate and subsequently converted the service agreement to a Negotiated Rate service agreement, Transporter may seek a discount-type adjustment, based on the greater of: (a) the Negotiated Rate revenues received or (b) the discounted Recourse Rate revenues which otherwise would have been received, but Transporter will have the burden of proof to demonstrate the appropriateness of both the existence and level of any such adjustment. The procedural rights of all parties will be preserved to contest the propriety of the proposed adjustment.

23.5 Limitations. This Section 23 does not authorize Transporter to negotiate terms and conditions of service.

Effective Date: 02/01/2000 Status: Effective
FERC Docket: RP00-157-000

Sheet Nos. 145 Through 199 Sheet Nos. 145 Through 199 : Superseded

. RESERVED FOR FUTURE USE .

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRF-1)

THIS AGREEMENT is made and entered into this _____ day of _____ by and between KERN RIVER GAS TRANSMISSION COMPANY, a Texas general partnership, hereinafter called "Transporter," and _____, hereinafter called "Shipper".

WHEREAS, Shipper has acquired or intends to acquire a supply of Natural Gas which can be delivered to Transporter's pipeline system and redelivered by Transporter to Shipper or for Shipper's account at Delivery Points on Transporter's system; and

WHEREAS, Shipper desires transportation service from Transporter in accordance with Transporter's Rate Schedule ____, on file with the FERC, as amended from time to time; and

WHEREAS, Transporter is willing to render such transportation service;

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties hereto agree as follows:

ARTICLE I - GAS TO BE TRANSPORTED

1.1 Subject to the terms, conditions and limitations hereof, Transporter agrees to receive, on a firm basis, from Shipper for Transportation at the Receipt Point(s) specified in Exhibit A hereto, as amended from time to time, and to transport and deliver Thermally Equivalent volumes to Shipper at the Delivery Point(s) specified in Exhibit A hereto, as amended from time to time, volumes of Natural Gas, exclusive of volumes required for fuel used and lost and unaccounted-for gas, up to Shipper's Maximum Daily Quantity, which shall be _____ Mcf per day.

1.2 Shipper shall reimburse Transporter for fuel used and lost and unaccounted-for gas on an in-kind basis pursuant to the General Terms and Conditions of Transporter's Tariff as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time.

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRF-1)

ARTICLE II - APPLICABLE RATE SCHEDULE

Shipper agrees to pay Transporter for all Natural Gas transportation service rendered under the terms of this Agreement in accordance with Transporter's Rate Schedule KRF-1, as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time. This Agreement shall be subject to the provisions of such Rate Schedule and the General Transportation Terms and Conditions applicable thereto on file with the FERC and as amended from time to time, which by this reference are incorporated herein and made a part hereof.

Shipper's rates for transportation service shall be in accordance with Transporter's effective Rate Schedule KRF-1, subject to the parties' understanding and agreement that Transporter may change the rates from time to time in accordance with the Natural Gas Act.

Notwithstanding Section 5.5 of the General Terms and Conditions, and subject to any negotiated credit, Shipper shall make payment of the Monthly Reservation Charge pursuant hereto in full irrespective of (but without prejudice to the rights otherwise of Shipper with respect to) any dispute relative to the amount invoiced, and shall not be entitled to any abatement of such payment or any set-off against it, including but not limited to, abatement or set-off due or alleged to be due by reason of any past, present or future claims or other rights of Shipper against Transporter or any other person or entity, whether in connection herewith or any unrelated transaction.

ARTICLE III - TERM OF AGREEMENT

This Agreement shall become effective on the date of execution and shall remain in full force and effect for a term of _____.

ARTICLE IV - NOTICES

Any notice called for in this Agreement shall be given in writing and shall be considered as having been given if delivered personally, by confirmed facsimile or by mail with all postage and charges prepaid to either Shipper or Transporter at the place designated. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone, electronic media or confirmed facsimile. Unless changed, the addresses of the parties are as follows:

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under Rate Schedule KRF-1)

Transporter: Kern River Gas Transmission Company
Attention: Marketing Department
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Fax No.: (801)584-6444

Shipper:

ARTICLE V - SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder shall be made without the written consent of the other party. Such consent shall not be unreasonably withheld. No such consent of Transporter or Shipper shall be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger or reorganization. Nothing contained herein shall prevent either party from pledging, mortgaging or assigning its rights hereunder as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under this Agreement. As between the parties hereto, such assignment shall become effective on the first day of the Month following written notice that such assignment has been effectuated. Upon request of either party, the other party shall acknowledge in writing any permitted assignment described herein and the right of any permitted assignee (and any assignee upon enforcement of any assignment made as security for indebtedness) to enforce this Agreement against such other party, and shall also deliver such certificates, copies of corporate documents and opinions of counsel as may be reasonably requested by such permitted assignee relating to such party, this Agreement and any other matters relevant thereto. No permitted assignment shall relieve the assigning party from any of its obligations under this Agreement. Shipper hereby confirms that the rights of Transporter under the Agreement that may be assigned include any right given or reserved to Transporter in the Agreement to consent to any assignment or transfer by Shipper of its rights and obligations thereunder.

ARTICLE VI - GOVERNMENTAL BODIES

Notwithstanding any other provision hereof, this Agreement shall be subject to all laws, statutes, ordinances, regulations, rules and court decisions of governmental entities now or hereafter having jurisdiction.

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under Rate Schedule KRF-1)

ARTICLE VII - MISCELLANEOUS PROVISIONS

7.1 This Agreement shall be amended only by an instrument in writing executed by both parties hereto.

7.2 No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

7.3 No liability for any act or omission of Transporter shall be incurred by, or asserted against, either Kern River Acquisition Corporation, Williams Western Pipeline Company, or any person or company which is a partner in Kern River Gas Transmission Company, or any owners, subsidiaries or affiliates of the partners. Any recourse for any liability of Transporter shall be against Transporter only.

7.4 The headings of the Articles of this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

7.5 This Agreement shall be construed in accordance with the laws of the State of Utah.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

_____	KERN RIVER GAS TRANSMISSION COMPANY
(Shipper)	(Transporter)
By_____	By_____
(Title)	
Attest:_____	Attest:_____

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRF-1)

EXHIBIT "A"
TO TRANSPORTATION SERVICE AGREEMENT
DATED

BETWEEN

AND
KERN RIVER GAS TRANSMISSION COMPANY

RECEIPT POINT(S)/	METER NUMBER/	MAXIMUM RECEIPT POINT QUANTITY

DELIVERY POINT(S)/	METER NUMBER/	MAXIMUM DELIVERY POINT QUANTITY

ORIGINAL SHEET NOS. 205 THROUGH 299
RESERVED FOR FUTURE USE

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRI-1)

THIS AGREEMENT is made and entered into this _____ day of _____ by and between KERN RIVER GAS TRANSMISSION COMPANY, a Texas general partnership, hereinafter called "Transporter," and _____, hereinafter called "Shipper".

WHEREAS, Shipper has acquired or intends to acquire a supply of Natural Gas which can be delivered to Transporter's pipeline system and redelivered by Transporter to Shipper or for Shipper's account at Delivery Points on Transporter's system; and

WHEREAS, Shipper desires transportation service from Transporter in accordance with Transporter's Rate Schedule KRI-1, on file with the FERC, as amended from time to time; and

WHEREAS, Transporter is willing to render such transportation service;

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties hereto agree as follows:

ARTICLE I - GAS TO BE TRANSPORTED

1.1 Subject to the terms, conditions and limitations hereof, Transporter agrees to receive from Shipper for Transportation at the Receipt Point(s) specified in Exhibit A hereto, and to transport and deliver Thermally Equivalent volumes of Natural Gas to Shipper at the Delivery Point(s) specified in Exhibit B hereto, exclusive of volumes required for fuel used and lost and unaccounted-for gas, up to Shipper's Maximum Daily Quantity, which shall be _____ Mcf per Day. All existing Delivery and Receipt Points on Transporter's system shall be included on Exhibits A and B, which will be deemed amended from time to time to add any new Delivery and Receipt Points added to Transporter's system.

1.2 Shipper shall reimburse Transporter for fuel used and lost and unaccounted-for gas on an in-kind basis pursuant to the General Terms and Conditions of Transporter's Tariff as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time.

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRI-1)

ARTICLE II - APPLICABLE RATE SCHEDULE

Shipper agrees to pay Transporter for all Natural Gas transportation service rendered under the terms of this Agreement in accordance with Transporter's Rate Schedule KRI-1, as filed with the FERC to be effective on the date Transporter commences service, and as amended from time to time. This Agreement shall be subject to the provisions of such Rate Schedule and the General Terms and Conditions applicable thereto on file with the FERC and as amended from time to time, which by this reference are incorporated herein and made a part hereof.

Shipper's rates for transportation service shall be subject to the parties' understanding and agreement that in accordance with Transporter's effective Rate Schedule KRI-1, Transporter may change the rates from time to time in accordance with the Natural Gas Act.

ARTICLE III - TERM OF AGREEMENT

This Agreement shall become effective on the date of execution and shall remain in full force and effect for a term of _____ (the "Primary Term"), and month to month thereafter. Either party may terminate this agreement after the Primary Term upon thirty (30) Days written notice to the other party.

ARTICLE IV - NOTICES

Any notice called for in this Agreement shall be given in writing and shall be considered as having been given if delivered personally, by confirmed fax or by mail with all postage and charges prepaid to either Shipper or Transporter at the place designated. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone, electronic media or confirmed fax. Unless changed, the addresses of the parties are as follows:

Transporter: Kern River Gas Transmission Company
Attention: Marketing Department
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 85158-0900
Fax No.: (801)584-6444

Shipper:

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under Rate Schedule KRI-1)

ARTICLE V - SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder shall be made without the written consent of the other party. Such consent shall not be unreasonably withheld. No such consent of Transporter or Shipper shall be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger or reorganization. Nothing contained herein shall prevent either party from pledging, mortgaging or assigning its rights hereunder as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under this Agreement. As between the parties hereto, such assignment shall become effective on the first day of the Month following written notice that such assignment has been effectuated. Upon request of either party, the other party shall acknowledge in writing any permitted assignment described herein and the right of any permitted assignee (and any assignee upon enforcement of any assignment made as security for indebtedness) to enforce this Agreement against such other party, and shall also deliver such certificates, copies of corporate documents and opinions of counsel as may be reasonably requested by such permitted assignee relating to such party, this Agreement and any other matters relevant thereto. No permitted assignment shall relieve the assigning party from any of its obligations under this Agreement. Shipper hereby confirms that the rights of Transporter under the Agreement that may be assigned include any right given or reserved to Transporter in the Agreement to consent to any assignment or transfer by Shipper of its rights and obligations thereunder.

ARTICLE VI - GOVERNMENTAL BODIES

Notwithstanding any other provision hereof, this Agreement shall be subject to all laws, statutes, ordinances, regulations, rules and court decisions of governmental entities now or hereafter having jurisdiction.

ARTICLE VII - MISCELLANEOUS PROVISIONS

7.1 This Agreement shall be amended only by an instrument in writing executed by both parties hereto.

7.2 No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRI-1)

7.3 No liability for any act or omission of Transporter shall be incurred by, or asserted against, either Kern River Acquisition Corporation, Williams Western Pipeline Company, or any other person or company which is a partner in Kern River Gas Transmission Company, or any owners, subsidiaries or affiliates of the partners. Any recourse for any liability of Transporter shall be against Transporter only.

7.4 The headings of the Articles of this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

7.5 This Agreement shall be construed in accordance with the laws of the State of Utah.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

_____ (Shipper)	KERN RIVER GAS TRANSMISSION COMPANY (Transporter)
By_____ (Title)	By_____
Attest:_____	Attest:_____

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRI-1)

EXHIBIT "A"
TO TRANSPORTATION SERVICE AGREEMENT
DATED

BETWEEN

AND
KERN RIVER GAS TRANSMISSION COMPANY

RECEIPT POINT(S)/ METER NUMBER

FORM OF TRANSPORTATION SERVICE AGREEMENT
(Applicable to Transportation Service Under
Rate Schedule KRI-1)

EXHIBIT "B"
TO TRANSPORTATION SERVICE AGREEMENT
DATED

BETWEEN

AND
KERN RIVER GAS TRANSMISSION COMPANY

DELIVERY POINT(S)/ METER NUMBER/

Effective Date: 08/01/1993 Status: Effective
FERC Docket: RS92- 65-003
Original Sheet Nos. 306 Through 349 Original Sheet Nos. 306 Through 349 : Superseded

ORIGINAL SHEET NOS. 306 THROUGH 349
RESERVED FOR FUTURE USE

FORM OF
RELEASED TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT is made and entered into the ____ day of _____ by and between KERN RIVER GAS TRANSMISSION COMPANY, a Texas general partnership, hereinafter called "Transporter," and _____, a _____ incorporated/formed under the laws of the State of _____, hereinafter called "Replacement Shipper."

WHEREAS, Transporter owns and operates an interstate natural gas transmission system in the states of Wyoming, Utah, Nevada and California and provides transportation service for third party shippers on such system; and,

WHEREAS, Transporter's FERC Gas Tariff on file with the Federal Energy Regulatory Commission permits any firm transportation shipper with an effective Transportation Service Agreement or Released Transportation Service Agreement under Transporter's Rate Schedules KRF-1, SH-1, MO-1, UP-1, or CH-1 to release some or all of its transportation service rights to a Replacement Shipper under the terms and conditions prescribed in the Tariff; and,

WHEREAS, Replacement Shipper may desire from time to time to acquire firm transportation service rights released by one or more such firm shippers, and subsequently to release from time to time some or all of any such acquired transportation service rights, in accordance with and to the extent so permitted by the terms and conditions of Transporter's Tariff; and,

WHEREAS, Transporter's Tariff requires Replacement Shipper to enter into this Released Transportation Service Agreement prior to the acquisition and subsequent release of any such transportation service rights; and,

WHEREAS, Transporter is willing to permit Replacement Shipper from time to time to acquire and subsequently to release its transportation service rights, and to provide transportation service to Replacement Shipper, in accordance with the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties hereto agree as follows:

FORM OF RELEASED TRANSPORTATION SERVICE AGREEMENT

(Applicable to firm transportation rights released pursuant to Section 15 of the General Terms and Conditions of this Tariff)

ARTICLE I

ACQUIRED AND RELEASED RIGHTS TO TRANSPORTATION SERVICE

1.1 In the event transportation service rights are released to and acquired by Replacement Shipper from a firm shipper in accordance with the provisions of Section 15 of the General Terms and Conditions of Transporter's Tariff ("Section 15"), then Transporter shall prepare and submit to Bidder an appropriate initial Exhibit "RP" to this Agreement setting forth the terms and conditions of the Release pursuant to the provisions of Section 15. If Replacement Shipper subsequently acquires additional released transportation service rights pursuant to the provisions of Section 15, an appropriate additional Exhibit "RP" shall be added to this Agreement for each such subsequently acquired Release.

1.2 Upon receipt from Transporter of any Exhibit "RP", Replacement Shipper shall verify the accuracy of such exhibit, and shall return the verified exhibit to Transporter within five business days of receipt. Failure by Replacement Shipper to verify and return any Exhibit "RP" to Transporter in a timely manner shall entitle Transporter to suspend or terminate any service provided to Replacement Shipper in accordance with such exhibit without further notice.

1.3 In the event that Replacement Shipper releases any of its rights to transportation service under this Agreement pursuant to the provisions of Section 15, then Transporter shall prepare and submit to Replacement Shipper an appropriate initial Exhibit "RS" to this Agreement setting forth the terms and conditions of the Release in accordance with the provisions of Section 15. If Replacement Shipper subsequently releases additional transportation service rights under this Agreement pursuant to the provisions of Section 15, then Transporter shall prepare and submit to Replacement Shipper an appropriate additional Exhibit "RS" to this Agreement setting forth the terms and conditions of each such subsequent Release.

1.4 Each such initial and additional Exhibit "RP" and Exhibit "RS" shall be added to this Agreement without execution by Transporter or Replacement Shipper and, notwithstanding any verification required pursuant to Section 1.2 of this Agreement, as of the date of commencement of the relevant Release Term shall be and is hereby expressly incorporated by reference herein and made a part of this Agreement for all purposes in accordance with the terms and conditions of Section 15.

1.5 Transporter shall provide transportation service to Replacement Shipper pursuant to the terms and conditions of this Agreement and any and all effective Exhibits "RP" and Exhibits "RS" hereto.

FORM OF RELEASED TRANSPORTATION SERVICE AGREEMENT

(Applicable to firm transportation rights released pursuant to Section 15 of the General Terms and Conditions of this Tariff)

ARTICLE II

GOVERNING TERMS AND CONDITIONS

2.1 Any and all transportation service provided to Replacement Shipper by Transporter under this Agreement shall be in accordance with, subject to, and governed by the terms and conditions of this Agreement and any and all effective respective Exhibits "RP" and Exhibits "RS" hereto, as well as any and all applicable terms and conditions contained in any applicable Base Transportation Service Agreement and in Transporter's Tariff, including without limitation the terms and conditions of Section 15 and each applicable Governing Rate Schedule, all of which are hereby expressly incorporated by reference herein and made a part of this Agreement for all purposes. Subject to the terms and conditions of this Agreement, Replacement Shipper shall be deemed a "Shipper" for purposes of each applicable Governing Rate Schedule and all other applicable provisions of Transporter's Tariff, and shall be entitled and subject to all of the rights and the obligations thereof. Replacement Shipper may release all or any portion of its transportation service rights under this Agreement, but only if such Release is pursuant to the terms and conditions of Transporter's Tariff, including without limitation the terms and conditions of Section 15.

2.2 Transporter expressly reserves all rights granted to Transporter by any applicable Base Transportation Service Agreement, Governing Rate Schedule, and all other applicable provisions of its Tariff, to file with the FERC and to place into effect unilaterally such changes as Transporter deems necessary or desirable from time to time in the rates, charges, terms and conditions applicable to service under the Base Transportation Service Agreement, Transporter's Tariff, or this Agreement, in order to assure Transporter just and reasonable rates, charges and terms and conditions of service.

2.3 Replacement Shipper expressly understands and agrees that Replacement Shipper shall not be entitled to receive any released firm transportation service under this Agreement for which Replacement Shipper has not first established sufficient creditworthiness with Transporter pursuant to the applicable provisions of Transporter's Tariff. Replacement Shipper also expressly understands and agrees that the creditworthiness requirements pertaining to any released transportation service received by Replacement Shipper under this Agreement are continuing in nature for the entire Release Term of the relevant Release, and that Transporter shall not be obligated to continue to provide service to Replacement Shipper if Replacement Shipper does not maintain satisfactory creditworthiness at all times during the Release Term of the relevant Release.

FORM OF RELEASED TRANSPORTATION SERVICE AGREEMENT

(Applicable to firm transportation rights released pursuant to Section 15 of the General Terms and Conditions of this Tariff)

ARTICLE III

RATE SCHEDULE SH-1

3.1 Any and all references in this Agreement to Section 15 shall be deemed to refer instead to Article 5 of Transporter's Rate Schedule SH-1, to the extent that the context so requires when the provisions of Article 5 of Rate Schedule SH-1 govern the acquisition or release of transportation service rights under any effective Exhibit "RP" or Exhibit "RS" to this Agreement.

ARTICLE IV

TERM

4.1 This Agreement shall become effective on the date first written above, and shall remain in full force and effect until terminated by either party upon thirty days prior written notice to the other party; provided, however, that no such termination may occur during the term of any Release of transportation rights to Replacement Shipper hereunder.

4.2 The term of any transportation service provided by Transporter to Replacement Shipper under this Agreement shall be determined by the relevant Release Term of any Release set forth in any effective Exhibit "RP" to this Agreement.

ARTICLE V

NOTICES

5.1 Unless expressly otherwise provided in any applicable provision of Transporter's Tariff or this Agreement, any notice called for by this Agreement shall be given in writing and shall be considered as having been given if delivered personally, or if sent by confirmed facsimile or by registered or certified mail with all postage and charges prepaid to either Shipper or Transporter at the appropriate address designated below. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions and communications may be made by telephone, electronic medium or confirmed facsimile in accordance with the relevant provisions of Transporter's Tariff. Unless changed, the addresses of the parties are as follows:

FORM OF RELEASED TRANSPORTATION SERVICE AGREEMENT

(Applicable to firm transportation rights released pursuant to Section 15 of the General Terms and Conditions of this Tariff)

Transporter: Kern River Gas Transmission Company
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Attn: Customer Service Department
Telephone No: (801) 584-7799
Fax No.: (801) 584-6444

Shipper: _____
_____
_____
_____
Attn:_____
Telephone No.:_____
Fax No.: _____

5.2 Replacement Shipper represents and warrants that any information, communications, and agreements sent to Transporter by Replacement Shipper through Transporter's Electronic Bulletin Board, including without limitation any bid or Release Request submitted by Replacement Shipper to Transporter pursuant to the provisions of Section 15, shall be submitted only by a person who has been duly authorized by Replacement Shipper to submit such information, communications, and agreements, and to duly bind Replacement Shipper to any obligations entered into by such person on behalf of Replacement Shipper.

ARTICLE VI
SUCCESSORS AND ASSIGNS

6.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by Replacement Shipper or by Transporter of any of their respective rights hereunder, except as provided in Section 15, shall be made without the prior written consent of the other party. Such consent shall not be unreasonably withheld. No such consent of Transporter or Replacement Shipper shall be required when an assignment or transfer by Transporter or Replacement Shipper is the result of, and part of, a corporate acquisition, merger or reorganization.

FORM OF RELEASED TRANSPORTATION SERVICE AGREEMENT

(Applicable to firm transportation rights released pursuant to Section 15 of the General Terms and Conditions of this Tariff)

6.2 Nothing contained herein shall prevent either party from pledging, mortgaging or assigning its rights hereunder as security for any indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under this Agreement. As between the parties hereto, such assignment shall become effective on the first day of the month following written notice that such assignment has been effectuated. Upon request of either party, the other party shall acknowledge in writing any permitted assignment described herein and the right of any permitted assignee (and any assignee upon enforcement of any assignment made as security for indebtedness) to enforce this Agreement against such other party, and shall also deliver such certificates, copies of corporate documents and opinions of counsel as may be reasonably requested by such permitted assignee relating to such party, this Agreement and any other matters relevant thereto. No permitted assignment shall relieve the assigning party from any of its obligations under this Agreement.

6.3 Replacement Shipper hereby confirms that the rights of Transporter under this Agreement that may be assigned include any right given or reserved to Transporter in the Agreement to consent to any assignment or transfer by Replacement Shipper of its rights and obligations thereunder.

ARTICLE VII

GOVERNMENTAL BODIES

7.1 Notwithstanding any other provision hereof, this Agreement shall be subject to all laws, statutes, ordinances, regulations, rules and orders of any and all governmental entities now or hereafter having jurisdiction.

ARTICLE VIII

INDEMNIFICATION

8.1 Replacement Shipper recognizes that its rights to transportation service hereunder are solely those rights set forth in this Agreement, including any and all effective Exhibits "RP" and Exhibits "RS" hereto. Replacement Shipper agrees that it will indemnify Transporter against any claim or suit of any kind by any Releasing Shipper, its successors or assigns arising from any action taken by Transporter in reliance upon the nominations, scheduling instructions or other communications from Replacement Shipper or its agents with respect to the transportation service provided to Replacement Shipper pursuant to the terms and conditions set forth in any effective

FORM OF RELEASED TRANSPORTATION SERVICE AGREEMENT

(Applicable to firm transportation rights released pursuant to Section 15 of the General Terms and Conditions of this Tariff and Article 5 of Rate Schedule SH-1)

Exhibit "RP" hereto, except to the extent such claim or suit results directly from the negligence of Transporter. Replacement Shipper further agrees that it will hold Transporter harmless for any action taken by Transporter in reliance upon the nominations, scheduling instructions or other communications of the relevant Releasing Shipper or its agents, except to the extent of Transporter's negligence in taking any such action. Replacement Shipper further recognizes and agrees that Transporter shall have no obligation to honor any nomination or scheduling request from Replacement Shipper or its agents that in Transporter's sole opinion conflicts with communications or instructions received by Transporter from any Releasing Shipper (or its agents) from which Replacement Shipper has acquired transportation rights as reflected in an effective Exhibit "RP" to this Agreement.

ARTICLE IX
MISCELLANEOUS PROVISIONS

9.1 No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

9.2 No liability for any act or omission of Transporter will be incurred by, or asserted against, any entities holding a partnership interest in Transporter, or against any owners, subsidiaries or affiliates thereof. Any recourse for any liability of Transporter will be against Transporter only.

9.3 The headings of the Articles of this Agreement are inserted for convenience of reference only, and shall not affect the meaning or construction thereof.

9.4 As to all matters of construction and interpretation, this Agreement will be governed by the laws of the State of Utah.

FORM OF RELEASED TRANSPORTATION SERVICE AGREEMENT

(Applicable to firm transportation rights released pursuant to Section 15 of the General Terms and Conditions of this Tariff and Article 5 of Rate Schedule SH-1)

9.5 This Agreement, including all terms and conditions expressly incorporated by reference herein, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, representations and understandings, written or oral, pertaining thereto. Except as otherwise provided herein, any modifications, amendments or changes to this Agreement shall be binding upon the parties only if agreed upon in a written instrument executed by both parties hereto which expressly refers to this Agreement.

9.6 Any and all terms and phrases contained in this Agreement shall have the meaning ascribed to such terms and phrases which is contained in the relevant provisions of Transporter's Tariff, unless expressly provided otherwise herein.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date and year first set forth above.

"REPLACEMENT SHIPPER":	"TRANSPORTER":
	KERN RIVER GAS TRANSMISSION COMPANY,
By:_____	By:_____
Title:_____	Title:_____

ORIGINAL SHEET NOS. 358 THROUGH 399
RESERVED FOR FUTURE USE

RESERVED FOR FUTURE USE

TRANSPORTATION SERVICE REQUEST FORM

Kern River Gas Transmission Company
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Attention: Director of Marketing & Regulatory Affairs
Telephone No. (801)584-6744 Fax No. (801)584-6768

PLEASE CHECK ONE OF THE FOLLOWING

RE: New Transportation Service on Kern River Gas Transmission Company _____

Modification of Service under Contract # _____

To Whom It May Concern:

_____ ("Shipper") hereby requests transportation service on Kern River Gas Transmission Company ("Transporter") and concurrently provides the following information in connection with this request:

1. Complete legal name of Shipper:

   _____

2. Type of legal entity and state of incorporation:

   _____

   _____

3. Type of Company

   Local Distribution Company
   Intrastate Pipeline
   Interstate Pipeline
   Producer
   End-User
   Marketer
   Broker
   Other (fill in) _____

TRANSPORTATION SERVICE REQUEST FORM (Continued)
Kern River Gas Transmission Company
Page 2

4. Name of Shipper's contact, address and telephone number through which correspondence for the following should be directed:

Contact for Request: _____

_____

_____

_____

Telephone No.: _____
Fax No.: _____

Contact for Notices: _____

_____

_____

_____

Telephone No.: _____
Fax No.: _____

Contact for Invoices: _____

_____

_____

_____

Telephone No.: _____
Fax No.: _____

TRANSPORTATION SERVICE REQUEST FORM (Continued)
Kern River Gas Transmission Company
Page 3

5. If Shipper is requesting service be performed by Transporter for Shipper acting as agent for another entity, please specify the full legal name of such entity.

_____

_____

* 6. a) Location (i.e. state(s)) of the ultimate Delivery Point of Gas to be transported:

_____

b) Location (i.e. state(s)) of the original source of the Gas to be transported:

_____

c) The intended use of the Gas is:

system supply for _____

end use by industry or commerce

other (fill in) _____

d) If the Gas is for other than system supply, please provide the full legal name of the ultimate consumer:

_____

_____

_____

_____

* This information is not required at the time of the request, but is required at the time Shipper executes the Transportation Service Agreement.

TRANSPORTATION SERVICE REQUEST FORM (Continued)
Kern River Gas Transmission Company
Page 4

7. Date service is proposed to commence:

_____

8. Term of service:

_____

9. a) If additional facilities are required to receive or deliver Gas for the transportation service requested herein, please provide description of facilities required, location, and requested in-service date;

_____

_____

_____

_____

b) If the transportation service to be provided using the new facilities is to a customer that is located in the service area of a local distribution company, please specify the name and address of the local distribution company.

_____

_____

_____

10. The Maximum Daily Quantity ("MDQ") to be transported is _____ Mcf.

11. For firm Transportation only, the name and description of Point(s) of Receipt into Transporter's system and the maximum daily quantities expressed in Mcf of Gas to be delivered by Shipper for each point:

_____

_____

_____

_____

(The sum of the maximum daily quantities above must equal the Maximum Daily Quantity set forth in No. 10 above.)

TRANSPORTATION SERVICE REQUEST FORM (Continued)
Kern River Gas Transmission Company
Page 5

12. For firm Transportation only, the name and description of Point(s) of Delivery where Transporter will redeliver the Gas and the maximum daily quantities expressed in Mcf of Gas to be redelivered by Transporter for each point:

_____

_____

_____

_____

(The sum of the maximum daily quantities above must equal the Maximum Daily Quantity set forth in No. 10 above.)

13. For firm Transportation only, the names of those entities delivering Gas into Transporter's system and the names of those entities taking Gas off Transporter's system:

Transporter Point of Receipt	Name/Delivery Entity
_____	_____
_____	_____
_____	_____
_____	_____

Transporter Point of Delivery	Name/Taking Entity
_____	_____
_____	_____
_____	_____
_____	_____

TRANSPORTATION SERVICE REQUEST FORM (Continued)
Kern River Gas Transmission Company
Page 6

* 14. If Shipper is purchasing Gas, provide the name of producer(s) of the Gas, seller (if different from producer), location (FERC Geographic Area) of the source(s) of supply, indication of the FERC Geographic Area associated with the anticipated primary source of supply, contract quantity, and the effective and termination date(s) of executed Agreement(s) between Shipper and seller(s):

_____

_____

_____

_____

* 15. If Shipper is selling Gas, provide the name of purchaser(s) of the Gas, contract quantity, and the effective and termination date(s) of executed Agreement(s) between Shipper and purchaser(s):

_____

_____

_____

_____

16. Credit Evaluation - Please provide a copy of Shipper's most recent quarterly financial statement, most recent annual report and Form 10K and a complete list of all affiliates including parent and subsidiary companies.

17. Is requestor affiliated with Kern River Gas Transmission Company?

Yes No

If yes, what is the percentage of affiliation? _____ %

* This information is not required at the time of the request but is required at the time Shipper executes the Transportation Service Agreement.

TRANSPORTATION SERVICE REQUEST FORM (Continued)
Kern River Gas Transmission Company
Page 7

18. Is Shipper affiliated with Kern River Gas Transmission Company?

Yes No

If yes, what is the percentage of affiliation? _____ %

19. Is your supplier affiliated with Kern River Gas Transmission Company?

Yes No

If yes, what is the percentage of affiliation? _____ %

20. Is any of the Gas to be transported subject to take-or-pay relief?

Yes No Unknown

21. For marketing affiliates of Transporter only, does the cost of Gas exceed the sales price, less associated costs including Transportation, i.e. is the Gas being sold at a loss?

Yes No Unknown

If so, by how much? _____

If applicable, Shipper agrees by its signature below to provide this information within twenty-five calendar Days after the Month in which the transportation service occurred.

Shipper understands that this request form, complete and unrevised as to format, must be received by Transporter before the Transportation request will be accepted and processed.

TRANSPORTATION SERVICE REQUEST FORM (Continued)
Kern River Gas Transmission Company
Page 8

Shipper, by its signature, certifies to Transporter (1) that the information above is correct and accurate and that all necessary Transportation arrangements with the upstream and downstream transporters have been or will be secured prior to the commencement of the requested transportation service; (2) that Shipper will have title, or the right to acquire title, to the Gas that is to be delivered to Transporter; and (3) that Shipper will advise Transporter of any changes in the information provided in items 20 and 21, five (5) business Days prior to the end of any Month for the preceding Month's Transportation business in which a change occurred.

Very truly yours,

_____

By: _____

ORIGINAL SHEET NO. 409
RESERVED FOR FUTURE USE

FORM OF RELEASE REQUEST
FOR RELEASE OF FIRM TRANSPORTATION SERVICE RIGHTS

As required by the currently effective Tariff of Kern River Gas Transmission Company ("Transporter"), this Release Request form must be completed in its entirety in the precise form set forth herein, and submitted to Transporter by any Releasing Shipper identified below, which proposes to release any or all of its rights to firm transportation service as permitted by Section 15 of the General Terms and Conditions, and by Article 5 of Rate Schedule SH-1, set forth in Transporter's Tariff.

Releasing Shipper offers to release its rights to firm transportation service in accordance with the applicable provisions of Transporter's Tariff, and under the following terms and conditions:

1. Complete Legal Name of Releasing Shipper:_____

2. Person to Contact Concerning Release Request:
   Name:_____ D&B No.:_____
   Title:_____
   Address:_____
   _____
   Telephone No.:_____
   Fax No.:_____

3. Type of Service Agreement Under Which Rights Will Be Released:

   Transportation Service Agreement _____
   Released Transportation Service Agreement_____

4. Releasing Shipper's Service Agreement No.:_____

5. Governing Rate Schedule for Release:
   KRF-1___ CH-1___ MO-1___ SH-1___ UP-1___

6. MDQ to Be Released: _____Mcf/Day, or
   Minimum of _____Mcf/Day and
   Maximum of _____Mcf/Day

7. Rates for Release:

   Rate Type: Reservation _____ One-part Volumetric_____

   Rate Denomination: Dollar/Cents_____ Percent of Maximum Rate _____

   Rate Unit: Mcf/Month_____ (Reservation only) Mcf/Day_____

FORM OF RELEASE REQUEST
FOR RELEASE OF FIRM TRANSPORTATION SERVICE RIGHTS
(continued)

7. Rates for Release (continued)

		Minimum Rate Only	
RESERVATION RELEASE RATE			
Reservation Rate:	_____Mcf of MDQ	Yes____	No____
Reservation Surcharges:			
GRI:	_____Mcf of MDQ	Yes____	No____
Other_____:	_____Mcf of MDQ	Yes____	No____
Total Release Reservation Charge:	_____Mcf of MDQ	Yes____	No____
ONE-PART VOLUMETRIC RELEASE RATES			
One-part volumetric Rate:	_____Mcf of MDQ	Yes____	No____
One-part volumetric surcharges:			
GRI:	_____Mcf of MDQ	Yes____	No____
Other_____:	_____Mcf of MDQ	Yes____	No____
Total One-Part Volumetric Release:	_____Mcf of MDQ	Yes____	No____

8. Release Term:

Specified Commencement Date:_____ Specified Expiration Date:_____

If No Specified Commencement Date: Earliest Acceptable Commencement Date:_____

If No Specified Expiration Date: Latest Acceptable Expiration Date:_____

If No Specified Commencement and Expiration Dates:
Any Minimum Acceptable Term:_____
Any Maximum Acceptable Term:_____

Term May Be Extended Automatically: Yes_____ No_____

If Term May Be Extended Automatically, All Terms and Conditions Governing Such Extension:
_____
_____
_____

9. Nature of Release:

Basis on Which Rights Will Be Released: Firm Nonrecallable_____
Firm Recallable____

FORM OF RELEASE REQUEST
FOR RELEASE OF FIRM TRANSPORTATION SERVICE RIGHTS
(continued)

10. Receipt and Delivery Points:

If Firm Recallable, All Terms and Conditions Under Which Recall May Occur: _____
_____

Replacement Shipper May Utilize Primary Receipt Points Or Primary Delivery Points in Connection With This Release: Yes_____ No_____

If "Yes," Primary Receipt and Delivery Points at which capacity will be relinquished by Releasing Shipper and at which capacity must be acquired by Replacement Shipper, and associated Maximum Receipt Quantity and Maximum Delivery Quantity Entitlements at each such point:

Primary Receipt Point	Meter No.	Max. Receipt Quantity (Mcf/Day)
_____	_____	_____
_____	_____	_____
_____	_____	_____

Primary Delivery Point	Meter No.	Max. Delivery Quantity (Mcf/Day)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

FORM OF RELEASE REQUEST
FOR RELEASE OF FIRM TRANSPORTATION SERVICE RIGHTS
(continued)

10. Receipt and Delivery Points (continued)

Replacement Shipper Can Change the Acquired Primary Receipt Points and Primary Delivery Points and Associated Maximum Receipt Quantity and Maximum Delivery Quantity Entitlements: Yes_____ No_____

If "Yes," Complete Description of Any Applicable Restrictions on Changing Such Points or Entitlements _____
_____
_____

11. Subsequent Releases By Replacement Shipper:

Releasing Shipper Will Permit Replacement Shipper Subsequently to Release Rights Acquired Under This Release: Yes_____ No_____

If "Yes," Complete Description of Any Restrictions:_____
_____
_____

12. Contingent Bids:

Bids May Be Submitted on a Contingency Basis: Yes____ No____

If "Yes," All Terms and Conditions Governing Acceptance of Contingent Bids, and All Related Requirements Concerning Non-Contingent Bids:
_____
_____

13. Award Methodologies (select one):

Highest Rate _____

Net Revenue _____

Present Value _____

FORM OF RELEASE REQUEST
FOR RELEASE OF FIRM TRANSPORTATION SERVICE RIGHTS
(continued)

14. Marketing of Release by Transporter:

Releasing Shipper Desires Transporter to Market the Release:
Yes_____ No_____

If "Yes," Releasing Shipper and Transporter Have Executed an Appropriate Marketing Agreement: Yes_____ No_____

15. Prearranged Bids:

Releasing Shipper Has a Binding Agreement with a Prearranged Bidder Concerning This Release: Yes_____ No_____

If "Yes": Complete Legal Name of Prearranged Bidder:_____
Prearranged Bidder's Release Transportation Service Agreement No.:_____

Name:_____ D&B No.:_____
Title:_____
Address:_____
_____
Telephone No.:_____
Fax No.:_____

All Terms and Conditions Concerning This Release Which Are Required by this Release Request and to Which the Releasing Shipper and Prearranged Bidder Have Agreed (Attach Additional Pages As Necessary):_____
_____
_____
_____

Prearranged Bidder Has Agreed to Pay Maximum Applicable Total Tariff Reservation Charge: Yes_____ No_____

If "Yes," Release Will Be Posted for Bidding: Yes_____ No_____

If "Yes," Specify Applicable Posting Period and Bidding Period in Item 16 of this Release Request.

FORM OF RELEASE REQUEST
FOR RELEASE OF FIRM TRANSPORTATION SERVICE RIGHTS
(continued)

16. Posting and Bidding Periods:

Will Release be posted for bidding? Yes_____ No_____

Releasing Shipper Desires to Utilize Bidding Period Other Than Applicable Minimum Bidding Period: Yes_____ No_____

If "Yes," Specify Bidding Period: From _____To_____

Releasing Shipper Desires to Utilize Posting Period Other Than Applicable Minimum Posting Period: Yes_____ No_____

If "Yes," Specify Posting Period: From _____To_____

17. Additional Terms and Conditions:

Releasing Shipper Requires Terms and Conditions for the Release in Addition to the Terms and Conditions Set Forth Above in This Release Request: Yes_____ No_____

If "Yes," Specify All Additional Terms and Conditions (Attach Additional Pages as Necessary):_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

FORM OF RELEASE REQUEST
FOR RELEASE OF FIRM TRANSPORTATION SERVICE RIGHTS
(continued)

17. Additional Terms and Conditions: (continued)

Releasing Shipper may attach additional pages to this Release Request as necessary to provide all of the information required.

Releasing Shipper hereby represents and warrants as follows:

1. Releasing Shipper will release its rights to firm transportation service from Transporter which are described in this Release Request in accordance with all applicable terms and conditions of Transporter's Tariff, subject to any additional terms and conditions specified in this Release Request, and without further authorization from Releasing Shipper;

2. To the extent that this Release Request states that Releasing Shipper has obtained a Prearranged Bidder, Releasing Shipper represents and warrants that the Prearranged Bidder has entered into a binding agreement with the Releasing Shipper to accept the Releasing Shipper's released rights to firm transportation service on the terms and conditions prescribed in this Release Request; and

3. The person who has executed this Release Request below on behalf of the Releasing Shipper, or to the extent this Release Request will be transmitted to Transporter electronically through transporter's electronic bulletin board the person who so transmits this Release Request on behalf of Releasing Shipper, has been duly authorized by Releasing Shipper to so execute or electronically transmit this Release Request, and to bind Releasing Shipper to any and all obligations which may result from the submittal of this Release Request to Transporter pursuant to the provisions of Transporter's Tariff.

Releasing Shipper has duly submitted this Release Request to Transporter this _____ day of _____, 19___.

_____
"Releasing Shipper" (Name)

By:_____
Name:_____
Title:_____

Effective Date: 08/01/1993 Status: Effective
FERC Docket: RS92- 65-003
Original Sheet Nos. 417 Through 419 Original Sheet Nos. 417 Through 419 : Superseded

ORIGINAL SHEET NOS. 417 THROUGH 419
RESERVED FOR FUTURE USE

FORM OF BID
FOR
RELEASED TRANSPORTATION SERVICE RIGHTS

As required by the Tariff of Kern River Gas Transmission Company ("Transporter"), this bid form must be completed in its entirety in the precise form set forth herein and submitted electronically through Transporter's EBB to Transporter by any Bidder identified below which proposes to acquire rights to firm transportation service from a Releasing Shipper in accordance with the provisions of Section 15 of the General Terms and Conditions, or Article 5 of Rate Schedule SH-1, set forth in Transporter's currently effective Tariff.

Bidder offers to accept the rights to firm transportation service described in the Release Request identified below in accordance with the applicable provisions of Transporter's Tariff, and under the following terms and conditions:

1. Release Request No.: _____

2. Complete Legal Name of Bidder: _____

3. Bidder's Duns No.: _____

4. Type of Legal Entity and State of Incorporation or Formation: _____

_____

5. Bidder's Released Transportation Service Agreement No.: _____

6. Person to Contact Concerning This Bid:
   Name:_____
   Title:_____
   Address:_____
   _____
   Telephone No.:_____
   Fax No.:_____

7. Name of Releasing Shipper: _____

8. Releasing Shipper's Service Agreement No.: _____

FORM OF BID
FOR
RELEASED TRANSPORTATION SERVICE RIGHTS
(continued)

9. Reservation Rate Bid:

RESERVATION RELEASE RATE

Total Release Reservation Charge: _____Mcf of MDQ

ONE-PART VOLUMETRIC RATE

Total One-Part Volumetric Release: _____Mcf of MDQ

10. Desired MDQ: _____Mcf/day

11. Desired Release Term: Commencement Date:_____
Expiration Date:_____

12. Desired Primary Receipt and Delivery Points (if applicable):

Primary Receipt Point	Meter No.	Max. Receipt Quantity (Mcf/Day)
_____	_____	_____
_____	_____	_____
_____	_____	_____

Primary Delivery Point	Meter No.	Max. Delivery Quantity (Mcf/Day)
_____	_____	_____
_____	_____	_____
_____	_____	_____

FORM OF BID
FOR
RELEASED TRANSPORTATION SERVICE RIGHTS
(continued)

13. If bid is contingent, all terms and conditions of all such contingencies, including the date by which Bidder will notify Transporter if all contingencies are not satisfied:_____
_____
_____

Bidder may attach additional pages to this bid as necessary to provide all of the information required herein.

Bidder hereby represents and warrants as follows:

1. Bidder will accept the rights to firm transportation service described in the Release Request identified in this bid, in accordance with all applicable terms and conditions of Transporter's Tariff and the Release Request, under the terms and conditions specified in this bid, without further authorization from Bidder.

2. Bidder understands and agrees that Bidder shall not be entitled to receive any released firm transportation service rights pursuant to submittal of this bid if Bidder has not first satisfactorily established sufficient creditworthiness with Transporter pursuant to the applicable terms and conditions of Transporter's Tariff.

3. The person who has executed this bid below on behalf of the Bidder, or to the extent this bid will be transmitted to Transporter electronically through Transporter's electronic bulletin board the person who so transmits this bid on behalf of Bidder, has been duly authorized by Bidder to so execute or electronically transmit this bid, and to bind Bidder to any and all obligations which may result from the submittal of this bid to Transporter pursuant to the provisions of Transporter's Tariff.

Bidder has duly submitted this bid to Transporter this _____ day of _____, 19___.

_____
"Bidder" (Name)

By:_____
Name:_____
Title:_____

ORIGINAL SHEET NOS. 423 THROUGH 429
RESERVED FOR FUTURE USE

FORM OF EXHIBIT "RP" TO RELEASED TRANSPORTATION SERVICE AGREEMENT

EXHIBIT "RP"

TO THE
RELEASED TRANSPORTATION SERVICE AGREEMENT

DATED _____

BETWEEN KERN RIVER GAS TRANSMISSION COMPANY (TRANSPORTER)
AND _____ (REPLACEMENT SHIPPER)

Exhibit Effective Date:_____

1. Replacement Shipper's Released Transportation Service Agreement No.:_____

2. Release Request No.:_____

3. Releasing Shipper's Service Agreement No.:_____

4. Releasing Shipper's Name: _____

5. Releasing Shipper's Duns No.: _____

6. Governing Rate Schedule: KRF-1___ CH-1___ MO-1___ SH-1___ UP-1___

7. MDQ Acquired: _____Mcf/Day

8. Release Rates: If One-Part Volumetric Rate:

Release Reservation Rate _____Mcf of MDQ/Month ___Mcf/Day

Release Reservation Surcharges

GRI Surcharge _____Mcf of MDQ/Month _____Mcf/Day

Other _____ _____Mcf of MDQ/Month _____Mcf/Day

Other _____ _____Mcf of MDQ/Month _____Mcf/Day

Total Release Reservation Charge
_____Mcf of MDQ/Month _____Mcf/Day

Usage Rate _____Mcf

Usage Volumetric Surcharges: _____Mcf

GRI Volumetric Surcharge _____Mcf

FORM OF EXHIBIT "RP" TO RELEASED TRANSPORTATION SERVICE AGREEMENT
(continued)

8. Release Rates (continued)

ACA Volumetric Surcharge _____Mcf

Other:_____ _____Mcf

Other:_____ _____Mcf

9. Release Term:

Commencement Date _____ Expiration Date _____

Term May Be Extended Automatically: Yes_____ No_____.
If Term May Be Extended, All Terms and Conditions Governing Such Extension:_____
_____

Contingent Release: Yes_____ No_____

If Release Is Contingent, All Terms and Conditions of Such Contingencies, Including the date by Which Replacement Shipper Must Notify Transporter if All Contingencies Are Not Satisfied:
_____
_____

10. Nature of Release: Firm Nonrecallable_____ Firm Recallable_____

If Firm Recallable, All Terms and Conditions Under Which Recall May Occur:_____
_____
_____

11. Primary Receipt and Delivery Points (If Any):

Primary Receipt Point	Meter No.	Max. Delivery Quantity (Mcf/Day)
_____	_____	_____
_____	_____	_____
_____	_____	_____

FORM OF EXHIBIT "RP" TO RELEASED TRANSPORTATION SERVICE AGREEMENT
(continued)

Primary Delivery Point	Meter No.	Max. Delivery Quantity (Mcf/Day)
_____	_____	_____
_____	_____	_____
_____	_____	_____

Replacement Shipper Can Change Primary Receipt Points/Primary Delivery Points and Associated Maximum Receipt Quantity/Maximum Delivery Quantity Entitlements: No_____ Yes_____

If "Yes", Applicable Restrictions on Changing Such Points or Entitlements:_____
_____
_____

Any Restrictions by Releasing Shipper on Replacement Shipper's Right to Release Transportation Service Rights Described in this Exhibit:
No_____ Yes_____ No Release Permitted_____
(Note: Replacement Shipper May Not Release Any of Its Transportation Service Rights Described in This Exhibit if Any Portion of the Total Release Reservation Charge is Paid on a One-Part Volumetric Basis.)

If such restrictions apply, complete description of restrictions:
_____
_____
_____

12. Additional Terms and Conditions of Release:_____
_____
_____

13. Date Exhibit Submitted to Replacement Shipper:_____

THIS EXHIBIT WAS REVIEWED BY BIDDER ON THIS _____ DAY OF _____, 19___, AND DETERMINED TO STATE ACCURATELY THE FIRM TRANSPORTATION SERVICE RIGHTS WHICH BIDDER ACCEPTED IN CONNECTION WITH THE RELEASE REQUEST IDENTIFIED IN THIS EXHIBIT.

By:_____
Name:_____
Title:_____

FORM OF LICENSE AGREEMENT

This Agreement is entered into this _____day of _____, 19__, by and between KERN RIVER GAS TRANSMISSION COMPANY ("Pipeline") and Subscriber ("Subscriber"). Pipeline and Subscriber shall be collectively referred to as the "Parties."

WITNESSETH:

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, Pipeline and Subscriber agree as follows:

ARTICLE I - SCOPE OF AGREEMENT

Pipeline shall make available for use by Subscriber Pipeline's Real-Time Automated Pipeline Integrated Data System (RAPIDS II). Subscriber may use RAPIDS II to (1) request new services under applicable rate schedules; (2) request amendments of existing service agreements; (3) nominate quantities for receipt and delivery by Pipeline pursuant to an existing service agreement under any of Pipeline's rate schedules; (4) effect changes in nominations of quantities for receipt and delivery by Pipeline pursuant to an existing service agreement in accord with the rate schedule pursuant to which service is rendered; (5) participate in Pipeline's capacity release program (e.g., post release requests, bid on capacity) in accord with provisions of the General Terms and Conditions of Pipeline's FERC Gas Tariff; (6) use the Pipeline Maps System; or (7) use Pipeline's Electronic Bulletin Board. Subscriber may also use RAPIDS II to request and receive from Pipeline such other information as Pipeline may from time to time make available to Subscriber through RAPIDS II.

ARTICLE II - TERMS AND CONDITIONS OF AUTHORIZED USE

2.1 Upon Subscriber's request, Pipeline will make available to Subscriber copies of RAPIDS II software and diskettes. Pipeline and Subscriber will agree on the number of copies that Pipeline will make available to Subscriber, not to exceed three (3) copies. Subscriber is not authorized to make any additional copies without the express written consent of Pipeline. RAPIDS II software and diskettes remain the property of Pipeline, and Subscriber shall return to Pipeline any software issued by Pipeline within five (5) days of the expiration or termination of this Agreement or within five (5) days of any demand by Pipeline for the return of such software upon breach by Subscriber of its obligations hereunder.

2.2 Subscriber recognizes that RAPIDS II will operate properly only if Subscriber utilizes the hardware and software specified in the RAPIDS II User Manual provided to Subscriber by Pipeline.

FORM OF LICENSE AGREEMENT
(continued)

2.3 Pipeline will provide Subscriber with a Customer ID and a unique password for each personal computer (PC) on which RAPIDS II is to be loaded. To prevent unauthorized access, Subscriber shall be responsible for securing physical access to each PC utilizing RAPIDS II and to keep confidential its Customer ID and all passwords provided by Pipeline.

2.4 Liability -- Subscriber shall be solely responsible for any and all unauthorized or otherwise improper use of Customer ID and passwords issued by Pipeline to Subscriber that results from the Subscriber's negligence, including, but not limited to, the use of such Customer ID and passwords by Subscriber's personnel who at some point are no longer in Subscriber's employment or control. Upon evidence of unauthorized or improper use of a Customer ID or password, Pipeline reserves the right to invalidate, upon 24 hours prior notice, any such password or Customer ID.

Subscriber shall defend and indemnify Pipeline from and against any and all claims, demands and actions, and any resulting loss, costs, damages and expenses (including court costs and reasonable attorneys fees) of any nature whatsoever that may be asserted against or imposed upon Pipeline by any person as a result of the unauthorized or otherwise improper use of any Customer ID or password issued by Pipeline to Subscriber, except when such unauthorized or improper use is the result of negligence or wrongful conduct on the part of Pipeline.

2.5 In order to maintain current specific data on Subscriber's PCs utilizing RAPIDS II, Subscriber must download updates of data to its PC utilizing the RAPIDS II Information Manager. Upon being advised by the RAPIDS II Information Manager, Subscriber agrees to download the data to its PC. In the event there is a conflict between the data on Subscriber's PC and the data in Pipeline's system, the data in Pipeline's system shall govern.

2.6 Subscriber agrees not to use the name "RAPIDS II" without the prior written consent of Pipeline. Subscriber further agrees not to reverse engineer the software provided by Pipeline to Subscriber pursuant to this Agreement.

ARTICLE III - INITIATION/MODIFICATION OF SERVICE

3.1 Subscriber may submit a request for new service or amendment to existing service via RAPIDS II. Following transmittal of such request, the request shall be evaluated and approved or rejected by Pipeline in accord with the General Terms and Conditions of its FERC Gas Tariff. If such request is approved by Pipeline, Subscriber will be notified by Pipeline of such approval via RAPIDS II and the parties shall then execute a Transportation Service Agreement or Amendment in accordance with the procedures prescribed in Pipeline's FERC Gas Tariff.

FORM OF LICENSE AGREEMENT
(continued)

Pipeline will not be obligated to render any service as described in Subscriber's request prior to execution by both parties of a hard copy of the Transportation Service Agreement or Amendment, as applicable.

3.2 Subscriber by its transmittal via RAPIDS II of a request for new or changed service warrants to Pipeline that the information in the request is correct and accurate and that all necessary transportation arrangements with the upstream and downstream transporters have been or will be secured prior to the commencement of the requested transportation service and that Shipper will have title, or the right to acquire title, to the Gas that is to be delivered to Pipeline.

ARTICLE IV - RELEASE AND DISCLAIMER OF LIABILITY/INDEMNIFICATION

4.1 Except for the negligence, bad faith, fraud or willful misconduct of Pipeline, Pipeline expressly disclaims any and all liability for loss or damage to Subscriber or to any third parties associated with Subscriber's use of RAPIDS II, including but not limited to any loss or damage resulting from any one or more of the following: (1) Subscriber's negligent or otherwise improper use of RAPIDS II; (2) any unauthorized use of RAPIDS II by Subscriber, Subscriber's employees or former employees; (3) any acts of God or force majeure, as defined in Section 7 of the General Terms and Conditions in Pipeline's FERC Gas Tariff, including, but not limited to, electrical shortage and/or power outages; (4) any defects in computer hardware or; (5) any interruption in or malfunction of electronic communication or transmission not within Pipeline's control. Such causes or contingencies affecting the performance of this Agreement shall not relieve Pipeline of liability in the event (a) it fails to use due diligence to remedy the situation and remove the causes or contingencies affecting performance of this Agreement or (b) it fails to give Subscriber notice and full particulars of the same in writing or by telephone or facsimile as soon as possible after the event or situation arises.

4.2 Subscriber agrees to protect, defend, indemnify, and hold harmless Pipeline against any and all loss, costs, damages, and expenses of any nature whatsoever (including court costs and reasonable attorney's fees), resulting from or otherwise related to any claim, demand, or action asserted against Pipeline, arising from or connected with Subscriber's use of RAPIDS II except for claims involving the negligence, bad faith, fraud or willful misconduct of Pipeline.

FORM OF LICENSE AGREEMENT (continued)

ARTICLE V - TERM

This Agreement shall be and continue in full force and effect from the date of execution hereof until twelve (12) months after implementation of RAPIDS II and shall continue thereafter on a month to month basis unless terminated by Pipeline for due cause or at the request of Subscriber. Subscriber agrees that Pipeline shall have the unilateral right to file with the appropriate regulatory authority to make changes in the rates, charges, terms and conditions applicable to service pursuant to this Agreement or any provisions of the General Terms and Conditions applicable to this Agreement. Pipeline agrees that Subscriber may protest or contest the aforementioned filings and that Subscriber does not waive any rights it may have with respect to such filings.

ARTICLE VI - NOTICE

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice under this Agreement shall be in writing and mailed to the post office address of the party intended to receive the same, as follows:

Pipeline : KERN RIVER GAS TRANSMISSION COMPANY
P.O. Box 58900
Salt Lake City, UT 84158-0900
Attention: Marketing Services

SUBSCRIBER: Subscriber
Address
Attention:

or to such other address as either Party shall designate by formal written notice to the other.

ARTICLE VII - MISCELLANEOUS

7.1 Conformance with Tariff -- Subscriber's use of RAPIDS II shall be in accordance with and subject to Pipeline's currently effective FERC Gas Tariff, including any and all applicable provisions of the General Terms and Conditions and the terms and conditions of any relevant rate schedules, all of which terms and conditions are incorporated herein by reference. In the event of a conflict between the terms and conditions of this Agreement and any other applicable terms and conditions set forth in Pipeline's FERC Gas Tariff, the terms and conditions of Pipeline's tariff shall govern. For Subscriber's convenience, the terms and conditions of Pipeline's FERC Gas Tariff are available on RAPIDS II. In the event of a conflict between what is displayed on RAPIDS II and Pipeline's currently effective FERC Gas Tariff on file with the Federal Energy Regulatory Commission (FERC), Pipeline's currently effective tariff on file with FERC shall govern.

FORM OF LICENSE AGREEMENT
(continued)

7.2 The interpretation and performance of this Agreement will be in accordance with and controlled by the laws of the State of Utah, without regard to doctrines governing choice of law.

7.3 This Agreement and the obligations of the Parties are subject to all present and future valid laws with respect to the subject matter, either State or Federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.

7.4 If any provision of this Agreement is declared null and void, or voidable, by a court of competent jurisdiction, then that provision will be considered severable at either Party's option; and if the severability option is exercised, the remaining provisions of the Agreement shall remain in full force and effect.

7.5 Unless otherwise expressly provided in this Agreement or in Pipeline's FERC Gas Tariff, no modification of or supplement to the terms and provisions hereof shall be or become effective, except by the execution by both parties of a written amendment.

7.6 This Agreement, as of the date of its execution, shall supersede and terminate any previously executed agreements between Pipeline and Subscriber with respect to the use of RAPIDS.

7.7 Pipeline reserves the right to modify or replace RAPIDS II at any time.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed in several counterparts as of the date first hereinabove written.

Subscriber:	KERN RIVER GAS TRANSMISSION COMPANY
By:_____	By:_____ Agent and Attorney-in-Fact
Name:_____	
Title_____	
Accepted and Agreed to this _____ day of _____, 19____	Accepted and Agreed to this _____ day of _____, 19_____

ORIGINAL SHEET NOS. 438 THROUGH 439
RESERVED FOR FUTURE USE

FORM OF EXHIBIT "RS" TO
TRANSPORTATION SERVICE AGREEMENT/RELEASED
TRANSPORTATION SERVICE AGREEMENT

EXHIBIT "RS"
TO THE
[TRANSPORTATION SERVICE AGREEMENT]
[RELEASED TRANSPORTATION SERVICE AGREEMENT]
("SERVICE AGREEMENT") DATED _____
BETWEEN KERN RIVER GAS TRANSMISSION COMPANY ("TRANSPORTER")
AND _____ ("RELEASING SHIPPER")

Exhibit Effective Date:_____

1. Releasing Shipper's Service Agreement No.:_____

2. Release Request No.:_____

3. Replacement Shipper's Name:_____

4. Replacement Shipper's Duns No.:_____

5. Replacement Shipper's Released Transportation Service Agreement No.:
_____

6. Governing Rate Schedule: KRF-1_____ CH-1_____ MO-1_____
SH-1_____ UP-1_____

7. MDQ Released: _____Mcf/Day

8. Release Rates:

		If One--Part Volumetric Rate:
Release Reservation Rate	_____Mcf of MDQ/Month	_____Mcf/Day
Release Reservation Surcharges		
GRI Surcharge	_____Mcf of MDQ/Month	_____Mcf/Day
Other _____	_____Mcf of MDQ/Month	_____Mcf/Day
Other _____	_____Mcf of MDQ/Month	_____Mcf/Day
Total Release Reservation Charge	_____Mcf of MDQ/Month	_____Mcf/Day

FORM OF EXHIBIT "RS" TO
TRANSPORTATION SERVICE AGREEMENT/RELEASED
TRANSPORTATION SERVICE AGREEMENT
(continued)

9. Release Term:

Commencement Date _____ Expiration Date _____

Term May Be Extended Automatically: Yes_____ No_____. If term may be extended, all terms and conditions governing such extension:
_____

10. Nature of Release: Firm Nonrecallable____ Firm Recallable____

If Firm recallable, all terms and conditions Under Which Recall May Occur:_____
_____
_____

11. Primary Receipt and Delivery Points:

Primary Receipt Point	Meter No.	Max. Receipt Quantity Mcf/Day
_____	_____	_____
_____	_____	_____
_____	_____	_____

Primary Delivery Point	Meter No.	Max. Delivery Quantity Mcf/Day
_____	_____	_____
_____	_____	_____
_____	_____	_____

Replacement Shipper Can Change Primary Receipt Points/Primary Delivery Points and Associated Maximum Receipt Quantities/Maximum Delivery Quantities: No_____ Yes_____

If "Yes", Applicable Restrictions on Changing such Points or Entitlements:_____
_____

Any Restrictions by Releasing Shipper on Replacement Shipper's Right Subsequently to Release any Transportation Service Rights Described in this Exhibit: No_____ Yes_____ No Release Permitted_____ (Note: Replacement Shipper May Not Release Any of Its Transportation Service Rights Described in this Exhibit if Any Portion of the Total Release Reservation Charge is Paid on a One-Part Volumetric Basis.)

FORM OF EXHIBIT "RS" TO
TRANSPORTATION SERVICE AGREEMENT/RELEASED
TRANSPORTATION SERVICE AGREEMENT
(continued)

11. Primary Receipt and Delivery Points (continued)

If Such Restrictions Apply, Complete Description of Restrictions:_____
_____
_____

12. Contingent Release: Yes_____ No_____

If Release Is Contingent, the Terms and Conditions of All Contingencies, Including the Date by Which Replacement Shipper Must Notify Transporter if All Contingencies Are Not Satisfied:_____
_____

13. Any Additional Terms and Conditions of Release_____
_____
_____
_____
_____
_____
_____

FORM OF
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT

THIS ELECTRONIC DATA INTERCHANGE TRADING PARTNER AGREEMENT (the "Agreement") is made as of _____, 19__, by and between KERN RIVER GAS TRANSMISSION COMPANY, a Texas general partnership, with offices at 295 Chipeta Way P.O. Box 58900, Salt Lake City, Utah 84158-0900 and _____, a _____corporation, with offices at _____ (collectively, the "parties").

RECITALS

WHEREAS, the parties desire to facilitate transactions, reports and other information exchanged ("Transactions") by electronically transmitting and receiving data in agreed formats in substitution for on-line transmittal and/or for conventional paper-based documents; and

WHEREAS, the parties desire to assure that such Transactions are not legally invalid or unenforceable as a result of the use of available electronic technologies for the mutual benefit of the parties; and

WHEREAS, the parties desire to enter into this Agreement to govern their relationship with respect to electronic data interchange ("EDI") Transactions.

NOW, THEREFORE, in consideration of the premises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

Section 1. Prerequisites.

1.1 Documents: Standards. Each party may electronically transmit to or receive from the other party any of the transaction sets listed in the Exhibit(s) of the Appendix, and transaction sets which the parties by written agreement add to the Appendix (collectively "Documents"). Any transmission of data which is not a Document shall have no force or effect between the parties. All Documents shall be transmitted in accordance with the standards and the published industry guidelines set forth in the Appendix. The Appendix to this Agreement is attached hereto and made a part hereof; the Appendix and Exhibit(s) thereto hereafter are referred to as the "Appendix". In the event of a conflict between the provisions in the body of this Agreement and the Appendix, the Appendix will govern.

1.2 Third Party Services Providers.

1.2.1 Documents will be transmitted electronically to each party either, as specified in the Appendix, directly or through any third party service provider ("Provider") with which either party may contract. Either party may modify its election to use, not use or change a Provider upon 30 days written notice.

FORM OF
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

1.2.2 Each party shall be responsible for the costs of any Provider with which it contracts, unless otherwise set forth in the Appendix. Unless otherwise stated in the Appendix, the sending party shall pay all costs to get its data to the receiving party's Receipt Computer and the receiving party shall pay all costs to retrieve the data.

1.3 System Operations. Each party, at its own expense, shall provide and maintain the equipment, software, services and testing necessary to effectively and reliably transmit and receive Documents. Any special data retention requirements shall be set forth in the Appendix.

1.4 Security Procedures. Each party shall properly use those securities procedures, including those specified in the Appendix, if any, which are reasonably sufficient to ensure that all transmissions of Documents are authorized and to protect its business records and data from improper access.

1.5 Signatures. Each party shall adopt as its signature an electronic identification consisting of symbol(s) or code(s) which are to be affixed to or contained where required, in the Document transmitted by such party ("Signature Code(s)"). Such Signature Code(s) shall be specified in the Appendix. In such cases where a Signature Code(s) is required for one or more Transaction Set(s), the requirement shall be specified in the Appendix applicable to such Transaction Set(s). Each party agrees that the Signature Code(s) of such party affixed to or contained in any transmitted Document shall be sufficient to verify such party originated such Document(s). Neither party shall disclose to any unauthorized person the Signature Code(s) of the other party.

Section 2. Transmission.

2.1 Proper Receipt. "Proper Receipt" means Documents and Transactions are accessible in proper form to the receiving Party at such Party's Receipt Computer designated in the Appendix. Proper Receipt of a Document or Transaction shall not mean such Document or Transaction is valid, or accepted. No Document or Transaction shall give rise to any obligation under this Agreement unless Properly Received. Where the Parties employ the services of Providers to transmit and receive Documents, the Receipt Computer shall be defined in the Appendix as the receiving Party's electronic mailbox provided by the receiving Party's Provider.

2.2 Verification.

2.2.1 Upon proper receipt of any Document, the receiving party shall promptly and properly transmit a functional acknowledgment in return, unless otherwise specified in the Appendix.

FORM OF
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

2.2.2 For the purposes of this Agreement, a "functional acknowledgment" means an ASC X.12 Transaction Set 997, which confirms a Document (in the format specified by such acknowledgment) has been received and whether all required portions of the Document are syntactically correct, but which does not confirm the substantive content(s) of the related Document.

2.2.3 By mutual agreement, the parties may designate in the Appendix a "response document" Transaction Set as a substitute for or in addition to an ASC X.12 Transaction Set 997. A "response document" confirms that a Document (in the format specified by such acknowledgment) has been received, and whether all required portions of the Document are syntactically correct, and contains data sent by the receiving party to the sending party in response to the substantive content of the related Document. If the parties designate a response document as a substitute for a functional acknowledgment, the time requirements in the Appendix applicable to functional acknowledgments shall apply to such response documents.

2.2.4 A functional acknowledgment, or a response document that has been designated in the Appendix as a substitute for a functional acknowledgment shall constitute conclusive evidence a Document has been properly received.

2.2.5 Except as to conditions governed under Section 2.4, in the event the receiving party fails to promptly and properly transmit a functional acknowledgment or response document in return for a properly received Document, where required, the originating party's records of the contents of the Document shall control.

2.3. Acceptance. If acceptance of a Document is required by the Appendix, any such Document which has been properly received shall not give rise to any obligation unless and until the party initially transmitting such Document has properly received in return an Acceptance Document (as specified in the Appendix).

2.4 Garbled Transmissions. If any transmitted Document is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party (if identifiable from the received Document) in a reasonable manner. In the absence of such a notice and where a functional acknowledgment or response document has resulted, the originating party's records of the contents of such Document shall control.

2.5. Retransmissions. If the originating party of a Document has not properly received a corresponding functional acknowledgment or response document within the Retransmission Time frame indicated in the Appendix, the originating party shall retransmit the document.

FORM OF
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

Section 3. Transaction Terms.

3.1 Terms and Conditions. This Agreement is to be considered part of any other written agreement referencing it or referenced in the Appendix. In the absence of any other written agreement applicable to any Transaction made pursuant to this Agreement, such Transaction (and any related communication) also shall be subject to the terms and conditions included on each party's standard printed applicable forms attached to or identified in the Appendix [as the same may be amended from time to time by either party upon written notice to the other]. The parties acknowledge that the terms and conditions set forth on such forms may be inconsistent, or in conflict, but agree that any conflict or dispute that arises between the parties in connection with any such Transaction will be resolved as if such Transaction had been effected through the use of such forms.

If this Agreement conflicts in any way with Kern River Gas Transmission Company's Tariff, the Tariff shall govern.

The terms of this Agreement shall prevail in the event of any conflict with any other terms and conditions applicable to any Transaction. Notwithstanding the foregoing and Section 4.1 of this Agreement, if any party determines that this Agreement is in conflict with either that party's existing tariff or an obligation imposed by a governmental entity exercising jurisdiction over that party, then the affected party shall give immediate notice defining which terms of this Agreement are affected, and the reasons therefor, and may provide notice of termination of this Agreement as provided in Section 4.7, effective immediately upon receipt of such notice by the other party to this Agreement.

3.2 Confidentiality. No information contained in any Document or otherwise exchanged between the parties shall be considered confidential, except to the extent provided in Sections 1.4 and 1.5, by written agreement between the parties, or by applicable law.

3.3 Validity; Enforceability.

3.3.1 This Agreement has been executed by the parties to evidence their mutual intent to create binding obligations pursuant to the electronic transmission and receipt of Documents specifying certain of the applicable terms.

FORM OF
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

3.3.2 Any Document properly transmitted and properly received pursuant to this Agreement shall be considered, in connection with any Transaction, any other written agreement described in Section 3.1, or this Agreement, to be a "writing" or "in writing"; and any such Document when containing, or to which there is affixed, a Signature Code ("Signed Documents") shall be deemed for all purposes (a) to have been "signed" and (b) to constitute an "original" when printed from electronic files or records established and maintained in the normal course of business.

3.3.3 The conduct of the parties pursuant to this Agreement, including the use of Signed Documents properly transmitted and properly received pursuant to this Agreement, shall, for all legal purposes, evidence a course of dealing and a course of performance accepted by the parties in furtherance of this Agreement, any Transaction and any other written agreement described in Section 3.1.

3.3.4 The parties agree not to contest the validity of enforceability of Signed Documents under the provisions of any applicable law relating to whether certain agreements are to be in writing or signed by the party to be bound thereby. Signed Documents, if introduced as evidence on paper in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither party shall contest the admissibility of copies of Signed Documents under either the business records exception to the hearsay rule or the best evidence rule on the basis that the Signed Documents were not originated or maintained in documentary form.

Section 4. Miscellaneous.

4.1 Term. This Agreement shall be effective as of the date first set forth above and shall remain in effect until terminated by either party with not less than 30 days prior written notice specifying the effective date of termination; provided, however, that written notice for purposes of this paragraph shall not include notice provided pursuant to an EDI transaction; further provided, however, that any termination shall not affect the respective obligations or rights of the parties arising under any Documents or otherwise under this Agreement prior to the effective date of termination.

4.2 Severability. Any provision of this Agreement which is determined to be invalid or unenforceable will be ineffective to the extent of such determination without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such remaining provisions.

FORM OF
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

4.3 Entire Agreement. This Agreement and the Appendix constitute the complete agreement of the parties relating to the matters specified in this Agreement and supersede all prior representations or agreements, whether oral or written, with respect to such matters. No oral modification or waiver of any of the provisions of this Agreement shall be binding on either party. No obligation to enter into any Transaction is to be implied from the execution or delivery of this Agreement. This Agreement is solely for the benefit of, and shall be binding solely upon, the parties, their agents and their respective successors and permitted assigns. This Agreement is not intended to benefit and shall not be for the benefit of any party other than the parties hereto and no other party shall have any right, claim or action as a result of this Agreement.

4.4 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the state of Utah, excluding any conflict-of-law rules and principles of that state which would result in reference to the laws or law rules of another jurisdiction.

4.5 Force Majeure. No party shall be liable for any failure to perform its obligations in connection with any Transaction or any Document, where such failure results from any act of God or other cause beyond such party's reasonable control (including, without limitation, any mechanical, electronic or communications failure) which prevents such party from transmitting or receiving any documents and which, by the exercise of due diligence, such party is unable to prevent or overcome.

4.6 Exclusion of Certain Damages. Neither party shall be liable to the other for any special, incidental, exemplary or consequential damages arising from or as a result of any delay, omission or error in the electronic transmission or receipt of any Documents pursuant to this Agreement, even if either party has been advised of the possibility of such damages and REGARDLESS OF FAULT. Any limitation on direct damages to software and hardware arising from this Agreement shall be set forth in the Appendix.

4.7 Notices. All notices required or permitted to be given with respect to this Agreement shall be given by mailing the same postage prepaid, or given by fax or by courier, or by other methods specified in the Appendix to the addressee party at such party's address as set forth in the Appendix. Either party may change its address for the purpose of notice hereunder by giving the other party no less than five (5) days prior written notice of such new address in accordance with the preceding provisions.

FORM OF
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

4.8 Assignment. This Agreement may not be assigned or transferred by either party without the prior written approval of the other party, which approval shall not be unreasonably withheld; provided, any assignment or transfer, whether by merger or otherwise, to a party's affiliate or successor in interest shall be permitted without prior consent if such party assumes this Agreement.

4.9 Waivers. No forbearance by any party to require performance of any provisions of this Agreement shall constitute or be deemed a waiver of such provision or the right thereafter to enforce it.

4.10 Counterparts. This Agreement may be executed in any number of original counterparts all of which shall constitute but one and the same instrument.

Each party has caused this Agreement to be properly executed on its behalf as of the date first above written.

Company Name: KERN RIVER GAS TRANSMISSION COMPANY

Name: _____
By: _____
Title: _____

Company Name:

Name: _____
By: _____
Title: _____

APPENDIX
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

Date: _____

Date To Be Effective: _____

Company Name: Kern River Gas Transmission Company
P.O. Box 58900 MS: 3G1

Street Address: 295 Chipeta Way
City: Salt Lake City
State/Province/Commonwealth: UT
Zip/Postal Code: 84158-0900
Attention (Name/Title): Bob Checketts, Manager of Customer Services
Contact Phone: (801) 584-6703
Fax: (801) 584-6444

Other Notice Method
and Address:

EDI Trading Partner

Company Name: _____

_____

Street Address: _____

City: _____State/Province/Commonwealth:_____

Zip/Postal Code: _____

Attention (Name/Title): _____

Contact Phone: _____Fax:_____

Other Notice Method
and Address: _____
_____

Allocation of Costs:

Sender: Pays all costs to get its data to the receiving party's receipt computer.
Receiver: Pays all costs to retrieve the data.

APPENDIX
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

Date: _____

Date To Be Effective: _____

Receipt Computer/Designated Site Information*

Company Name: Kern River Gas Transmission Company

Primary Receipt Computer/
Designated Site URL: KRN.EDM.TWC.COM

Backup Reciept Computer/
Designated Site URL: KRN.EDMB.TWC.COM

ISA Qualifier: _____ ISA Id:_____

PGP Public Key Contact: System Security Administrator - Williams Information Services Company

PGP Contact Phone: (918) 588-2508 Fax: (918) 588-4980

EDI Trading Partner

Company Name: _____

Primary Receipt Computer/
Designated Site URL: _____

Backup Reciept Computer/
Designated Site URL: _____

ISA Qualifier: _____ ISA Id:_____

PGP Public Key Contact: _____

PGP Contact Phone: _____ Fax: _____

*This section may be in the Appendix or in each Exhibit, but must be in one or the other place.

APPENDIX
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT
(Continued)

LIST OF EXHIBITS

EXHIBIT NUMBER	TRANSACTION SET NUMBER	TRANSACTION SET IDENTIFIER	DOCUMENT NAME	DATE EXHIBIT ENTERED INTO

All exhibits attached hereto are to be considered attached to the Appendix and made a part thereof. Where there are any provisions specified both in the Exhibit(s) and in the Appendix, those contained in the Exhibit(s) govern.

The undersigned do hereby execute this Appendix, which Appendix is attached to and made a part of the above referenced Trading Partner Agreement. By execution below, the parties hereby ratify said Agreement set forth in the Appendix and the attached Exhibit(s).

Company Name:	_____	Company Name:	_____
By:	_____	By:	_____
Printed Name:	_____	Printed Name:	_____
Title:	_____	Title:	_____

EXHIBIT
ELECTRONIC DATA INTERCHANGE
TRADING PARTNER AGREEMENT (Continued)

Date: _____
Date To Be Effective: _____

Exhibit:_____

Covering Transaction Set Identifier: _____

Document Specific Operating Information:

(This section covers only the originating Document and its Functional Acknowledgment or identification and timing of substitute Response Document.)

Natural Gas Descriptive Name: _____
ANSI X12 Version/Release Number: _____

ROW NO.	ITEMS	ORIGINATING PARTY	RECEIVING PARTY
1	Company Name		
2	EDI Communication Phone Number		
3	Third Party Service Provider Name		
4	Primary EDI Receipt Computer/Designated Site URL		
	Backup EDI Receipt Computer/Designated Site URL		
5	ISA Qualifier		
6	ISA ID Code		
7	GS ID Code		
8	997 Functional Acknowledgement Document (FA) (Y/N)	N/A	
9	FA Return Time Frame	N/A	
10	Response Document (RSP) Number/Name	N/A	
11	Functional Acknowledgement of Response	N/A	
12	RSP Return Time Frame	N/A	
13	Acceptance Document (ACPT)	N/A	
14	Functional Acknowledgement of Acceptance		N/A
15	ACPT Return Time Frame	N/A	
16	Retransmit Time Frame (Original Document)		N/A
17	Send/Receive Common Point Codes (DRN No.) - Yes/No		
18	Send/Receive Common Business Entity Codes (Duns No.) - Yes/No		
19	Signature Code		

Sheet Nos. 454-499

RESERVED FOR FUTURE USE

RATE SCHEDULE CH-1
Kern River Firm Transportation Services

APPLICABLE GENERAL TERMS AND CONDITIONS

Notwithstanding anything to the contrary in this Rate Schedule CH-1, the following Sections of the General Terms and Conditions of this Tariff will be applicable to service under this Rate Schedule CH-1:

Section Number	Section Title
1.1	Backhaul
1.5	Confirmation Requester
1.6	Confirming Party
1.7	Confirming Parties
1.8	Confirmation by Exception
1.11	Dekatherm
1.13	Elapsed-Prorated-Scheduled Quantity
1.23	Negotiated Rate
1.24	Operational Balancing Agreement
1.25	Operational Flow Order
1.26	Package ID
1.31	Recourse Rate
1.33	Thermal Conversion Factor
2.1	GISB Flowing Gas Standards
5.1	GISB Invoicing Standards
10.1	General Procedure
12	Reimbursement of Fuel Used and Lost and Unaccounted-for Gas
13.1	Nomination Process
13.2	Scheduling Process
13.3	Interruption/Curtailment Procedures
15	Capacity Release Program
16	Information and Communications Regarding Transportation Services
17	Gas Research Institute Surcharge
18	Revenue Sharing
19	Discounting Policy for Rates and Charges
20	Delivery Facilities
21	GISB Electronic Delivery Mechanism and Data Dictionary Standards
22	Pooling
23	Negotiated Rates

RATE SCHEDULE CH-1
Kern River Firm Transportation Services

APPLICABLE GENERAL TERMS AND CONDITION

Notwithstanding anything to the contrary in this Rate Schedule CH-1, the following Sections of the General Terms and Conditions of this Tariff will be applicable to service under this Rate Schedule CH-1:

Section Number	Section Title
1.16	Thermal Conversion Factor
10.1	General Procedure
13.1(a)	Initial Service
13.1(b)	Change in Service
13.1(c)	Scheduling of Receipts and Deliveries
15	Release of Rights to Firm Transportation Service
16	Information and Communications Regarding Transportation Services
17	Gas Research Institute Surcharge
18	Interruptible Transportation Revenue Credits
19	Discounting Policy on Rates and Charges
20	Delivery Facilities

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

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RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS

1.1 "Authorized Overrun Rate" shall mean a unit rate per Mcf stated in Exhibit C to the Transportation Service Agreement for Authorized Overrun Service.

1.2 "Authorized Overrun Service" shall mean a service in addition to Firm Service as set forth in Section 2.2.2 herein.

1.3 "Billing Month" shall mean that Month of service hereunder which immediately precedes the Month in which Transporter is obligated to render a bill for such service.

1.4 "Btu": "Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm2 and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry." GISB 2.3.9.

1.5 "Business Day": "Business Day is defined as Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico." GISB 3.2.1.

1.6 "Commencement Date" shall mean that date on which Transporter notifies Shipper in writing that Transporter is ready to commence the delivery of Transportation volumes to Shipper.

1.7 "Composite Gas Stream" shall mean the actual or theoretical composite of all Gas receipts and/or nominations from shippers for transportation by Kern River. Composite Gas Stream shall be the theoretical gas stream that will result from the combination of all gas receipts from all shippers as determined by a computer model that utilizes analytical and flow data generated at each of the Receipt Points. The computer model determines what the Composite Gas Stream composition will be on a feed forward basis.

1.8 "Contract Year" shall mean a period of 12 consecutive Months beginning with the Month next following the Commencement Date, and each successive 12-Month period thereafter.

1.9 "Cubic Foot of Gas" shall mean the volume of Gas which, at a temperature of 60 degrees Fahrenheit and at a pressure of 14.73 Psia, occupies one cubic foot of space.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.10 "Day": "Standard time for the gas day should be 9 a.m. to 9 a.m. (central clock time)." GISB 1.3.1.

1.11 "Electronic Bulletin Board" or "EBB" shall mean the computer information publication system established by Transporter as more fully described in Section 16.5 of the General Terms and Conditions of this Tariff.

1.12 "FERC" or "Commission" shall mean the Federal Energy Regulatory Commission or any federal commission, agency, or other governmental body or bodies succeeding to, lawfully exercising or superseding any powers which, as of the date hereof, are exercisable by the Federal Energy Regulatory Commission.

1.13 "Firm Service" shall mean a service that is not subject to a prior claim by another customer or another class of service and receives the same priority as any other class of firm service.

1.14 "Gas" or "Natural Gas" shall mean Natural Gas from Gas wells and casinghead Gas produced with crude oil, consisting essentially of methane. Such Gas may be either residue Gas resulting from the processing of either Gas well Gas or casinghead Gas or both, or synthetic Gas either mixed or unmixed with other Gas. For the purpose of determining whether Gas is in conformity with the terms of this Rate Schedule, Article VI shall apply.

1.15 "GISB" shall mean the standardized business practices that were issued by the Gas Industry Standards Board ("GISB") and adopted by the Commission. Section 21 of this Tariff lists the GISB Standards which are not included in other sections of this Tariff. Transporter shall update its Tariff, as necessary, to incorporate new or amended GISB standards approved by the Commission.

1.16 "Incremental Facility Charge" shall mean a charge which shall reflect incremental capital costs of the facilities, depreciation, return, taxes, operation and maintenance and administrative and general expenses associated with incremental capacity constructed in accordance with Section 3.1 herein.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.28 "Thermally Equivalent" shall mean an equal number of Btu's. The determination of Thermally Equivalent volumes shall be accomplished by multiplying the unit of measurement, as provided in Section 7.2.5 of Article VII, by the Total Heating Value adjusted to the standard conditions of the measured volumes.

1.29 "Total Heating Value" shall mean the number of Btu's liberated by the complete combustion of one Cubic Foot of Gas. The average Total Heating Value in any Month shall be the volume weighted average of the Total Heating Values for each Day during such Month, adjusted to reflect the actual water vapor content of the Gas delivered.

1.30 "Transportation" shall mean the receipt of Gas of Shipper at input points on Transporter's transmission system (referred to as "Receipt Point(s)"), and the delivery of Thermally Equivalent volumes by Transporter to Shipper or for Shipper's account at delivery points on Transporter's transmission system (referred to as "Delivery Point(s)").

1.31 "Transportation Rate" shall mean a unit rate per Mcf of Gas transported by Transporter each month as provided in Exhibit C to the Transportation Service Agreement.

1.32 "Volume" shall mean the number of units of gas, either specified in Mcf or Dth.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE II - GAS TO BE TRANSPORTED AND CHARACTER OF SERVICE

2.1 MDQ. Subject to the terms, conditions and limitations hereof, the MDQ shall be as provided for in the Transportation Service Agreement between Transporter and Shipper.

2.2 Character of Service.

2.2.1 Firm Service. Service rendered under this Rate Schedule and the Transportation Service Agreement shall consist of:

(a) The receipt by Transporter for the account of Shipper of Natural Gas up to Shipper's MDQ at the Receipt Point(s), plus the quantities for fuel use and lost and unaccounted for Gas that Shipper is obligated to provide under Article IV herein;

(b) The Transportation of Natural Gas up to Shipper's MDQ, on a firm basis, subject to Article XVI of this Rate Schedule, through Transporter's pipeline system for the account of Shipper; and

(c) The delivery of Gas in Thermally Equivalent quantities after Transportation (less quantities of fuel use and lost and unaccounted for Gas furnished in-kind by Shipper pursuant to Article IV herein) by Transporter to Shipper or for the account of Shipper at the Delivery Point(s).

2.2.2 Authorized Overrun Service. In the event that Shipper requests Transportation of a quantity of Gas on any Day that is greater than the MDQ, imbalance adjustments set out in Section 5.2.1, and make up quantities pursuant to Section 5.6, Transporter shall provide such Transportation as Authorized Overrun Service on an interruptible basis to the extent that the capacity is available, pursuant to Article XVI herein.

ARTICLE III - EXPANSION OF TRANSPORTER'S SYSTEM AND RATE IMPACT

Third Party Expansion. Shipper shall bear no costs whatsoever, including fuel, related to the incremental expansion of the Kern River System, including compression facilities, for third parties unless such incremental expansion and the allocation of costs thereof results in a decrease in Shipper's rates set forth in Exhibit C to the Transportation Service Agreement.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)
ARTICLE IV - TRANSPORTATION RATES AND CHARGES

4.1 Charges. Shipper shall pay Transporter each month for service rendered hereunder either (1) an amount equal to the sum of Sections 4.1.1, 4.1.2, 4.1.3 and 4.1.4 below, or (2) the amount specified in Article 4.1.8.

4.1.1 Reservation Charge. An amount obtained by multiplying (i) the Shipper's MDQ as stated in Section 2.1 herein as adjusted by the Thermal Conversion Factor, described in Section 1 of the General Terms and Conditions of this Tariff ("Thermal Conversion Factor"), by (ii) the Reservation Rate as stated in Exhibit C to the Transportation Service Agreement, which shall be no greater than the maximum monthly reservation rate filed with and allowed by the FERC for firm transportation service.

4.1.2 Transportation Charge. An amount obtained by multiplying (i) the volume of Gas in Mcf received by Transporter from Shipper for Transportation during the month, exclusive of volumes for fuel use and lost and unaccounted for Gas as provided in Section 4.2 herein, as adjusted by the Thermal Conversion Factor, by (ii) the Transportation Rate stated in Exhibit C to the Transportation Service Agreement, which shall be no less than the minimum firm transportation rate nor greater than the maximum firm transportation rate filed with and allowed by the FERC for firm transportation service.

4.1.3 ACA and GRI Surcharges. (a) ACA Surcharge: An amount obtained by multiplying (i) the volume of Gas received by Transporter from Shipper for Transportation during the month, exclusive of volumes for fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor, by (ii) the FERC Annual Charge Adjustment ("ACA") Surcharge as set forth in Exhibit C to the Transportation Service Agreement (b) GRI Surcharge: The sum of the amount obtained by multiplying (i) Shipper's MDQ as stated in Section 2.1 herein, as adjusted by the Thermal Conversion Factor, by (ii) the monthly Reservation Rate component of the GRI Surcharge as set forth in Exhibit C to the Transportation Service Agreement, and the amount obtained by multiplying (iii) the volume of Gas received by Transporter from Shipper for transportation during the month, exclusive of fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor, by (iv) the Usage Rate component of the GRI Surcharge as set forth in Exhibit C to the Transportation Service Agreement.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

4.1.4 Authorized Overrun Charge. An amount computed by multiplying (i) the volume of Gas received by Transporter from Shipper for Transportation during the month which constitutes Authorized Overrun Service under Section 2.2.2 herein by (ii) the rate stated in Exhibit C to the Transportation Service Agreement for Authorized Overrun Service which shall be no greater than the authorized overrun rate filed with and allowed by the FERC.

4.1.5 The minimum monthly bill shall be the Reservation Charge for each month, unless Transporter and Shipper mutually agree otherwise.

4.1.6 Discounted Recourse Rates. Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet Number 5 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter will file with the FERC any required reports reflecting such adjusted rates.

Notwithstanding the above, if an adjusted rate was provided by contract to Shipper prior to the effective date of the Stipulation and Agreement of Settlement filed March 31, 1999 (Settlement), then commencing on the effective date of the Settlement and continuing through the term of that contract, the equivalent daily base tariff Reservation/Demand Rate as adjusted will be reduced by an amount equal to the difference between the Commodity/Usage Rate in effect immediately prior to the Settlement and the Commodity/Usage Rate under the terms of the Settlement; provided, however, that the new base Reservation/Demand Rate may not exceed the Settlement maximum base Reservation/Demand Rate and may not be less than the Settlement minimum base Reservation/Demand Rate.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

4.1.7 Adjustment to the Reservation Charge. If on any Day Transporter for any reason, including but not limited to force majeure as described in Article XI, is unable to deliver to Shipper a volume of Gas Thermally Equivalent to 100% of the volume of Natural Gas tendered by Shipper for Transportation on such Day up to Shipper's MDQ as set forth in Article II, then the Reservation Charge otherwise payable by Shipper during the Month in which Transporter is unable to deliver shall be reduced in the following manner:

(a) For Days 1 through 30 there shall be no adjustment to the Reservation Charge.

(b) For Days 31 through 60 the Reservation Rate shall be reduced by an amount equal to the portion of the Reservation Rate which is attributable to Transporter's recovery of all taxes other than income taxes, depreciation associated with equity, operating and maintenance expenses and administrative and general expenses. Notwithstanding the foregoing, such reduction shall not reduce the Reservation Rate to an amount less than a unit rate which will be adequate to recover the sum of Transporter's actual principal and interest on debt. The unit amount of the reduction of the Reservation Rate shall be calculated by summing the components of such credit and dividing the total by 30.416 and rounding to the nearest one-hundredth cent ($.0001).

To obtain the adjustment to the Reservation Charge, the resulting unit amount shall be multiplied by each Thermally equivalent Mcf of Gas less than 100% of the amount tendered that Day by Shipper (up to Shipper's MDQ) which Transporter failed to deliver. Such adjustment to the Reservation Charge shall continue until the day that the Transporter is able again to deliver a Thermally equivalent volume equal to Shipper's MDQ.

(c) After the 60th Day the portion of the Reservation Charge attributable to continued non-performance for each such day shall equal zero.

Nothing in this Section 4.1.7 shall relieve Transporter or Shipper from its obligations due and owing under the Transportation Service Agreement before the onset of the inability to make deliveries. Further, no adjustment to the Reservation Charge shall be made for any interruption or curtailment of service at any Secondary Receipt Point or Secondary Delivery Point.

4.1.8 Negotiated Rates. Notwithstanding the foregoing provisions of this Article 4, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. ACA and GRI surcharges pursuant to Article 4.1.3 of this rate schedule and fuel reimbursement pursuant to Section 12 of the General Terms and Conditions will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

4.2 Fuel Use, Lost and Unaccounted for Gas.

4.2.1 Fuel Calculation. The charges in Sections 4.1.1, 4.1.2 and 4.1.4 of this Rate Schedule are exclusive of fuel use requirements and lost and unaccounted for Gas, which shall be furnished in kind by Shipper each Month, pursuant to Section 12 of the General Terms and Conditions of this tariff. Transporter shall make every reasonable effort to conserve and keep to a minimum the quantity of Natural Gas used for compressor station fuel. In the event the quantity of Natural Gas allocated under this Section 4.2.1 to Shipper exceeds one percent (1%) on a volumetric basis of the Natural Gas tendered by Shipper to Transporter in any Month, Transporter agrees on request of Shipper to explain the fuel use allocation and negotiate in good faith any objection or complaint Shipper may have with respect to the fuel use allocation.

4.2.2 Loss Limitations. The total quantity of Gas in Dekatherms for lost and unaccounted for Gas shall not exceed one percent (1%) of the quantity of Gas in Dekatherms tendered by Shipper to Transporter. Such percentage ceiling shall be subject to adjustment for subsequent expansions of the Kern River System after a showing by Transporter that an increase is justified and upon the agreement of Shipper which shall not be unreasonably withheld.

ARTICLE V - OPERATING PROCEDURES

5.1 Scheduling and Dispatching.

5.1.1 Scheduling, nomination and dispatch of Shipper's gas volumes for transportation hereunder shall be governed by Sections 10.1, 13.1 and 15.11(g) of the General Terms and Conditions of this Tariff.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

5.1.2 Limitation Upon Transporter's Daily Transportation Obligation. Subject to the provisions of this Rate Schedule as to scheduling and balancing, Transporter shall not be obligated to deliver to Shipper on any Day a greater quantity of Gas, on a Thermally Equivalent basis, up to Shipper's MDQ, than it has received from Shipper on such Day, reduced by any requisite fuel and loss reimbursement.

5.2 Balancing of Gas.

5.2.1 Daily Deliveries. Transporter and Shipper, subject to operating conditions affecting Shipper and Transporter and the available capacity of their respective facilities, shall endeavor to deliver and receive from each other on each Day, beginning with the Commencement Date, the volume of Gas received by Transporter from Shipper; provided, however, the volume delivered to Shipper shall be less any fuel use and lost and unaccounted for Gas as provided in Section 4.2. It is recognized that receipt by Transporter from Shipper and deliveries by Transporter to Shipper may vary above or below the quantities scheduled on any Day. Subject to available capacity in Transporter's system, Transporter and Shipper shall eliminate all imbalances at least once every 60 Days by adjusting delivery and receipt volumes (imbalance adjustments) unless otherwise mutually agreed. Upon notice to Shipper, Transporter shall have the right to take actions of whatever nature may be required, including reduction of service to Shipper to correct imbalances which threaten the operation or integrity of its system, including maintenance of service to other shippers.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

5.2.2 At End of Agreement. Transporter and Shipper agree to correct any cumulative imbalances in receipts and deliveries as soon as practicable. In the event that at the end of the term of the Transportation Service Agreement there are cumulative imbalances in receipts and deliveries, Transporter and Shipper shall correct such cumulative imbalances as soon as practicable after the end of the term of the Transportation Service Agreement. All calculations of balances and imbalances and corrections under this Section shall be made on a Thermally Equivalent basis.

5.2.3 Uniform Deliveries. Transporter and Shipper undertake to maintain receipt and deliveries on a uniform daily basis to the maximum extent practicable, subject to the provisions of this Rate Schedule as to scheduling and balancing.

5.2.4 Imbalances With Other Parties. Shipper shall be responsible for imbalances in volumes that accrue between Shipper and any other party, including without limitation any volume imbalances that accrue between Gas producers or pipelines and Shipper upstream of the receipt of Gas at Receipt Point(s) and downstream of the delivery of Gas at Delivery Point(s). As to Shipper's imbalances with Transporter and Transporter's imbalances with other shippers accruing after receipt of Gas by Transporter from Shipper at Receipt Point(s) and prior to and upon delivery of Gas by Transporter to Shipper at Delivery Point(s), Transporter shall take actions of whatever nature may be required including reduction of service to other shippers to correct such imbalances hereunder.

5.3 Records of Scheduled Quantities. Transporter shall keep accurate records of the quantities of Gas scheduled for Transportation and any imbalances, which records shall be made available to Shipper at its request. If Shipper's Gas is commingled with other Gas at the Receipt Point(s) or at the Delivery Point(s), the scheduling arrangements and Transporter's records shall include procedures for the allocation of the total quantity at such points.

5.4 Arrangements Prior to Receipt and After Delivery. It shall be Shipper's obligation to make any necessary arrangements with other parties for delivery of Gas into Transporter's system at the Receipt Point(s) and for receipt of Gas after Transportation at the Delivery Point(s). Shipper shall be obligated in such arrangements to require dispatching and operating coordination with Transporter and access to appropriate charts and records. Such arrangements shall be satisfactory to Transporter.

5.5 Operating Information and Estimates. Upon request of Transporter, Shipper shall from time to time submit its best estimates of the daily, monthly and annual volumes of Gas to be transported hereunder, including peak Day requirements, together with such other operating data as Transporter may require in order to schedule its operations. Any such best estimates provided under this Section 5.5 shall not supplant the scheduling and dispatching of volumes as provided in Section 5.1.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

5.6 Make-Up Rights. If for whatever reason, Shipper is unable to utilize its MDQ on any Day then Shipper shall have the right to make up its unutilized MDQ for up to two years after such Day under the following conditions ("Make-up Service"):

(a) Shipper shall tender volumes of gas equal to its MDQ on any Day it desires to use Make-up Service prior to tendering Gas under this Section.

(b) Gas volumes tendered for make-up due to curtailment pursuant to Section 6.5(b) for excessive total sulfur or mercaptan sulfur shall have a priority of service equal to Interruptible Service being provided at the maximum applicable rate with the earliest Priority of Service Date. All other of Shipper's Gas under this Section shall have a priority of service following and subordinate to any applicable priority of service provided for in Section 16.1 herein, then in use.

(c) Should any other shipper have similar make-up rights then Transporter shall honor these rights along with Shipper's rights on a pro rata basis such that Transporter shall receive from each shipper volumes, inclusive of fuel use and lost and unaccounted-for Gas, that bear the same ratio to the total capacity available for make-up rights as that shipper's MDQ bears to the aggregate MDQ of all shippers requesting make-up rights on that Day.

(d) If Shipper's inability to utilize its MDQ is the result of an event attributable to Transporter's inability to deliver Gas to Shipper or failure to meet delivery specifications under Section 6.6 herein, and Shipper received a reduction to its Reservation Rate, then the charge for this make-up service shall equal the reduction to Reservation Rate received by Shipper and the Transportation Rate set forth in Exhibit C to the Transportation Service Agreement. If Shipper received no reduction to the Reservation Rate, the charge for this service shall be the Transportation Rate set forth in Exhibit C to the Transportation Service Agreement.

ARTICLE VI - QUALITY

6.1 Gas Quality at Delivery Point(s): The Gas delivered by Transporter for Shipper at the Delivery Point(s):

(a) shall be merchantable Natural Gas commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with its intended purpose, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow;

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

(b) shall contain not more than seven (7) pounds/MMcf of water;

(c) shall contain no hydrocarbons in liquid form at the temperature and pressure at which the Gas is delivered at the Delivery Point;

(d) shall not exceed a hydrocarbon dewpoint in excess of fifteen degrees (15) Fahrenheit at pressures up to 800 psig;

(e) shall contain not more than 0.2% by volume of oxygen;

(f) shall contain not more than 3.0% by volume of carbon dioxide or nitrogen;

(g) shall contain not more than a combined total of 4.0% by volume of inerts, including carbon dioxide, nitrogen, oxygen and any other inert compound;

(h) shall contain not more than 0.25 grain of hydrogen sulfide per 100 Cubic Feet of Gas (the gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products);

(i) shall contain not more than 0.3 grains of mercaptan sulfur per 100 Cubic Feet of Gas;

(j) shall contain not more than 0.75 grains of total sulfur per 100 Cubic Feet of Gas;

(k) shall not contain any toxic or hazardous substance, in concentrations which, in the normal use of the Gas, results in an unacceptable risk to health, is injurious to pipeline facilities, is a limit to merchantability or contrary to applicable governmental standards;

(l) shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per Cubic Foot of Gas on a dry basis;

(m) shall have a temperature of not less than forty degrees (40) Fahrenheit, and not more than one hundred twenty degrees (120) Fahrenheit.

6.2 Gas Quality at Receipt Point(s):

Gas nominated or delivered by Shipper to Transporter at the Receipt Point(s) for Transportation shall comport with the requirements set forth in Section 6.1 herein, or be subject to rejection and non-acceptance by Transporter pursuant to Section 6.5, unless the non-conforming gas can be blended in accordance with Section 6.3.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

6.3 Gas Blending Rights: Transporter shall monitor the characteristics of the Composite Gas Stream to determine its conformance with the Gas quality specifications set forth in Section 6.1. Notwithstanding Section 6.2, if the Composite Gas Stream contains less than ninety-five (95)% of the maximum allowable concentration of hydrogen sulfide (6.1(h)), mercaptan sulfur (6.1(i)), total sulfur (6.1(j)), nitrogen or carbon dioxide (6.1(f)), or total inerts (6.1(g)), then Transporter shall allow reduced restrictions on said Gas components as described below and Shipper may tender, at any Receipt Point, Gas which contains not more than:

(a) One (1) grain of hydrogen sulfide per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average hydrogen sulfide content of the Composite Gas Stream does not exceed 0.25 grain per 100 Cubic Feet of Gas; and

(b) Ten (10) grains of total sulfur per 100 Cubic Feet of Gas, provided that the volume weighted average total sulfur content of the Composite Gas Stream does not exceed 0.75 grain per 100 Cubic Feet of Gas; and

(c) Five (5) grains of mercaptan sulfur per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average mercaptan sulfur content of the Composite Gas Stream does not exceed 0.30 grain per 100 Cubic Feet of Gas; and

(d) Four percent (4%) by volume of carbon dioxide, subject to the condition that the volume weighted average carbon dioxide content of the Composite Gas Stream does not exceed three percent (3%), subject to Section 6.3(f) below; and

(e) Six percent (6%) by volume of nitrogen, subject to the condition that the volume weighted average nitrogen content of the Composite Gas Stream shall not exceed three percent (3%), subject to Section 6.3(f) below; and

(f) Six percent (6%) by volume of inerts, subject to the condition that the volume weighted average total inerts of the Composite Gas Stream shall not exceed four percent (4%).

6.4 Quality Tests:

(a) Location of Tests. The quality of the Gas received and delivered by Transporter hereunder shall be determined by tests which Transporter shall cause to be made at Receipt Points and other locations along its system.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

(b) Specification for Tests. Transporter shall determine the Total Heating Value of Gas and its component analysis at least once each Month in accordance with the Gas Measurement Committee Report No. 3 prepared by the Gas Measurement Committee of the American Gas Association, dated September 1985 or any subsequent revisions (AGA-3). Such determination shall be made using either an on-line chromatograph or by chromatographic analysis of a representative sample of Gas taken with a continuous flow proportional sampler. Chromatography shall be performed in accordance with Gas Processors Association (GPA) publications 2261-86 and 2286-86 or any subsequent revisions. The values of the physical constants for the Gas components shall be determined by the use of the physical constants listed in Table 5 of AGA-3. For components of the Gas not listed in said Table 5, GPA publication 2145-88 or any subsequent revision shall be used.

(c) Non-Hydrocarbon Tests. Tests shall be made to determine the total sulfur, hydrogen sulfide, mercaptan, carbon dioxide, nitrogen and oxygen content of the Gas, and the hydrocarbon dew point and water vapor content of such Gas by approved standard methods in general use in the gas industry. Tests shall be made frequently enough to assure that the Gas continuously conforms to the quality requirements.

6.5 Failure to Conform:

(a) If the Gas offered for Transportation by Shipper shall fail at any time to conform to any of the specifications set forth in Section 6.1 which are not subject to blending pursuant to Section 6.3, then Transporter shall have the right, upon written (including by telecopy) or oral notice (subsequently confirmed in writing) to Shipper, to immediately refuse to accept all or any portion of such Gas.

(b) If the Gas offered for Transportation by Shipper shall fail at any time to conform to any of the specifications set forth in Section 6.1 which are subject to blending pursuant to Section 6.3, and the Composite Gas Stream is calculated to equal or exceed 95% of the allowable maximum for those specifications which are subject to blending, then Transporter shall have the right, exercisable by the giving of written (including by telecopy) or oral notice (subsequently confirmed in writing) to Shipper, to curtail receipt of Shipper's nonconforming Gas as provided below:

(i) When the calculated quality of the Composite Gas Stream approaches 90% of the allowable maximums for those Gas components whose specifications are subject to blending, then Transporter shall notify all shippers whose Gas does not conform with Section 6.1.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

(ii) When the calculated quality of the Composite Gas Stream equals or exceeds 95% of the allowable maximums for those Gas components whose specifications are subject to blending, Transporter shall immediately notify all shippers whose Gas does not conform, that Transporter will commence curtailing receipt of their Gas in the following manner:

1) Transporter shall determine which Gas nominations or receipts do not conform with Section 6.1. For each Shipper, whose Gas nominations or deliveries to Transporter do not conform with Section 6.1, Transporter shall identify the quantity of the Gas component that is in excess of the limits set forth in Section 6.1, compute a total thereof for all shippers, and calculate the percentage of said total for each Shipper.

2) The calculated percentage shall be used to determine the quantity of non-conforming component that each of the non-conforming shippers must eliminate from its Gas nominations and/or deliveries, in order to bring said Composite Gas Stream back to 93% of the quality specifications described in Section 6.1. The required reduction of the non-conforming component will be calculated on the assumption that Shipper will replace its nominations or deliveries of out of compliance Gas by the required reduction volume using gas containing none of the non-conforming component. The required reduction of the non-conforming component, as well as the newly calculated maximum allowable concentration of the non-conforming component in Shipper's Gas deliveries to Transporter, shall be communicated to each of the non-conforming shippers.

3) Shipper shall reduce the non-conforming component to the maximum allowable concentration in 6.5(b)(ii)(2) above by either replacing nominated or existing Gas deliveries to Transporter with Gas containing less of the non-conforming component, or by reducing nominations or deliveries of non-conforming Gas until, inclusive of the reductions of non-conforming components similarly required of any other non-conforming shippers, the composition of the Composite Gas Stream is again calculated to contain 93% or less of the maximum allowable quality specifications of Section 6.1.

4) Should Shipper fail to take adequate corrective action to comply with its obligation in Section 6.5(b)(ii)(3) to reduce the nonconforming component, Transporter shall have the right to curtail receipts of non-conforming Gas from Shipper as determined in Section 6.5(b)(ii)(2) above.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

5) Transporter shall promptly notify all shippers who have suspended deliveries of Gas, replaced volumes of Gas, or had volumes of Gas curtailed pursuant to this Section 6.5(b), when the composition of the Composite Gas Stream is again calculated to contain 93% or less of the maximum allowable quality specifications of Section 6.1.

(c) Continuation of Obligation to Pay: In the event Transporter refuses to accept Gas tendered by Shipper because such Gas does not conform to the specifications set forth herein, Shipper shall not be relieved of its obligation to pay any Reservation Charge provided for in Shipper's Transportation Service Agreement.

6.6 Processing Rights:

All oil and liquid hydrocarbons separated from the Gas prior to receipt by Transporter shall remain the property of Shipper. In the event Shipper does not process or have processed Gas prior to receipt by Transporter, all liquids or liquefiable hydrocarbons recovered by Transporter, after receipt of Gas hereunder by Transporter and prior to delivery of Gas by Transporter to Shipper, shall be and remain the exclusive property of Transporter.

ARTICLE VII - MEASUREMENT OF GAS

7.1 Measuring Equipment.

7.1.1 Measuring Equipment. Unless otherwise mutually agreed upon, Transporter shall install, maintain and operate at or near each Receipt or Delivery Point, a measuring station properly equipped with meters and other necessary measuring equipment; provided, however, that Transporter may require, at its option, that Shipper bear the expense of furnishing and installing such equipment in any instance in which Shipper requests a new or additional point of delivery or receipt for Shipper's convenience. Unless otherwise mutually agreed upon, such measuring equipment shall be of a type generally accepted in industry practice by which the volume of Gas received from and delivered to Shipper shall be measured. Where orifice meters are used, they shall be installed and operated in accordance with ANSI/API 2530, dated September 1985, and any modifications and amendments thereof, and applied in a practical manner. Where positive displacement meters, turbine meters, or other measuring devices are used, they shall be installed and operated in accordance with then-current American Gas Association recommendations, where available. Btu measuring equipment shall be installed by Transporter at a location or locations where the Total Heating Value of the Gas received and delivered by Transporter can be satisfactorily determined. Btu measurement may also be determined by Gas samples.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

7.1.2 Monitoring Equipment. Shipper may install and operate monitoring equipment, including check measuring equipment and electronic measuring and metering devices, provided such equipment does not interfere with the operation and use of Transporter's equipment. To the extent, if any, that Transporter has a right to do so, Transporter shall provide Shipper all necessary easements, including all required rights of entry and egress, to install, operate and maintain such equipment. Transporter shall not acquire title to any such equipment installed by Shipper and shall permit Shipper to install and remove such equipment without interference upon reasonable notice to Transporter by Shipper. However, measurement of Gas for purposes of this Rate Schedule shall be done by means of the measuring equipment installed pursuant to Section 7.1.1 herein.

7.1.3 Testing Meter Equipment. The accuracy of Transporter's measuring equipment shall be verified by test, using means and methods acceptable to Shipper, at intervals at most of 30 Days, and at other times upon request of Shipper. Notice of the time and nature of each test shall be given by Transporter to permit convenient arrangement for the presence of the representative of Shipper. If, after notice, Shipper fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. Shipper shall bear the expense of tests made at its request if the inaccuracy is found to be one percent (1%) or less.

7.1.4 Correction and Adjustment. If at any time any of the measuring equipment is registering inaccurately by an amount exceeding one percent (1%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of one-half of the elapsed time since the last test. If the measuring equipment is out of service or registering inaccurately, the volume of Gas during such period shall be determined:

(a) By using the data recorded by any check measuring equipment accurately registering; or

(b) If such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded, corrected to zero error; or

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

(c) If neither of the methods provided in (a) nor (b) above can be used, by estimating the quantity delivered by reference to deliveries under similar conditions during a period when the equipment was registering accurately. No correction shall be made in the recorded volumes of Gas delivered hereunder for inaccuracies in measuring equipment of one percent (1%) or less.

7.1.5 New Measurement Techniques. At any time during the term of the Transportation Service Agreement a new method or technique is developed with respect to Gas measurement, such new method or technique may be substituted for the Gas measurement set forth in this Article 7 upon mutual agreement thereto by the parties in writing.

7.1.6 Correction of Stated Metered Volumes. GISB 2.3.14: "Measurement data corrections should be processed within 6 months of the production month with a 3 month rebuttal period. This standard will not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard."

7.2 Measurement Procedures.

7.2.1 Metering. The Gas shall be metered by either orifice or turbine type meters, at the discretion of Transporter. When orifice meters are used, they shall be installed and maintained, and volumes shall be measured in accordance with the methods prescribed in "Orifice Metering of Natural Gas", Gas Measurement Committee Report No. 3 or any subsequent revision thereof acceptable to Transporter and Shipper. When used, orifice meters shall be operated at a nominal Beta ratio of 0.5, but in no event shall the Beta ratio be less than 0.4 nor greater than 0.6. Transporter shall provide and use multiple meters when the operational range of Gas flow rates would necessitate Beta ratios outside of such limits. When turbine meters are used, they shall be installed and operated in accordance with American Gas Association Transmission Measurement Committee Report No.7.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

7.2.3 Specific Gravity. The specific gravity of Gas flowing through the meters shall be determined by means of a recording gravitometer or gas chromatograph located at the delivering party's measuring station or at any other point on said party's system where there will be no commingling thereafter of Gas with that delivered to the receiving party, and the arithmetic average specific gravity each Day at such point shall be used in computing deliveries of Gas during such Day at such point.

7.2.4 Flowing Temperature. The flowing temperature of the Gas being metered shall be determined by means of a recording thermometer of a type acceptable to both parties, installed and maintained in accordance with the specifications set forth in said Gas Measurement Committee Report No. 3. The arithmetical average of readings each Day for time that Gas is flowing shall be deemed the Gas temperature and used in computing the volumes of Gas metered during such Day.

7.2.5 Measurement. The unit of measurement for Gas received or delivered hereunder shall be a Mcf of Gas at a base temperature of 60 degrees Fahrenheit and at a base pressure of 14.73 Psia.

ARTICLE VIII - TERM OF AGREEMENT

8.1 Effective Date and Term. The term of service shall be as provided for in the Transportation Service Agreement between Transporter and Shipper.

8.2 Continuation of Term.

(a) At the end of the initial term, Shipper shall have the election to extend the Agreement for a period up to and including 15 years; provided, however, if Shipper elects to extend the Agreement, the Transportation Rates and Charges during such extended period shall be subject to change at the request of Transporter. If Shipper elects to extend the Agreement, it shall give Transporter nine months' prior written notice of its election to extend and of the period of extension. Within 60 days after receipt of Shipper's notice, Transporter shall give Shipper written notice of its desire to establish new Transportation Rates and Charges for the extended period. If Transporter gives notice of its desire to establish such new rates, the Transportation Rates and Charges under the Agreement, as of the date of the beginning of the extended period of the Agreement, shall be the lowest rate at which Transporter has agreed to provided firm transportation service under a contract for such service which (1) was executed within 18 months prior to the date of Shipper's election to extend the Agreement and (2) provides for firm transportation of at least 50,000 Mcf per Day of Gas for a term of at

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

4.1.8 Negotiated Rates. (Continued)

refusal to continue service. To exercise such right of first refusal, Shipper must agree to match the rate or rates, up to the maximum rate or rates then applicable, and the agreement term, up to a term of five years, which a competing prospective Shipper is willing to irrevocably agree to with Transporter, for all or any portion of the transportation rights then held by Shipper. If the highest bid submitted by a competing prospective Shipper is a Negotiated Rate that meets or exceeds the lowest rate Transporter is willing to accept for such service, the existing Shipper may retain its capacity by matching the bid on either a Negotiated Rate basis or a Recourse Rate basis as provided in Section 23.2(c) of the General Terms and Conditions; provided, however, that nothing herein shall obligate Transporter to render service to Shipper or to any competing prospective Shipper if such persons do not agree to pay Transporter's maximum rates then applicable. To exercise its rights of first refusal, Shipper must agree to all other terms and conditions of service to which the competing prospective Shipper is prepared to agree, or to such other terms and conditions as may be acceptable to Transporter.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

refusal to continue service. To exercise such right of first refusal, Shipper must agree to match the rate or rates, up to the maximum rate or rates then applicable, and the agreement term, up to a term of five years, which a competing prospective shipper is willing to irrevocably agree to with Transporter, for all or any portion of the transportation rights then held by Shipper; provided, however, that nothing herein shall obligate Transporter to render service to Shipper or to any competing prospective shipper if such persons do not agree to pay the maximum rates then applicable. To exercise its rights of first refusal, Shipper must agree to all other terms and conditions of service to which the competing prospective shipper is prepared to agree, or to such other terms and conditions as may be acceptable to Transporter.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

b) If Shipper chooses to exercise the foregoing right of first refusal, Shipper shall give written notice to that effect to Transporter at least one hundred twenty (120) days prior to the termination date of its Transportation Service Agreement. Transporter shall post such notice on its EBB for a minimum period of sixty (60) days and shall receive any competing offers for such transportation service only during such period.

8.4 Extension to Correct Imbalance. The term of the Transportation Service Agreement shall continue for a period of time reasonably sufficient to allow the parties to correct any cumulative imbalances in receipts and deliveries pursuant to Section 5.2.2 herein.

ARTICLE IX (RESERVED)

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE X - INVOICING AND PAYMENT

10.1 Invoicing. When information necessary for invoicing by Transporter is in the control of Shipper, Shipper shall furnish the actual information to Transporter on or before the fifth (5th) Business Day of the Month following the Billing Month. GISB 2.3.7: "The cutoff for closing of measurement is 5 business days after business month."If such information is not available for Shipper to furnish to Transporter on or before such 5th business day then Transporter may furnish an estimated invoice to Shipper, subject to appropriate adjustments after Shipper has obtained such actual information and furnished same to Transporter. GISB 3.3.14: "The imbalance statement should be rendered prior to or with the invoice, and the transportation invoice should be prepared on or before the 9th business day after the end of the production month. Rendered is defined as postmarked, time-stamped, and delivered to the designated site." Transporter shall accompany its invoice of monthly charges with a schedule showing volumes of Gas in Mcf's and heat content in Dekatherms received and delivered and summarizing the thermal balance including Thermally Equivalent volumes, fuel Gas, lost and unaccounted for Gas, Gas vented and any imbalance. Transporter may furnish an estimated invoice and make appropriate adjustments in the invoice rendered for the next succeeding Month.

10.3 Interest on Unpaid Amounts. Should Shipper fail to pay the amount of any bill rendered by Transporter when such amount is due, interest shall accrue on the amount not paid at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such regulations become inapplicable to such amounts, the rate shall be computed on the basis of the lesser of two percent (2%) above the prime rate from time to time charged by Chase Manhattan, N.A. (or the succeeding bank of Chase Manhattan, N.A.), or the maximum applicable nonusurious rate of interest in the state of Texas. Such interest shall accrue on unpaid amounts, including any unpaid interest compounded daily, beginning on the payment due date of Transporter's invoice to Shipper, and shall terminate when such an invoice is paid.

10.4 Interest on Over Collections by Transporter. Should Transporter over collect by payment of any bill by Shipper, interest shall accrue on the amount of the over collection at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such regulations become inapplicable to such amounts, the rate shall be computed on the basis of the lesser of two percent (2%) above the prime rate from time to time charged by Chase Manhattan, N.A. (or the succeeding bank of Chase Manhattan, N.A.), or the maximum applicable nonusurious rate of interest in the state of Texas. Such interest shall accrue on the amount of the over collection, plus any unpaid interest compounded daily, beginning on the date Transporter receives the over collected funds, and shall terminate on the date Transporter repays such funds to Shipper.

10.5 Remedies for Failure to Pay. If Shipper's failure to pay continues for 45 Days after payment is due, Transporter, in addition to any other remedy it may have, may suspend further delivery of Gas until such amount is paid unless Shipper in good faith disputes the amount owing and pays all amounts not subject to such good faith dispute.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

10.6 Late Billing. If presentation of a bill by Transporter is delayed after the due date, then the time for payment shall be extended correspondingly unless Shipper is responsible for such delay.

10.7 Disputed Invoices. GISB 3.3.19: "If invoice is in dispute, the Shipper shall pay portion not in dispute and provide documentation identifying basis for the dispute."

10.8 Adjustment of Invoicing Error. If it shall be found by Transporter that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions hereof and Shipper shall have actually paid the invoice containing such overcharge or undercharge, then within 30 Days after the final determination thereof, Transporter shall refund the amount of any such overcharge or Shipper shall pay the amount of any such undercharge unless the amount is disputed by Shipper. In the event an error is discovered by Shipper in the amount invoiced for any invoice rendered by Transporter, such error shall be adjusted within 30 Days of the determination thereof; provided that notice of audit or error shall have been made within six (6) Months from the date of such invoice. In the event that any portion of the invoice is in dispute, payment of the disputed portion shall not be deemed a waiver of the right to contest such disputed portion in any forum having jurisdiction in the premises.

10.9 Financial Requirements. Upon request by Transporter, Shipper will render to Transporter complete audited financial statements of Shipper or, if applicable, Shipper's parent, as contained in Shipper's or Shipper's parent's latest Form 10-K and Annual Report, prepared in accordance with generally accepted accounting principles. If, at any time during the term of the Transportation Service Agreement, Shipper

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

epidemics; landslides; mudslides; lightning; earthquakes; floods; hurricanes; storms; fires; washouts; arrests and restraints of rulers and people; civil disturbances; explosions; breakage of or accident to machinery or of lines of pipe; hydrate obstructions of lines of pipe; inability to obtain pipe, materials or equipment; the orders of any court or governmental authority; any act or omission whether of the kind herein enumerated or otherwise not within the control of the party invoking this section and which by the exercise of due diligence such party could not have prevented, or shall be occasioned by the necessity for making repairs to or reconditioning of machinery, equipment or pipelines, not resulting from the fault or negligence of such party; such failure shall be deemed not to be a breach of the obligation of such party; but such party shall use reasonable diligence to put itself in a position to carry out its obligations. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties.

No such cause affecting the performance of either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any cause relieve either party from any obligation unless such party shall give notice thereof in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause. Nothing in this Article XI shall relieve Shipper of payment of the Reservation Charge except as provided for in Section 4.1.7 this Rate Schedule.

ARTICLE XII - TITLE AND POSSESSION OF GAS

12.1 Possession of Gas and Responsibility. Title to the Gas delivered by Shipper to Transporter shall be retained by Shipper during Transportation hereunder. As between Transporter and Shipper, Shipper shall be deemed to be in control and possession of the Gas until it has been received by Transporter for Transportation at Receipt Point(s). Transporter shall thereupon be deemed to be in control and possession of the Gas until the Thermally Equivalent Mcf's (less any requisite fuel and loss reimbursement) shall have been delivered to Shipper at the Delivery Point(s), after which Shipper shall be deemed to be in control and possession. Shipper shall have no responsibility with respect to any Gas after it has been received by Transporter at the Receipt Point(s) on account of anything which may be done, happen or arise with respect to said Gas, until the Thermally Equivalent Mcf's (less any requisite fuel and loss reimbursement) are delivered to Shipper at the Delivery Point(s). Transporter shall have no responsibility with respect to said Gas prior to its receipt by Transporter at the Receipt Point(s), after its delivery to Shipper at the Delivery Point(s) or on account of anything which may be done, happen or arise with respect to said Gas prior to such receipt or after such delivery.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE XIII - WARRANTY OF TITLE

13.1 Warranty of Title, Liens, Adverse Claims and Encumbrances.

Shipper warrants:

(a) The title of all Gas delivered for Transportation hereunder;

(b) The right to deliver the same for Transportation; and

(c) That such Gas will be free from all liens and adverse claims.

Transporter warrants:

(a) To preserve the title of Shipper to all of Shipper's Gas received by Transporter during Transportation and until delivered to Shipper;

(b) To keep Shipper's Gas, while in Transporter's possession, free and clear of any claims, liens, encumbrances or taxes arising from or as a result of Transporter; and

(c) To deliver such Gas to Shipper free and clear of any impairment of title of such claims, liens, encumbrances or taxes arising from or as a result of Transporter.

ARTICLE XIV - STATUTORY REGULATION

14.1 Rate Filings. Transporter's rates, charges, classification, and services as set forth in this Rate Schedule and the Transportation Service Agreement are subject to regulation by the FERC under the Natural Gas Act. Transporter shall have the right to file from time to time with the FERC under Section 4 of the Natural Gas Act and to place into effect changes in this Rate Schedule, the Transportation Service Agreement, or Transporter's tariff that Transporter may find necessary from time to time to assure Transporter just and reasonable conditions of service and rates as well as a rate of return sufficient, inter alia, to service the debt, attract capital, permit facilities expansion, and provide adequate Natural Gas Transportation service to all of Transporter's
shippers. Shipper shall have the right to protest before the FERC any such changes in rates or conditions of service.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

14.2 Conformance with Laws. Notwithstanding any other provisions hereof, this Rate Schedule and the Transportation Service Agreement and all rights and obligations arising under it are subject to all valid legislation, local, state and federal, and to all valid present and future orders, rules and regulations of duly constituted authorities, now or hereafter having jurisdiction.

14.3 Filing Requirement. Each party hereto shall proceed with diligence to file applications with the FERC and any other governmental authorities for any authorizations and/or permits necessary to carry out their respective obligations under this Rate Schedule and the Transportation Service Agreement.

ARTICLE XV - SERVICE CONDITIONS

15.1 Alterations and Repairs. When Transporter needs temporarily to curtail or interrupt service to Shipper hereunder in any portion of Transporter's pipeline system for the purpose of making necessary alterations or repairs therein, Transporter shall give Shipper as much notice as possible, but not less than 60 Days except in case of emergency. Transporter shall endeavor to arrange such curtailments or interruptions so as to inconvenience Shipper as little as possible and to continue same only for such time as is necessary.

15.2 Liability of Parties. Transporter shall assume responsibility and liability for the installation, maintenance and operation of its properties and equipment and shall indemnify and save harmless Shipper from all liability and expense on account of any and all losses, damages, claims, or actions, including injury to or death of persons, arising from any act or accident resulting from the installation, presence, maintenance and operation of the property and equipment of Transporter, unless the liability, loss or damage is caused by, or arises out of, the negligence or willful misconduct of Shipper.

Shipper shall assume responsibility and liability for the installation, maintenance and operation of its properties and equipment and shall indemnify and save harmless Transporter from all liability and expense on account of any and all losses, damages, claims or actions, including injury to or death of persons, arising from any act or accident resulting from the installation, presence, maintenance and operation of the property and equipment of Shipper unless the liability, loss or damage is caused by, or arises out of, the negligence or willful misconduct of Transporter.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE XVI - PRIORITY OF SERVICE

16.1 Curtailment. If Transporter determines on any Day that for any reason whatsoever, including reasons of force majeure, the capacity of its system or any portion thereof is insufficient to satisfy the requirements for Transportation service as set forth in executed transportation agreements, Transporter shall curtail or interrupt receipts and deliveries. Such curtailment shall be limited to the portion of Transporter's system on which capacity is reduced and shall be in accordance with the priorities set forth in Section 13.3 of the General Terms and Conditions of this tariff.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

ARTICLE XVII - RECEIPT AND DELIVERY POINTS AND PRESSURES

17.1 Receipt Point(s).

a) The Primary Receipt Point(s) at which Transporter will receive Gas for Transportation are set forth in Exhibit "A" of the Transportation Service Agreement. Shipper may add Primary Receipt Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Receipt Quantity entitlement at any particular Primary Receipt Point, subject to the availability of capacity; provided, however, that in the event of any such addition or increase Shipper must concurrently relinquish an equivalent amount of its Maximum Receipt Quantity entitlement at any one or more of the Primary Receipt Points contained in its Transportation Service Agreement. Exhibit "A" shall be amended as necessary to reflect any changes in Shipper's utilization of its Primary Receipt Point(s) which are mutually agreed to by the parties in writing.

b) Shipper may, subject to Section 16.1 of this Rate Schedule, nominate and schedule Gas for transportation from Secondary Receipt Points. The Secondary Receipt Points shall be all other points at which Transporter is authorized to receive Gas into Transporter's System and which are identified on the master receipt point list maintained by Transporter on its Electronic Bulletin Board, as may be revised by Transporter from time to time. Capacity in excess of Shipper's Maximum Receipt Quantity entitlement at a Primary Receipt Point shall be available to Shipper on a Secondary Receipt Point basis; provided, however, that any volumes scheduled by Shipper for Transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

c) In the event Shipper releases any or all of its Transportation rights to a Replacement Shipper under Section 15 of the General Terms and Conditions of this Tariff, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Receipt Quantity entitlement at any one or more of its Primary Receipt Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Receipt Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the respective Maximum Receipt Quantity entitlement at each such point.

17.2 Transporter's Receipt Pressure. Shipper shall deliver, or cause to be delivered, Gas to Transporter at the Receipt Point(s) at sufficient pressures to effect delivery thereof into Transporter's facilities against the pressures at such point(s) as exist from time to time, but Shipper shall not be obligated to deliver or cause to be delivered such Gas to Transporter in excess of the minimum receipt pressures as stated on Exhibit "A".

17.3 Delivery Point(s).

a) The Primary Delivery Point(s) at which Transporter will deliver Gas for Shipper's account are set forth in Exhibit "B" of the Transportation Service Agreement. Shipper may add Primary Delivery Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Delivery Quantity entitlement at any particular Primary Delivery Point, subject to the availability of capacity; provided, however, that in the event of any such addition or increase Shipper must concurrently relinquish an equivalent amount of its Maximum Delivery Quantity entitlement at any one or more of the Primary Delivery Points contained in its Transportation Service Agreement. Exhibit "B" shall be amended as necessary to reflect any changes in Shippers utilization of its Primary Delivery Point(s) which is mutually agreed to by the parties in writing.

b) Shipper may, subject to Section 16.1 of this Rate Schedule, nominate and schedule Gas for transportation to Secondary Delivery Points. The Secondary Delivery Points for Gas transported by Transporter under this Rate Schedule shall be all other points at which Transporter is authorized to deliver Gas from Transporter's System and which are identified on the master delivery point list maintained by Transporter on its Electronic Bulletin Board and as may be revised by Transporter from time to time. Capacity in excess of Shipper's Maximum Delivery Quantity entitlement at a Primary Delivery Point shall be available to Shipper on a Secondary Delivery Point basis; provided, however, that any volumes scheduled by Shipper for Transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

RATE SCHEDULE CH-1
Kern River Firm Transportation Services (continued)

c) In the event Shipper relinquishes any or all of its Transportation rights to a Replacement Shipper pursuant to Section 15 of the General Terms and Conditions of this Tariff, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Delivery Quantity entitlement at any one or more of its Primary Delivery Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Delivery Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the respective Maximum Delivery Quantity entitlement at each such point.

17.4 Transporter's Delivery Pressure. Gas shall be delivered by Transporter to Shipper (or for Shipper's account) at the Delivery Point(s) at such pressures as exist from time to time at the said point(s) of delivery, but not less than the minimum delivery pressures as stated on Exhibit "B".

17.5 Common Facilities: Receipt Points and Delivery Points shall include the points on or adjacent to the facilities owned by Transporter as a tenant-in-common with Mojave Pipeline Company, at which Transporter has the right, respectively, to receive or to deliver gas, to the extent of Transporter's rights to utilize such points.

ARTICLE XVIII - INSPECTION OF EQUIPMENT AND RECORDS

18.1 Inspection of Equipment and Data. Notwithstanding the provisions of Article VII, each party shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least three years.

18.2 Verification of Computations. Each party shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to this Rate Schedule or the Transportation Service Agreement.

ARTICLE XIX - MISCELLANEOUS

19.1 (reserved)

19.2 Successors and Assigns. The Transportation Service Agreement shall be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns. No assignment or transfer by either party thereunder shall be made without written approval of the other party. Such approval shall not be unreasonably withheld. No such consent of Transporter or Shipper shall be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger or reorganization. Nothing contained in this Rate Schedule shall prevent either party from pledging, mortgaging or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under the Transportation Service Agreement. As between the parties thereto, such assignment shall become effective on the first Day of the Month following written notice that such assignment has been effectuated.

19.3 Gas Purchase and Sales. Transporter shall not engage in the purchase of Natural Gas for sale or resale.

19.4 Deregulation. In the event of deregulation of Transporter so that Transporter's facilities and rates and charges are no longer subject to regulation by the FERC or any other governmental authority as a result of legislation, rulemaking or any other action, the terms and provisions of this Rate Schedule and the Transportation Service Agreement in effect on the Day immediately preceding the effective date of such deregulation shall remain in force and effect until changed or otherwise modified by mutual agreement of Transporter and Shipper.

19.5 Notices. All notices provided for herein shall be given in writing and addressed as follows:

If to Transporter:
Kern River Gas Transmission Company
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
If to Shipper:

19.6 Amendment in Writing. The Transportation Service Agreement shall be amended only by an instrument in writing executed by both parties thereto.

19.7 Waiver of Defaults. No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Rate Schedule or the Transportation Service Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

19.8 Conflict of Interest. No director, employee or agent of either party to the Transportation Service Agreement shall give or receive any commission, fee, rebate, gift or entertainment of significant cost or value in connection with the Transportation Service Agreement. Any representative(s) authorized by either party may audit the applicable records of the other party solely for the purpose of determining whether there has been compliance with this paragraph.

19.9 Exhibits. The exhibits to the Transportation Service Agreement are incorporated by reference as if set forth in full therein.

19.10 Limitation of Liability. No liability for any act or omission of Transporter shall be incurred by, or asserted against, either Kern River Acquisition Corporation, Williams Western Pipeline Company, or any other person or company which is a partner in Kern River Gas Transmission Company, or any owners, subsidiaries or affiliates of the partners. Any recourse for any liability of Transporter shall be against Transporter only.

19.11 Choice of Law. The Transportation Service Agreement shall be construed according to the laws of the State of Utah, except insofar as such laws may refer to the laws of another jurisdiction for resolution of any issue arising hereunder.

19.12 Headings. The headings of the Articles and Sections of this Rate Schedule and the Transportation Service Agreement are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

ORIGINAL SHEET NOS. 535 THROUGH 599
RESERVED FOR FUTURE USE

RATE SCHEDULE UP-1
Kern River Firm Transportation Services

APPLICABLE GENERAL TERMS AND CONDITIONS

Notwithstanding anything to the contrary in this Rate Schedule UP-1, the following Sections of the General Terms and Conditions of this Tariff will be applicable to service under this Rate Schedule UP-1:

Section Number	Section Title
1.1	Backhaul
1.5	Confirmation Requester
1.6	Confirming Party
1.7	Confirming Parties
1.8	Confirmation by Exception
1.13	Elapsed-Prorated-Scheduled Quantity
1.23	Negotiated Rate
1.24	Operational Balancing Agreement
1.25	Operational Flow Order
1.26	Package ID
1.31	Recourse Rate
1.33	Thermal Conversion Factor
2.1	GISB Flowing Gas Standards
5.1	GISB Invoicing Standards
10.1	General Procedure
12	Reimbursement of Fuel Used and Lost and Unaccounted-for Gas
13.1	Nomination Process
13.2	Scheduling Process
13.3	Interruption/Curtailment Procedures
15	Capacity Release Program
16	Information and Communications Regarding Transportation Services
17	Gas Research Institute Surcharge
18	Revenue Sharing
19	Discounting Policy for Rates and Charges
20	Delivery Facilities
21	GISB Electronic Delivery Mechanism and Data Dictionary Standards
22	Pooling
23	Negotiated Rates

RATE SCHEDULE UP-1
Kern River Firm Transportation Services

APPLICABLE GENERAL TERMS AND CONDITION

Notwithstanding anything to the contrary in this Rate Schedule UP-1, the following Sections of the General Terms and Conditions of this Tariff will be applicable to service under this Rate Schedule UP-1:

Section Number	Section Title
1.16	Thermal Conversion Factor
10.1	General Procedure
13.1(a)	Initial Service
13.1(b)	Change in Service
13.1(c)	Scheduling of Receipts and Deliveries
15	Release of Rights to Firm Transportation Service
16	Information and Communications Regarding Transportation Services
17	Gas Research Institute Surcharge
18	Interruptible Transportation Revenue Credits
19	Discounting Policy on Rates and Charges
20	Delivery Facilities

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

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RATE SCHEDULE UP-1
Kern River Firm Transportation Services
(continued)

ARTICLE I - DEFINITIONS

1.1 "Annual Charge Adjustment" Surcharge means the surcharge assessed and required by the FERC on Transportation of Natural Gas under Section 3401 of the Omnibus Reconciliation Act of 1986, 42 U.S.C.A. Section 7178 (Supp. 1987), adjusted to Transporter's pressure base and heating value.

1.2 "Authorized Overrun Rate" shall mean a charge as provided for in Section 3.2.3 herein and shall be equal to Shipper's Authorized Overrun Rate as set forth from time to time on Exhibit "C" to the Transportation Service Agreement between Transporter and Shipper.

1.3 "Authorized Overrun Service" shall mean a service in addition to Firm Service, as set forth in Section 2.2.2 herein.

1.4 "Billing Month" shall mean that Month of service hereunder which immediately precedes the Month in which Transporter is obligated to render a bill for such service.

1.5 "Business Day": "Business Day is defined as Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico." GISB 3.2.1.

1.6 "Btu": "Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm2 and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry." GISB 2.3.9.

1.7 "Commencement Date" shall mean that date on which Transporter certifies in writing that it is capable of receiving into Transporter's System at the Receipt Point(s) and transporting to the Delivery Point(s) on an ongoing basis the full volume of Gas tendered daily by Shipper for transportation (within Shipper's MDQ) on such Day. Transporter shall provide Shipper with at least 150 days advance written notice of the Commencement Date.

1.8 "Composite Gas Stream" shall mean the composite of all Gas receipts and/or nominations from all shippers for transportation by Kern River. Composite Gas Stream shall be the theoretical gas stream that will result from the combination of all gas receipts from all shippers as determined by a computer model that utilizes analytical and flow data generated at each of the Receipt Points. The computer model determines what the Composite Gas Stream composition will be on a feed forward basis.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.9 "Contract Year" shall mean a period of 12 consecutive Months beginning with the Month next following the Commencement Date, and each successive 12 Month period thereafter.

1.10 "Cubic Foot of Gas" shall mean the volume of Gas which, at a temperature of 60 degrees Fahrenheit and at a pressure of 14.73 Psia, occupies one cubic foot of space.

1.11 "Day": "Standard time for the gas day should be 9 a.m. to 9 a.m. (central clock time)." GISB 1.3.1.

1.12 "Dekatherm" shall mean 1,000,000 Btu.

1.13 "Delivery Point(s)" shall mean the point(s) on Transporter's System at which Transporter delivers Gas to Shipper or for Shipper's account. Delivery Points shall be either Primary Delivery Points, which shall be those set forth on Exhibit "B" to the Transportation Service Agreement, as amended from time to time, or Secondary Delivery Points, which shall be all other points at which Transporter is authorized to deliver Gas from Transporter's System, as identified on the master delivery point list maintained by Transporter on its Electronic Bulletin Board and as may be revised by Transporter from time to time. Capacity in excess of Shipper's Maximum Delivery Quantity entitlement at a Primary Delivery Point shall be available to Shipper on a Secondary Delivery Point basis; provided, however, that any quantities scheduled by Shipper for Transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

1.14 "Electronic Bulletin Board" or "EBB" shall mean the computer information publication system established by Transporter, as more fully described in Section 16 of the General Terms and Conditions of this Tariff.

1.15 "FERC" or "Commission" shall mean the Federal Energy Regulatory Commission or any federal commission, agency, or other governmental body or bodies succeeding to, lawfully exercising or superseding any powers which, as of the date hereof, are exercisable by the Federal Energy Regulatory Commission.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.16 "Firm Service" shall mean a class of service that receives the highest priority on Transporter's system and that is not subject to interruption as permitted in Articles IX, XIII, and XIV herein.

1.17 "Gas" or "Natural Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane. Such Gas may be either in its natural state produced from wells, including casinghead and residue Gas, or after manufacture or other methods of producing synthetic Gas. For the purpose of determining whether Gas is in conformity with the terms of this Rate Schedule, Article V herein shall apply.

1.18 "Gas Research Institute Surcharge" means the Gas Research Institute Rate Adjustment, adjusted as necessary for Transporter's pressure base and heating value, which has been approved by the most recent order of the FERC approving the Gas Research Institute's research, development and demonstration program.

1.19 "GISB" shall mean the standardized business practices that were issued by the Gas Industry Standards Board ("GISB") and adopted by the Commission. Section 21 of this Tariff lists the GISB Standards which are not included in other sections of this Tariff. Transporter will update its Tariff, as necessary, to incorporate new or amended GISB standards approved by the Commission.

1.20 "Interconnect Operator" shall mean any person or entity responsible for the operation and/or maintenance of the facilities connected with Transporter's facilities.

1.21 "Interruptible Service" shall mean any service that is not Firm Service.

1.22 "Intra Day Nomination": "An intra-day nomination is a nomination submitted after the nomination deadline whose effective time is no earlier than the beginning of the gas day and runs through the end of that gas day." GISB 1.2.4.

1.23 "Maximum Daily Quantity" (MDQ) shall mean the volume, in Mcf per Day, which Shipper has contracted with Transporter for Firm Service and which Transporter is obligated to reserve for Firm Service. MDQ shall not include fuel and lost and unaccounted for Gas furnished in kind by Shipper pursuant to Section 3.3 herein.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.33 "Thermally Equivalent" shall mean an equal number of Btu's. The determination of Thermally Equivalent volumes shall be accomplished by multiplying the unit of measurement, as provided in Section 6.2.5 herein, by the Total Heating Value adjusted to the standard conditions of the measured volumes.

1.34 "Total Heating Value" shall mean the number of Btu's liberated by the complete combustion of one Cubic Foot of Gas at a constant pressure of 14.73 dry psia and temperature of 60 degrees Fahrenheit (101.325 kPa, 15 degrees C., and dry) with air at the same pressure and temperature and with water formed by combustion condensed to the liquid state. The average Total Heating Value in any Month shall be the volume weighted average of the Total Heating Values for each Day during such Month, adjusted to reflect the actual water vapor content of the Gas delivered or received.

1.35 "Transportation" shall mean the receipt of Gas of Shipper at Receipt Point(s), and the delivery of Thermally Equivalent volumes by Transporter to Shipper or for Shipper's account (after making allowance for any requisite fuel and loss reimbursement) at Delivery Point(s).

1.36 "Transporter's System" shall mean that natural gas transmission system owned by Transporter, extending from a point of interconnection with the facilities of Northwest Pipeline Corporation (Northwest) in southwestern Wyoming to terminal points in Kern County, California, as more fully described in Transporter's application in FERC Docket No. CP89-2048 and as modified or expanded by Transporter from time to time.

1.37 "Volume" shall mean the number of units of gas, either specified in Mcf or Dth.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE II - GAS TO BE TRANSPORTED AND CHARACTER OF SERVICE

2.1 MDQ. Subject to the terms, conditions and limitations hereof, the MDQ shall be as provided for in the Transportation Service Agreement between Transporter and Shipper.

2.2 Character of Service.

2.2.1 Firm Transportation Service. Service rendered hereunder shall consist of:

(a) The receipt on any Day by Transporter for the account of Shipper of Gas up to Shipper's MDQ at the Receipt Point(s) plus the quantities for fuel use and lost and unaccounted for Gas that Shipper is obligated to provide under Article III herein;

(b) The Transportation of Gas up to Shipper's MDQ, on a Firm Service basis, through Transporter's System for the account of Shipper; and

(c) The delivery on such Day by Transporter of Gas in Thermally Equivalent quantities (less quantities of fuel use and lost and unaccounted for Gas furnished in-kind by Shipper pursuant to Section 3.3 herein) to Shipper or for the account of Shipper at the Delivery Point(s).

2.2.2 Authorized Overrun Service. In the event that Shipper requests Transportation of a quantity of Gas on any Day that is greater than its MDQ and imbalance adjustments set out in Section 4.2.1 herein, Transporter shall provide such Transportation on an interruptible basis to the extent that capacity is available, pursuant to Article XIV herein.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE III - TRANSPORTATION RATES AND CHARGES

3.1 Rate Definition. For the purposes of this Article III, the following terms shall have the following meanings:

(a) The Transportation Rate means that rate levelized for fifteen years expressed on an Dth basis determined by dividing Transporter's cost of service for Transporter's System, which includes all fixed and variable costs as allowed by the FERC from time to time to determine the rates for jurisdictional service, by a throughput equal to 95% of the FERC-certificated daily design capacity of Transporter's System multiplied by 365. The cost of service levelization methodology is more particularly set forth in Transporter's application in FERC Docket No. CP89-2048.

(b) The Monthly Reservation Rate means that rate expressed as a monthly charge per Dth based on 95% of the FERC certificated daily design capacity of Transporter's System.

(c) The Commodity Rate means that rate expressed on a per Dth basis which equals the Transportation Rate minus the result of dividing the Monthly Reservation Rate by 30.4167.

3.2 Transportation Charges. For Transportation services provided by Transporter to Shipper pursuant to the Firm Transportation Service Agreement prior to the Commencement Date, Shipper shall pay Transporter the Authorized Overrun Rate for each Mcf of Gas actually received by Transporter from Shipper, less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor described in Section 1 of the General Terms and Conditions of this Tariff ("Thermal Conversion Factor"). For transportation services provided by Transporter to Shipper pursuant to the Firm Transportation Service Agreement each Month from and after the Commencement Date, Shipper shall pay Transporter either (1) an amount equal to the sum of the amounts described in Sections 3.2.1, 3.2.2, 3.2.3, 3.2.4 and 3.2.5 below, or (2) the amount specified in Article 3.2.6.

3.2.1 Monthly Demand Charge Amount. Subject to the provisions contained in Sections 9.1 and 13.1 below, a monthly amount calculated by multiplying Shipper's MDQ, as adjusted by the Thermal Conversion Factor, by the Monthly Reservation Rate determined in accordance with the provisions of Sections 3.1 or 3.4 herein. The Monthly Reservation Rate so determined shall be reflected in Exhibit "C" to the Transportation Service Agreement, as amended from time to time. If the Commencement Date occurs on any day other than the first day of a Month, then Shipper's Monthly Demand Charge Amount shall be prorated based upon the number of Days in the period between Commencement Date and the first Day of the first Contract Year.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

3.2.2 Monthly Commodity Charge Amount. A monthly amount calculated by multiplying the Commodity Rate determined in accordance with the provisions of Sections 3.1 or 3.4 herein (such Commodity Rate to be reflected in Exhibit "C" to the Transportation Service Agreement, as amended from time to time), by each Mcf of Gas actually received by Transporter from Shipper each Day during the Billing Month for Firm Service pursuant to Section 2.2.1 herein less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor.

3.2.3 Authorized Overrun Charge Amount. An amount calculated by multiplying the Authorized Overrun Rate as specified in Exhibit "C" to the Transportation Service Agreement, as amended from time to time, by each Mcf of Gas actually received by Transporter from Shipper each Day during the Billing Month in excess of Shipper's MDQ and imbalance adjustments as set out in Section 4.2.1 herein, for Authorized Overrun Service pursuant to Section 2.2.2 herein, less fuel use and lost and unaccounted for Gas. Each such Mcf of gas received by Transporter for Authorized Overrun Service shall be adjusted by the Thermal Conversion Factor prior to determining the Authorized Overrun Charge amount under this Section 3.2.3.

3.2.4 FERC Annual Charge Adjustment Amount. An amount calculated by multiplying the FERC Annual Charge Adjustment Surcharge, if applicable, as defined in Section 1.29 herein and as specified in Exhibit "C" to the Transportation Service Agreement, as amended from time to time, by each Mcf of Gas actually received by Transporter from Shipper during the Billing Month, less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor.

3.2.5 The Gas Research Institute Surcharge. The sum of the amount obtained by multiplying (i) the Usage Rate component of the Gas Research Institute Surcharge, if applicable, as defined in Section 1.30 herein and as specified in Exhibit "C" to the Transportation Service Agreement, as amended from time to time, by (ii) each Mcf of Gas actually received by Transporter from Shipper during the Billing Month, less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor, and the amount obtained by multiplying (iii) the monthly Reservation Rate component of the Gas Research Institute Surcharge, if applicable, as specified in Exhibit C to the Transportation Service Agreement, by (iv) Shipper's MDQ as adjusted by the Thermal Conversion Factor.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

3.2.6 Negotiated Rates. Notwithstanding the foregoing provisions of this Article 3, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. The ACA surcharge pursuant to Article 3.2.4 and the GRI surcharge pursuant to Article 3.2.5 of this rate schedule, as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

3.3 Fuel Use, Lost and Unaccounted for Gas.

3.3.1 Fuel Calculation. The Transportation rates set out in Exhibit "C" to the Transportation Service Agreement are exclusive of fuel use requirements and lost and unaccounted for Gas, which shall be furnished in kind by Shipper each Month, pursuant to Section 12 of the General Terms and Conditions of this tariff.

3.3.2 Fuel and Loss Limitations. Notwithstanding anything to the contrary herein, the total quantity of Gas in Dekatherms for fuel use and lost and unaccounted for Gas each Month shall not exceed two and one half percent (2.5%) of the quantity of Gas in Dekatherms tendered by Shipper to Transporter on a monthly basis. Such percentage ceiling shall be subject to adjustment upon mutual agreement by the parties to reflect subsequent expansion of Transporter's System.

3.4 Discounted Recourse Rates. Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 5 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter will file with the FERC any required reports reflecting such adjusted rates.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

3.4 Discounted Recourse Rates. (continued)

Notwithstanding the above, if an adjusted rate was provided by contract to Shipper prior to the effective date of the Stipulation and Agreement of Settlement filed March 31, 1999 (Settlement), then commencing on the effective date of the Settlement and continuing through the term of that contract, the equivalent daily base tariff Reservation/Demand Rate as adjusted will be reduced by an amount equal to the difference between the Commodity/Usage Rate in effect immediately prior to the Settlement and the Commodity/Usage Rate under the terms of the Settlement; provided, however, that the new base Reservation/Demand Rate may not exceed the Settlement maximum base Reservation/Demand Rate and may not be less than the Settlement minimum base Reservation/Demand Rate.

3.5 Rate Filings. Transporter's rates, charges, classifications and services as set forth in the Transportation Service Agreement and this Rate Schedule are subject to regulation by the FERC under the Natural Gas Act. Transporter shall have the right to file from time to time with the FERC under Section 4 of the Natural Gas Act and to place into effect such changes in the Rate Schedule, Transportation Service Agreement, and other applicable terms of Transporter's Tariff as Transporter may find necessary from time to time to assure Transporter just and reasonable rates and charges and terms and conditions of service and Shipper shall have the right to oppose such changes. Shipper shall have the rights available to it under Section 5 of the Natural Gas Act to assure Shipper just and reasonable rates and charges and terms and conditions. Waivers of these statutory rights, if any, shall be as provided in the Transportation Service Agreement between Transporter and Shipper.

3.6 System Expansion.

3.6.1 MDQ Reduction Rights. If the FERC-certificated daily design capacity of Transporter's System is less than 775 MMCFD, then within 30 days of written notice from Transporter of a decision by Transporter to expand the capacity of Transporter's System, Shipper shall have an option to reduce its MDQ, effective on the in-service date of such expansions. Provided, however, that (i) Shipper may reduce its MDQ only to the extent that Transporter has entered into a firm transportation agreement with another Shipper for the firm capacity which Shipper wishes to release, and (ii) that Shipper's rights under this Section 3.6 are not assignable pursuant to Section 15 of the General Terms and Conditions of Transporter's Tariff.

3.6.2 Effect on Transportation Rate. Shipper shall bear no costs, including fuel, related to an expansion of Transporter's System for third parties if such expansion and allocation of the costs thereof otherwise would result in an increase in

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE III - TRANSPORTATION RATES AND CHARGES (continued)

3.6 System Expansion. (continued)

Shipper's Transportation Rate as determined pursuant to Article III. Subject to FERC approval, costs incurred as a consequence of expansion or increased capacity of Transporter's System shall be rolled in rather than treated as incremental costs for purposes of rate determination if such rolled in treatment results in a lower overall transportation rate (inclusive of fuel) to Shipper.

ARTICLE IV - OPERATING PROCEDURES

4.1 Scheduling and Dispatching.

4.1.1 Scheduling, nomination and dispatch of Shipper's gas volumes for transportation hereunder shall be governed by Sections 10.1, 13.1, 13.2 and 15.11(g) of the General Terms and Conditions of this Tariff.

4.1.2 Limitation Upon Transporter's Daily Transportation Obligation. Subject to the provisions of this Rate Schedule as to scheduling and balancing, Transporter shall not be obligated to deliver to Shipper on any Day a greater quantity of Gas, on a Thermally Equivalent basis, up to Shipper's MD., than it has received from Shipper on such Day, reduced by any requisite fuel and loss reimbursement.

4.2 Balancing of Gas.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

4.2.1 Daily Deliveries.

(a) Shipper and Transporter shall attempt to keep variances from scheduled receipts and deliveries to a minimum and shall attempt to balance any imbalances, including required fuel and lost and unaccounted for gas for the month, within 30 days.

(b) In the event Shipper fails to correct any imbalance within 60 days Transporter may assess Shipper a penalty calculated as the product of: five dollars, times either (i) the quantity, in Dekatherms, by which Shipper's takes of Gas from Transporter's System exceed Shipper's deliveries of Gas to Transporter's System less fuel and lost and unaccounted-for Gas or (ii) the quantity, in Dekatherms, by which Shipper's deliveries of Gas to Transporter's System, less fuel and lost and unaccounted-for Gas, exceed Shipper's takes of Gas from Transporter's System.

(c) Transporter shall have the right to take actions of whatever nature may be required (including suspension or reduction of service to Shipper) to correct any imbalances which threaten the operation or integrity of Transporter's System, including maintenance of service to other shippers.

(d) Transporter shall not apply the provisions of this Section 4.2.1 to Shipper in a manner less favorable than Transporter applies same or similar provisions to other shippers.

4.2.2 At End of Agreement. Transporter and Shipper agree to correct any cumulative imbalances in receipts and deliveries as soon as practicable. In the event that at the end of the term of the Transportation Service Agreement there are cumulative imbalances in receipts and deliveries, Transporter and Shipper shall correct such cumulative imbalances as soon as practicable after the end of the term of the Transportation Service Agreement, as provided in Section 7.3. All calculations of balances and imbalances and corrections under this Section 4.2.2 shall be made on a Thermally Equivalent basis.

4.2.3 Uniform Deliveries. Transporter and Shipper shall undertake to maintain receipts and deliveries on a uniform daily basis to the maximum extent practicable, subject to the provisions of this Rate Schedule as to scheduling and balancing.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

4.3 Records of Scheduled Quantities. Transporter shall keep accurate records of the quantities of Gas scheduled for Transportation and any imbalances, which records shall be made available to Shipper at its request. If Shipper's Gas is commingled with other Gas at the Receipt Point(s) or at the Delivery Point(s), the scheduling arrangements and Transporter's records shall include procedures for the allocation of the total quantity at such points. Where an allocation of volumes of Gas is to be made among more than one Shipper at the same Receipt Point, all such shippers tendering Gas at such Receipt Point shall designate a single agent who shall be responsible for making daily nominations on behalf of such shippers and advising Transporter on the allocation of Gas volumes at such Receipt Point.

4.4 Arrangements Prior to Receipt and After Delivery. It shall be Shipper's obligation to make any necessary arrangements with other parties for delivery of Gas into Transporter's System at the Receipt Point(s) and for receipt of Gas after Transportation at the Delivery Point(s). Shipper shall be obligated in such arrangements to require dispatching and operating coordination with Transporter and access to appropriate charts and records.

4.5 Operating Information and Estimates. Upon reasonable request of Transporter, Shipper shall from time to time submit its best estimates of the daily, monthly and annual volumes of Gas to be transported hereunder, including peak Day requirements, together with such other operating data as Transporter may require in order to schedule its operations. Any such best estimates provided under this Section 4.5 shall not supplant the scheduling and dispatching of volumes as provided in Section 4.1 herein.

4.6 Imbalances With Other Parties. Transporter shall not be responsible for eliminating imbalances in volumes transported that accrue between Shipper and any other party, including without limitation any volume imbalances that accrue between producers or other pipelines and Shipper.

Furthermore, Transporter shall not be obligated to adjust or deviate from its standard operating and accounting procedures in order to alleviate any such imbalances.

ARTICLE V - QUALITY

5. QUALITY

5.1 Gas Quality at Delivery Point(s): The Gas delivered by Transporter for Shipper at the Delivery Point(s):

(a) shall be merchantable Natural Gas commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with its intended purpose, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow;

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

(b) shall contain not more than seven (7) pounds/MMcf of water;

(c) shall contain no hydrocarbons in liquid form at the temperature and pressure at which the Gas is delivered at the Delivery Point;

(d) shall not exceed a hydrocarbon dewpoint in excess of fifteen degrees (15) Fahrenheit at pressures up to 800 psig;

(e) shall contain not more than 0.2% by volume of oxygen;

(f) shall contain not more than 3.0% by volume of carbon dioxide or nitrogen;

(g) shall contain not more than a combined total of 4.0% by volume of inerts, including carbon dioxide, nitrogen, oxygen and any other inert compound;

(h) shall contain not more than 0.25 grain of hydrogen sulfide per 100 Cubic Feet of Gas (the gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products);

(i) shall contain not more than 0.3 grains of mercaptan sulfur per 100 Cubic Feet of Gas;

(j) shall contain not more than 0.75 grains of total sulfur per 100 Cubic Feet of Gas;

(k) shall not contain any toxic or hazardous substance, in concentrations which, in the normal use of the Gas, results in an unacceptable risk to health, is injurious to pipeline facilities, is a limit to merchantability or contrary to applicable governmental standards;

(l) shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per Cubic Foot of Gas on a dry basis;

(m) shall have a temperature of not less than forty degrees (40) Fahrenheit, and not more than one hundred twenty degrees (120) Fahrenheit.

5.2 Gas Quality at Receipt Point(s):

Gas nominated or delivered by Shipper to Transporter at the Receipt Point(s) for Transportation shall comport with the requirements set forth in Section 5.1 herein, or be subject to rejection and non-acceptance by Transporter pursuant to Section 5.5 (with the exception of the Gas blending rights contained in Section 5.3).

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

5.3 Gas Blending Rights: Notwithstanding Section 5.2, if the Composite Gas Stream contains less than ninety-five (95)% of the maximum allowable concentrations of hydrogen sulfide (5.1(h)), mercaptan sulfur (5.1(i)), total sulfur (5.1(j)), nitrogen or carbon dioxide (5.1(f)), or total inerts (5.1(g)), then Transporter shall allow reduced restrictions on said Gas components as described below and Shipper may tender, at any Receipt Point, Gas which contains not more than:

(a) One (1) grain of hydrogen sulfide per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average hydrogen sulfide content of the Composite Gas Stream does not exceed 0.25 grain per 100 Cubic Feet of Gas; and

(b) Ten (10) grains of total sulfur per 100 Cubic Feet of Gas, provided that the volume weighted average total sulfur content of the Composite Gas Stream does not exceed 0.75 grain per 100 Cubic Feet of Gas; and

(c) Five (5) grains of mercaptan sulfur per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average mercaptan sulfur content of the Composite Gas Stream does not exceed 0.30 grain per 100 Cubic Feet of Gas; and

(d) Four percent (4.0%) by volume of carbon dioxide, subject to the condition that the volume weighted average carbon dioxide content of the Composite Gas Stream does not exceed three percent (3.0%), subject to Section 5.3(f) below; and

(e) Six percent (6.0%) by volume of nitrogen subject to the condition that the volume weighted average nitrogen content of the Composite Gas Stream shall not exceed three percent (3.0%), subject to Section 5.3(f) below; and

(f) Six percent (6.0%) by volume of inerts, subject to the condition that the volume weighted average total inerts of the Composite Gas Stream shall not exceed four percent (4.0%).

5.4 Quality Tests:

(a) Location of Tests. The quality of the Gas received and delivered by Transporter hereunder shall be determined by tests which Transporter shall cause to be made at each Receipt Point and other locations along its system.

(b) Specification for Tests. Transporter shall determine the Total Heating Value of Gas and its component analysis at least once each Month in accordance with the Gas Measurement Committee Report No. 3 prepared by the Gas Measurement Committee of the American Gas Association, dated September 1985 or any subsequent revisions (AGA-3). Such determination shall be made using either an on-line chromatograph or by chromatographic

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

analysis of a representative sample of Gas taken with a continuous flow proportional sampler. Chromatography shall be performed in accordance with Gas Processors Association (GPA) publications 2261-86 and 2286-86 or any subsequent revisions. The values of the physical constants for the Gas components shall be determined by the use of the physical constants listed in Table 5 of AGA-3. For components of the Gas not listed in said Table 5, GPA publication 2145-88 or any subsequent revision shall be used.

(c) Non-Hydrocarbon Tests. Tests shall be made to determine the total sulfur, hydrogen sulfide, mercaptans, carbon dioxide, nitrogen and oxygen content of the Gas, and the hydrocarbon dew point and water vapor content of such Gas by approved standard methods in general use in the gas industry. Tests shall be made frequently enough to assure that the Gas continuously conforms to the quality requirements.

5.5 Failure to Conform:

(a) If the Gas offered for Transportation by Shipper shall fail at any time to conform to any of the specifications set forth in Section 5.2, then Transporter shall have the right, upon written (including by telecopy) or oral notice to Shipper to be followed by written notice, to immediately refuse to accept all or any portion of such Gas.

(b) Notwithstanding the foregoing, however, in the event the provisions of Section 5.3 are in effect, the following procedures shall apply:

(i) When the calculated quality of the Composite Gas Stream approaches 90% of the allowable maximums for those Gas components whose specifications are subject to blending, then Transporter shall notify all shippers whose Gas does not conform with Section 5.1.

(ii) When the calculated quality of the Composite Gas Stream equals or exceeds 95% of the allowable maximums for those Gas components whose specifications are subject to blending, Transporter shall immediately notify all shippers whose Gas does not conform, that Transporter will commence curtailing receipt of their Gas in the following manner:

1) Transporter shall determine which Gas nominations or receipts do not conform with Section 5.1. For each Shipper, whose Gas nominations or deliveries to Transporter do not conform with Section 5.1, Transporter shall identify the quantity of the Gas component that is in excess of the limits set forth in Section 5.1, compute a total thereof for all such shippers, and calculate the percentage of said total for each such Shipper.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

2) The calculated percentage shall be used to determine the quantity of non-conforming component that each of the non-conforming shippers must eliminate from its Gas nominations and/or receipts, in order to bring said Composite Gas Stream back to within 93% of the quality specification described in Section 5.1. The required reduction of the non-conforming component, as well as the newly calculated maximum allowable concentration of the non-conforming component in Shipper's Gas deliveries to Transporter, shall be communicated to each of the non- conforming shippers.

3) Shipper shall reduce the non-conforming component to the maximum allowable concentration in 5.5(b)(ii)(2) above by either replacing nominated or existing Gas deliveries to Transporter with Gas containing less of the non-conforming component or by reducing nominations or deliveries of non-conforming Gas until, inclusive of the reductions of non-conforming components similarly required of any other non-conforming shippers, the Composite Gas Stream is again calculated not to exceed 93% of the requirements of Section 5.1 herein.

4) Should Shipper fail to take adequate corrective action to comply with Transporter's requirements, Transporter shall have the right to curtail receipts from Shipper as described in Section 5.5(a) above and it shall be relieved of its obligations hereunder to the extent of rightful suspension for the duration of such time as the Gas does not meet such specifications, provided, however, that Transporter shall not apply the provisions of this Section 5.5 to Shipper in a manner less favorable than Transporter applies the same or similar provisions to other shippers, and provided further that Transporter shall not apply the provisions of this Section 5.5 to Shipper so long as the aggregate of all Gas tendered to Transporter by Shipper at all Receipt Points complies with the quality specifications of Section 5.2 herein.

(c) Continuation of Obligation to Pay: In the event Transporter refuses to accept Gas tendered by Shipper because such Gas does not conform to the specifications set forth herein, Shipper shall within a reasonable time make a diligent effort to correct such failure by treatment or dehydration consistent with prudent operations and by means which are economically feasible in Shipper's opinion so as to deliver Gas conforming to the above specifications. Shipper shall not be relieved of its obligation to pay any Monthly Demand Charge provided for in Shipper's Transportation Service Agreement during the time such Gas does not conform to the specifications set forth herein.

(d) Transporter shall deliver to Shipper Gas which conforms to the quality specifications of Section 5.1 herein. If Transporter fails to deliver Gas which conforms to such quality specifications, then the Monthly Demand Charge Amount for

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

the Month in which such failure occurs shall be reduced by an amount calculated by multiplying each Mcf of non-conforming Gas tendered but not delivered by Transporter to Shipper by an amount equal to the applicable Monthly Reservation Rate divided by the number of days in such Month, provided however, that if during the Month of Transporter's non-conforming deliveries, Transporter receives from Shipper Gas which does not conform to the quality specifications of this Article V, all non-conforming volumes received by Transporter from Shipper during such Month shall be subtracted from the volumes of non-conforming deliveries by Transporter to Shipper before the amount of the reduction to the Monthly Demand Charge Amount is calculated.

ARTICLE VI - MEASUREMENT OF GAS

6.1 Measuring Equipment.

6.1.1 Measuring Equipment. Unless otherwise mutually agreed upon, Transporter shall install, maintain and operate at its own expense at or near each Receipt Point or Delivery Point, a measuring station properly equipped with taps, meters and other necessary measuring equipment; provided, however, that Transporter may require, at its option, that Shipper bear the expense of furnishing and installing such equipment in any instance in which Shipper requests a new or additional point of delivery or receipt for Shipper's convenience. Unless otherwise mutually agreed upon, such measuring equipment shall be of a type generally accepted in industry practice by which the volume of Gas received from and delivered to Shipper shall be measured. Where orifice meters are used, they shall be installed and operated in accordance with ANSI/API 2530, dated September 1985, and any modifications and amendments thereof acceptable to Transporter and Shipper, and applied in a practical manner. Where positive displacement meters, turbine meters, or other measuring devices are used, they shall be installed and operated in accordance with then-current American Gas Association recommendations, where available. Btu measuring equipment shall be installed by Transporter at a location or locations where the Total Heating Value of the Gas received and delivered by Transporter can be satisfactorily determined. Btu measurement may also be determined by analysis of Gas samples.

6.1.2 Monitoring Equipment. Shipper may install, maintain and operate at its own expense monitoring equipment, including check measuring equipment and electronic measuring and metering devices, provided such equipment does not interfere with the operation and use of Transporter's equipment. Transporter shall not acquire title to any such equipment installed by Shipper and shall permit Shipper to install and remove

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE VI - MEASUREMENT OF GAS (continued)

6.1.6 Correction of stated metered volumes. GISB 2.3.14: "Measurement data corrections should be processed within 6 months of the production month with a 3 month rebuttal period. This standard will not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard."

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

6.2 Measurement Procedures.

6.2.1 Metering. The Gas shall be metered by either orifice or turbine type meters, at the discretion of Transporter. When orifice meters are used, they shall be installed and maintained, and volumes shall be measured in accordance with the methods prescribed in ANSI/API 2530, dated September 1985 or any subsequent revision thereof acceptable to Transporter and Shipper. When used, orifice meters shall be operated at a nominal Beta ratio of approximately 0.5, but in no event shall the Beta ratio be less than 0.4 nor greater than 0.6. Transporter shall provide and use multiple meters when the operational range of Gas flow rates would necessitate Beta ratios outside of such limits. When turbine meters are used, they shall be installed and operated in accordance with American Gas Association Transmission Measurement Committee Report No. 7.

All meters shall be equipped with electronic flow computers, and all orifice meter tubes shall be equipped with straightening vanes. Transporter shall make available, at no expense to Shipper, access to electronic signals from all electronic measuring and metering devices installed on Transporter's system but shall not be required to install, maintain or pay for any additional facilities. If facilities are required in order to access electronic signals, they shall be installed at Shipper's expense.

6.2.2 Deviation from Ideal Gas Laws. Correction shall be made for deviation of the Gas from Boyle's Law at the pressure and temperature at which the Gas is metered. Deviation of Gas from Boyle's Law shall be computed in accordance with the American Gas Association Bulletin Number 8 and any modifications and amendments thereto applied in a practical manner.

6.2.3 Specific Gravity. The specific gravity of Gas flowing through the meters shall be determined by means of a recording gravitometer or gas chromatograph located at the delivering party's measuring station or at any other point on said party's system where there will be no commingling thereafter of Gas with that delivered to the receiving party, and the arithmetic average specific gravity each Day at such point shall be used in computing deliveries of Gas during such Day at such point.

6.2.4 Flowing Temperature. The flowing temperature of the Gas being metered shall be determined by means of a recording thermometer installed and maintained in accordance with the specifications set forth in the Gas Measurement, Report No. 3, prepared by the Gas Measurement Committee of the American Gas Association, dated September, 1985, or any subsequent revisions thereof. The arithmetical average temperature for the time that Gas is flowing shall be deemed the Gas temperature and used in computing the volumes of Gas metered during such Day at such points.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

6.2.5 Measurement. The unit of measurement for Gas received or delivered hereunder shall be an Mcf of Gas at a base temperature of 60 degrees Fahrenheit and at a base pressure of 14.73 Psia.

ARTICLE VII - TERM OF AGREEMENT

7.1 Effective Date and Term. The term of service shall be as provided for in the Transportation Service Agreement between Transporter and Shipper.

7.2 Continuation of Term. Shipper shall have the continuing option to extend the term of the Transportation Service Agreement at the same or a lower MDQ for one or more additional one-year periods by providing at least twelve months written notice prior to the commencement of each such additional period. Such notice(s) shall include any MDQ reduction. Provided, however, that no such extended term shall be effective unless Transporter and Shipper mutually agree, at least six months prior to the commencement of each such extended term, on the rates or rate mechanism to be in effect during such extended term. Transporter and Shipper shall make every reasonable effort to reach agreement on such rates. Notwithstanding the foregoing, if Shipper agrees to pay Transporter's then-existing maximum FERC authorized rate for firm transportation service, then such extended term shall be effective in accordance with Shipper's notice.

7.3 Right of First Refusal

a) At the end of the term determined in accordance with Sections 7.1 and 7.2 above, as long as such term is for a minimum of one year, Shipper may exercise a right of first refusal to continue service. To exercise such right of first refusal, Shipper must agree to match the rate or rates, up to the maximum rate or rates then applicable, and the agreement term, up to a term of five years, which a competing prospective shipper is willing to irrevocably agree to with Transporter, for all or any portion of the transportation rights then held by Shipper. If the highest bid submitted by a competing prospective Shipper is a Negotiated Rate that meets or exceeds the lowest rate Transporter is willing to accept for such service, the existing Shipper may retain its capacity by matching the bid on either a Negotiated Rate basis or a Recourse Rate basis as provided in Section 23.2(c) of the General Terms and Conditions; provided, however, that nothing herein shall obligate Transporter to render service to Shipper or to any competing prospective Shipper if such persons do not agree

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

applicable. To exercise its rights of first refusal, Shipper must agree to all other terms and conditions of service to which the competing prospective shipper is prepared to agree, or to such other terms and conditions as may be acceptable to Transporter.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE VII - TERM OF AGREEMENT (continued)

b) If Shipper chooses to exercise the foregoing right of first refusal, Shipper shall give written notice to that effect to Transporter at least one hundred twenty (120) days prior to the termination date of its Transportation Service Agreement. Transporter shall post such notice on its EBB for a minimum period of sixty (60) days and shall receive any competing offers for such transportation service only during such period.

7.4 Extension to Correct Imbalance. The term of the Transportation Service Agreement shall continue for a period of time reasonably sufficient to allow the parties to correct any cumulative imbalances in receipts and deliveries pursuant to Section 4.2.2 herein. Provided however, that Shipper shall not be subject to a Monthly Reservation Rate during such period of time.

ARTICLE VIII - INVOICING AND PAYMENT

8.1 Invoicing. When information necessary for invoicing by Transporter is in the control of Shipper, Shipper shall furnish such information to Transporter on or before the fifth (5th) Business Day of the Month following the Invoicing Month. GISB 2.3.7: "The cutoff for closing of measurement is 5 business days after business month." If information necessary for invoicing is not available in time for Transporter to render a timely statement, Transporter may use reasonable estimates and subsequently reconcile such estimates with actual information. GISB 3.3.14: "The imbalance statement should be rendered prior to or with the invoice, and the transportation invoice should be prepared on or before the 9th business day after the end of the production month. Rendered is defined as post-marked, time-stamped, and delivered to the designated site." Shipper and Transporter shall have the right to examine at reasonable times books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions hereof.

a) Disputed invoices: GISB 3.3.19: "If invoice is in dispute, pay portion not in dispute and provide documentation identifying basis for the dispute."

8.2 Payment. On or before the later of the twenty-fifth Day of each Month or 10 days after receipt of a statement by Shipper (Due Date), or the previous Business Day in the event the Due Date is a weekend or holiday, Shipper shall pay Transporter by wire transfer of immediately available funds to a depository designated by Transporter, the amount due for the Billing Month. Subject to the provisions of Section 9.1.2 and 13.1 hereof, Shipper shall make payment of that portion of the statement identified as the Monthly Demand Charge in full, irrespective of any dispute as to the invoiced amount of said Monthly Demand Charge, and Shipper shall not be entitled to any abatement or setoff against said amount, including, but not limited to, those alleged to be due by reason of any past, present or future claims or other rights of Shipper against Transporter or any other person or entity whether in connection herewith or any unrelated transaction. Nothing contained herein shall prejudice or limit Shipper's ability to withhold amounts disputed in good faith, including any amount attributable to the Monthly Demand Charge, so long as such amounts are withheld only from the Monthly Commodity Charge or other charges other than the Monthly Demand Charges invoiced or claimed by Transporter. Except as otherwise specifically provided, nothing herein shall prejudice or limit Shipper's right to dispute the propriety or amount of any statement or portion thereof received from Transporter.

8.3 Interest on Unpaid Amounts. Should Shipper fail to pay the amount of any invoice rendered by Transporter when such amount is due, interest shall accrue on the amount not paid at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such rate becomes unavailable, the rate shall be computed on the basis of the lesser of two percent (2%) above the prime rate from time to time charged by Chase Manhattan N.A. (or the succeeding bank of Chase Manhattan, N.A.), or the maximum applicable nonusurious rate of interest in the state of Texas. Such interest shall accrue on unpaid amounts, including any unpaid interest compounded daily, beginning on the Due Date of Transporter's invoice to Shipper, and shall terminate when such an invoice is paid.

8.4 Interest on Overcollections by Transporter. Should Transporter overcollect by payment of any bill by Shipper, interest shall accrue on the amount of the overcollection at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such rate becomes unavailable, the rate shall be computed on the basis of the lesser of two percent (2%) above the prime rate from time to time charged by Chase Manhattan, N.A. (or the succeeding bank of Chase

ARTICLE VIII - BILLING AND PAYMENT (continued)

Manhattan, N.A.), or the maximum applicable nonusurious rate of interest in the state of Texas. Such interest shall accrue on the amount of the overcollection, plus any unpaid interest compounded daily, beginning on the date Transporter receives the overcollected funds, and shall terminate on the date Transporter repays such funds to Shipper.

8.5 Remedies for Failure to Pay. If Shipper's failure to pay continues for 45 Days after payment is due, Transporter, in addition to any other remedy it may have, may suspend further Transportation of Gas until such amount is paid unless Shipper in good faith disputes the amount owing and pays all amounts not subject to such good faith dispute.

8.6 Late Billing. If presentation of a bill by Transporter is delayed after the due date, then the time for payment shall be extended correspondingly unless Shipper is responsible for such delay.

8.7 Adjustment of Invoicing Errors. In the event an error is discovered in any invoice rendered by Transporter, Shipper must contest such amount in writing within six (6) months from the date that the invoice was rendered, otherwise the invoice will be deemed correct. Transporter will correct any invoicing errors (after a rebuttal period of not more than three months) within thirty (30) days of the date that Shipper and Transporter agree that an invoicing error occurred.

8.8 Financial Requirements. Upon a reasonable request by Transporter, Shipper will render to Transporter complete audited financial statements of Shipper or Shipper's parent (including Shipper's ultimate parent) as contained in the respective Form 10-K's and Annual Reports of such companies. Upon request by Transporter, Shipper shall cause its parent to provide a guaranty of Shipper's financial performance hereunder. If, at any time during the term hereof, Shipper receives a written notice from Transporter that Transporter has reasonable grounds for insecurity as to Shipper's performance hereunder, describing such grounds in reasonable detail, Shipper shall, within ten Days after receipt of such notice, provide Transporter with adequate assurance of Shipper's performance hereunder. If Transporter reasonably deems Shipper's assurance of performance to be inadequate under the circumstances, Transporter may request in writing to Shipper one or more forms of security or assurance of performance that Transporter will consider adequate. In such event, Shipper agrees to provide such security or assurance in a reasonable form specified by Transporter.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE IX - FORCE MAJEURE

9.1 Force Majeure.

9.1.1 Force Majeure Provisions. Except as hereinafter provided, if either party shall fail to perform any obligation imposed upon it by the Transportation Service Agreement, and such failure shall be caused by: any acts of God; strikes; lockouts; other industrial disturbances; act of public enemies; sabotage; breakage of equipment; wars; blockades; insurrections; riots; epidemics; landslides; mudslides; lightning; earthquakes; extreme cold or freezing weather; floods; hurricanes; storms; fires; washouts; arrests and restraints of rulers and people; civil disturbances; explosions; breakage or freezing of or accident to machinery or of lines of pipe; inability to obtain pipe, materials or equipment; the orders of any court or governmental authority; any act or omission whether of the kind herein enumerated or otherwise not within the control of the party invoking this section and which by the exercise of due diligence such party could not have prevented, such failure shall be deemed not to be a breach of the obligation of such party; but such party shall use reasonable diligence to put itself in a position to carry out its obligations. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties. No such cause affecting the performance of either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any cause relieve either party from any obligation unless such party shall give notice thereof in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause.

9.1.2 Monthly Demand Charge Adjustment. Nothing in this Article IX shall relieve Shipper of payment of the Monthly Demand Charge Amount, unless and until the total number of days per occurrence of force majeure that Transporter is unable to transport gas on behalf of Shipper due to a condition(s) of force majeure, exceeds thirty (30) days. Shipper shall be relieved of payment of the Monthly Reservation Rate for all days that Transporter is unable to transport gas on behalf of Shipper due to a condition(s) of force majeure in excess of thirty (30) days per occurrence of force majeure; provided, however, that no adjustment to the Monthly Demand Charge shall be made for any interruption or curtailment of service at any Secondary Receipt Point or Secondary Delivery Point. The provisions of this Section 9.1.2 shall be superceded by any alternative force majeure provisions that are made effective pursuant to procedures agreed to by Transporter and Shipper and included in the Transportation Service Agreement executed by Transporter and Shipper.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE X - TITLE AND POSSESSION OF GAS

10.1 Possession of Gas and Responsibility. As between Transporter and Shipper, Shipper shall be deemed to be in control and possession of the Gas until it has been received by Transporter for Transportation at Receipt Point(s). Transporter shall thereupon be deemed to be in control and possession of the Gas until the Thermally Equivalent Mcf's (less any requisite fuel and loss reimbursement) shall have been delivered to Shipper at the Delivery Point(s), after which Shipper shall be deemed to be in control and possession. Shipper shall have no responsibility with respect to any Gas after it has been received by Transporter at the Receipt Point(s) on account of anything which may be done, happen or arise with respect to said Gas, until the Thermally Equivalent Mcf's (less any requisite fuel and loss reimbursement) are delivered to Shipper at the Delivery Point(s). Transporter shall have no responsibility with respect to said Gas prior to its receipt by Transporter at the Receipt Point(s), after its delivery to Shipper at the Delivery Point(s) or on account of anything which may be done, happen or arise with respect to said Gas prior to such receipt or after such delivery.

ARTICLE XI - WARRANTY OF TITLE

11.1 Warranty of Title. Transporter accepts Shipper's Gas at the Receipt Point(s) subject to the understanding that Shipper warrants that it will, at the time of delivery of Gas to Transporter for Transportation, have the right to ship all Gas so delivered to Transporter, free and clear of all liens, encumbrances and claims whatsoever, and that it will at such time of delivery have the right to deliver such Gas.

Subject to the foregoing, Transporter warrants that it will at the time of delivery of the transported Gas to Shipper at the Delivery Point(s) have the right to deliver said Gas free and clear of all liens, encumbrances and claims whatsoever that may have attached or accrued as a result of any act or omission of Transporter.

ARTICLE XII - STATUTORY REGULATION

12.1 Filing Requirement. Each party hereto shall proceed with diligence to file applications with the FERC and any other governmental authorities for any authorizations necessary to carry out their respective obligations under the Transportation Service Agreement.

12.2 Conformance with Laws. Notwithstanding any other provisions hereof, the Transportation Service Agreement and all rights and obligations arising under it are subject to all valid legislation, both State and Federal, and to all valid present and future orders, rules and regulations of duly constituted authorities, now or hereafter having jurisdiction.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE XIII - SERVICE CONDITIONS

13.1 Alterations and Repairs. When Transporter needs temporarily to curtail or interrupt service to Shipper hereunder in any portion of Transporter's System for the purpose of making necessary alterations or repairs therein, Transporter shall give Shipper as much notice as possible, but not less than 60 Days except in case of emergency. Transporter shall endeavor to arrange such curtailments or interruptions so as to inconvenience Shipper as little as possible and to continue same only for such time as is necessary. If, pursuant to this Section, Transporter curtails service to Shipper during any Contract Year by an aggregate volume which exceeds three percent (3%) of the product of Shipper's MDQ times 365, then the Monthly Demand Charge Amount, for the Month in which the aggregate curtailed volume first exceeds such 3% threshold in such Contract Year, and for each Month thereafter of such Contract Year in which a curtailment pursuant to this Section occurs, shall be reduced by an amount calculated by multiplying each Mcf of Gas curtailed by Transporter pursuant to this Section during such Month in excess of the 3% threshold described above by an amount equal to the applicable Monthly Reservation Rate divided by the number of days in such Month. Notwithstanding the foregoing, there shall be no reduction to the Monthly Demand Charge Amount for any interruption or curtailment of service at a Secondary Receipt Point or Secondary Delivery Point.

13.2 Liability of Parties. Transporter and Shipper each assume full responsibility and liability for the installation, presence, maintenance and operation of their respective properties and facilities and shall indemnify and hold harmless the other from all liability and expense on account of any and all damages, claims, or actions, including injury to and death of persons, arising from any act, accident or omission in connection with the installation, presence, maintenance and operation of properties and facilities of the indemnifying party, except to the extent, if any, that such liability or expense is caused by, or arises out of, the gross negligence or willful misconduct of the non-indemnifying party or its agents or employees. Transporter shall have no obligation to odorize gas delivered to Shipper under this agreement nor to maintain any odorant level.

ARTICLE XIV - PRIORITY OF SERVICE

14.1 Curtailment. If Transporter determines on any Day that for any reason whatsoever, including reasons of force majeure, the capacity of Transporter's System or any portion thereof is insufficient to satisfy the requirements for Transportation service as set forth in executed transportation agreements, Transporter shall curtail or interrupt receipts and deliveries.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

Subject to the balancing provisions of Section 4.2 herein such curtailment shall be limited to the portion of Transporter's System on which capacity is reduced and shall be in accordance with the priorities set forth in Section 13.3 of the General Terms and Conditions of this tariff.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE XV - RECEIPT AND DELIVERY POINTS AND PRESSURES

15.1 Receipt Point(s):

a) The Primary Receipt Point(s) at which Transporter will receive Gas from Shipper for Transportation are set forth in Exhibit "A" to the Transportation Service Agreement. Exhibit "A" also states a Maximum Receipt Quantity for each Primary Receipt Point, which shall be the maximum volume of Gas Transporter is obligated to receive for Transportation at such Primary Receipt Point on any Day. Shipper may add Primary Receipt Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Receipt Quantity entitlement at any particular Primary Receipt Point, subject to the availability of capacity; provided, however, that in the event of any such addition or increase, Shipper must concurrently relinquish an equivalent amount of its Maximum Receipt Quantity entitlement at any one or more of the Primary Receipt Points contained in its Transportation Service Agreement. Exhibit "A" shall be amended as necessary to reflect any changes in Shipper's utilization of its Primary Receipt Points. Shipper may request Primary Receipt Points additional to those on Exhibit "A" to be installed in accordance with Section 6.1.1 above and Transporter's agreement to install such additional Primary Receipt Points shall not be unreasonably withheld. In addition, Shipper may, subject to Section 13 of the General Terms and conditions of this Tariff, nominate and schedule Gas for Transportation from Secondary Receipt Points.

b) In the event Shipper releases any or all of its Transportation rights to a Replacement Shipper under Section 15 of the General Terms and Conditions of this Tariff, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Receipt Quantity entitlement at any one or more of its Primary Receipt Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Receipt Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Maximum Receipt Quantity entitlement at each such point.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

15.2 Transporter's Receipt Pressure. Shipper shall deliver, or cause to be delivered to Transporter the Gas at the Receipt Point(s) at sufficient pressures to effect delivery thereof into Transporter's System against the pressures at such point(s), but Shipper shall not be obligated to deliver or cause to be delivered such Gas to Transporter in excess of the maximum receipt pressures as stated on Exhibit "A" to the Transportation Service Agreement.

15.3 Delivery Point(s).

a) The Primary Delivery Point(s) at which Transporter will deliver Gas for Shipper's account are set forth in Exhibit "B" to the Transportation Service Agreement. Exhibit "B" also states a Maximum Delivery Quantity for each Primary Delivery Point which is the maximum volume of Gas Transporter is obligated to deliver at such Primary Delivery Point on any Day. Shipper may add Primary Delivery Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Delivery Quantity entitlement at any particular Primary Delivery Point, subject to the availability of capacity; provided, however, that in the event of any such addition or increase, Shipper must concurrently relinquish an equivalent amount of its Maximum Delivery Quantity entitlement at any one or more of the Primary Delivery Points contained in its Transportation Service Agreement. Exhibit "B" shall be amended as necessary to reflect any changes in Shipper's utilization of its Primary Delivery Points which is mutually agreed to by the parties in writing. Shipper may request Primary Delivery Point(s) additional to those on Exhibit "B" which require the installation of new facilities on Transporter's System, to be installed in accordance with Section 6.1.1 above and Transporter's agreement to install such additional Primary Delivery Point(s) shall not be unreasonably withheld. In addition, Shipper may, subject to Section 13 of the General Terms and conditions of this Tariff, nominate and schedule Gas for Transportation from Secondary Delivery Points.

b) In the event Shipper releases any or all of its Transportation rights to a Replacement Shipper under Section 15 of the General Terms and Conditions of this Tariff, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Delivery Quantity entitlement at any one or more of its Primary Delivery Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Delivery Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Maximum Delivery Quantity entitlement at each such point.

15.4 Transporter's Delivery Pressure. Gas shall be delivered by Transporter to Shipper (or for Shipper's account) at the Delivery Point(s) at such pressures as may be available at the said Delivery Point(s), but not in excess of the maximum delivery pressures as stated on Exhibit "B" to the Transportation Service Agreement.

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

ARTICLE XVI - INSPECTION OF EQUIPMENT AND RECORDS

16.1 Inspection of Equipment and Data. Notwithstanding the provisions of Article VI, each party shall have the right upon reasonable notice to the other to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least three years.

16.2 Verification of Computations. Each party shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to this Rate Schedule.

ARTICLE XVII - MISCELLANEOUS

17.1 Successors and Assigns. The Transportation Service Agreement shall be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns. No assignment or transfer by either party thereunder shall be made without written approval of the other party. Such approval shall not be unreasonably withheld. No such consent of Transporter or Shipper shall be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger or reorganization. Nothing contained herein shall prevent either party from pledging, mortgaging or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under the Transportation Service Agreement. As between the parties hereto, such assignment shall become effective on the first Day of the Month following written notice that such assignment has been effectuated. Upon request of either party, the other party shall acknowledge in writing any permitted assignment described herein and the right of any permitted assignee (including any assignee upon enforcement of any assignment made as security for indebtedness) to enforce the Transportation Service Agreement against such other party, and shall also deliver such certificates, copies of corporate documents and opinions of counsel as may be reasonably requested by such permitted assignee relating to such party, the Transportation Service Agreement and any other matters relevant thereto. Unless otherwise agreed by the parties hereto in a separate writing or pursuant to any provision of the Transportation Service Agreement that expressly allows Shipper to be relieved of its obligations thereunder in connection with an assignment, no permitted assignment shall relieve the assigning party from any of its obligations under the Transportation Service Agreement; provided however that if Shipper assigns its rights thereunder to an Eligible Assignee and otherwise complies with the foregoing provisions of this Section 17.1, then effective upon such assignment the

Shipper shall be relieved of its obligations thereunder to the extent of such assignment with respect to any period beginning on or after the date of such assignment. As used in the preceding sentence, Eligible Assignee means an entity that (i) at the time of such assignment (A) has senior unsecured long term public debt that has a rating by Standard & Poor's Corporation ("S&P") or Moody's Investors Service Inc. ("Moody's), or if such entity is not rated by such agencies, that has an imputed credit rating as determined by a mutually agreeable independent financial consultant based on the application of the standards and methods used by S&P or Moody's to rate corporate debt, that is at least as high as "A" (by S&P) and "A2" (by Moody's) and (B) is not on Credit Watch with negative implications, in the case of S&P, or under review for possible downgrade, in the case of Moody's and (ii) has unconditionally assumed the obligations of the Shipper hereunder pursuant to such instruments as may be reasonably requested by Transporter.

17.2 Notices. All notices provided for herein and in the Transportation Service Agreement shall be given in writing and addressed as follows:

If to Transporter:

Kern River Gas Transmission Company
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Fax No. (801) 584-6444
Attention: Customer Service Department

If to Shipper:

RATE SCHEDULE UP-1
Kern River Firm Transportation Services (continued)

17.3 Amendment in Writing. The Transportation Service Agreement shall be amended only by an instrument in writing executed by both parties hereto.

17.4 Waiver of Defaults. No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Rate Schedule or the Transportation Service Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

17.5 Exhibits. The exhibits to the Transportation Service Agreement are incorporated by reference as if set forth in full therein.

17.6 Limitation of Liability. No liability for any act or omission of Transporter shall be incurred by or asserted against either Kern River Acquisition Corporation, Williams Western Pipeline Company, or any person or company which is a partner in Kern River Gas Transmission Company, or any owners, subsidiaries or affiliates of the partners. Any recourse for any liability of Transporter shall be against Transporter only.

17.7 Choice of Law. The Transportation Service Agreement shall be construed according to the laws of the State of Utah, except insofar as such laws may refer to the laws of another jurisdiction for resolution of any issue arising hereunder.

17.8 Headings. The headings of the Articles and Sections herein are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

Effective Date: 08/01/1993 Status: Effective
FERC Docket: RS92- 65-003
Original Sheet Nos. 634 Through 699 Original Sheet Nos. 634 Through 699 : Superseded

ORIGINAL SHEET NOS. 634 THROUGH 699
RESERVED FOR FUTURE USE

Ninth Revised Sheet No. 700-A Ninth Revised Sheet No. 700-A : Superseded
Superseding: Eighth Revised Sheet No. 700-A

RATE SCHEDULE MO-1
Kern River Firm Transportation Services

APPLICABLE GENERAL TERMS AND CONDITIONS

Notwithstanding anything to the contrary in this Rate Schedule MO-1, the following Sections of the General Terms and Conditions of this Tariff will be applicable to service under this Rate Schedule MO-1:

Section Number	Section Title
1.1	Backhaul
1.5	Confirmation Requester
1.6	Confirming Party
1.7	Confirming Parties
1.8	Confirmation by Exception
1.13	Elapsed-Prorated-Scheduled Quantity
1.23	Negotiated Rate
1.24	Operational Balancing Agreement
1.25	Operational Flow Order
1.26	Package ID
1.31	Recourse Rate
1.33	Thermal Conversion Factor
2.1	GISB Flowing Gas Standards
5.1	GISB Invoicing Standards
10.1	General Procedure
12	Reimbursement of Fuel Used and Lost and Unaccounted-for Gas
13.1	Nomination Process
13.2	Scheduling Process
13.3	Interruption/Curtailment Procedures
15	Capacity Release Program
16	Information and Communications Regarding Transportation Services
17	Gas Research Institute Surcharge
18	Revenue Sharing
19	Discounting Policy for Rates and Charges
20	Delivery Facilities
21	GISB Electronic Delivery Mechanism and Data Dictionary Standards
22	Pooling
23	Negotiated Rates

RATE SCHEDULE MO-1
Kern River Firm Transportation Services

APPLICABLE GENERAL TERMS AND CONDITION

Notwithstanding anything to the contrary in this Rate Schedule MO-1, the following Sections of the General Terms and Conditions of this Tariff will be applicable to service under this Rate Schedule MO-1:

Section Number	Section Title
1.16	Thermal Conversion Factor
10.1	General Procedure
13.1(a)	Initial Service
13.1(b)	Change in Service
13.1(c)	Scheduling of Receipts and Deliveries
15	Release of Rights to Firm Transportation Service
16	Information and Communications Regarding Transportation Services
17	Gas Research Institute Surcharge
18	Interruptible Transportation Revenue Credits
19	Discounting Policy on Rates and Charges
20	Delivery Facilities

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

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RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS

1.1 "Authorized Overrun Charge" shall mean a charge as provided for in Section 3.2.3 herein and shall be equal to the Maximum Transportation Rate as defined in Section 3.1.1 (g); provided, however, if Transporter provides any other shipper a rate for Authorized Overrun Service for Transportation of comparable or greater distance which rate is lower than the Maximum Transportation Rate, Shipper shall be entitled to such lower rate for the same period without having to agree to any other terms associated with that rate.

1.2 "Authorized Overrun Service" shall mean a service in addition to Firm Service as set forth in Section 2.2.2 herein.

1.3 "Billing Month" shall mean that Month of service hereunder which immediately precedes the Month in which Transporter is obligated to render a bill for such service.

1.4 "Btu":"Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm2 and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry." GISB 2.3.9.

1.5 "Business Day": "Business Day is defined as Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico." GISB 3.2.1.

1.6 "Commencement Date" shall mean the first day of the seven consecutive day period during which Transporter has (i) delivered to Shipper at the Delivery Point(s) volumes of Gas Thermally Equivalent to the volume of Gas tendered in accordance with the provisions of this Rate Schedule by Shipper at the Receipt Point(s) for Transportation (up to the Shipper's MDQ) and (ii) Transporter has delivered to all shippers at all delivery points the volume of Gas tendered by all shippers at all receipt points, for Transportation for the same seven consecutive Days. In satisfying these tests, Transporter shall be permitted a cumulative variance over the seven-Day period of plus or minus 5 percent of the volumes tendered, and a daily variance of plus or minus 10 percent of the volumes tendered.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.7 "Composite Gas Stream" shall mean the composite of all Gas receipts and/or nominations from all shippers for transportation by Kern River. Composite Gas Stream shall be the theoretical gas stream that will result from the combination of all gas receipts from all shippers as determined by a computer model that utilizes analytical and flow data generated at each of the Receipt Points. The computer model determines what the Composite Gas Stream composition will be on a feed forward basis.

1.8 "Contract Year" shall mean a period of 12 consecutive Months beginning with the Month next following the Commencement Date, and each successive 12-Month period thereafter.

1.9 "Cubic Foot of Gas" shall mean the volume of Gas which, at a temperature of 60 degrees Fahrenheit and at a pressure of 14.73 Psia, occupies one cubic foot of space.

1.10 "Day" "Standard time for the gas day should be 9 a.m. to 9 a.m. (central clock time)." GISB 1.3.1.

1.11 "Dekatherm" shall mean 1,000,000 Btu.

1.12 "Delivery Point(s)" shall mean the point(s) on the Kern River System at which Transporter delivers Gas to Shipper or for Shipper's account. Delivery Points shall be either Primary Delivery Points, which shall be those set forth on Exhibit "B" to the Transportation Service Agreement, as amended from time to time, or Secondary Delivery Points, which shall be all other points at which Transporter is authorized to deliver Gas from Transporter's System, as identified on the master delivery point list maintained by Transporter on its Electronic Bulletin Board and as may be revised by Transporter from time to time. Capacity in excess of Shipper's Maximum Delivery Quantity entitlement at a Primary Delivery Point shall be available to Shipper on a Secondary Delivery Point basis; provided, however, that any quantities scheduled by Shipper for Transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.13 "Designated Site" shall mean an Internet address designated by Transporter and any service requester for the receipt or delivery of GISB standardized data sets.

1.14 "Electronic Bulletin Board" or "EBB" shall mean the computer information publication system established by Transporter, as more fully described in Section 16 of the General Terms and Conditions of this Tariff.

1.15 "FERC" or "Commission" shall mean the Federal Energy Regulatory Commission or any federal commission, agency, or other governmental body or bodies succeeding to, lawfully exercising or superseding any powers which, as of the date hereof, are exercisable by the Federal Energy Regulatory Commission.

1.16 "Firm Service" shall mean a class of service that receives the highest priority on Transporter's system and that is not subject to interruption except as permitted in Articles IX, XIII, and XIV herein. Transporter's total firm service obligations shall not exceed the design capacity of its system, nor shall Transporter's total firm service obligations at a receipt point ("maximum firm receipt volumes") or at a delivery point ("maximum firm delivery volumes") exceed the design capacity of any such facility.

1.17 "Gas" or "Natural Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane. Such Gas may be either in its natural state produced from wells, including casinghead and residue Gas, or after manufacture or other methods of producing synthetic Gas. For the purpose of determining whether Gas is in conformity with the terms of this Rate Schedule, Article V herein shall apply.

1.18 "GISB" shall mean the standardized business practices that were issued by the Gas Industry Standards Board ("GISB") and adopted by the Commission. Section 21 of this Tariff lists the GISB standards which are not included in other sections of this Tariff. Transporter will update its Tariff, as necessary, to incorporate new or amended GISB standards approved by the Commission.

1.19 "Interruptible Service" shall mean any service that is not Firm Service.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE I - DEFINITIONS (continued)

1.20 "Intra-Day Nomination": "An intra-day nomination is a nomination submitted after the nomination deadline whose effective time is no earlier than the beginning of the gas day and runs through the end of that gas day." GISB 1.2.4.

1.21 "Maximum Daily Quantity" (MDQ) shall mean the volume, in Mcf per Day, which Shipper has contracted with Transporter for Firm Service and which Transporter is obligated to reserve for Firm Service. MDQ shall not include fuel and lost and unaccounted for Gas furnished in kind by Shipper pursuant to Section 3.4 herein.

1.22 "Mcf" shall mean 1,000 cubic feet of Gas and shall be measured as set forth in Article VI herein.

1.23 "MMBtu" shall mean 1,000,000 Btu.

1.24 "Month" shall mean the period beginning at 9:00 CCT a.m. on the first day of the calendar month and ending at 9:00 CCT a.m. on the first day of the succeeding calendar month.

1.25 "Monthly Commodity Charge Amount" shall mean the amount calculated as set out in Section 3.2.2 herein.

1.26 "Monthly Reservation Charge Amount" shall mean the amount calculated as set out in Section 3.2.1 herein.

1.27 "Psia" shall mean pounds per square inch absolute.

1.28 "Psig" shall mean pounds per square inch gauge.

1.29 "Quantity" shall mean the number of units of gas, either specified in Mcf or Dth.

1.30 "Receipt Point(s)" shall mean the point(s) on the Kern River System at which Transporter receives Gas of Shipper. Receipt Points shall be either Primary Receipt Points, which shall be those set forth on Exhibit "A" to the Transportation Service Agreement, as amended from time to time, or Secondary Receipt Points, which shall be all other points at which Transporter is authorized to receive Gas into Transporter's System, as identified

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE II - GAS TO BE TRANSPORTED AND CHARACTER OF SERVICE

2.1 MDQ. Subject to the terms, conditions and limitations hereof, the MDQ shall be as provided for in the Transportation Service Agreement between Transporter and Shipper.

2.2 Character of Service.

2.2.1 Firm Service. Except as provided in Section 2.2.2 herein, service rendered under this Rate Schedule, commencing at the Start-up Date, shall be Firm Service and shall consist of:

(a) The receipt on any Day by Transporter for the account of Shipper of Gas up to Shipper's MDQ at the Receipt Point(s) plus the quantities for fuel use and lost and unaccounted for Gas that Shipper is obligated to provide under Section 3.4 herein;

(b) The Transportation of Gas up to Shipper's MDQ, on a Firm Service basis, through Transporter's pipeline system for the account of Shipper; and

(c) The delivery on such Day by Transporter of Gas in Thermally Equivalent quantities (less quantities of fuel use and lost and unaccounted for Gas furnished in-kind by Shipper pursuant to Section 3.4 herein) to Shipper or for the account of Shipper at the Delivery Point(s).

Provided, however, Shipper recognizes that Transporter may be unable to accept all or part of Shipper's nominations prior to Commencement Date.

2.2.2 Authorized Overrun Service. In the event that Shipper requests Transportation of a quantity of Gas on any Day that is greater than its MDQ and imbalance adjustments set out in Section 4.2.1 herein, Transporter shall provide such Transportation on an interruptible basis to the extent that capacity is available, pursuant to Article XIV herein.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE III - TRANSPORTATION RATES AND CHARGES

3.1 Rates.

3.1.1 Definitions. For the purposes of this Article III the following terms shall have the following meanings:

(a) The Transportation Rate means that rate expressed on a Dth basis determined by dividing Transporter's cost of service, which includes all fixed and variable costs, levelized for fifteen years by a throughput equal to 95% of the daily design capacity of the Kern River System multiplied by 365.

(b) The Monthly Reservation Rate means that rate expressed as a monthly charge per Dth based on 95% of the daily design capacity of Transporter's System.

(c) The Commodity Rate means that rate expressed on a per Dth basis which equals the Transportation Rate minus the result of dividing the Monthly Reservation Rate by 30.4167.

(d) The Construction Notification Date shall be the date prior to commencement of construction at the time when Transporter is prepared to commit to the construction of its project, that Transporter provides Shipper a revised estimate of capital costs for the Kern River System and the associated rates.

(e) The Contractual Cost Estimate shall be the sum of (i) that portion of the cost estimate provided to Shipper at Construction Notification Date which estimates the cost of the materials necessary for construction of the Kern River System multiplied by 1.03, and (ii) all costs other than materials costs actually incurred by Transporter for construction of the Kern River System.

(f) The Projected Transportation Rate, Projected Monthly Reservation Rate, and Projected Commodity Rate means those rates calculated as set forth in (a), (b), and (c) above, based on Transporter's actual fixed and variable costs as allowed by the FERC from time to time to determine rates for jurisdictional service, except that the capital cost of constructing the initial Kern River System shall be based upon the Contractual Cost Estimate. To the extent any such costs are subsequently disallowed by a lawful, FERC order, resulting in refunds to the shippers on Transporter's system, Shipper shall be entitled to a refund of its rates to reflect such lawful disallowance.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

(g) The Maximum Transportation Rate, Maximum Monthly Reservation Rate, and Maximum Commodity Rate means those rates calculated as set forth in (a), (b) and (c) above, based on Transporter's actual capital cost of constructing the Kern River System and all other fixed and variable costs as allowed by the FERC from time to time to determine the rates for jurisdictional service. To the extent any such costs are subsequently disallowed by a lawful, FERC order, resulting in refunds to the

3.1.1 Rates - Definitions. (continued)
shippers on Transporter's system, Shipper shall be entitled to a refund of its rates to reflect such lawful disallowance.

(h) FERC Annual Charge Adjustment Surcharge means the surcharge assessed and required by the FERC on Transportation of Natural Gas under Section 3401 of the Omnibus Reconciliation Act of 1986, 42 U.S.C.A. 7178 (Supp. 1987), adjusted to Transporter's pressure base and heating value.

(i) The Gas Research Institute Surcharge means the Gas Research Institute Rate Adjustment, adjusted as necessary for Transporter's pressure base and heating value, which has been approved by the most recent order of the FERC approving the Gas Research Institute's research, development and demonstration program.

3.1.2 Effective Rates. Effective on the Commencement Date the Monthly Reservation Rate shall be the Maximum Monthly Reservation Rate, and the Commodity Rate shall be the lesser of the Projected Commodity Rate or the Maximum Commodity Rate.

3.2 Charges. Shipper shall pay Transporter for transportation services pursuant to this Rate Schedule each Month from and after the Commencement Date either (1) an amount equal to the sum of the amounts described in Sections 3.2.1, 3.2.2, 3.2.3, 3.2.4 and 3.2.5 below, or (2) the amount specified in Article 3.2.6.

3.2.1 Monthly Reservation Charge Amount. A monthly amount calculated by multiplying Shipper's MDQ, as adjusted by the Thermal Conversion Factor described in Section 1 of the General Terms and Conditions of this Tariff ("Thermal Conversion Factor"), by the Monthly Reservation Rate determined in accordance with the provisions of Section 3.1 herein. The Monthly Reservation Rate so determined shall be reflected in Exhibit "C" to the Transportation Service Agreement as amended from time to time. If the Commencement Date occurs on any day other than the first day of a Month, then Shipper's Monthly Reservation Charge Amount shall be prorated based upon the number of Days in the period between Commencement Date and the first Day of the first Contract Year.

3.2.2 Monthly Commodity Charge Amount. A monthly amount calculated by multiplying the Commodity Rate determined in accordance with the provisions of Section 3.1 herein (such Commodity Rate to be reflected in Exhibit "C" to the Transportation Service Agreement as amended from time to time), by each Mcf of Gas actually received by Transporter from Shipper each Day during the Billing Month, less fuel use and lost and unaccounted for Gas, for Firm Service pursuant to Section 2.2.1 herein, as adjusted by the Thermal Conversion Factor.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

3.2.3 Authorized Overrun Charge Amount. An amount calculated by multiplying the Authorized Overrun Charge as specified in Exhibit "C" to the Transportation Service Agreement and as amended from time to time, by each Mcf of Gas actually received by Transporter from Shipper each Day during the Billing Month in excess of Shipper's MDQ and imbalance adjustments as set out in Section 4.2.1 herein, less fuel use and lost and unaccounted for Gas, for Authorized Overrun Service pursuant to Section 2.2.2 herein. Each such Mcf of gas received by Transporter for Authorized Overrun Service shall be adjusted by the Thermal Conversion Factor prior to determining the Authorized Overrun Charge amount under this Section 3.2.3.

3.2.4 Annual Charge Adjustment Amount. An amount calculated by multiplying the FERC Annual Charge Adjustment Surcharge, if applicable, as defined in Section 3.1.1(h) herein, as specified in Exhibit "C" to the Transportation Service Agreement and as amended from time to time, by each Mcf of Gas actually received by Transporter from Shipper during the Billing Month, less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor.

3.2.5 Gas Research Institute Rate Adjustment Amount. The sum of the amount obtained by multiplying (i) the Usage Rate component of the Gas Research Institute Surcharge, if applicable, as defined in Section 3.1.1(i) herein, as specified in Exhibit "C" to the Transportation Service Agreement and as amended from time to time, by (ii) each Mcf of Gas actually received by Transporter from Shipper during the Billing Month, less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor, and the amount obtained by multiplying (iii) the monthly Reservation Rate component of the Gas Research Institute Surcharge, if applicable, as specified in Exhibit C to the Transportation Service Agreement, by (iv) Shipper's MDQ, as adjusted by the Thermal Conversion Factor.

3.2.6 Negotiated Rates: Notwithstanding the foregoing provisions of this Article 3, Transporter and Shipper may mutually agree to Negotiated Rates for service hereunder as provided in Section 23 of the General Terms and Conditions. ACA surcharges pursuant to Article 3.2.4 and the GRI surcharge pursuant to Article 3.2.5 of this rate schedule, as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions will be applied to Shippers paying Negotiated Rates in the same manner as they are applied to Shippers paying Recourse Rates.

3.3. Prior to the Commencement Date. Prior to the Commencement Date, as defined in Section 1.5 herein, Shipper shall pay Transporter for Transportation pursuant to this Rate Schedule an amount equal to the sum of (a), (b) and (c) below:

(a) An amount calculated by multiplying the lesser of the Projected Transportation Rate or the Maximum Transportation Rate by each Mcf of Gas actually received by Transporter from Shipper each Day, less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor. Provided, however, if Commencement Date has not occurred by 60 Days after Start-Up Date, then Shipper shall, after such 60-Day period and prior to Commencement Date, pay an amount calculated by multiplying the Maximum Commodity Rate by each Mcf of Gas actually received by Transporter from Shipper each Day, less fuel use and lost and unaccounted for Gas, as adjusted by the Thermal Conversion Factor.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

(b) The Annual Charge Adjustment Amount as described in Section 3.2.4 herein.

(c) The Gas Research Institute Rate Adjustment Amount as described in Section 3.2.5 herein.

3.4 Fuel Use, Lost and Unaccounted for Gas.

3.4.1 Fuel Calculation. The Transportation rates set out in Exhibit "C" to the Transportation Service Agreement are exclusive of fuel use requirements and lost and unaccounted for Gas, which shall be furnished in kind by Shipper each Month, pursuant to Section 12 of the General Terms and Conditions of this tariff. Transporter shall make every reasonable effort to operate in a prudent manner and to conserve and keep to the optimum level the quantity of Gas used for compressor station fuel. Shipper shall only be required to provide fuel as provided in this Section 3.4.1 to support normal operations. Shipper shall not be required to provide fuel for start-up, testing, line pack or other non-operational purposes.

3.4.2 Loss Limitations. The total quantity of Gas in Dekatherms for lost and unaccounted for Gas shall not exceed one percent (1%) of the quantity of Gas in Dekatherms tendered by Shipper to Transporter on a cumulative basis.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

3.5 Discounted Recourse Rates: Transporter reserves the right to discount at any time the Recourse Rates for any individual Shipper under any service agreement without discounting any other Recourse Rates for that or any other Shipper; provided, however, that such discounted Recourse Rates will not be less than any applicable Minimum Rates set forth on Sheet No. 5 of Transporter's effective tariff, or any superseding tariff. Such discounted Recourse Rates may apply to specific volumes of Gas (such as volumes above or below a certain level or all volumes if volumes exceed a certain level), volumes of Gas transported during specific time periods, and volumes of Gas transported from specific receipt points and/or to specific delivery points, or within other defined geographical areas. If Transporter discounts any Recourse Rates to any Shipper, Transporter will file with the FERC any required reports reflecting such adjusted rates.

Notwithstanding the above, if an adjusted rate was provided by contract to Shipper prior to the effective date of the Stipulation and Agreement of Settlement filed March 31, 1999 (Settlement), then commencing on the effective date of the Settlement and continuing through the term of that contract, the equivalent daily base tariff Reservation/Demand Rate as adjusted will be reduced by an amount equal to the difference between the Commodity/Usage Rate in effect immediately prior to the Settlement and the Commodity/Usage Rate under the terms of the Settlement; provided, however, that the new base Reservation/Demand Rate may not exceed the Settlement maximum base Reservation/Demand Rate and may not be less than the Settlement minimum base Reservation/Demand Rate.

3.6 Cost of Leases. If Transporter enters into any lease agreements for the use of third party facilities, Shipper will not make any payments (if any) for such leases, except to the extent that the cost of any such lease is reflected in Shipper's rate for transportation service hereunder.

3.7 State of Wyoming Financing. Notwithstanding Section 3.1 herein, debt service costs associated with financing by the state of Wyoming will be passed on to Shipper on a basis that is consistent with the terms and conditions of the final loan agreement between

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

Transporter and the State of Wyoming, which loan agreement shall be subject to approval by Shipper.

3.8 System Expansions and/or Extensions. If Transporter expands or extends its pipeline system and if Transporter has available capacity on this expansion or extension and if Shipper desires to contract for such capacity, Shipper and Transporter will negotiate suitable terms and conditions, including rates, for such capacity.

3.9 Third Party Expansion. Shipper shall bear no costs whatsoever, including fuel, related to the incremental expansion on behalf of parties other than Shipper of the Kern River System above the System's initial capacity, unless such incremental expansion, the allocation of costs thereof, associated fuel requirements, and lost and unaccounted for Gas results in a decrease in Shipper's unit cost per MCF of Gas. Such unit cost shall include the Transportation Rate and the market value of Gas at Shipper's Receipt Point(s) used for fuel to compress that unit of Gas and for lost and unaccounted for Gas.

3.10 Shipper's Rate Option. Shipper shall have the option to pay for transportation service hereunder a rate higher than that which would otherwise be in effect pursuant to this Article III.

ARTICLE IV - OPERATING PROCEDURES

4.1 Scheduling and Dispatching.

4.1.1 Scheduling, nomination and dispatch of Shipper's gas volumes for transportation hereunder shall be governed by Sections 10.1, 13.1 and 15.11(g) of the General Terms and Conditions of this tariff.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

4.1.2 Limitation Upon Transporter's Daily Transportation Obligation. Subject to the provisions of this Rate Schedule as to scheduling and balancing, Transporter shall not be obligated to deliver to Shipper on any Day a greater quantity of Gas, on a Thermally Equivalent basis, up to Shipper's MDQ, than it has received from Shipper on such Day, reduced by any requisite fuel and loss reimbursement.

4.2 Balancing of Gas.

4.2.1 Daily Deliveries. It is recognized that receipts by Transporter from Shipper and deliveries by Transporter to Shipper may vary above or below the quantities scheduled on any Day due to operating conditions affecting Shipper or Transporter. Shipper and Transporter shall use every reasonable effort to minimize departures from scheduled receipts and deliveries and to correct any cumulative imbalances in receipts and deliveries as soon as practicable. In any event, Transporter and Shipper shall eliminate any cumulative imbalances at least once every 60 Days by adjusting delivery and receipt volumes. Transporter shall provide to Shipper the status of Shipper's imbalance account at least monthly. Transporter shall have the right to suspend or reduce service to Shipper to correct critical imbalances caused by or contributed to by Shipper which threaten the operation or integrity of its system including, without limitation, maintenance of service to other shippers. Transporter will give reasonable notice to Shipper of any such impending critical imbalance situation, however, in the event of any emergency such notice shall not be required. Transporter shall not be responsible

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

for eliminating any imbalances between Shipper and any third party. Furthermore, Transporter shall not be obligated to adjust or deviate from its standard operating and accounting procedures in order to alleviate any such imbalances.

4.2.2 At End of Agreement. In the event that at the end of the term of the Transportation Service Agreement there are cumulative imbalances in receipts and deliveries, Transporter and Shipper shall correct such cumulative imbalances as soon as practicable after the end of the term of the Transportation Service Agreement. All calculations of balances and imbalances and corrections under this Section 4.2.2 shall be made on a Thermally Equivalent basis.

4.2.3 Uniform Deliveries. Transporter and Shipper undertake to maintain receipts and deliveries on a uniform daily basis to the maximum extent practicable, subject to the provisions of this Rate Schedule as to scheduling and balancing.

4.3 Records of Scheduled Quantities. Transporter shall keep accurate records of the quantities of Gas scheduled for Transportation and any imbalances, which records shall be made available to Shipper at its request.

If Shipper's Gas is commingled with other Gas at a Delivery Point, the scheduling arrangements and Transporter's records shall include procedures acceptable to Shipper providing for the allocation of the total volumes at such Delivery Point.
If Shipper's Gas is commingled with other Gas at a Receipt Point. Shipper and Transporter shall use every reasonable effort to have all such shippers tendering Gas at such Receipt Point designate a single agent who shall be responsible for making daily nominations on behalf of such shippers and advising Transporter on the allocation of Gas volumes at such Receipt Point. Transporter will accept corrections to such allocations for a period of no greater than 60 Days after the Billing Month; and thereafter the allocations shall be deemed final for purposes of billing, payment and balancing.

4.4 Arrangements Prior to Receipt and After Delivery. It shall be Shipper's obligation to make any necessary arrangements with other parties for delivery of Gas into Transporter's system at the Receipt Point(s) and for receipt of Gas after Transportation at the Delivery Point(s). Shipper shall be obligated in such arrangements to require dispatching and operating coordination with Transporter and access to appropriate charts and records. Such arrangements shall be mutually satisfactory to Transporter and Shipper.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

4.5 Operating Information and Estimates. Upon reasonable request of Transporter, Shipper shall from time to time submit its best estimates of the daily, monthly and annual volumes of Gas to be transported hereunder, including peak Day requirements together with such other operating data as Transporter may require in order to schedule its operations. Any such best estimates provided under this Section 4.5 shall not supplant the scheduling and dispatching of volumes as provided in Section 4.1 herein. Upon reasonable request of Shipper, Transporter shall from time to time submit its best estimates of the daily, monthly and annual volumes of Gas to be transported hereunder, including peak Day requirements.

ARTICLE V - QUALITY OF GAS

5.1 Gas Quality at Delivery Point(s): The Gas delivered by Transporter for Shipper at the Delivery Point(s):

(a) shall be merchantable Natural Gas commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with its intended purpose, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow;

(b) shall contain not more than seven (7) pounds/MMcf of water at standard temperature and pressure;

(c) shall contain no hydrocarbons in liquid form at the temperature and pressure at which the Gas is delivered at the Delivery Point;

(d) shall not exceed a hydrocarbon dewpoint in excess of fifteen degrees (15) Fahrenheit at pressures up to 800 psig;

(e) shall contain not more than 0.2% by volume of oxygen;

(f) shall contain not more than 3.0% by volume of carbon dioxide or nitrogen;

(g) shall contain not more than a combined total of 4.0% by volume of inerts, including carbon dioxide, nitrogen, oxygen and any other inert compound;

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

(h) shall contain not more than 0.25 grain of hydrogen sulfide per 100 Cubic Feet of Gas (the gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products);

(i) shall contain not more than 0.3 grains of mercaptan sulfur per 100 Cubic Feet of Gas;

(j) shall contain not more than 0.75 grains of total sulfur per 100 Cubic Feet of Gas;

(k) shall not contain any toxic or hazardous substance, in concentrations which, in the normal use of the Gas, results in an unacceptable risk to health, is injurious to pipeline facilities, is a limit to merchantability or contrary to applicable governmental standards;

(l) shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per Cubic Foot of Gas on a dry basis;

(m) shall have a temperature of not less than forty degrees (40) Fahrenheit, and not more than one hundred twenty degrees (120) Fahrenheit.

5.2 Gas Quality at Receipt Point(s):
Gas nominated or delivered by Shipper to Transporter at the Receipt Point(s) for Transportation shall comport with the requirements set forth in Section 5.1 herein, or be subject to rejection and non-acceptance by Transporter pursuant to Section 5.5 (with the exception of the following Gas blending rights).

5.3 Gas Blending Rights: Notwithstanding Section 5.2, if the Composite Gas Stream contains less than ninety-five (95)% of the maximum allowable concentrations of hydrogen sulfide (5.1(h)), mercaptan sulfur (5.1(i)), total sulfur (5.1(j)), nitrogen or carbon dioxide (5.1(f)), or total inerts (5.1(g)), then Transporter shall allow reduced restrictions on said Gas components as described below and Shipper may tender, at any Receipt Point, Gas which contains not more than:

(a) One (1) grain of hydrogen sulfide per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average hydrogen sulfide content of the Composite Gas Stream does not exceed 0.25 grain per 100 Cubic Feet of Gas; and

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

(b) Ten (10) grains of total sulfur per 100 Cubic Feet of Gas, provided that the volume weighted average total sulfur content of the Composite Gas Stream does not exceed 0.75 grain per 100 Cubic Feet of Gas; and

(c) Five (5) grains of mercaptan sulfur per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average mercaptan sulfur content of the Composite Gas Stream does not exceed 0.30 grain per 100 Cubic Feet of Gas; and

(d) Four percent (4.0%) by volume of carbon dioxide per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average carbon dioxide content of the Composite Gas Stream does not exceed three percent (3%), subject to Section 5.3(f) below; and

(e) Six percent (6.0%) by volume of nitrogen per 100 cubic feet of Gas, subject to the condition that the volume weighted average nitrogen content of the Composite Gas Stream does not exceed three percent (3.0%), subject to Section 5.3(f) below; and

(f) Six percent (6.0%) by volume of inerts, subject to the condition that the volume weighted average total inerts of the Composite Gas Stream shall not exceed four percent (4.0%).

5.4 Quality Tests:

(a) Location of Tests. The quality of the Gas received and delivered by Transporter hereunder shall be determined by tests which Transporter shall cause to be made at each Receipt and Delivery Point and other locations along its system.

(b) Specification for Tests. Transporter shall determine the Total Heating Value of Gas and its component analysis at least once each Month in accordance with the Gas Measurement Committee Report No. 3 prepared by the Gas Measurement Committee of the American Gas Association, dated September 1985 or any subsequent revisions (AGA-3). Such determination shall be made using either an on-line chromatograph or by chromatographic analysis of a representative sample of Gas taken with a continuous flow proportional sampler. Chromatography shall be performed in accordance with Gas Processors Association (GPA) publications 2261-86 and 2286-86 or any subsequent revisions. The values of the physical constants for the Gas components shall be determined by the use

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Kern River Firm Transportation Services (continued)

of the physical constants listed in Table 5 of AGA-3. For components of the Gas not listed in said Table 5, GPA publication 2145-88 or any subsequent revision shall be used.

(c) Non-Hydrocarbon Tests. Tests shall be made to determine the total sulfur, hydrogen sulfide, mercaptans, carbon dioxide, nitrogen and oxygen content of the Gas, and the hydrocarbon dew point and water vapor content of such Gas by approved standard methods in general use in the gas industry. Tests shall be made frequently enough to assure that the Gas continuously conforms to the quality requirements.

5.5 Failure to Conform:

(a) If the Gas offered for Transportation by Shipper shall fail at any time to conform to any of the specifications set forth in Section 5.2, then Transporter shall have the right, upon written (including by telecopy) or oral notice to Shipper, to immediately refuse to accept all or any portion of such Gas.

(b) Notwithstanding the foregoing, however, in the event the provisions of Section 5.3 are in effect, the following procedures shall apply:

(i) When the calculated quality of the Composite Gas Stream approaches 90% of the allowable maximums for those Gas components whose specifications are subject to blending, then Transporter shall notify all shippers whose Gas does not conform with Section 5.1.

(ii) When the calculated quality of the Composite Gas Stream equals or exceeds 95% of the allowable maximums for those Gas components whose specifications are subject to blending, Transporter shall immediately notify all shippers whose Gas does not conform, that Transporter will commence curtailing receipt of their Gas in the following manner:

1) Transporter shall determine which Gas nominations or receipts do not conform with Section 5.1. For each Shipper, whose Gas nominations or deliveries to Transporter do not conform with Section 5.1, Transporter shall identify the quantity of the Gas component that is in excess of the limits set forth in

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

Section 5.1, compute a total thereof for all shippers, and calculate the percentage of said total for each Shipper.

2) The calculated percentage shall be used to determine the quantity of non-conforming component that each of the non-conforming shippers must eliminate from its Gas nominations and/or receipts, in order to bring said Composite Gas Stream back to within 93% of the quality specification described in Section 5.1. The required reduction of the non-conforming component, as well as the newly calculated maximum allowable concentration of the non-conforming component in Shipper's Gas deliveries to Transporter, shall be communicated to each of the non- conforming shippers.

3) Shipper may reduce the non-conforming component to the maximum allowable concentration in 5.5(b)(ii)(2) above by either replacing nominated or existing Gas deliveries to Transporter with Gas containing less of the non-conforming component, or by reducing nominations or deliveries of non-conforming Gas until, inclusive of the reductions of non-conforming components similarly required of any other non-conforming shippers, the Composite Gas Stream is again calculated not to exceed 93% of the requirements of Section 5.1 herein.

4) Should Shipper fail to take adequate corrective action to comply with Transporter's requirements, Transporter shall have the right to curtail receipts from Shipper as described in Section 5.5(a) above.

(c) Continuation of Obligation to Pay: In the event Transporter refuses to accept Gas tendered by Shipper because such Gas does not conform to the specifications set forth herein, Shipper shall not be relieved of its obligation to pay any Reservation Charge provided for in Shipper's Transportation Service Agreement.

5.6 Processing Rights:
All products removed from the Gas prior to receipt by Transporter shall remain the property of Shipper. All liquids or liquefiable hydrocarbons recovered by Transporter, after receipt of Gas hereunder by Transporter and prior to delivery of Gas by Transporter to Shipper, shall be and remain the exclusive property of Transporter.

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Kern River Firm Transportation Services (continued)

ARTICLE VI - MEASUREMENT OF GAS

6.1 Measuring Equipment.

6.1.1 Measuring Equipment. Unless otherwise mutually agreed upon, Transporter shall install, maintain and operate at its own expense at or near each Receipt or Delivery Point, a measuring station properly equipped with meters and other necessary measuring equipment; provided, however, that Transporter may require, at its option, that Shipper bear the expense of furnishing and installing such equipment in any instance in which Shipper requests a new or additional Delivery Point or Receipt Point for Shipper's convenience. Unless otherwise mutually agreed upon, such measuring equipment shall be of a type generally accepted in industry practice by which the volume of Gas received from and delivered to Shipper shall be measured. Btu measuring equipment shall be installed by Transporter at a location or locations where the Total Heating Value of the Gas received and delivered by Transporter can be satisfactorily determined. Btu measurement may also be determined by Gas samples.

6.1.2 Monitoring Equipment. Shipper may install, maintain and operate at its own expense monitoring equipment, including check measuring equipment and electronic measuring and metering devices, provided such equipment does not interfere with the operation and use of Transporter's equipment. Transporter shall not acquire title to any such equipment installed by Shipper and shall permit Shipper to install and remove such equipment without interference upon reasonable notice to Transporter by Shipper. However, measurement of Gas for purposes of this Rate Schedule and the Transportation Service Agreement shall be done by means of the measuring equipment installed pursuant to Section 6.1.1 herein.

6.1.3 Testing Meter Equipment. The accuracy of Transporter's measuring equipment shall be verified by test at intervals at most of 30 Days, and at other times upon request of Shipper. Notice of the time and nature of each test shall be given by Transporter to permit convenient arrangement for the presence of the representative of Shipper. If, after notice, Shipper fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be

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Kern River Firm Transportation Services (continued)

6.1.6 Correction of Stated Metered Volumes. GISB 2.3.14: "Measurement data corrections will be processed within six (6) months of the production month with a three (3) month rebuttal period. This standard will not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard."

6.2 Measurement Procedures.

6.2.1 Metering. The Gas shall be metered by either orifice or turbine type meters, at the discretion of Transporter. When orifice meters are used, they shall be installed and maintained, and volumes shall be

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

measured in accordance with the methods prescribed in ANSI/API 2530, dated September 1985 or any subsequent revision thereof acceptable to Transporter and Shipper. When used, orifice meters shall be operated at a nominal Beta ratio of 0.5, but in no event shall the Beta ratio be less than 0.4 nor greater than 0.6. Transporter shall provide and use multiple meters when the operational range of Gas flow rates would necessitate Beta ratios outside of such limits. Where positive displacement meters, turbine meters, or other measuring devices are used, they shall be installed and operated in accordance with then-current American Gas Association recommendations, where available.

All meters shall be equipped with electronic flow computers, and all orifice meters shall be equipped with straightening vanes. Transporter shall make available, at no expense to Shipper, access to electronic signals from all electronic measuring and metering devices installed on Transporter's system but shall not be required to install, maintain or pay for any additional facilities. If facilities are required in order to access electric signals it shall be at Shipper's expense.

6.2.2 Deviation from Ideal Gas Laws. Correction shall be made for deviation of the Gas from Boyle's Law at the pressure and temperature at which the Gas is metered. Deviation of Gas from Boyle's Law shall be computed in accordance with the American Gas Association Bulletin Number 8 and any modifications and amendments thereto applied in a practical manner.

6.2.3 Specific Gravity. The specific gravity of Gas flowing through the meters shall be determined by means of a recording gravitometer or gas chromatograph located at the delivering party's measuring station or at any other point on said party's system where there will be no commingling thereafter of Gas with that delivered to the receiving party, and the arithmetic average specific gravity each Day at such point shall be used in computing deliveries of Gas during such Day at such point.

6.2.4 Flowing Temperature. The flowing temperature of the Gas being metered shall be determined by means of a recording thermometer installed and maintained in accordance with the specifications set forth in Gas Measurement Committee Report No. 3, prepared by the Gas Measurement Committee of the American Gas Association, dated September, 1985, or any subsequent revisions

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

thereof. The arithmetical average of readings each Day for the time that Gas is flowing shall be deemed the Gas temperature and used in computing the volumes of Gas metered during such Day.

6.2.5 Measurement. The volumetric unit of measurement for Gas received or delivered hereunder shall be an Mcf of Gas at a base temperature of 60 degrees Fahrenheit and at a base pressure of 14.73 Psia.

ARTICLE VIII - TERM OF AGREEMENT

7.1 Effective Date and Term. The term of service shall be as provided for in the Transportation Service Agreement between Transporter and Shipper.

7.2 Continuation of Term. Shipper shall have the continuing option to extend the term of the Transportation Service Agreement for one or more additional twelve-month periods by providing at least twelve months written notice prior to the commencement of each such additional period; provided, however, that no such extended term shall be effective unless Transporter and Shipper mutually agree, at least six months prior to the commencement of each such extended term, on the rates or rate mechanism to be in effect during such extended term. Transporter and Shipper shall make every reasonable effort to reach agreement on such rates. If Shipper agrees to pay Transporter's then existing maximum rate for Firm Service, then such extended term shall be effective in accordance with Shipper's notice.

7.3 Right of First Refusal

a) At the end of the term determined in accordance with Sections 7.1 and 7.2 above, as long as such term is for a minimum of one year, Shipper may exercise a right of first refusal to continue service. To exercise such right of first refusal, Shipper must agree to match the rate or rates, up to the maximum rate or rates then applicable, and the agreement term, up to a term of five years, which a competing prospective shipper is willing to irrevocably agree to with Transporter, for all or any portion of the transportation rights then held by Shipper. If the highest bid submitted by a competing prospective Shipper is a Negotiated Rate that meets or exceeds the lowest rate Transporter is willing to accept for such service, the existing Shipper may retain its capacity by matching the bid on either a Negotiated Rate basis or a Recourse Rate basis as provided in Section 23.2(c) of the General Terms and Conditions; provided, however, that nothing

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

herein shall obligate Transporter to render service to Shipper or to any competing prospective shipper if such persons do not agree to pay the maximum rates then applicable. To exercise its rights of first refusal, Shipper must agree to all other terms and conditions of service to which the competing prospective shipper is prepared to agree, or to such other terms and conditions as may be acceptable to Transporter.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

(b) If Shipper chooses to exercise the foregoing right of first refusal, Shipper shall give written notice to that effect to Transporter at least one hundred twenty (120) days prior to the termination date of its Transportation Service Agreement. Transporter shall post such notice on its EBB for a minimum period of sixty (60) days and shall receive any competing offers for such transportation service only during such period.

7.4 Extension to Correct Imbalance. The term of the Transportation Service Agreement shall continue for a period of time reasonably sufficient to allow the parties to correct any cumulative imbalances in receipts and deliveries pursuant to Section 4.2.2 herein.

ARTICLE VIII - INVOICING AND PAYMENT

8.1 Invoicing. When information necessary for invoicing by Transporter is in the control of Shipper, Shipper shall furnish such information to Transporter on or before the fifth (5th) Business Day of the Month following the Invoicing Month. GISB 2.3.7: "The cutoff for closing of measurement is 5 Business Days after business month." If information necessary for invoicing is not available in time for Transporter to render a timely statement, Transporter may use reasonable estimates and subsequently reconcile such estimates with actual information. GISB 3.3.14: "The imbalance statement should be rendered prior to or with the invoice, and the transportation invoice should be prepared on or before the 9th business day after the end of the production month. Rendered is defined as postmarked, time-stamped, and delivered to the designated site." Shipper and Transporter shall have the right to examine, at reasonable times, books, the records and charts of the other to the extent necessary to verify the accuracy of any invoice, charge or computation made under or pursuant to any of the provisions hereof.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

8.2 Payment. On or before the twenty-fifth Day of each Month, or the previous business Day in the event the twenty-fifth Day is a weekend or holiday, Shipper shall pay Transporter by wire transfer of immediately available funds to a depository designated by Transporter, the amount due for the Billing Month.

8.3 Interest on Unpaid Amounts. Should Shipper fail to pay the amount of any bill rendered by Transporter when such amount is due, interest shall accrue on the amount not paid at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such rate becomes unavailable, the rate shall be computed on the basis of the lesser of two percent (2%) above the prime rate from time to time charged by Chase Manhattan N.A. (or the succeeding bank of Chase Manhattan, N.A.), or the maximum applicable nonusurious rate of interest in the State of Texas.

Such interest shall accrue on unpaid amounts, including any unpaid interest compounded quarterly, beginning on the payment due date of Transporter's invoice to Shipper, and shall terminate when such an invoice is paid.

8.4 Interest on Overcollections by Transporter. Should Transporter overcollect by payment of any bill by Shipper, interest shall accrue on the amount of the overcollection at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such rate becomes unavailable, the rate shall be computed on the basis of the lesser of two percent (2%) above the prime rate from time to time charged by Chase Manhattan, N.A. (or the succeeding bank of Chase Manhattan, N.A.), or the maximum applicable nonusurious rate of interest in the State of Texas. Such interest shall accrue on the amount of the overcollection, plus any unpaid interest compounded quarterly, beginning on the date Transporter receives the overcollected funds, and shall terminate on the date Transporter repays such funds to Shipper.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

8.5 Remedies for Failure to Pay. If Shipper's failure to pay continues for 30 Days after payment is due, Transporter may discontinue transportation service; provided, however, that Transporter shall provide Shipper with a minimum of 15 Days notice before service is discontinued and shall report such discontinuance of service to the FERC. Transporter shall not be entitled to suspend further delivery of Gas if Shipper in good faith shall dispute the amount of any such bill or part thereof and shall pay to Transporter such amounts as it concedes to be correct.

8.6 Late Billing. If presentation of a bill by Transporter is delayed after the due date, then the time for payment shall be extended correspondingly unless Shipper is responsible for such delay.

8.7 Disputed Invoices. GISB 3.3.19: "If invoice is in dispute, the Shipper shall pay portion not in dispute and provide documentation identifying basis for dispute."

8.8 Adjustment of Invoicing Errors. In the event an error is discovered in the amount billed in any invoice rendered by Transporter, such error shall be adjusted within 30 days of the determination thereof, provided that claim therefor shall have been made within six (6) months from the date of such invoice.

8.9 Financial Requirements. As a necessary condition for entering into the Transportation Service Agreement, Transporter requires a corporate guarantee satisfactory to Transporter of Shipper's obligations under the Transportation Service Agreement from a creditworthy affiliate of Shipper. It is understood and agreed that Transporter is not required to commence service or continue to perform service under the Transportation Service Agreement if Shipper, or, if applicable, its parent, in its role as guarantor, fails to demonstrate creditworthiness as reasonably determined by Transporter.

If Transporter hereafter reasonably determines that Shipper or its guarantor is not creditworthy, Transporter may require Shipper to deposit with Transporter, and maintain on prepaid account, or to establish and maintain an escrow account, or to furnish a letter of credit from a financial institution mutually agreeable to Transporter and Shipper, in an amount equal to Transporter's estimate of three (3) months of the charges for performing Transportation service at the level of Shipper's Maximum Daily Quantity, or to furnish within 15 days of notice, good and sufficient security in a form mutually agreed to by Transporter and Shipper, of a continuing nature and in an amount equal to Transporter's estimate of the charges for performing said transportation service at a level of Shipper's Maximum Daily Quantity for a period of three (3) months, or as Shipper and Transporter mutually agree provides equivalent credit support.

If a deposit is required of Shipper then upon Shipper's establishment of an acceptable credit record or upon expiration of the Transportation Service Agreement, Transporter shall refund Shipper's deposit, with interest accrued at rates set pursuant to 18 CFR Section 154.501(d)(1).

ARTICLE IX - FORCE MAJEURE

9.1 Force Majeure. In the event of either party's being rendered, wholly or in part by force majeure, unable to carry out its obligations under the Transportation Service Agreement, it is agreed that when such party gives notice and full particulars of such force majeure, in writing, by electronic mail or by telephone, to the other party, which shall be done as soon as practicable after the occurrence of the event of force majeure relied on, then the obligations of the parties hereto so far as such obligations are affected by such force majeure shall be suspended during the continuance of any period of force majeure, but for no longer period, and such inability to perform shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall include, but shall not be limited to blockades, insurrections, riots, epidemics, floods, washouts, landslides, mudslides, earthquakes, extreme cold or freezing weather, lightning, restraints of rulers and peoples, civil disturbances, explosions, breakage or freezing of or accident to machinery or line of pipe, the 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

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

shall not be considered a matter within the control of the party claiming suspension. Such causes or contingencies affecting the performance under the Transportation Service Agreement by either Transporter or Shipper, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve either party from its obligations to make payments of amounts then due in respect of Gas theretofore delivered.

Nothing in this Article IX shall relieve Shipper of payment of the Monthly Reservation Charge Amount; provided, however, that if Transporter fails to accept 90% of the volumes nominated by Shipper within MDQ at the Receipt Point(s), or fails to deliver volumes at the Delivery Point(s) Thermally Equivalent to 90% of the volumes received by Transporter at the Receipt Point(s), for a period of 90 days as a result of force majeure, Shipper's obligation to pay the Monthly Reservation Charge Amount shall be suspended following such 90-Day period until the termination of such period of force majeure. Notwithstanding the foregoing, no adjustment to the Monthly Reservation Charge Amount shall be made for any interruption or curtailment of service at any Secondary Receipt Point or Secondary Delivery Point.

ARTICLE X - TITLE AND POSSESSION OF GAS

10.1 Possession of Gas and Responsibility. As between Transporter and Shipper, Shipper shall be deemed to be in control and possession of the Gas until it has been received by Transporter for Transportation at Receipt Point(s). Transporter shall thereupon be deemed to be in control and possession of the Gas until the Thermally Equivalent Mcf's (less any requisite fuel and loss reimbursement) shall have been delivered to Shipper at the Delivery Point(s), after which Shipper shall be deemed to be in control and possession. Shipper shall have no responsibility with respect to any Gas after it has been received by Transporter at the Receipt Point(s) on account of anything which may be done, happen or arise with respect to said Gas, until the Thermally Equivalent Mcf's (less any requisite fuel and loss reimbursement) are delivered to Shipper at the Delivery Point(s). Transporter shall have no responsibility with respect to said Gas prior to its receipt by Transporter at the Receipt Point(s), after its delivery to Shipper at the Delivery Point(s) or on account of anything which may be done, happen or arise with respect to said Gas prior to such receipt or after such delivery.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE XI - WARRANTY OF TITLE

11.1 Warranty of Title. Transporter accepts Shipper's Gas at the Receipt Point(s) subject to the understanding that Shipper warrants that Shipper will, at the time of delivery of Gas to Transporter at the Receipt Point(s) for Transportation, have good title, or a current contractual right to acquire title, to all Gas so delivered to Transporter, free and clear of all liens, encumbrances and claims whatsoever, and that it will at such time of delivery have the right to deliver such Gas.

Subject to the foregoing, Transporter warrants that it will, at the time of delivery of the transported Gas to Shipper at the Delivery Point(s), have the right to deliver said Gas free and clear of all liens, encumbrances and claims whatsoever.

ARTICLE XII - STATUTORY REGULATION

12.1 Rate Filings.
Transporter's rates, charges, classifications and services as set forth in this Rate Schedule and the Transportation Service Agreement are subject to regulation by the FERC under the Natural Gas Act of 1938, as amended, 15 USC Section 717, et seq.("NGA"). Transporter shall have the right to file from time to time with the FERC under Section 4 of the Natural Gas Act and to place into effect such changes in this Rate Schedule, the Transportation Service Agreement or Transporter's Tariff as Transporter may find necessary from time to time to assure Transporter just and reasonable rates and charges and terms and conditions of service. Shipper shall have the right to oppose any such changes to assure Shipper just and reasonable rates and terms and conditions. Shipper shall have the right to seek from the FERC under the NGA such changes in this Rate Schedule or the Transportation Service Agreement as Shipper may find necessary. Waivers of these statutory rights, if any, shall be as provided in the Transportation Service Agreement between Transporter and Shipper.

12.2 Filing Requirement. Each party hereto shall proceed with diligence to file applications with the FERC and any other governmental authorities for any authorizations necessary to carry out their respective obligations under this Rate Schedule and the Transportation Service Agreement.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

12.3 Conformance with Laws. Notwithstanding any other provisions hereof, this Rate Schedule and the Transportation Service Agreement and all rights and obligations arising under it are subject to all valid legislation, both State and Federal, and to all valid present and future orders, rules and regulations of duly constituted authorities, now or hereafter having jurisdiction.

ARTICLE XIII - SERVICE CONDITIONS

13.1 Alterations and Repairs. When Transporter needs temporarily to curtail or interrupt service to Shipper hereunder in any portion of Transporter's pipeline system for the purpose of making necessary alterations (such as those required for safety purposes, environmental requirements, regulatory requirements, the addition of Receipt Point(s) and Delivery Point(s), the tie-in of expansion facilities or other similar alterations of the Kern River System) or repairs therein, Transporter shall give Shipper as much notice as possible, but not less than 60 Days except in case of emergency. Transporter shall endeavor to arrange such curtailments or interruptions so as to inconvenience Shipper as little as possible and to continue same only for such time as is necessary.

13.2 Liability of Parties. Transporter and Shipper each assume full responsibility and liability for the installation, presence, maintenance and operation of their respective properties and facilities and shall indemnify and hold harmless the other from all liability and expense on account of any and all damages, claims, or actions, including injury to and death of persons, arising from any act, accident or omission in connection with the installation, presence, maintenance and operation of properties and facilities of the indemnifying party, except to the extent, if any, that such liability or expense is caused by, or arises out of, the negligence or willful misconduct of the non-indemnifying party or its agents or employees. Transporter shall have no obligation to odorize gas delivered to Shipper under this Rate Schedule nor to maintain any odorant level.

ARTICLE XIV - PRIORITY OF SERVICE

14.1 Curtailment. Transporter and Shipper agree that in the event that Transporter must curtail deliveries to some or all shippers due to insufficient capacity, whether due to force majeure, alterations and repairs, or any other cause, Transporter shall curtail or interrupt

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE XIV - PRIORITY OF SERVICE

14.1 Curtailment. (Continued)

deliveries in accordance with the priorities set forth in Section 13.3 of the General Terms and Conditions of this tariff, to the extent necessary to maintain superior priority of service.

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

ARTICLE XV - RECEIPT AND DELIVERY POINTS AND PRESSURES

15.1 Receipt Point(s):

a) The Primary Receipt Point(s) at which Transporter will receive Gas from Shipper for Transportation are set forth in Exhibit "A" to the Transportation Service Agreement. Exhibit "A" also states a Maximum Receipt Quantity for each Primary Receipt Point, which shall be the maximum volume of Gas Transporter is obligated to receive for Transportation at such Primary Receipt Point on any Day. Shipper may add Primary Receipt Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Receipt Quantity entitlement at any particular Primary Receipt Point, subject to the availability of capacity; provided, however, that in the event of any such addition or increase, Shipper must concurrently relinquish an equivalent amount of its Maximum Receipt Quantity entitlement at any one or more of the Primary Receipt Points contained in its Transportation Service Agreement. Subject to the foregoing requirement to relinquish Maximum Receipt Quantity entitlements, Shipper may request Primary Receipt Points additional to those on Exhibit "A" to be installed in accordance with Section 6.1.1 above and Transporter's agreement to install such additional Primary Receipt Points shall not be unreasonably withheld. Exhibit "A" shall be amended as necessary to reflect any changes in Shipper's utilization of its Primary Receipt Points.

b) In addition, Shipper may, subject to Section 13 of the General Terms and conditions of this Tariff, nominate and schedule Gas for Transportation from Secondary Receipt Points. In the event Shipper releases any or all of its transportation rights to a Replacement Shipper under Section 15 of the General Terms and Conditions of this Tariff, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Receipt Quantity entitlement at any one or more of its

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

Primary Receipt Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Receipt Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Maximum Receipt Quantity entitlement at each such point.

15.2 Transporter's Receipt Pressure. Shipper shall deliver, or cause to be delivered, to Transporter the Gas at the Receipt Point(s) at sufficient pressures to effect delivery thereof into Transporter's facilities against the pressures at such point(s), but Shipper shall not be obligated to deliver or cause to be delivered such Gas to Transporter in excess of the minimum receipt pressures as stated on Exhibit "A" to the Transportation Service Agreement.

15.3 Delivery Point(s).

a) The Primary Delivery Point(s) at which Transporter will deliver Gas for Shipper's account are set forth in Exhibit "B" to the Transportation Service Agreement. Exhibit "B" also states a Maximum Delivery Quantity for each Primary Delivery Point which is the maximum volume of Gas Transporter is obligated to deliver at such Primary Delivery Point on any Day. Shipper may add Primary Delivery Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Maximum Delivery Quantity entitlement at any particular Primary Delivery Point, subject to the availability of capacity; provided, however, that in the event of any such addition or increase, Shipper must concurrently relinquish an equivalent amount of its Maximum Delivery Quantity entitlement at any one or more of the Primary Delivery Points contained in its Transportation Service Agreement. Subject to the foregoing requirement to relinquish Maximum Delivery Quantity entitlements, Shipper may request Primary Delivery Point(s) additional to those on Exhibit "B" which require the installation of new facilities on Transporter's System, to be installed in accordance with Section 6.1.1 above and Transporter's agreement to install such additional Primary Delivery Point(s) shall not be unreasonably withheld. Exhibit "B" shall be amended as necessary to reflect any changes in Shipper's utilization of its Primary Delivery Points which is mutually agreed to by the parties in writing.

b) In addition, Shipper may, subject to Section 13 of the General Terms and conditions of this Tariff, nominate and schedule Gas for Transportation from Secondary Delivery Points. In the event Shipper releases any or all of its transportation rights to a Replacement Shipper under Section 15 of the General Terms and Conditions of this Tariff, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Maximum Delivery Quantity entitlement at any one or more of its Primary Delivery Points in an aggregate amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent

RATE SCHEDULE MO-1
Kern River Firm Transportation Services (continued)

Release, Shipper shall be entitled to utilize the Primary Delivery Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Maximum Delivery Quantity entitlement at each such point.

15.4 Transporter's Delivery Pressure. Gas shall be delivered by Transporter to Shipper (or for Shipper's account) at the Delivery Point(s) at such pressures as may be available, at the said Delivery Point(s), but not less than the minimum delivery pressures as stated on Exhibit "B".

ARTICLE XVI - INSPECTION OF EQUIPMENT AND RECORDS

16.1 Inspection of Equipment and Data. Notwithstanding the provisions of Article VI, each party shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least three years.

16.2 Verification of Computations. Each party shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to this Rate Schedule.

ARTICLE XVII - MISCELLANEOUS

17.1 Successors and Assigns. The Transportation Service Agreement shall be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns. No assignment or transfer by either party thereunder shall be made without written approval of the other party. Such approval shall not be unreasonably withheld. No such consent of Transporter or Shipper shall be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger, or reorganization. Nothing contained in this Rate Schedule shall prevent either party from pledging, mortgaging or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under the Transportation Service Agreement. As between the parties thereto, such assignment shall become effective on the first Day of the Month following written notice that such assignment has been effectuated. If requested to do so, Transporter agrees, if the Kern River System is fully subscribed, to assist Shipper in locating a third party to accept assignment of some or all of Shipper's rights and obligations under the Transportation Service Agreement.

17.2 Notices. All notices provided for herein shall be given in writing and addressed as follows:

If to Transporter:

Kern River Gas Transmission Company
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900

If to Shipper:

17.3 Amendment in Writing. The Transportation Service Agreement shall be amended only by an instrument in writing executed by both parties hereto.

17.4 Waiver of Defaults. No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Rate Schedule or the Transportation Service Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

17.5 Exhibits. The exhibits to the Transportation Service Agreement are incorporated by reference as if set forth in full therein.

17.6 Limitation of Liability. Any recourse for any liability of Transporter shall be against Transporter only, to the exclusion of any parent or affiliate of Transporter, and shall be limited to the assets of Transporter.

17.7 Choice of Law. The Transportation Service Agreement shall be construed according to the laws of the State of Utah, except insofar as such laws may refer to the laws of another jurisdiction for resolution of any issue arising hereunder.

17.8 Headings. The headings of the Articles and Sections of this Rate Schedule and Transportation Service Agreement are inserted for convenience of reference only and shall not affect the meaning or construction thereof.

ORIGINAL SHEET NOS. 737 THROUGH 799
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RATE SCHEDULE SH-1
Kern River Firm Transportation Services

AVAILABILITY

Pursuant to the Commission's order dated November 2, 1990, in Kern River Gas Transmission Company, Docket Nos. CP89-2047-000, et al., 53 F.E.R.C. (CCH) para. 61,172 (1990), this rate schedule posts in this FERC Gas Tariff the terms of the October 2, 1989 Firm Transportation Service Agreement between Transporter and Shell Western E&P, Inc. ("Rate Schedule SH-1"), as amended, and shall govern firm transportation service by Transporter to Shell Western E&P, Inc. within the contract term, Maximum Daily Quantity and Receipt and Delivery Points established in such agreement.

This Rate Schedule is also available for firm transportation service to customers that request firm service on Kern River's 700 MMcf/d capacity interstate natural gas pipeline system after such system becomes operational. In order to qualify for service under this Rate Schedule, such shippers must submit to Kern River the same information as required by Section 3 of Kern River's KRF-1 Rate Schedule, and in accordance with the same procedures as those set forth therein. Such shippers must satisfy the same standards of creditworthiness as those set forth in Section 7 of the KRF-1 Rate Schedule and must execute a firm transportation service agreement for service under this Rate Schedule.

APPLICABILITY AND CHARACTER OF SERVICE

See Section 2.1 of this Rate Schedule SH-1.

RATES

Unless otherwise agreed by Transporter pursuant to Article 6 herein, rates for service hereunder shall be determined in accordance with Section 5 of Rate Schedule KRF-1 in this Tariff (except that Section 5.8 of Rate Schedule KRF-1 shall not apply to service hereunder).

MINIMUM BILL

Subject to the terms, conditions and limitations hereof, the minimum monthly bill will be the monthly reservation charge, if any, in effect from time to time pursuant to the provision hereof, unless Transporter and Shipper mutually agree otherwise.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

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RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 1 - DEFINITIONS

Unless another definition is expressly stated, the following terms and abbreviations, when used in this Rate Schedule, the Firm Transportation Service Agreement between Transporter and Shipper and in all related exhibits, recitals, and appendices, are intended and will mean as follows:

1.1 "Business Day": "Business Day is defined as Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S., and similar holidays for transactions occurring in Canada and Mexico." GISB 3.2.1.

1.2 "Annual Charge Adjustment" or "ACA" shall mean any and all charges assessed to Transporter pursuant to Part 382 of the FERC's Regulations, 18 C.F.R. 382.101 et. seq., as those Regulations may hereafter be amended or superseded.

1.3 "Btu": "Standardize the reporting basis for Btu as 14.73 psia and 60 degrees F (101.325 kPa and 15 degrees C, and dry). Standardize the reporting basis for gigacalorie as 1.035646 Kg/cm2 and 15.6 degrees C and dry. Standardize the reporting basis for gas volumes as cubic foot at standard conditions of 14.73 psia, 60 degrees, F and dry. For gas volumes reported in cubic meters, the standard conditions are 101.325 kPa, 15 degrees C, and dry." GISB 2.3.9.

1.4 "Construction Commitment Date" shall mean the date Shipper receives written notice from Transporter that Transporter and Mojave have executed purchase order(s) to purchase the pipe required to construct Transporter's System (including the Common Facilities) under terms that impose a binding legal obligation upon Transporter to make non-refundable payment(s) equal to thirty (30) percent of the total cost of the pipe. A copy of such purchase order(s) shall accompany Transporter's written notice to Shipper. The Construction Commitment Date shall not be less than fifteen (15) Days after the Construction Notification Date.

1.5 "Construction Notification Date" shall mean the date on which Transporter notifies Shipper that Transporter has (a) obtained regulatory approvals adequate to support the commencement of construction of the pipeline system, (b) obtained firm bids for the purchase of materials and construction and installation of the pipeline, and (c) obtained initial financing commitments from lenders, such that Transporter is prepared to initiate the construction of the pipeline system. Such notice shall also specify the date which Transporter reasonably anticipates will be the Construction Commitment Date.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 1 - DEFINITIONS (continued)

1.6 "Contract Year" shall mean the period of twelve consecutive months beginning on the first Day of the Primary Term of the Firm Transportation Service Agreement, and each succeeding period of twelve consecutive months during the term of the Firm Transportation Service Agreement.

1.7 "CPUC" shall mean the Public Utilities Commission of the State of California, or any successor agency.

1.8 (reserved)

1.9 "Cubic Foot of Gas" shall mean that quantity of Gas which, at a temperature of 60 degrees Fahrenheit and at a pressure of 14.73 psia, occupies one cubic foot.

1.10 "Day": "Standard time for the gas day should be 9 a.m. to 9 a.m. (central clock time)." GISB 1.3.1.

1.11 "Delivery Point" shall mean a point on Transporter's System at which Transporter delivers Gas to Shipper or for Shipper's account. Delivery Points shall be either Primary Delivery Points, which shall be those set forth on Exhibit "A" to the Firm Transportation Service Agreement, as amended from time to time, or Secondary Delivery Points, which shall be all other points at which Transporter is authorized to deliver Gas from Transporter's System, as identified on the master delivery point list maintained by Transporter on its Electronic Bulletin Board and as may be revised by Transporter from time to time. Capacity in excess of Shipper's Delivery Volume entitlement at a Primary Delivery Point shall be available to Shipper on a Secondary Delivery Point basis; provided, however, that any quantities scheduled by Shipper for Transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

1.12 "Delivery Volumes" shall mean the maximum volumes that Transporter is obligated to deliver to Shipper and Shipper is obligated to accept from Transporter on any Day at the Primary Delivery Points designated on Exhibit "A" to the Firm Transportation Service Agreement, as amended from time to time.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 1 - DEFINITIONS (continued)

1.13 (reserved)

1.14 (reserved)

1.15 "FERC" or "Commission" shall mean the Federal Energy Regulatory Commission or any successor thereto.

1.16 "GISB" shall mean the standardized business practices that were issued by the Gas Industry Standards Board ("GISB") and adopted by the Commission. Section 21 of the General Terms and Conditions of this Tariff lists the GISB Standards which are not included in other sections of this Tariff. Transporter will update its Tariff, as necessary, to incorporate new or amended GISB standards approved by the Commission.

1.17 (Reserved)

1.18 (Reserved)

1.19 "Force Majeure" shall have the meaning stated in Section 9.1.

1.20 "Gas" or "Natural Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane. Such gas may be either in its natural state produced from wells, including casinghead and residue gas, or after manufacture or other methods of producing synthetic gas.

1.21 "GRI Adjustment Charge" shall mean any funding unit charge approved by the FERC for the Gas Research Institute ("GRI").

1.22 "In-Service Date" shall mean the first Day of the initial seven (7) Day time period during which on each and every Day of that time period Transporter performs Transportation service under the Firm Transportation Service Agreement by receiving 100% of the Gas volumes tendered by Shipper at the Receipt Points, limited only by Shipper's Maximum Daily Quantity, and delivering to Shipper such Gas volumes at the Delivery Points pursuant to the Firm Transportation Service Agreement.

1.23 "Interconnect Operator" Any person or entity responsible for the operation and/and maintenance of the facilities connected with the Transporter's facilities.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 1 - DEFINITIONS (continued)

1.24 "Intra-Day Nomination": "An intra-day nomination is a nomination submitted after the nomination deadline whose effective time is no earlier than the beginning of the gas day and runs through the end of that gas day." GISB 1.2.4.

1.25 "Maximum Daily Quantity" or "Shipper's Maximum Daily Quantity" shall have the meaning stated in Section 2.1.

1.26 "Mcf" shall mean one thousand (1000) Cubic Feet of Gas.

1.27 "Month" shall mean the period starting at 9:00 a.m. Central Clock Time on the first Day of a calendar month and ending at 9:00 a.m. Central Clock Time on the first Day of the next calendar month.

1.28 "Monthly Commodity Charge" shall mean the commodity, usage or transportation rate component of Shipper's rate for service hereunder to be paid by Shipper each month pursuant to Section 7.2.2 herein.

1.29 "Monthly Reservation Charge" shall mean the reservation component of Shipper's rate for service hereunder to be paid by Shipper each month pursuant to Section 7.2.1 herein.

1.30 "NGA" or "Natural Gas Act" shall mean the Natural Gas Act of 1938, as amended, 15 U.S.C. Sec. 717, et seq.

1.31 "NGPA" or "Natural Gas Policy Act" shall mean the Natural Gas Policy Act of 1978, as amended, 15 U.S.C. Sec. 3301, et seq.

1.32 "Overrun Gas" shall mean any Gas volume in excess of Shipper's Maximum Daily Quantity which, upon prior request of Shipper and with Transporter's approval, Shipper tenders and Transporter accepts for Transportation on any Day.

1.33 "Overthrust Area" shall mean that geological Natural Gas production area located primarily in southwestern Wyoming and extending into northeastern Utah.

1.34 "Overthrust Pipeline" shall have the meaning stated in Section 4.2.

1.35 "Primary Term" shall have the meaning stated in Section 3.1.

1.36 "psia" shall mean pounds per square inch, absolute.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 1 - DEFINITIONS (continued)

1.37 "psig" shall mean pounds per square inch, gauge.

1.38 "Quantity" shall mean the number of units of gas, either specified in Mcf or Dth.

1.39 "Receipt Point" shall mean a point on Transporter's System at which Shipper or Shipper's designee may tender Gas to Transporter and Transporter shall receive Gas from Shipper or for Shipper's account. Receipt Points shall be either Primary Receipt Points, which shall be those set forth on Exhibit "A" to the Firm Transportation Service Agreement, as amended from time to time, or Secondary Receipt Points, which shall be all other points at which Transporter is authorized to receive Gas into Transporter's System, as identified on the master receipt point list maintained by Transporter on its Electronic Bulletin Board and as may be revised by Transporter from time to time. Capacity in excess of Shipper's Receipt Volume entitlement at a Primary Receipt Point shall be available to Shipper on a Secondary Receipt Point basis; provided, however, that any quantities scheduled by Shipper for Transportation in excess of Shipper's Maximum Daily Quantity shall be considered Authorized Overrun Service.

1.40 "Receipt Volumes" shall mean the maximum volumes of Natural Gas, as listed on Exhibit "A" to the Firm Transportation Service Agreement, as amended from time to time, that Shipper may tender to Transporter and Transporter shall receive from Shipper at the Primary Receipt Points on any Day.

1.41 (reserved)

1.42 (reserved)

1.43 "Shipper's Fuel Gas Volumes" shall have the meaning stated in Section 12.1.

1.44 "Shipper's L&U Volumes" shall have the meaning stated in Section 12.2.

1.45 (reserved)

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 1 - DEFINITIONS (continued)

1.46 (reserved)

1.47 "Thermally Equivalent" shall mean equivalent in the number of Btu's.

1.48 "Total Heating Value" shall mean the number of Btu's liberated by the complete combustion of one Cubic Foot of Gas saturated with water vapor at a constant pressure of 14.73 psia and temperature of 60 degrees Fahrenheit with air at the same pressure and temperature and with water formed by combustion condensed to the liquid state with the number of Btu's so determined then mathematically adjusted to reflect the actual water vapor content of the Gas stream from which such Cubic Foot of Gas was obtained.

1.49 "Transportation" shall mean Transporter's receipt of Gas tendered by Shipper or for Shipper's account at Receipt Points and delivery of Thermally Equivalent volumes of Gas (after making allowance for any requisite fuel or loss reimbursement) to Shipper or for Shipper's account at Delivery Points.

1.50 "Volume" shall mean the number of units of gas, either specified in Mcf or Dth.

1.51 "Transporter's System" shall mean Transporter's pipeline and related facilities, including compression, owned by Transporter.

1.52 "Mojave" shall refer to Mojave Pipeline Company.

1.53 "Common Facilities" shall mean the natural gas pipeline system extending from the vicinity of Daggett, California to the vicinity of Bakersfield, California, to be jointly owned by Transporter and Mojave as tenants-in-common.

1.54 "Composite Gas Stream" shall mean the composite of all Gas receipts and/or nominations from all shippers for transportation by Transporter. Composite Gas Stream shall be the theoretical gas stream that will result from the combination of all gas receipts from all shippers as determined by a computer model that utilizes analytical and flow data generated at each of the Receipt Points. The computer model determines what the Composite Gas Stream composition will be on a feed forward basis.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 1 - DEFINITIONS (continued)

1.55 "Electronic Bulletin Board" or "EBB" shall mean the computer information publication system established by Transporter, as more fully described in Article 23 of this Rate Schedule SH-1.

ARTICLE 2 - QUANTITY

2.1 Transportation Service. Subject to the provisions of this Rate Schedule and the Firm Transportation Service Agreement, Transporter and Shipper hereby agree that Transporter shall render to Shipper a Transportation service that shall consist of:

(a) The receipt by Transporter for the account of Shipper of up to a maximum daily quantity as specified in the Firm Transportation Service Agreement ("Maximum Daily Quantity" or "MDQ") at the Receipt Point(s) plus the quantities for fuel use and lost and unaccounted for Gas that Shipper is obligated to provide under Article 12 herein;

(b) The Transportation of Gas up to Shipper's MDQ, on a firm basis, subject to Article 10 of this Rate Schedule SH-1, through Transporter's pipeline system for the account of Shipper; and

(c) The delivery of Gas in Thermally Equivalent quantities after Transportation (less quantities of fuel use and lost and unaccounted for Gas furnished in-kind by Shipper pursuant to Article 12 herein) by Transporter to Shipper or for the account of Shipper at the Delivery Point(s).

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 3 - TERM

3.1 Primary and Extended Terms. The Primary Term of service shall be as provided in the Firm Transportation Service Agreement between Transporter and Shipper. Shipper shall have the option to extend the term of the Firm Transportation Service Agreement for one or more extended periods of at least twelve months each (such periods referred to individually as "an Extended Term"); provided, however, that to exercise its option for the first Extended Term, Shipper shall provide notice to Transporter at least twelve months prior to the end of the Primary Term, and for each succeeding Extended Term shall provide notice to Transporter at least twelve months before the end of the immediately preceding Extended Term. All of the terms and provisions of the Firm Transportation Service Agreement shall apply throughout any or all Extended Terms, except the provisions of Article 6 - Rates. Within the first 180 Days following the date Shipper gives Transporter written notice of Shipper's exercise of its option for an Extended Term, Transporter and Shipper shall make every reasonable effort to mutually agree on the rates to be applied during such Extended Term, and unless Transporter and Shipper have reached agreement on rates before the one hundred eightieth (180th) Day following Shipper's notice to Transporter, the Firm Transportation Service Agreement shall terminate effective at the end of the Primary Term or the then effective Extended Term, if any.

3.2 Right of First Refusal.

a) At the end of the Primary and/or Extended Term as determined above, Shipper may exercise a right of first refusal to continue such service, so long as the Primary Term of Shipper's Firm Transportation Service Agreement is for a period of at least one year. To exercise such right of first refusal, Shipper must agree to match the rate or rates, up to the maximum rate or rates then applicable, and the agreement term, up to a term of five years, which a competing prospective shipper is willing to irrevocably agree to with Transporter, for all or any portion of the transportation rights then held by Shipper. If the highest bid submitted by a competing prospective Shipper is a Negotiated Rate that meets or exceeds the lowest rate Transporter is willing to accept for such service, the existing Shipper may retain its capacity by matching the bid on either a Negotiated Rate basis or a Recourse Rate basis as provided in Section 23.2(c) of the General Terms and Conditions; provided, however,

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

to render service to Shipper or to any competing prospective shipper if such persons do not agree to pay Transporter's applicable maximum transportation rates. To exercise its right of first refusal, Shipper must agree to all other terms and conditions of service to which the competing prospective shipper is prepared to agree, or to such other terms and conditions which are acceptable to Transporter.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 3 - TERM (continued)

3.2 Right of First Refusal (continued)

b) If Shipper chooses to exercise the foregoing right of first refusal, Shipper shall give written notice to that effect to Transporter at least one hundred twenty (120) days prior to the termination date of its Firm Transportation Service Agreement. Transporter shall post such notice on its EBB for a minimum period of sixty (60) days and shall receive any competing offers for such transportation service only during such period.

3.3 Pregranted Authorization. Reduction, cessation, termination, re-initiation, or resumption of service to Shipper, as provided for and permitted by the Firm Transportation Service Agreement, and any amendments thereto, shall be permitted without necessity for any further authorization or approval under the Natural Gas Act or any other statute or regulation by the Federal Energy Regulatory Commission.

ARTICLE 4 - TERMINATION

Conditions precedent to the Firm Transportation Service Agreement, if any, and the rights of the Shipper and Transporter, if any, to terminate the Firm Transportation Service Agreement shall be as provided in the Firm Transportation Service Agreement or any associated agreements.

ARTICLE 5 - CAPACITY RELEASE PROGRAM

5.1 Applicability

This Article 5 implements Section 284.243 of the FERC's regulations and is applicable to any Shipper that holds rights to firm Transportation service pursuant to an executed Firm Transportation Service Agreement ("Base Transportation Service Agreement") under this Rate Schedule SH-1 (the "Governing Rate Schedule"), who elects to release on a permanent or temporary basis all or any portion of such firm Transportation rights ("Releasing Shipper"). A Releasing Shipper shall have the right to release any portion of its firm Transportation rights, but only to the extent that the Transportation rights so released are acquired by another party pursuant to the provisions of this Article 5 which executes a Released Transportation Service Agreement in the form set forth in this Tariff ("Replacement Shipper"). Any party which desires to bid on and obtain Transportation rights released under the provisions of this Article 5 shall be known as a "Bidder." Unless expressly prohibited by the Releasing Shipper, a Bidder which successfully becomes a Replacement Shipper also may release any or all of the rights it has acquired hereunder as reflected in its Released Transportation Service Agreement, subject to the terms and conditions of this Article 5, and shall be deemed a "Releasing Shipper" with respect to such proposed release. For purposes of this Article 5, the service agreement under which a Releasing Shipper releases Transportation rights, whether a Base Transportation Service Agreement or a Released Transportation Service Agreement, shall be referred to at times in this Article 5 as the "Releasing Shipper's Service Agreement."

5.2 Releasing Shipper's Release Request

A Releasing Shipper that desires to release its rights to service must electronically submit to Transporter, in accordance with the applicable time requirements and deadlines contained in this Article 5, a Release Request in the form set forth in this Tariff with respect to the proposed release (the "Release"). The Release Request shall contain the following information, and the Release shall comply with and otherwise be subject to the following terms and conditions:

a) Releasing Shipper's: legal name, address, Service Agreement number, Dunn and Bradstreet number, as well as the name, telephone number, and fax number of the person to contact concerning the Release Request;

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.2 Releasing Shipper's Release Request (continued)

b) the maximum daily quantity to be released (or any minimum and maximum acceptable MDQ);

c) the commencement date (or earliest acceptable commencement date) and expiration date (or latest acceptable expiration date), and any minimum and maximum acceptable term of the Release (the "Release Term"), as well as the applicable posting and bidding periods for any Release under Section 5.3 which the Releasing Shipper desires Transporter to post for bidding pursuant to Section 5.4, and any other applicable posting and bidding periods which the Releasing Shipper desires Transporter to utilize instead of the applicable minimum periods set forth in Section 5.8; provided, however, that all specified bidding and posting periods shall be stated in terms of the number of Business Days in the relevant period;

d) with respect to Receipt Points and Delivery Points for the Release:

i) whether the Replacement Shipper will be permitted to utilize Primary Receipt Points and Primary Delivery Points in connection with the Release, and, if so, specific Primary Receipt Points and Primary Delivery Points, and the respective associated Receipt Volume and Delivery Volume entitlement at each such point, at which the Releasing Shipper is willing to release its Transportation rights and at which the Replacement Shipper must acquire such rights.

ii) If the Releasing Shipper permits the Replacement Shipper to utilize Primary Receipt Points and Primary Delivery Points in connection with the Release, then the Release Request must also specify whether the Releasing Shipper will permit the Replacement Shipper change the Primary Receipt Points and Primary Delivery Points or the respective associated Maximum Receipt Volume and Maximum Delivery Volume entitlements at such points. To the extent expressly permitted by the Releasing Shipper and subject to any restrictions imposed by the Releasing Shipper, the Replacement Shipper shall be entitled to utilize any Primary Receipt Points or Primary Delivery

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.2 Releasing Shipper's Release Request (continued)

Points on Transporter's System in connection with the Release, subject also to capacity availability and all applicable terms and conditions of Transporter's Tariff.

iii) To the extent that the Release Request expressly permits the Replacement Shipper to utilize Primary Receipt Points and Primary Delivery Points, then the Releasing Shipper and the Replacement Shipper must comply with the requirements of Section 11.1 and Section 11.2 of this Rate Schedule regarding any required relinquishment of Receipt Volume or Delivery Volume entitlements.

iv) The Replacement Shipper shall be entitled to utilize any Secondary Receipt Point or Secondary Delivery Point on Transporter's System in connection with any release, subject to all applicable terms and conditions contained in Transporter's Tariff.

e) the monthly or daily reservation rate in dollars and cents or percent of maximum tariff rate for the service to be released ("Release Reservation Rate"), and any and all other applicable reservation charges and surcharges for the service to be released (collectively, the "Release Reservation Surcharges), including any minimum acceptable Release Reservation Rate and Release Reservation Surcharges. The Release Reservation Rate and the Release Reservation Surcharges shall be collectively referred to at times in this Article 5 as the "Total Release Reservation Charge." (If the term of the Total Release Reservation Rate begins or ends outside of a calendar month, a daily rate must be utilized.) The Release Request must also specify whether the Releasing Shipper will accept bids designed on a one-part volumetric basis for all or any portion of the Total Release Reservation Charge and, if so, the corresponding objective, nondiscriminatory economic standard which the Releasing Shipper desires Transporter to utilize to determine the award of the Release if any or all bids are submitted on a one-part volumetric basis; provided, however, that any Release for which the Replacement Shipper pays all or any portion of the Total Release Reservation Charge on a one-part volumetric basis may not be the basis for a subsequent Release by the Replacement Shipper and may not utilize a monthly rate;

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.2 Releasing Shipper's Release Request (continued)

f) whether the Release will occur on a firm recallable or nonrecallable basis and, if on a recallable basis, the specific terms and conditions under which recall may occur, including whether and to what extent prior notice of the recall will be provided by the Releasing Shipper to the Replacement Shipper;

g) "Reput method and rights should be specified at the time of the deal; reput method and rights are individually negotiated between the Releasing Shipper and the Replacement Shipper." GISB 5.3.8;

h) whether bids may be submitted on a contingency basis and, if so, the objective, nondiscriminatory terms and conditions governing acceptance of such bids, and all related requirements concerning any bids submitted on a non-contingency basis; provided, however, that any and all such contingencies must be resolved during the evaluation period;

i) whether Releasing Shipper desires the: 1) highest rate, 2) net revenue or 3) present value methodology for Transporter to utilize in determining the award of the Release rights;

j) whether the Releasing Shipper desires to have the proposed Release marketed by Transporter in accordance with Section 5.12;

k) an irrevocable statement that, subject only to the provisions of Section 5.4(d), the Releasing Shipper shall release its Transportation rights on the terms and conditions set forth in its Release Request if all such terms and conditions are accepted by a Bidder, including any and all terms and conditions governing bids which may be submitted on a contingency basis; and

l) whether the Releasing Shipper has entered into a binding agreement to release such Transportation rights to a party who has executed a Released Transportation Service Agreement with Transporter ("Prearranged Bidder"). In such event, the Releasing Shipper additionally shall submit:

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.2 Releasing Shipper's Release Request (continued)

i) Prearranged Bidder's: legal name, Released Transportation Service Agreement number, Dunn and Bradstreet number, as well as the name, telephone number, and fax number of the person to contact concerning the Pre-Arranged Release;

ii) the Release Term, MDQ, Release Reservation Rate, Release Reservation Surcharges, and all other terms and conditions to which the Prearranged Bidder has agreed, including without limitation whether either the Release Reservation Rate or Release Reservation Surcharges will be paid on a one-part volumetric basis; and

iii) a statement which represents and warrants that the Prearranged Bidder has entered into a binding agreement with the Releasing Shipper to accept the Transportation rights on the terms and conditions prescribed in the Release Request. Upon Transporter's request, the Releasing Shipper shall provide Transporter with a true and complete copy of a fully executed written agreement between the Releasing Shipper and the Prearranged Bidder concerning the proposed Release.

m) whether there are any restrictions upon the Replacement Shipper's right to release subsequently any or all of the transportation rights received from the Releasing Shipper under the Release; and

n) any other terms and conditions of the Release, including whether Releasing Shipper will require Replacement Shipper to execute a contract with the Releasing Shipper with respect to the Release, a copy of which shall be provided by Releasing Shipper to any Bidder upon request. In the event of a conflict, the terms and conditions of Transporter's Tariff, the Base Firm Transportation Service Agreement, and the Released Transportation Service Agreement shall take precedence over the terms and conditions contained in any such contract between the Releasing Shipper and the Replacement Shipper.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.3 Releases Permitted Without Prior Posting and Bidding

A Releasing Shipper may, at its option, elect to release some or all of its Transportation rights without following the prior posting and bidding procedures set forth in this Article 5, if its proposed Release qualifies under this Section 5.3.

a) Less than 31 Day Release Election: Prior posting and bidding pursuant to the procedures set forth in this Article 5 will not be required if:

i) the Release commences and terminates within the same calendar Month;

ii) the Releasing Shipper has submitted to Transporter a Release Request with respect to the Release;

iii) the proposed Replacement Shipper has entered into an effective Released Transportation Service Agreement with Transporter incorporating the information, terms and conditions contained in the Releasing Shipper's Release Request;

iv) the Release is not rolled-over, renewed or otherwise extended beyond the term described in Section 15.3(a)(I), unless the Releasing Shipper either follows the prior posting and bidding procedures set forth in this Article 5, or the new or extended Release is exempt from the prior posting and bidding procedures pursuant to the provisions of Section 5.3(b); and

v) the commencement date of the term of any Release under this Section 5.3(a) is at least 28 Days after the termination date of any previous Release under this Section 5.3(a) by Releasing Shipper to the same Replacement Shipper, or if the previous Release to the same Replacement Shipper occurred either pursuant to the prior posting and bidding procedures set forth in this Article 5 or pursuant to Section 5.3(b).

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.3 Releases Permitted Without Prior Posting and Bidding (continued)

In the event the Releasing Shipper elects to release its Transportation rights under this Section 5.3(a) without prior posting and bidding, then Transporter shall post the terms and conditions of the Release and the identity of the Replacement Shipper on its EBB no later than 9:00 a.m. Central Clock Time.

b) Maximum Rate Prearranged Bidder: Additionally, prior posting and bidding pursuant to the procedures set forth in this Article 5 will not be required if the Releasing Shipper has provided to Transporter the information required by Section 5.2(l) regarding a Prearranged Bidder which has agreed to pay a Total Release Reservation Charge which is equal to Transporter's combined respective maximum Monthly Reservation Rate and any and all other maximum reservation charges and surcharges applicable to this Governing Rate Schedule, or the one-part volumetric equivalent thereof, as may be revised from time to time (individually, the "Tariff Reservation Rate" and the "Tariff Reservation Surcharges," and collectively, the "Total Tariff Reservation Charge"). In the event the Releasing Shipper elects to release its Transportation rights under this Section 5.3(b) without prior posting and bidding, then Transporter shall post the terms and conditions of any Release under this Section 5.3(b) and the identity of Prearranged Bidder on its EBB no later than 9:00 a.m. Central Clock Time.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.4 Transporter's Posting of Release Requests

a) Upon electronic receipt by Transporter from the Releasing Shipper of all applicable information required by Section 5.2 hereof, Transporter shall post such information, and any other information related to the Release required by this Article 5, on its Electronic Bulletin Board, assigning an individual Release number to each such Release Request unless Releasing Shipper requests an alternate posting time which comports with the timeline as set forth in Article 5.8 of this Rate Schedule. Notwithstanding the foregoing, Transporter shall not post the identity of any Prearranged Bidder pursuant to this Section 5.4(a). The period of time for Transporter's posting of the information related to the Release ("Posting Period"), and the period of time during which bids will be received on such Release ("Bidding Period"), shall be in accordance with the relevant periods of time set forth in Section 5.8.

b) In the event the Release Request indicates that bids for the Release will be accepted on a one-part volumetric basis for the Release Reservation Rate or the Release Reservation Surcharges, Transporter shall determine the applicable respective maximum one-part volumetric Release Reservation Rate and Release Reservation Surcharges and shall post this information pursuant to Section 5.4(a). The applicable maximum one-part volumetric Release Reservation Rate shall be the applicable Daily Reservation Rate set forth in Transporter's Tariff, which is the 100% load factor equivalent of the maximum Tariff Reservation Rate on an annualized basis divided by 365. The applicable maximum one-part volumetric Release Reservation Surcharges shall be the 100% load factor equivalent of the maximum Tariff Reservation Surcharges on an annualized basis divided by 365.

c) Transporter makes no express or implied representation or warranty to any party concerning the willingness or ability either of any Releasing Shipper to release Transportation rights hereunder or of any Bidder to accept Transportation rights hereunder.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.4 Transporter's Posting of Release Requests (continued)

d) GISB 5.3.25: "A releasing shipper should not be able to specify an extension of the original bid period or the pre-arranged deal match period, without posting a new release."

e) GISB 5.3.14: "Offers should be binding until written or electronic notice of withdrawal is received by the capacity release service provider." GISB 5.3.16: "The releasing party has the right to withdraw its offer during the bid period, where unanticipated circumstances justify and no minimum bid has been made." Transporter shall post notice of withdrawal on its EBB as soon as possible, but in no event more than one Business Day, following receipt of such notice.

5.5 Bidding for Transportation Rights

a) Any party that desires to become a Prearranged Bidder or Bidder, or to otherwise acquire a Release pursuant to this Article 5, must pre-qualify with Transporter by entering into a Released Transportation Service Agreement with Transporter, after first satisfactorily demonstrating sufficient creditworthiness in the same manner and subject to the same terms and conditions as required for firm Shippers under Section 7 of Rate Schedule KRF-1. The creditworthiness requirement shall be continuing in nature with respect to the Release in the same manner and to the same extent as prescribed for firm Shippers under Section 7 of Rate Schedule KRF-1, and shall apply with respect to any and all Releases desired by a potential Replacement Shipper. No potential Replacement Shipper shall be entitled to receive any released firm transportation service rights pursuant to this Article 5 for which it has not first satisfactorily demonstrated sufficient creditworthiness with Transporter. Any satisfactory guarantee provided by the Releasing Shipper or by any third party on behalf of a potential Replacement Shipper in accordance with this Article 5 and Section 7 of Rate Schedule KRF-1 must provide, without

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.5 Bidding for Transportation Rights (continued)

limitation, that the Guarantor will guarantee all financial obligations of the Replacement Shipper under its Released Transportation Service Agreement with respect to the Release.

b) Bidders may submit bids only during the Bidding Period applicable to a Release Request. A Bidder may not simultaneously submit multiple bids for the same Release. All bids shall conform to the Bid Form set forth in this Tariff, and shall comply with and otherwise be subject to all terms and conditions set forth in the Release Request. All bids shall contain the following information for each Release Request:

i) the Bidder's legal name, address, Released Transportation Service Agreement number, Dunn and Bradstreet number, as well as the name, telephone number, and fax number of the person to contact concerning the bid;

ii) the Releasing Shipper's Service Agreement number and the Release Request number to which the bid relates;

iii) the Total Release Reservation Charge, including the Release Reservation Rate and the Release Reservation Surcharges, that the Bidder is willing to pay for the released Transportation rights, which must be no less than any respective minimum Total Release Reservation Charge, Release Reservation Rate, or Release Reservation Surcharges specified in the Release Request, and no less than any respective minimum Tariff Reservation Rate or Tariff Reservation Surcharges. The Bidder must also specify whether the Total Release Reservation Charge will be paid in whole or in part on a one-part volumetric basis, to the extent permitted by the Releasing Shipper;

iv) the MDQ for the bid, which must be no less than any minimum MDQ and no more than any maximum MDQ specified in the Release Request;

v) the proposed date of commencement and date of expiration of the Release Term, which must be consistent with the Release Term specified in the Release Request;

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.5 Bidding for Transportation Rights (continued)

vi) to the extent the Releasing Shipper expressly permits the Replacement Shipper to utilize Primary Receipt Points and Primary Delivery Points in connection with the Release, the Primary Receipt Points and Primary Delivery Points, including the respective associated Receipt Volume and Delivery Volume entitlement at each such point, which the Bidder desires to utilize initially in connection with the Release and which have been selected from the Primary Receipt Points and Primary Delivery Points specified in the Release Request; provided, however, that the Bidder's initial selection and subsequent utilization of any Primary Receipt Points and Primary Delivery Points shall be subject to, without limitation, any and all applicable limitations and restrictions contained in the Release Request and in Section 11.1 and Section 11.2 of this Rate Schedule;

vii) the objective terms and conditions of any and all contingencies upon which the bid is submitted, if the Release Request specifically provides for the submission of such contingent bids, including the date by which Bidder will notify Transporter either in writing or electronically through Transporter's EBB if any and all such contingencies have not been satisfied;

viii) an irrevocable statement that, subject only to the provisions of Section 5.5(d), the Bidder agrees to accept the Release in accordance with all other terms and conditions of the Release Request, including any and all terms and conditions governing bids which are submitted on a contingency basis.

c) Upon electronic receipt by Transporter from Bidder of all applicable information required by this Section 5.5, Transporter shall post such information on its EBB, except for the identity of the Bidder, unless Releasing Shipper requests an alternate posting period which comports with the standard timeline as set forth in Section 5.8 of this Rate Schedule.

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.5 Bidding for Transportation Rights (continued)

d) GISB 5.3.13: "Bids should be binding until written or electronic notice of withdrawal is received by the capacity release service provider." GISB 5.3.15: "Bids cannot be withdrawn after the bid period ends." Transporter shall post notice of such withdrawal on its EBB, to the extent that the bid has already been posted pursuant to Section 5.5(c), as soon as possible but in no event more than one Business Day following Transporter's receipt of Bidder's notice of withdrawal. Any Bidder which withdraws a bid pursuant to this Section 5.5(d) may, at any time during the Bidding Period, submit one or more subsequent bids in accordance with this Section 5.5 for the same Release Request; provided, however, that Bidder may not submit a subsequent bid without first withdrawing an existing bid, and provided further that any subsequent bid submitted must contain a higher Total Release Reservation Charge than contained in any previous bid which Bidder has submitted for the same Release Request.

5.6 Determination of Successful Bidder

a) GISB 5.3.3: "For the capacity release business process timing model, only the following methodologies are required to be supported by capacity release service providers and provided to releasing shippers as choices from which they may select and, once chosen, should be used in determining the awards from the bid(s) submitted. They are: 1) highest rate, 2) net revenue and 3) present value. Other choices of bid evaluation methodology (including other releasing shipper defined evaluation methodologies) can be accorded similar timeline evaluation treatment at the discretion of the capacity release service provider. However, the capacity release service provider is not required to offer other choices or similar timeline treatment for other choices, nor, is the capacity release service provider held to the timeline should the releasing shipper elect another method of evaluation."

The Release Request must specify one of the following three methodologies for determining the award from the bids submitted: 1) highest rate, 2) net revenue, or 3) present value. GISB 5.3.4: "When the capacity release service provider makes awards of capacity for which there have been multiple bids meeting minimum conditions, the capacity release facilitator should award the bids, best bid first, until all offered capacity is awarded." If applied methodology, for any reason, cannot be effectively applied to permit Transporter to determine the successful Bidder, then Transporter will use a lottery to choose between bids of equal value.

i) Highest Rate methodology: the highest rate bid that meets the minimum terms and conditions of the release

ii) Net Revenue methodology: R x N x V = Net Revenue

where: R = the reservation charge and reservation surcharge
N = term of the agreement, in Days
V = volume, stated in Mcf

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.6 Determination of Successful Bidder (continued)

iii) Present Value methodology:

$$R \; X_i \; \frac{1 - (1 + i)^{-n}}{} \times V = \text{Present Value}$$

where: R = the reservation charge(s) and reservation surcharge(s)
n = term of agreement, in Days
i = the annual rate of interest prescribed by FERC as computed in accordance with the formula set forth in 18 C.F.R. Section 154.501(d)
V = volumes stated in Mcf

b) If a Release Request includes a Prearranged Bidder, then the Release shall be awarded to the Prearranged Bidder if its bid has a value which is equal to or higher than the highest value of each of the bids submitted by all other Bidders, or if it matches any bid having a higher value within the time period provided by Section 5.8 of this Rate Schedule.

c) If only one Bidder has submitted a bid which reflects the highest value, then the Release shall be awarded to that Bidder, subject to any Prearranged Bidder's exercise of its right of first refusal as set forth above.

d) If two or more Bidders have submitted bids which each reflect the highest value, then, subject to any Prearranged Bidder's exercise of its right of first refusal, the Release will be awarded on the basis of a lottery which is limited to such Bidders. The winner of the lottery shall be awarded the Release to the extent of the MDQ for which it has submitted a bid. Transporter will conduct the lottery in an objective, nondiscriminatory manner. Transporter's calculation of the applied methodology and lottery shall result in only one successful Bidder per Release Request.

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.6 Determination of Successful Bidder (continued)

e) Transporter shall post on its EBB for a period of ten Business Days the terms of the successful bid and the identity of the successful Bidder in accordance with the relevant periods of time set forth in Article 5.8 of this Rate Schedule.

5.7 Exhibit "RP" and Exhibit "RS"

a) Prior to the date of commencement of the Release Term as specified by the successful Bidder, Transporter shall prepare and transmit to the successful Bidder an initial Exhibit "RP" to its Released Transportation Service Agreement in the form set forth in this Tariff stating all applicable terms and conditions of the Release, including without limitation the MDQ, Release Reservation Rate, Release Reservation Surcharges, Total Release Reservation Charge, usage rate, volumetric surcharges, any and all other applicable rates, charges and surcharges, Release Term, Maximum Delivery Quantities at any and all of the Replacement Shipper's specified Primary Receipt Points and Maximum Delivery Quantities at any and all of the Replacement Shipper's specified Primary Delivery Points. An initial Exhibit "RS" in the form set forth in this Tariff shall likewise be prepared by Transporter and transmitted to the Releasing Shipper to reflect that the Releasing Shipper has released all or a portion of its Transportation rights, and which contains all applicable terms and conditions of the Release.

b) A Replacement Shipper that subsequently obtains a separate Release from either the same or a different Releasing Shipper by successfully bidding on a subsequent Release Request shall not execute an additional Released Transportation Service Agreement; rather, the terms and conditions of each such additional Release shall be the subject of an appropriate additional Exhibit "RP" (designated sequentially as "Exhibit RP-1", "Exhibit RP-2", etc.) to be added to such Replacement Shipper's Released Transportation Service Agreement. The Releasing Shipper shall likewise receive an appropriate additional Exhibit "RS" (designated sequentially as "Exhibit RS-1", "Exhibit RS-2", etc.) to the Releasing Shipper's Service Agreement reflecting the terms and conditions of any subsequent Release of the Releasing Shipper's Transportation rights.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.7 Exhibit "RP" and Exhibit "RS" (continued)

c) Transporter shall prepare all initial and additional exhibits for Releasing Shippers and Replacement Shippers based on the applicable information and terms and conditions set forth in the applicable Release Request and the successful bid. Each such exhibit shall be deemed incorporated in the Transportation service agreement to which it relates, and shall thereby be deemed to amend both such agreements effective upon the date of the commencement of the term of the relevant Release without execution by Transporter, the Releasing Shipper, or the Replacement Shipper; provided, however, that any such exhibit shall be deemed ineffective and otherwise null and void if the relevant Release was acquired subject to any contingencies and the Replacement Shipper notifies Transporter either in writing or electronically through Transporter's EBB prior to the applicable deadline that all such contingencies have not been satisfied. Upon receipt, the Replacement Shipper shall verify the accuracy of the relevant Exhibit "RP", and shall return the verified exhibit to Transporter within five Business Days of receipt. Failure by the Replacement Shipper to return the relevant verified exhibit to Transporter in a timely manner shall entitle Transporter to suspend or terminate service to the Replacement Shipper provided in connection with the Release. Transporter shall notify both the Releasing Shipper and the Replacement Shipper:(i) if the relevant Exhibit "RP" has not been timely verified, and (ii) prior to suspension or termination of service to the Replacement Shipper for failure to verify timely the relevant Exhibit "RP". Service to the Replacement Shipper shall commence and continue in accordance with the terms and conditions of the Released Transportation Service Agreement and the relevant Exhibit "RP", and service to the Releasing Shipper shall commence in accordance with the terms and conditions of the Releasing Shipper's Service Agreement and the relevant Exhibit "RS", regardless of whether Transporter has first posted the terms and conditions of the successful bid pursuant to Section 5.6(c).

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.8 Applicable Deadlines

a) GISB 5.3.1: "The Capacity Release timeline is applicable to all parties involved in the Capacity Release process; however, it is only applicable if 1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be credit worthy before the bid is tendered and 2) there are no special terms or conditions of the release." Pursuant to GISB Standard 5.3.2, the capacity release timeline set forth below in Central Clock Time will apply.

FOR SHORT-TERM RELEASES (LESS THAN FIVE MONTHS)

(i) Offers should be tendered by 1:00 p.m. on the day before nominations for short-term releases (less than 5 months);

(ii) open season ends no later than 2:00 p.m. on the day before nominations are due (evaluation period begins at 2:00 p.m. during which contingency is eliminated, determination of best bid is made, and ties are broken);

(iii) evaluation period ends at 3:00 p.m.

(iv) match or award is communicated by 3:00 p.m.;

(v) match response by 4:00 p.m.;

(vi) award posting by 5:00 p.m.;

(vii) posting of pre-arranged deals not subject to bid by 9:00 a.m. the day of nominations;

(viii) contract tendered with contract number by 10:00 a.m.; contract executed; nomination possible for next day gas flow.

FOR LONGER TERM RELEASES (FIVE MONTHS OR MORE)

(i) Offers should be tendered by 1:00 p.m. four Business Days before the award for long-term releases;

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.8 Applicable Deadlines (continued)

FOR LONGER TERM RELEASES (Continued)

(ii) open season ends no later than 2:00 p.m. on the day before nominations are due (open season is three Business Days);

(iii) evaluation period begins at 2:00 p.m. during which contingency is eliminated, determination of best bid is made, and ties are broken;

(iv) evaluation period ends at 3:00 p.m.;

(v) match or award is communicated by 3:00 p.m.;

(vi) match response by 4:00 p.m.;

(vii) award posting by 5:00 p.m.;

(viii) posting of pre-arranged deals not subject to bid by 9:00 a.m. the day of nominations; and

(ix) contract tendered with contract number by 10:00 a.m.; contract executed; nomination possible for next day gas flow.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.9 Submission of Release Requests and Bids

a) All parties shall electronically submit all necessary information, Release Requests and bids to Transporter.

b) Any party designated as a pre-arranged bidder on a Release Request shall confirm acceptance of the Releasing Shipper's offer through electronic execution of Replacement Shipper's contract prior to 10:00 a.m. Central Clock Time one Business Day prior to gas flow.

c) Any Releasing Shipper, Replacement Shipper, or Bidder which transmits to Transporter through Transporter's EBB any information, Release Request, or bid permitted or required by this Article 5, expressly represents and warrants that such transmittal shall be performed only by a person who has been duly authorized by the Releasing Shipper, the Replacement Shipper, or the Bidder, as applicable, to perform such transmittal, and to duly bind the Releasing Shipper, the Replacement Shipper, or the Bidder, as applicable, to any and all obligations which may result from such transmittal pursuant to the provisions of this Article 5.

5.10 Invoicing and Payment

a) A Releasing Shipper who has executed an effective Base Transportation Service Agreement with Transporter ("Base Shipper") shall remain responsible for payment to Transporter of the reservation rate and any and all other applicable reservation

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.10 Invoicing and Payment (continued)

charges and surcharges for firm Transportation service provided under its Base Transportation Service Agreement prior to any Release thereunder; provided, however, that Transporter shall not unreasonably refuse to relieve such Base Shipper from any future liability under its Base Transportation Service Agreement which may arise after the Base Shipper has unconditionally released to a Replacement Shipper all of the MDQ stated in the Base Transportation Service Agreement for the entire remaining term of the Base Transportation Service Agreement. Releasing Shipper also is responsible for payment obligations, payment procedures and crediting mechanisms that vary from or are in addition to those set forth herein when those provisions are part of a Negotiated Rate service agreement. A Releasing Shipper who is not a Base Shipper shall likewise remain responsible for payment to Transporter of, without limitation, the Release Reservation Rate and the Release Reservation Surcharges for service provided under its Released Transportation Service Agreement prior to any subsequent Release thereunder.

b) The Releasing Shipper shall initially be invoiced only for the reservation and usage rates and any and all other applicable charges and surcharges which are related to the service provided by Transporter under the Releasing Shipper's Service Agreement subsequent to any and all Releases thereunder, and for any additional amount by which the Releasing Shipper's combined reservation rate and reservation surcharges for any Month may exceed the Total Release Reservation Charge for any corresponding Month during the term of any Release by the Releasing Shipper. Transporter shall invoice the Replacement Shipper and the Replacement Shipper shall pay Transporter in accordance with Article 5 of the General Terms and Conditions of this Tariff based upon the Total Release Reservation Charge, usage charge and any and all other applicable charges and surcharges incorporated in the Released Transportation Service Agreement. The usage rate and any and all volumetric charges and surcharges to be paid to Transporter by the Replacement Shipper (respectively, the "Release Usage Rate" and "Release Volumetric Surcharges") shall be the maximum usage rate and maximum volumetric charges and surcharges applicable to this Governing Rate Schedule, as such rates, charges, and surcharges may be revised from time to time (respectively, the "Tariff Volumetric Rate" and "Tariff Usage Surcharges"), unless otherwise agreed in writing by Transporter and the Replacement Shipper prior to the date of commencement of the Release Term.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.10 Invoicing and Payment (continued)

include the amount of any and all applicable interest charges and penalties related to nonpayment by the Replacement Shipper of all or any portion of the Release Reservation Rate and the Release Reservation Surcharges which have accrued from the date of receipt of Transporter's invoice by the Replacement Shipper. The Default Invoice shall also reflect a credit for any and all amounts paid to Transporter by the Replacement Shipper, including any amounts related to payment of the Release Usage Rate and Release Volumetric Surcharges to the extent that the Release Usage Rate and Release Volumetric Surcharges are less than or equal to the corresponding usage rates and volumetric charges and surcharges paid by the Releasing Shipper to Transporter for service under the Transportation Service Agreement or Released Transportation Service Agreement, as applicable. The Releasing Shipper shall pay the amount of the Default Invoice to Transporter within the applicable period of time prescribed in the Releasing Shipper's Service Agreement for payment of invoices. The Releasing Shipper shall be solely responsible for seeking and obtaining reimbursement for any such payment from the Replacement Shipper; provided, however, that Transporter shall credit the Releasing Shipper's next invoice following Transporter's receipt of any payment by the Replacement Shipper of any amounts reflected in any Default Invoice which were paid by the Releasing Shipper. The foregoing credit shall include any interest on such amounts paid by the Replacement Shipper which may have accrued commencing ten (10) Days after the date on which the relevant payment from the Replacement Shipper was received by Transporter.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.10 Invoicing and Payment (continued)

d) Failure by the Releasing Shipper or the Replacement Shipper to pay timely all or any portion of any invoice from Transporter, including any failure by the Releasing Shipper to pay timely the amount of any Default Invoice, shall entitle Transporter to exercise the remedies available under the Base Transportation Service Agreement and this Tariff, including suspension and termination of service to the Releasing Shipper and the Replacement Shipper, as warranted, as well as any other remedies available to Transporter. In the event of failure by the Replacement Shipper to pay timely all or any portion of any invoice from Transporter, the Releasing Shipper shall likewise by entitled to recall temporarily or permanently all of its Transportation rights which were released to the Replacement Shipper under the relevant Release, provided, however, that the Releasing Shipper must provide both Transporter and the Replacement Shipper with not less than thirty (30) Days prior written notice of its intent to exercise such recall.

e) Any and all increases in the applicable Tariff Reservation Rate or the applicable Tariff Reservation Surcharges shall remain the primary responsibility of the Releasing Shipper to the extent provided in the Releasing Shipper's Service Agreement; provided, however, that the Releasing Shipper may provide in its Release Request that the Release Reservation Rate and the Release Reservation Surcharges will increase in accordance with any corresponding increases in the applicable Tariff Reservation Rate or the applicable Tariff Reservation Surcharges. Any refunds or credits of any rates or charges ordered by the FERC shall be paid by Transporter solely to the Base Shipper , subject however to Transporter's right to seek relief at the FERC or in the courts from the obligation to make any such refunds or credits. Any Base Shipper which receives such refunds or credits shall be solely responsible for determining what portion, if any, of such refunds or credits must be additionally refunded to any and all Releasing Shippers and Replacement Shippers who received directly or indirectly a release of Transportation rights under such Shipper's Base Transportation Service Agreement.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.11 Further Conditions on Release of Transportation Rights.

a) Any party participating in the Release program set forth in this Article 5 agrees to be bound by and shall comply with the terms and conditions of this Tariff, and all applicable Commission rules, orders and regulations.

b) All terms and conditions in all Release Requests must be objectively stated, applicable to all potential Bidders and nondiscriminatory.

c) The minimum term for any Release shall be one Day and the maximum term shall be the remaining term of the relevant Firm Transportation Service Agreement, or the remaining term of firm transportation service provided under the relevant Released Transportation Service Agreement as determined in accordance with the Release Term of all effective Exhibits "RS" and Exhibits "RP" thereto, as may be revised from time to time. The minimum MDQ for any Release shall be 500 Mcf per Day and the maximum MDQ shall be the maximum MDQ set forth in the Releasing Shipper's Service Agreement, as revised from time to time in accordance with any and all effective Exhibits "RS" and Exhibits "RP" thereto.

d) The maximum rates paid by the Replacement Shipper for service under any Release shall be the maximum Tariff Reservation Rate and Tariff Reservation Surcharges, and maximum Tariff Usage Rate and Tariff Volumetric Surcharges, as well as all other applicable maximum rates, charges and surcharges set forth in this Tariff, all as may be revised from time to time, notwithstanding any discount to such rates, charges or surcharges then in effect for the Releasing Shipper. The Release Reservation Rate and Release Reservation Surcharges shall for all purposes of this Article 5 be stated in relation to and on the same basis as the Monthly Reservation Rate set forth in this Tariff for service under this Governing Rate Schedule, subject to the additional provisions of Section 5.4(b) concerning any Release Reservation Rate or Release Reservation Surcharges which may be paid on a one-part volumetric basis. The maximum rate that may be charged for a Release shall not be affected by the amount of any marketing fee paid by the Releasing Shipper to Transporter in accordance with Section 5.12.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.11 Further Conditions on Release of Transportation Rights (continued)

e) All terms and conditions of service provided under any Release must be consistent with and shall be subject to all terms and conditions of the Releasing Shipper's Service Agreement, and with all applicable terms and conditions of this Tariff, including without limitation the provisions on nominations, scheduling and curtailment of Transportation service as set forth in Article 13 of this Rate Schedule. Any subsequent Release hereunder by a Replacement Shipper additionally must be consistent with the terms and conditions of such Replacement Shipper's Released Transportation Service Agreement and any and all effective Exhibits "RS" and Exhibits "RP" thereto.

f) Transporter may reject any Release Request or any bid which does not conform in all respects to the requirements of this Article 5, and such rejected Release Request or bid shall be deemed null and void from the time of such rejection.

g) Transporter shall accept nominations, schedule Transportation, afford priority of service and curtail service based on instructions and communications from the Releasing Shipper and the Replacement Shipper which are consistent with one another and with the terms and conditions of their respective Transportation service agreements and this Tariff. In the event such instructions or communications from the Releasing Shipper and Replacement Shipper in Transporter's sole opinion are inconsistent or conflicting, Transporter shall comply with the instructions and communications of the Releasing Shipper; provided, however, that such instructions and communications must not be inconsistent with this Tariff, in Transporter's sole opinion. "The Releasing Shipper must notify Transporter by 8:00 a.m. Central Clock Time on nomination day prior to exercising any right to recall" (GISB 5.3.6) any or all of the released Transportation rights, and shall be solely responsible for the provision of any required notice to the Replacement Shipper. "Transporter will not accept nominations for partial day recalls or partial day reputs." (GISB 5.3.7.) The Releasing Shipper must comply with the terms and conditions set forth in Article 13 of this Rate Schedule in connection with the utilization of any recalled rights to Transportation service.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 5 - CAPACITY RELEASE PROGRAM (continued)

5.11 Further Conditions on Release of Transportation Rights (continued)

h) All Transportation rights released hereunder shall be scheduled and curtailed as firm Transportation service under Article 10 of this Rate Schedule. Interruption or curtailment of such released service shall be in accordance with interruption or curtailment of firm service under this Tariff, and additionally as may be prescribed by the terms and conditions of the release.

i) Notwithstanding any other provision set forth in this Article 5, Transporter shall have no liability of any nature whatsoever to any party in connection with the performance or nonperformance of any of Transporter's obligations set forth in this Article 5, except to the extent that any such liabilities arise solely from Transporter's negligent performance of any obligations for which Transporter is solely and directly responsible.

5.12 Marketing Fee Agreement

Transporter shall be entitled to receive a marketing fee from the Releasing Shipper in the event Transporter and the Releasing Shipper agree that Transporter will actively market the Transportation rights to be released. All of the terms and conditions pertaining to the provision of such marketing services by Transporter shall be set forth in a written agreement executed by Transporter and the Releasing Shipper.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES

The provisions of Sections 6.1, 6.2, 6.3, 6.4, 6.5, 6.6 and 6.7 of this Article 6 shall apply only to the extent that they are agreed to by both Transporter and Shipper and included in the Transportation Service Agreement executed by Transporter and Shipper.

6.1 Shipper's Rate. For transportation service as described in Section 2.1 rendered by Transporter on behalf of Shipper pursuant to this Rate Schedule, Shipper shall pay each month a rate ("Shipper's Rate"), which shall be, at Shipper's option (and subject to the conditions provided herein), Shipper's Negotiated Rate pursuant to Section 6.2 below, a Negotiated Rate pursuant to Section 23 of the General Terms and Conditions, including ACA and GRI surcharges as well as fuel reimbursement pursuant to Section 12 of the General Terms and Conditions, or the Alternate Rate pursuant to Section 6.6 below. Shipper's Rate shall always be subject to any refunds that may be ordered by FERC and that may be applicable to Shipper's Rate. Shipper's Rate shall include (i) the GRI Adjustment Charge (GRI) and (ii) the Annual Charge Adjustment (ACA), to the extent that they are attributable to the service provided by Transporter to Shipper pursuant to this Rate Schedule and the Firm Transportation Service Agreement. Notwithstanding the foregoing, however, if Shipper's Rate is based upon an Alternate Rate or an Available Rate Schedule to which the ACA and/or GRI is applicable but as to which Transporter has waived its rights to reimbursement, then the ACA and/or GRI charges shall be waived hereunder in proportion to the degree to which Shipper's Rate is based on such Alternate Rate or Available Rate Schedule.

6.2 Shipper's Negotiated Rate

6.2.1 Initial Shipper's Negotiated Rate. Effective as of the In-Service Date, the initial Shipper's Negotiated Rate shall be a two-part rate, comprised of a Monthly Reservation Rate and a Commodity Rate, which may be established by Shipper and Transporter prior to the Construction Commitment Date, and which, if so established, shall not exceed the maximum demand or reservation rate and associated commodity or usage rate, respectively, under any of Transporter's two-part rate schedules for Firm Service which is, by its terms, generally available to more than one customer or customer class ("Available Rate Schedule") as such maximum rates exist at the In Service Date. If the parties fail to otherwise establish the initial Shipper's Negotiated Rate prior to the Construction Commitment Date, then the initial Shipper's Negotiated Rate shall be equal to the maximum authorized rate or rates as of the In-Service Date in

ARTICLE 6 - RATES (continued)

6.2 Shipper's Negotiated Rate (continued)

6.2.1 Initial Shipper's Negotiated Rate (continued)

any Available Rate Schedule selected by Shipper. Nothing in this Section 6.2.1 shall constitute a limitation, restriction or modification of Shipper's right to select a different Available Rate Schedule to be Shipper's Negotiated Rate. The initial Shipper's Negotiated Rate established in accordance herewith shall be effective as of the In Service Date (subject to Shipper's right to select an Alternate Rate in accordance with other provisions of this rate schedule and the Firm Transportation Service Agreement), and shall continue in effect for at least 30 Days and thereafter until changed in accordance with Section 6.2.2. If the initial Shipper's Negotiated Rate is based on a rate in an Available Rate Schedule, then changes to, and refunds from, such initial Shipper's Negotiated Rate shall be in accordance with the FERC's valid orders respecting such Available Rate Schedule. If the rate contained in an Available Rate Schedule is a mileage-based or zone-based rate or is otherwise differentiated on the basis of distance of haul, and/or if such rate is a time-based rate as defined in Section 6.5.3, then the rate shall be adjusted in the same manner as provided in Sections 6.6.2, 6.6.3 and 6.6.4. Shipper need not be a customer to which any such rate schedule is generally available in order to select such rate schedule as Shipper's Negotiated Rate.

6.2.2 Changes to Shipper's Negotiated Rate.

Transporter may file with FERC to change the level of the maximum rates in its Available Rate Schedules at any time, subject only to any limitations contained in such rate schedules. On the effective date of any change in the level of the maximum rates of any Available Rate Schedules, or the effective date of any new Available Rate Schedule, Shipper's Negotiated Rate shall become equal to the maximum rate or rates contained in the Available Rate Schedule from which Shipper selects at the time; provided, however, that Transporter and Shipper may negotiate a mutually agreeable discount from such maximum rate or rates. Until such time as Shipper selects a different Available Rate Schedule, Shipper's Negotiated Rate shall be determined in accordance with any valid orders of the FERC respecting the effective dates and level of, and refunds from, the rates in the Available Rate Schedule

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.2 Shipper's Negotiated Rate (continued)

6.2.2 Changes to Shipper's Negotiated Rate (continued)

selected by Shipper. If the rate contained in an Available Rate Schedule is a mileage-based or zone-based rate or is otherwise differentiated on the basis of distance of haul, and/or is a Time-Based Rate, then the rate shall be adjusted using the applicable adjustment(s) in Sections 6.6.2, 6.6.3 and/or 6.6.4.

6.3 Firm Service. As used in this Article 6, "Firm Service" shall include any and all varieties of transportation service offered by Transporter that include the receipt of gas into Transporter's System in the Overthrust Area and the delivery of gas within the geographical boundaries of the State of California, provided that such service is firm (i.e., is not subject to interruption), and is for a contract term of at least one year.

6.4 Alternate Rate. As used in this Rate Schedule and the Firm Transportation Service Agreement, an "Alternate Rate" shall be the Weighted Average Alternate Rate or Single Alternate Rate, (as hereinafter defined), for Firm Service provided or offered by Transporter to any shipper.

6.5 Selection of Shipper's Rate. Subject to the frequency limitations and procedures described below, Shipper shall have the right to select as Shipper's Rate, to be applicable to all quantities of gas transported hereunder, one of the following optional rates:

(i) Shipper's Negotiated Rate, as described in Section 6.2 herein;

(ii) The Weighted Average Alternate Rate, as described in Section 6.6 herein;

(iii) The Single Alternate Rate, as described in Section 6.6 herein;

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.5 Selection of Shipper's Rate. (continued)

6.5.1 Selections for First Three Contract Years. At the beginning of each of the first three Contract Years, Shipper shall have the right to select any one of the three optional rates described in Section 6.5 above to be Shipper's Rate. Such rate shall apply to all transportation service hereunder throughout such Contract Year; provided, however, that if the FERC permits or requires Transporter to place into effect any new Available Rate Schedule or any changes to the level of the maximum rate or rates in an existing Available Rate Schedule, then, effective as of the effective date of any such change or new Available Rate Schedule, Shipper may change Shipper's Rate from either Shipper's Negotiated Rate to an Alternate Rate, or from an Alternate Rate to Shipper's Negotiated Rate.

6.5.2 Selections for Subsequent Contract Years. At the beginning of the fourth Contract Year and each subsequent Contract Year, Shipper shall have the right to select any one of the three optional rates described in Section 6.5 above to be Shipper's Rate. The rate so selected by Shipper shall apply to all transportation service pursuant to this Rate Schedule and the Firm Transportation Service Agreement, beginning on the first Day of such Contract Year, and continuing through the earliest of the following events: (i) the last Day of such Contract Year, (ii) the last Day preceding the effective date of any rate change in any existing Available Rate Schedule or of any new Available Rate Schedule; (iii) the last Day of the month in which any rate discount from any Available Rate Schedule provided by Transporter, or any rate for Firm Service on Transporter's System, becomes effective, is modified, or ceases to be effective. Upon the occurrence of either of the events described in (ii) and (iii) herein, Shipper shall have the right (but not the obligation) to select a different value for Shipper's Rate, and the value so selected by Shipper shall continue in effect throughout the remainder of the Contract Year during which such selection is made, subject to Shipper's right to select a new value of Shipper's Rate upon the next occurrence of either of the events described in (ii) or (iii) herein.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.5 Selection of Shipper's Rate. (continued)

6.5.3 Limitation on Selection. Notwithstanding the provisions of Sections 6.5.1 and 6.5.2, if any Available Rate Schedule or any agreement on which an Alternate Rate is based contains a "Time-Based Rate," i.e., expressly provides for two or more specified rate levels (i.e., stated dollar amounts per unit of Gas transported or per unit of reserved capacity), differentiated on the basis of time (e.g., seasonal rates or peak/off-peak rates), and if such specified rate levels are identified on Transporter's Rate List in accordance with Section 6.6.1 hereof, then the automatic transition from one such rate level to another, pursuant to the terms of such Available Rate Schedule or agreement, shall not provide Shipper with the right to select a different Shipper's Rate pursuant to Section 6.5.1 or Section 6.5.2 hereof.

6.6 Determination of Alternate Rates

6.6.1 Transporter's Rate List. To enable Shipper to select a new Shipper's Rate at the beginning of each Contract Year and upon the occurrence of any of the events described In Sections 6.5.1 and 6.5.2 hereof, Transporter shall deliver to Shipper on or before the first Day of each Contract Year and within ten (10) Days of the occurrence of each such event, a written notice ("Transporter's Rate List") identifying: (i) each Available Rate Schedule offered by Transporter; (ii) any rate discount from any Available Rate Schedule provided by Transporter, regardless of whether such discounted rate has been reported to or is on file with the FERC; and (iii) the rates and charges (including, without limitation by such inclusion, any GRI and/or ACA charges) applicable to Firm Service on Transporter's System in all agreements, oral or written or otherwise. Such rates and charges shall be separately stated, and any waivers of reimbursement of GRI or ACA charges shall be identified. All such rates and charges shall have been adjusted by Transporter (as appropriate) in accordance with Sections 6.6.2, 6.6.3, and 6.6.4 herein, and shall be expressed on the following basis:

(i) The demand or reservation component(s), if any, of each such rate or charge shall be stated in terms of dollars per month per Dth of maximum daily quantity of Gas that Transporter is obligated to transport for a shipper;

ARTICLE 6 - RATES (continued)

6.6.1 Transporter's Rate List. (continued)

(ii) The commodity or usage component(s), if any, of each such rate or charge shall be stated in terms of dollars per Dth of Gas received by Transporter for transportation for a shipper.

As to any rates and charges that were adjusted by Transporter in accordance with Sections 6.6.2, 6.6.3 or 6.6.4, and/or that were converted by Transporter from their original form in order to be expressed as required above, Transporter shall attach to Transporter's Rate List workpapers that show the original form of such rates or charges and the calculations by which such adjustments and conversions were made.

Transporter shall exclude from Transporter's Rate List any rates provided in any transportation agreements entered into by Transporter and any shipper solely or primarily in consideration of grants of right-of-way, unless such shipper is a utility company regulated by the Public Utilities Commission of the State of California or by any municipality or other subdivision of the State of California, or is an affiliate of such a utility company. Transporter shall also identify on Transporter's Rate List each rate payable for Firm Service by another shipper on Transporter's System that is the result of the operation of a most favored nation or other similar clause in that shipper's transportation agreement, which operation was solely caused by Shipper's selection of a value of Shipper's Rate, and the rate or rates that were in effect under such agreement immediately prior to the operation of the most favored nation or other similar clause. For each rate or charge identified on Transporter's Rate List, Transporter shall also state on such list the maximum volume of gas in Mcf Transporter is obligated to transport at such rate or charge, and the zones and/or mileages associated with any mileage-based or zone-based rates. For rates identified on Transporter's Rate List from agreements which provide or allow for transportation of a quantity equivalent to 60,000 Mcf per Day or greater, Transporter shall provide Shipper with copies of the Force Majeure provision applicable to such agreements and rates, including, without limitation by such inclusion, any provisions that would tend to reduce any amounts payable thereunder in the event of a Force Majeure occurrence. Transporter shall also provide to Shipper a second list specifically identifying all rates charged by Transporter that Transporter has excluded from Transporter's Rate List, and the agreements pursuant to which such rates are charged. Shipper shall have the right to audit Transporter's exclusion of any such rates, including (but not limited to) the right to inspect the agreements pursuant to which any such excluded rates are charged.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.6 Determination of Alternate Rates (continued)

6.6.2 Zone-Based Rates. Each "zone-based" rate identified on Transporter's Rate List (i.e., each rate which is charged on the basis of dollars per Dth or other unit of gas, or unit of reserved capacity, for transportation from a receipt point located in a specific area or "zone" and/or to a delivery point located in a specific area or "zone" of Transporter's System), shall be adjusted by Transporter in accordance with the following formula:

$$AR=A/B \times C$$

where,

AR = Adjusted Rate to be utilized to determine Shipper's Alternate Rate

A = Identified zone-based rate on Transporter's Rate List

B = the total pipeline miles contained in the zones associated with such identified zone-based rate

C = the total pipeline miles contained in the zones associated with each transportation service provided to Shipper.

6.6.3 Mileage-Based Rates. For purposes of this Rate Schedule and the Firm Transportation Service Agreement, a "mileage-based" rate is a rate that is stated in terms of, or is explicitly based upon, dollars per Dth or other unit of gas transported (or unit of reserved capacity) per actual pipeline mile or per established pipeline mileage unit (i.e., a unit consisting of a specified number of pipeline miles), between receipt and delivery point(s) on Transporter's System. Each mileage-based rate identified on Transporter's Rate List shall be adjusted by Transporter in accordance with the following formula:

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.6 Determination of Alternate Rates (continued)

6.6.3 Mileage-Based Rates (continued)

$$AR=(A.B.)+C$$

where,

AR = Adjusted Rate to be utilized to determine Shipper's Alternate Rate

A = Identified mileage component of the mileage-based rate on Transporter's Rate List

B = Shipper's Mileage

C = Identified non-mileage components, if any, of the mileage-based rate on Transporter's Rate List

The term "Shipper's Mileage" used in the above formula shall equal the difference between (i) the weighted average (with the weighting based on the proportion of the Delivery Volume at each Delivery Point to the sum of all Delivery Volumes) of the distances in pipeline miles from the northernmost point on Transporter's System to each Delivery Point and (ii) the weighted average (with the weighting based on the proportion of the Receipt Volume at each Receipt Point to the sum of all Receipt Volumes) of the distances in pipeline miles from the northernmost point on Transporter's System to each Receipt Point. If a mileage-based rate on Transporter's Rate List employs pipeline mileage units then the distance calculated from (i) and (ii) above shall be stated in terms of such pipeline mileage units by dividing the number of pipeline miles in such distance by the number of pipeline miles in each pipeline mileage unit. The distance so calculated shall be adjusted, if necessary, to reflect the manner in which such pipeline mileage units are applied under such mileage-based rate.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.6 Determination of Alternate Rates (continued)

6.6.4. Time-Based Rates. Each Time-Based Rate (as defined in Section 6.5.3) identified on Transporter's Rate List shall be adjusted by Transporter to reflect its annualized equivalent ("AE") as follows:

AE=(t1xr1)+(t2xr2)+...+(tnxrn)/(t1+t2+...+tn)

Where

AE = Annualized equivalent of the Time-Based Rate

t = The number of Days in a relevant time period during a year (e.g., each season for a seasonal rate, each peak period and off-peak period for peak/off-peak rates, etc.)

r = The Time-Based Rate for a relevant time period during a year

6.6.5 Weighted Average Alternate Rate

(a) Shipper's Alternate Rate List. Within ten (10) Days after receipt of Transporter's Rate List, Shipper shall compile from items (ii) and (iii) of Transporter's Rate List and provide to Transporter a list ("Shipper's Alternate Rate List") of rates excluding any GRI or ACA charges, and the maximum volumes of gas which Transporter is obligated to transport at such rates, which volumes, in the aggregate, are equivalent to or greater than twice Shipper's MDQ. Shipper shall rank such rates in any fashion it desires, numbering each rate successively in descending order of preference.

(b) Computing a Weighted Average Alternate Rate. The demand/reservation component (if any) and the commodity/usage component (if any) of each rate on Shipper's Alternate Rate List, beginning with the first, shall separately be multiplied in succession by the maximum volume of gas in mcf that Transporter is obligated to transport at that rate until the sum of such volumes equals or first exceeds Shipper's MDQ; provided, however,

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.6 Determination of Alternate Rates (continued)

6.6.5 Weighted Average Alternate Rate (continued)

that, to the extent that the maximum volume of gas Transporter is obligated to transport at the last such rate to be multiplied exceeds Shipper's MDQ when added to the sum of the volumes theretofore multiplied, such last maximum volume shall be reduced to equal the difference between Shipper's MDQ and the sum of the volumes theretofore multiplied. The summation of the products that result from the multiplication of each such demand/reservation component of a rate on Shipper's Alternate Rate List by the maximum volume associated with that rate shall then be divided by Shipper's MDQ to yield the reservation component (if any) of Shipper's Weighted Average Alternate Rate. The summation of the products that result from the multiplication of each such commodity/usage component of a rate on Shipper's Alternate Rate List by the maximum volume associated with that rate shall then be divided by Shipper's MDQ to yield the commodity component (if any) of Shipper's Weighted Average Alternate Rate.

(c) Recalculation of the Weighted Average Alternate Rate. If, during any Contract Year after the third Contract Year, any existing rate contained in Shipper's Alternate Rate List ceases to be effective or is changed, then such rate shall be deleted from Shipper's Alternate Rate List. If, during any Contract Year after the third Contract Year, any rate discount from any Available Rate Schedule provided by Transporter, or any rate for Firm Service on Transporter's System, becomes effective or is modified, then Shipper shall have the right to amend Shipper's Alternate Rate List by inserting any such new or changed rate at any point in such list. If any of the events described in this Section 6.6.5(c) occurs, then the Weighted Average Alternate Rate shall be recalculated to reflect the effect of the above described revisions to Shipper's Alternate Rate List.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.6 Determination of Alternate Rates (continued)

6.6.5 Weighted Average Alternate Rate (continued)

(d) Effect of the Operation of Most Favored Nations Clauses in Other Agreements. Notwithstanding the foregoing provisions of (c), if the value selected by Shipper as Shipper's Rate during any Contract Year solely causes the operation of a most favored nation or similar provision in another shipper's transportation agreement that reduces the rate for Firm Service being paid by such other shipper, such reduced rate applicable to such other shipper shall not be eligible for inclusion in Shipper's Alternate Rate List.

6.6.6 Single Alternate Rate. At the beginning of each Contract Year and whenever the Weighted Average Alternate Rate is recalculated in accordance with Section 6.6.5(c), Shipper shall specify from Transporter's Rate List as the "Single Alternate Rate" any rate provided under any contract entered into by Transporter which has a maximum daily quantity that is equivalent to at least 60,000 Mcf of gas per Day; provided, however, that the Force Majeure provisions of such contract shall be substituted in place of those Force Majeure provisions otherwise provided for in this Rate Schedule and the Firm Transportation Service Agreement for the period of time in which a Single Alternate Rate constitutes Shipper's Rate for services provided hereunder.

6.7 Authorized Overrun Rate

6.7.1 Prior to In-Service Date. If Transporter transports any Gas for Shipper prior to the In-service Date, Shipper shall compensate Transporter therefor at a rate equivalent to the Authorized Overrun Rate.

6.7.2 Overrun Gas. Upon Shipper's request, Transporter, at its option, may accept Overrun Gas for transportation hereunder, on a fully interruptible basis, for which Shipper shall pay Transporter the Authorized Overrun Rate. Interruption of Overrun Gas shall be consistent with Section 10.1 of this Rate Schedule.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 6 - RATES (continued)

6.7 Authorized Overrun Rate (continued)

6.7.3 Calculation of Authorized Overrun Rate. Shipper's Authorized Overrun Rate in effect at any time shall be determined as follows:

(A/30.4)+B, where

A = Any demand or reservation type rate components of Shipper's Rate stated on a monthly basis or, if on some other basis, converted to a monthly basis.

B = Any commodity rate or other rate component of Shipper's Rate stated as an amount per unit of gas received, transported and redelivered.

6.8 Rights to Seek Modifications. Transporter's rates, charges, classifications and services as set forth in the Firm Transportation Service Agreement and this Rate Schedule are subject to regulation by the FERC under the Natural Gas Act. Transporter shall have the right to file from time to time with the FERC under Section 4 of the Natural Gas Act and to place into effect such changes in this Rate Schedule, the Firm Transportation Service Agreement, and other applicable terms of Transporter's Tariff as Transporter may find necessary from time to time to assure Transporter just and reasonable rates and charges and terms and conditions of service and Shipper shall have the right to oppose such changes. Shipper shall have the rights available to it under Section 5 of the Natural Gas Act to assure Shipper just and reasonable rates and charges and terms and conditions. Waivers of these statutory rights, if any, shall be as provided in the Firm Transportation Service Agreement between Transporter and Shipper.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 7 - INVOICING

7.1 Volume Statements. Transporter and Shipper shall provide the following information concerning Gas volumes received by Transporter and delivered to Shipper during the preceding month.

7.1.1 Shipper's Statements. For those Receipt Points where Gas is being received by Transporter for the account of Shipper and other shippers, Shipper or its agent shall submit to Transporter and to all shippers whose Gas is being received by Transporter at the specific Receipt Points, on or before the fifth (5th) Business Day of the Month a statement indicating the allocation of the total volume of Gas received by Transporter among all pertinent shippers ("Allocation Statement").

7.1.2 Transporter's Statements. When information necessary for invoicing by Transporter is in the control of Shipper, Shipper shall furnish the actual information to Transporter on or before the fifth (5th) Business Day of the Month following the Billing Month. GISB 2.3.7: "The cutoff for closing of measurement is 5 business days after business month." If such information is not available for Shipper to furnish to Transporter on or before such fifth (5th) Business Day then Transporter may furnish an estimated invoice to Shipper, subject to appropriate adjustments after Shipper has obtained such actual information and furnished same to Transporter. GISB 3.3.14: "The imbalance statement should be rendered prior to or with the invoice, and the transportation invoice should be prepared on or before the 9th business day after the end of the production month. Rendered is defined as postmarked, time-stamped, and delivered to the designated site." Such statement will include, in reasonable detail, the volumes and thermal content of Shipper's Gas, indicating separately regular volumes and Overrun Gas volumes received by Transporter at each Receipt Point and the volumes and thermal content of Shipper's Gas separately designated as above, delivered by Transporter at each Delivery Point pursuant to the Firm Transportation Service Agreement during the preceding month.

7.1.3 Time Requirement. When information necessary for billing by Transporter is in control of Shipper, Shipper or its agent will furnish such information to Transporter on or before the fifth (5th) Business Day of the month.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 7 - INVOICING (continued)

7.2 Transporter's Invoice. On or before the ninth (9th) Business Day of each Month Transporter shall prepare an invoice for service rendered during the preceding Month. Imbalance statements should be generated at the same time or prior to the transportation invoice. Such invoices shall contain the following information:

7.2.1 Monthly Reservation Charge. If applicable, the demand or reservations rate provided hereunder multiplied by Shipper's then applicable Maximum Daily Quantity ("Monthly Reservation Charge").

7.2.2 Monthly Commodity Charge. If applicable, a transportation, usage, or commodity rate provided hereunder multiplied by the total quantity of Gas received by Transporter from Shipper for Transportation (i.e., excluding Shipper's Fuel Gas Volumes and Shipper's L&U Volumes) at all Receipt Points during the month ("Monthly Commodity Charge").

7.2.3 Authorized Overrun Charge. If applicable, an Authorized Overrun Charge equal to the Authorized Overrun Rate provided hereunder, multiplied by the total volume of Gas in excess of Shipper's Maximum Daily Quantity received by Transporter from Shipper for Transportation at all Receipt Points each Day during the month.

ARTICLE 8 - PAYMENT

8.1 Shipper's Payment. Shipper shall pay Transporter the total charges indicated on Transporter's invoice by wire transfer or immediately available funds to a depository designated by Transporter within ten (10) Days of receipt of Transporter's invoice or the twenty-fifth (25th) Day of the Month, whichever is later. Such payment shall identify the invoice number. Subject to the provisions of Section 9.3 hereof, pertaining to Monthly Reservation Charge Adjustments, Shipper shall make payment of the Monthly Reservation Charge pursuant hereto in full irrespective of any dispute relative to the amount invoiced, and Shipper shall not be entitled to any abatement of such payment or any set-off against it, including but not limited to, abatement or set-off due or alleged to be due by reason of any past, present or future claims or other rights of Shipper against Transporter or any other person or entity, whether in connection herewith or any unrelated transaction. Notwithstanding the foregoing, however, nothing herein shall prejudice in any way

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 8 - PAYMENT (continued)

8.1 Shipper's Payment. (continued)

Shipper's right to dispute any such amount invoiced, including (without limitation by such inclusion) any Monthly Reservation Charge; and Shipper retains all rights and causes of action that may pertain hereto, including (without limitation) any claims for refund of all or part of any Monthly Reservation Charge paid hereunder.

8.2 Late Payment. Should Shipper fail to pay the amount of any invoice rendered by Transporter when such amount is due, interest shall accrue on the amount not paid commencing on the date payment is due and ending on the date the invoice is paid, at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such regulations become inapplicable to such amounts, the rate shall be computed on the basis of the prime rate of the Chase Manhattan Bank, NA or the maximum interest rate otherwise permitted by law or regulation, whichever is less.

8.3 Overcollections. Should Transporter overcollect by receipt of any payment by Shipper, interest will accrue on the amount of the overcollections, commencing on the date of receipt by Transporter of overcollected funds and ending on the date of repayment of such funds to Shipper, at a rate of interest equal to the then effective rate computed in the manner set forth in Section 154.501(d)(1) of the FERC's regulations under the Natural Gas Act. If such regulations become inapplicable to such amounts, the rate will be bases on the prime rate of the Chase Manhattan Bank, NA or the maximum interest rate otherwise permitted by law or regulation, whichever is less.

8.4 Disputed Invoices. GISB 3.3.19: "If invoice is in dispute, the Shipper shall pay portion not in dispute and provide documentation identifying basis for dispute."

8.5 Overcharges/Undercharges. In the event an error is discovered in any invoice render by Transporter, Shipper must contest such amount in writing within six (6) months from the date that the invoice was rendered, otherwise the invoice will be deemed correct. Transporter will correct any invoicing errors (after a rebuttal period of not more than three months) within thirty (30) days after the Shipper and Transporter agree or the date that the invoicing error occurred.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 8 - PAYMENT (continued)

8.6 Financial Requirements. Upon request by Transporter, Shipper will render to Transporter within thirty (30) Days after receipt of Transporter's request complete audited financial statements prepared in accordance with generally accepted accounting principles.

ARTICLE 9 - FORCE MAJEURE

9.1 Definition of Force Majeure. Neither Transporter nor Shipper shall be deemed to have breached any of its obligations under the Firm Transportation Service Agreement as a result of any act, omission or circumstance occasioned by or in consequence of any blockades, insurrections, riots, epidemics, floods, washouts, landslides, mudslides, earthquakes, extreme cold or freezing weather, lightning, restraint of rulers and peoples, civil disturbances, explosions, breakage or freezing of or accident to machinery or line of pipe, the 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 ("Force Majeure"). Failure to prevent or settle any strike or strikes shall not be considered a matter within the control of the party claiming suspension.

Such causes or contingencies affecting the performance under the Firm Transportation Service Agreement by either Transporter or Shipper, however, shall not relieve either party of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve either party from its obligations to make payments of amounts then due in respect of Gas theretofore delivered. Provided, however, that except as otherwise provided in Section 9.3 hereof, nothing in this Article 9 shall relieve Shipper of its obligation to pay the demand rate or reservation rate component of Shipper's Rate.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 9 - FORCE MAJEURE (continued)

9.2 Due Diligence. Subject to the provisions of Section 9.3 following, no such cause affecting the performance of either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any cause relieve either party from any obligation unless such party shall give notice thereof in writing to the other party pursuant to Section 9.4 with reasonable promptness; and like notice shall be given upon termination of such cause, pursuant to Section 9.5.

9.3 Monthly Reservation Charge Adjustments. Notwithstanding any of the foregoing or any other provision to the contrary in this Rate Schedule or the Firm Transportation Service Agreement, during the time period of an incident of Force Majeure claimed by Transporter, Shipper's Monthly Reservation Charge shall be adjusted according to the following:

9.3.1 Initial Force Majeure Periods. During any period of time commencing with the first Day that Transporter, because of an incident of Force Majeure, is unable to receive at the Primary Receipt Points and/or deliver to the Primary Delivery Points all Gas requested by Shipper to be transported in accordance herewith, and ending on the earlier of the thirtieth (30th) consecutive Day of such inability or the last consecutive Day of such inability, Shipper's Monthly Reservation Charge shall be reduced from what it would have been in the absence of such Force Majeure for such period of time as follows:

(a) For any such period of time (or portion thereof) in which Shipper's rate for service hereunder is a "one-part rate" (i.e., one which is not based, in whole or in part, on the actual quantity of Gas transported), Shipper's Monthly Reservation Charge shall be reduced as follows:

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 9 - FORCE MAJEURE (continued)

9.3 Monthly Reservation Charge Adjustments. (continued)

9.3.1 Initial Force Majeure Periods (continued)

MR=RC/DMxFDxPR

Where,

MR = amount of money by which Shipper's Monthly Reservation Charge is reduced because of Force Majeure

RC = Shipper's Monthly Reservation Charge (if any), absent Force Majeure

DM = number of Days in the month

FD = number of Days in the month on which Transporter's performance is affected by Force Majeure

PR = the lesser of

(i) the volume of gas tendered for Transportation by Shipper at all Primary Receipt Points, that Transporter was unable to receive at such points and/or to deliver at a Primary Delivery Point requested by Shipper, divided by Shipper's MDQ, expressed as a percentage; or

(ii) 7% in Contract Years 1-5
11% in Contract Years 6-10
15% in Contract Years 11-15

(b) For any such period of time (or portion thereof) in which Shipper's rate for service hereunder is a "multiple-part rate" (i.e., one which is partly based on the actual quantity of Gas transported), Shipper's Monthly Reservation Charge shall be reduced as follows:

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 9 - FORCE MAJEURE (continued)

9.3 Monthly Reservation Charge Adjustments. (continued)

9.3.1 Initial Force Majeure Periods (continued)

$$MR=RC/DMxFDxPR$$

Where,

MR = amount of money by which Shipper's Monthly Reservation Charge is reduced because of Force Majeure

RC = Shipper's Monthly Reservation Charge (if any), absent Force Majeure

DM = number of Days in the month

FD = number of Days in the month on which Transporter's performance is affected by Force Majeure

PR = the lesser of

(i) the volume of gas tendered for Transportation by Shipper at all Primary Receipt Points, that Transporter was unable to receive at such points and/or to deliver at a Primary Delivery Point requested by Shipper, divided by Shipper's MDQ, expressed as a percentage; or

(ii) 5% in Contract Years 1-5; 7.5% in Contract Years 6-10; 10% in Contract Years 11-15

9.3.2 Subsequent Force Majeure Periods. During any subsequent period of time that an incident of Force Majeure continues, Shipper's Monthly Reservation Charge (if any) for each specific Day of such continued incident of Force Majeure shall be credited by an amount equal to (i) the Demand or Reservation component (if any) of Shipper's rate for service hereunder divided by (ii) the total number of Days in the specific month in which the incident of Force Majeure continues and multiplied by (iii) the volume of Gas tendered for Transportation by Shipper at all Primary Receipt Points, up to Shipper's MDQ, that Transporter was unable to receive for Transportation.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 9 - FORCE MAJEURE (continued)

9.4 Notice of Force Majeure. Notice of all claims of an incident of Force Majeure by either Shipper or Transporter shall be given within twenty-four (24) hours by the party so claiming an incident of Force Majeure to the other party by telephone or other electronic transfer of information to be further communicated in writing within five (5) Days with such further notice containing at least the following information relative to the claim of an incident of Force Majeure:

(i) date and time of the start of the specific incident of Force Majeure

(ii) the specific cause of the incident of Force Majeure

(iii) the maximum daily volume of Gas Shipper will be able to accept from Transporter at the Delivery Points or tender to Transporter at the Receipt Points, or, the maximum daily volume of Gas Transporter will be able to receive from Shipper at the Receipt Points or deliver to Shipper at the Delivery Points,

(iv) the projected duration of the incident of Force Majeure.

9.5 Termination of Force Majeure. Either Transporter or Shipper shall provide written notice to the other that a claimed incident of Force Majeure has terminated as of a specific date. For purposes of this Rate Schedule and the Firm Transportation Service Agreement, an incident of Force Majeure on Transporter's System invoked by Transporter is retroactively deemed to be terminated on the first Day of the five (5) consecutive Day period subsequent to Shipper's receipt of Transporter's above notice during which time Transporter receives Shipper's total volume of Gas tendered for Transportation at all Receipt Points limited only by Shipper's Maximum Daily Quantity and delivers Thermally Equivalent Volumes to Shipper at the Delivery Points pursuant to the provisions of this Rate Schedule and the Firm Transportation Service Agreement.

9.6 Continuation of Force Majeure. If an incident of Force Majeure continues past the projected duration contained in a party's notice under Section 9.4, that party shall give notice in writing to the other party within twenty-four (24) hours of such continuation and include in such notice the revised projected duration of the specific incident of Force Majeure and the cause of the continuation.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 10 - INTERRUPTIONS OF SERVICE

10.1 Curtailment. If Transporter determines on any Day that for any reason whatsoever, including reasons of Force Majeure, the capacity of its system or any portion thereof is insufficient to satisfy the requirements for transportation service as set forth in executed transportation agreements, Transporter shall curtail or interrupt receipts and deliveries. Subject to the balancing provisions of Article 16 - OPERATING TOLERANCES AND BALANCING herein, such curtailment shall be limited to the portion of Transporter's System on which capacity is reduced and shall be in accordance with the priorities set forth in Section 13.3 of the General Terms and Conditions of this tariff.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 10 - INTERRUPTIONS OF SERVICE (continued)

10.2 Monthly Reservation Charge Credit. Except for an incident of Force Majeure or curtailment pursuant to Section 10.1 and subject to the balancing provisions in Article 16 hereof, and excluding any curtailment of service at Secondary Receipt Points or Secondary Delivery Points, if Transporter is unable on any Day to deliver to Shipper at all Delivery Points nominated pursuant to Section 13.2, a volume of Gas Thermally Equivalent to the volume of Gas tendered by Shipper for Transportation at all Receipt Points up to Shipper's Maximum Daily Quantity, then for such Day Shipper's Monthly Reservation Charge (if any) shall be credited for such volumes of Gas in the applicable billing month by an amount equal to the following:

ARTICLE 10 - INTERRUPTIONS OF SERVICE (continued)

10.2 Monthly Reservation Charge Credit (continued)

CR = ((AxB)/C)x((E-D)/E) where

CR = credit applied to shippers' Monthly Reservation Charge, expressed in dollars

A = Shipper's Maximum Daily Quantity

B = the demand rate or reservation rate component (if any) of Shipper's rate for service hereunder

C = total number of Days in the specific month in which the above condition occurs

D = Quantities of Gas (MMBtu) actually delivered by Transporter to Shipper at all Delivery Point(s)

E = total quantity of Gas (MMBtu) tendered for Transportation by Shipper to Transporter at all Receipt Point(s), up to Shipper's MDQ.

10.3 Inability to Deliver. Pursuant to this Rate Schedule, if, for reasons other than Force Majeure, Transporter is unable on any Day to deliver to Shipper at the Delivery Point(s), a volume of Gas Thermally Equivalent to the volume of Gas tendered for Transportation by Shipper at the Receipt Point(s), up to Shipper's Maximum Daily Quantity, and such inability is a result of Transporter testing, altering, modifying, enlarging, or repairing any facility or property comprising a part of, or appurtenant to, Transporter's System, then, except as provided in Section 10.4, the provisions of Section 10.2 shall apply.

10.4 Maintenance Allotment. The above provisions notwithstanding, Transporter may curtail Shipper up to a maximum of ten percent (10%) of Shipper's MDQ during up to any eleven calendar Days in any Contract Year upon thirty Days prior written notice (unless such maintenance is deemed to be emergency maintenance) for the expressed purpose of conducting maintenance on Transporter's System without the provisions of Section 10.2 being applied. If during any such eleven Days, Transporter curtails Shipper greater than ten percent (10%) of Shipper's MDQ, than the provisions of Section 10.2 apply with D

ARTICLE 10 - INTERRUPTIONS OF SERVICE (continued)

10.4 Maintenance Allotment (continued)

increased by 10% of Shipper's MDQ. For those events deemed by Transporter as emergency maintenance, Transporter must provide the above notice to Shipper within twenty-four hours of Transporter's undertaking of such emergency maintenance for such curtailment being included under this Section 10.4.

ARTICLE 11 - RECEIPT AND DELIVERY POINTS

11.1 Receipt Points.

a) Shipper shall tender Gas to Transporter and Transporter shall receive Gas from Shipper at the Primary Receipt Point(s) and for the Receipt Volumes both designated in Exhibit "A" to the Firm Transportation Service Agreement. The aggregate of Shipper's Receipt Volumes for all Primary Receipt Point(s) shall not exceed one hundred fifty (150) percent of Shipper's Maximum Daily Quantity and the Receipt Volume for any individual Primary Receipt Point shall not exceed Shipper's Maximum Daily Quantity. Shipper may add Primary Receipt Points to its Transportation Service Agreement, or increase or decrease the amount of Shipper's Receipt Volume entitlement at any particular Primary Receipt Pint, subject to the availability of capacity; provided, however, that in the event of any such increase Shipper must concurrently relinquish an equivalent amount of its Receipt Volume entitlement at any one or more of the Primary Receipt Points contained in its Transportation Service Agreement. Exhibit "A" shall be amended as necessary to reflect any changes in Shipper's utilization of its Primary Receipt Points which may be agreed upon by the parties in writing. In addition, Shipper may, subject to Article 10 of this Rate Schedule, nominate and schedule Gas for Transportation from Secondary Receipt Points.

b) In the event Shipper releases any or all of its Transportation rights to a Replacement Shipper under Article 5 of this Rate Schedule and permits the Replacement Shipper to utilize Primary Receipt Points in connection with the Release, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Receipt Volume entitlement at any one or more of its Primary Receipt Points in an aggregate

ARTICLE 11 - RECEIPT AND DELIVERY POINTS (continued)

11.1 Receipt Points (continued)

amount no less than the amount of the MDQ released. Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Receipt Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Receipt Volume entitlement at each such point.

11.2 Delivery Points.

a) Transporter shall deliver Gas to Shipper and Shipper shall receive Gas from Transporter at the Primary Delivery Point(s) and for the Delivery Volumes both designated in Exhibit "A" to the Firm Transportation Service Agreement. The aggregate of Shipper's Delivery Volumes for all Primary Delivery Point(s) shall not exceed one hundred fifty (150) percent of Shipper's Maximum Daily Quantity and the Delivery Volume for any individual Primary Delivery Point shall not exceed Shipper's Maximum Daily Quantity. Shipper may add Primary Delivery Points to its Firm Transportation Service Agreement, or increase or decrease the amount of Shipper's Delivery Volume entitlement at any particular Primary Delivery Point, subject to the availability of capacity; provided, however, that in the event of any such increase Shipper must concurrently relinquish an equivalent amount of its Delivery Volume entitlement at any one or more of the Primary Delivery Points contained in its Firm Transportation Service Agreement. In addition, Shipper may, subject to Article 10 of this Rate Schedule, nominate and schedule Gas for Transportation from Secondary Delivery Points. Exhibit "A" shall be amended as necessary to reflect any changes in Shipper's utilization of its Primary Delivery Points which may be agreed upon by the parties in writing.

b) In the event Shipper releases any or all of its Transportation rights to a Replacement Shipper under Article 5 of this Rate Schedule and permits the Replacement Shipper to utilize Primary Delivery Points in connection with the Release, Shipper shall be required to relinquish, for the entire term of the relevant Release, some portion or all of its Delivery Volume entitlement at any one or more of its Primary Delivery Points in an aggregate amount no less than the amount of the MDQ released.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 11 - RECEIPT AND DELIVERY POINTS (continued)

11.2 Delivery Points (continued)

Following expiration of the term of any Release which is not a permanent Release, Shipper shall be entitled to utilize the Primary Delivery Points which the Replacement Shipper was entitled to utilize at the time of expiration of the Release Term, up to the amount of the Replacement Shipper's respective Delivery Volume entitlement at each such point.

11.3 Barometric Pressure. For each Primary Receipt Point and Primary Delivery Point, the deemed barometric pressure, to be used for measurement, engineering and operational purposes under this Rate Schedule and the Firm Transportation Service Agreement, shall be designated on Exhibit "A" to the Firm Transportation Service Agreement.

11.4 Measurement Facilities. Transporter shall be obligated to furnish, install, own, maintain and operate such measuring equipment, devices, materials and associated facilities as are necessary to add any additional Primary Receipt or Delivery Points pursuant to Sections 11.1 and 11.2 and in accordance with Article 17 of this Rate Schedule. The cost of furnishing and installing such measuring stations for each additional Primary Receipt Point(s) and Primary Delivery Point(s) will be borne by Transporter. Transporter may require, at its option, that Shipper bear the full costs of furnishing and installing such measuring stations.

11.5 Common Facilities. Receipt Points and Delivery Points shall include the points on or adjacent to the Common Facilities at which Transporter has the right to receive or to deliver gas, to the extent of Transporter's rights to utilize such points.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 12 - FUEL GAS, UNACCOUNTED-FOR GAS, TESTING AND LINE PACK

12.1 Fuel Gas. Each month, Shipper shall reimburse Transporter in-kind for compressor fuel used pursuant to Section 12 of the General Terms and Conditions of this tariff.

12.2 Lost or Unaccounted-for Gas. Each month, Shipper shall reimburse Transporter in-kind for lost or unaccounted-for gas pursuant to Section 12 of the General Terms and Conditions of this tariff.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 12 - FUEL GAS, UNACCOUNTED-FOR GAS, TESTING AND LINE PACK
(continued)

12.3 Maximum Fuel Reimbursement Factor. For each month, the fuel reimbursement factor applicable to Shipper's receipt point nominations as described in Section 12 of the General Terms and Conditions of this tariff shall not exceed the percentage shown below:

Transporter's System Certificated Capacity (Mcf per Day)			Maximum Fuel Reimbursement Factor
0	-	700,000	0.0230
701,000	-	750,000	0.0240
751,000	-	800,000	0.0250
801,000	-	850,000	0.0263
851,000	-	900,000	0.0300
901,000	-	950,000	0.0330
951,000	-	1,000,000	0.0343
1,001,000	-	1,050,000	0.0391
1,051,000	-	1,100,000	0.0441
1,101,000	-	1,150,000	0.0553
1,151,000	-	1,200,000	0.0688

Prior to any expansion of Transporter's System which would result in a certificated capacity in excess of 1,200,000 Mcf per Day, Shipper and Transporter shall attempt in good faith to mutually agree on a maximum fuel reimbursement factor. Neither party, however, shall be obligated to so agree. If no such agreement is reached, then the fuel and lost and unaccounted-for gas provisions contained in Section 12 of the General Terms and Conditions of Transporter's FERC Gas Tariff shall apply.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services
(continued)

ARTICLE 12 - FUEL GAS, UNACCOUNTED-FOR GAS, TESTING AND LINE PACK
(continued)

12.4 Testing. Shipper shall have no obligation to provide any substances, whether gaseous or liquid, used by Transporter in any testing or purging of Transporter's System. Transporter shall provide all such substances at no cost or expense to Shipper except to the extent, if any, that the cost of such substances are recovered by Transporter from Shipper through Shipper's rate for service hereunder.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 12 - FUEL GAS, UNACCOUNTED-FOR GAS, TESTING AND LINE PACK (continued)

12.5 Line Pack. Shipper shall have no obligation to provide Transporter any volumes of Gas used by Transporter for line pack prior to or during the term of the Firm Transportation Service Agreement for Transporter's System and any and all expansions of Transporter's System. Transporter shall provide all such Gas volumes at no cost or expense to Shipper except to the extent that the cost of such Gas volumes is recovered by Transporter from Shipper through Shipper's rate for service hereunder.

ARTICLE 13 - OPERATING PROCEDURES

13.1 Notice. Transporter shall give Shipper a minimum of ten (10) Days prior written notice of the projected In-Service Date to enable Shipper to provide Transporter its initial nominations pursuant to this Article 13.

13.2 Initial Nominations. Within ten (10) Days after Shipper's receipt of Transporter's notice pursuant to Section 13.1 herein, and at least five (5) Days prior to the first Day of each month thereafter during the term of the Firm Transportation Service Agreement, Shipper shall provide Transporter with a written or other mutually agreed upon transmitted schedule indicating its best estimate of Shipper's volumes of Gas to be tendered to Transporter each Day during the succeeding month and the corresponding allocation of those Gas volumes at each Receipt Point and Delivery Point.

RESERVED FOR FUTURE USE

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 13 - OPERATING PROCEDURES (continued)

13.3 Delivery Requirements. Subject to the provisions of this Rate Schedule as to scheduling and balancing, Transporter shall not be obligated to deliver to Shipper on any Day a greater quantity of Gas, on a Thermally Equivalent basis, up to Shipper's MDQ, than it has received from Shipper on such Day reduced by any requisite reimbursement for Fuel Gas Volumes and L&U Volumes, as provided in Article 12 hereof.

13.4 Shipper's Obligations. It shall be Shipper's obligation to make any necessary arrangement with other parties for tender of Shipper's Gas to Transporter at the Receipt Point(s) and for receipt of Shipper's Gas after transportation at the Delivery Point(s). Shipper shall be obligated in such arrangements to require dispatching and operating coordination with Transporter and to provide Transporter, at Transporter's request, access to appropriate records.

13.5 Shipper's Estimates. Upon request of Transporter, Shipper shall, no more frequently than once per calendar quarter, submit its best estimate of the subsequent year's annual volume of Gas to be transported hereunder, stated on a monthly basis. Any such best estimates provided under this Section 13.5 shall not supplant the scheduling and dispatching of volumes as provided in Sections 13.1 and 13.2 above, and Section 13.1 of the General Terms and Conditions of Transporter's Tariff.

ARTICLE 14 - QUALITY OF GAS

14.1 Gas Quality at Delivery Point(s): The Gas delivered by Transporter for Shipper at the Delivery Point(s):

(a) shall be merchantable Natural Gas commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with its

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 14 - QUALITY OF GAS (continued)

14.1 Gas Quality at Delivery Point(s): (continued)

intended purpose, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow;

(b) shall contain not more than seven (7) pounds/MMcf of water;

(c) shall contain no hydrocarbons in liquid form at the temperature and pressure at which the Gas is delivered at the Delivery Point;

(d) shall not exceed a hydrocarbon dewpoint of fifteen degrees (15) Fahrenheit at pressures up to 800 psig;

(e) shall contain not more than 0.2% by volume of oxygen;

(f) shall contain not more than 3.0% by volume of carbon dioxide or nitrogen;

(g) shall contain not more than a combined total of 4.0% by volume of inerts, including carbon dioxide, nitrogen, oxygen and any other inert compound;

(h) shall contain not more than 0.25 grain of hydrogen sulfide per 100 Cubic Feet of Gas (the gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products);

(i) shall contain not more than 0.3 grains of mercaptan sulfur per 100 Cubic Feet of Gas;

(j) shall contain not more than 0.75 grains of total sulfur per 100 Cubic Feet of Gas;

(k) shall not contain any toxic or hazardous substance, in concentrations which, in the normal use of the Gas, results in an unacceptable risk to health, is injurious to pipeline facilities, is a limit to merchantability or contrary to applicable governmental standards;

(l) shall have a minimum total heating value of not less than nine hundred seventy (970) Btu's per Cubic Foot of Gas on a dry basis;

ARTICLE 14 - QUALITY OF GAS (continued)

14.1 Gas Quality at Delivery Point(s): (continued)

(m) shall have a temperature of not less than forty degrees (40) Fahrenheit, and not more than one hundred twenty degrees (120) Fahrenheit.

14.2 Gas Quality at Receipt Point(s): Gas nominated or delivered by Shipper to Transporter at the Receipt Point(s) for Transportation shall comport with the requirements set forth in Section 14.1 herein, or be subject to rejection and non-acceptance by Transporter pursuant to Section 14.5 (with the exception of the following Gas blending rights).

14.3 Gas Blending Rights: Notwithstanding Section 14.2, if the Composite Gas Stream contains less than ninety-five (95)% of the maximum allowable concentrations of hydrogen sulfide (14.1(h)), mercaptan sulfur (14.1(i)), total sulfur (14.1(j)), nitrogen or carbon dioxide (14.1(f)), or total inerts (14.1(g)), (Gas components subject to blending) then Transporter shall allow reduced restrictions on said Gas components as described below and Shipper may tender, at any Receipt Point, Gas which contains not more than:

(a) One (1) grain of hydrogen sulfide per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average hydrogen sulfide content of the Composite Gas Stream does not exceed 0.25 grain per 100 Cubic Feet of Gas; and

(b) Ten (10) grains of total sulfur per 100 Cubic Feet of Gas, provided that the volume weighted average total sulfur content of the Composite Gas Stream does not exceed 0.75 grain per 100 Cubic Feet of Gas; and

(c) Five (5) grains of mercaptan sulfur per 100 Cubic Feet of Gas, subject to the condition that the volume weighted average mercaptan sulfur content of the Composite Gas Stream does not exceed 0.30 grain per 100 Cubic Feet of Gas; and

(d) Four percent (4.0%) by volume of carbon dioxide subject to the condition that the volume weighted average carbon dioxide or nitrogen content of the Composite Gas Stream does not exceed three percent (3.0%), subject to Section 14.3(f) below; and

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 14 - QUALITY OF GAS (continued)

14.3 Gas Blending Rights: (continued)

(e) Six percent (6.0%) by volume of nitrogen subject to the condition that the volume weighted average nitrogen content of the Composite Gas Stream does not exceed three percent (3.0%), subject to Section 14.3(f) below; and

(f) Six percent (6.0%) by volume of inerts, subject to the condition that the volume weighted average total inerts of the Composite Gas Stream shall not exceed four percent (4.0%).

14.4 Quality Tests:

(a) Location of Tests. The quality of the Gas received and delivered by Transporter hereunder shall be determined by tests which Transporter shall cause to be made at Receipt Points and other locations along its system.

(b) Specification for Tests. Transporter shall determine the Total Heating Value of Gas and its component analysis at least once each Month in accordance with the Gas Measurement Committee Report No. 3 prepared by the Gas Measurement Committee of the American Gas Association, dated September 1985 or any subsequent revisions (AGA-3). Such determination shall be made using either an on-line chromatograph or by chromatographic analysis of a representative sample of Gas taken with a continuous flow proportional sampler. Chromatography shall be performed in accordance with Gas Processors Association (GPA) publications 2261-86 and 2286-86 or any subsequent revisions. The values of the physical constants for the Gas components shall be determined by the use of the physical constants listed in Table 5 of AGA-3. For components of the Gas not listed in said Table 5, GPA publication 2145-88 or any subsequent revision shall be used.

(c) Non-Hydrocarbon Tests. Tests shall be made to determine the total sulfur, hydrogen sulfide, mercaptans, carbon dioxide, nitrogen and oxygen content of the Gas, and the hydrocarbon dew point and water vapor content of such Gas by approved standard methods in general use in the gas industry. Tests shall be made frequently enough to assure that the Gas continuously conforms to the quality requirements.

ARTICLE 14 - QUALITY OF GAS (continued)

14.5 Failure to Conform:

(a) If the Gas offered for Transportation by Shipper shall fail at any time to conform to any of the specifications set forth in Section 14.2, then Transporter shall have the right, upon written (including by telecopy) or oral notice to Shipper, to immediately refuse to accept all or any portion of such Gas.

(b) Notwithstanding the foregoing, however, in the event the provisions of Section 14.3 are in effect, the following procedures shall apply:

(i) When the calculated quality of the Composite Gas Stream approaches 90% of the allowable maximums for those Gas components whose specifications are subject to blending, then Transporter shall notify all shippers whose Gas does not conform with Section 14.2.

(ii) When the calculated quality of the Composite Gas Stream equals or exceeds

95% of the allowable maximums for those Gas components subject to blending, Transporter shall immediately notify all shippers whose Gas does not conform, that Transporter will commence curtailing receipt of their Gas in the following manner:

1) Transporter shall determine which Gas nominations or receipts do not conform with Section 14.2. For each shipper, whose Gas nominations or deliveries to Transporter do not conform with Section 14.2, Transporter shall identify the quantity of the Gas component that is in excess of the limits set forth in Section 14.2, compute a total thereof for all such shippers, and calculate the percentage of said total for each such shipper.

2) The calculated percentage shall be used to determine the quantity of non-conforming component that each of the non-conforming shippers must eliminate from its Gas nominations and/or receipts, in order to bring said Composite Gas Stream back to within 93% of the quality specification described in Section 14.2.

ARTICLE 14 - QUALITY OF GAS (continued)

14.5 Failure to Conform (continued)

required reduction of the non-conforming component, as well as the newly calculated maximum allowable concentration of the non-conforming component in shipper's Gas deliveries to Transporter, shall be communicated to each of the non-conforming shippers.

3) Shipper shall reduce the non-conforming component to the maximum allowable concentration in 14.5(b)(ii)(2) above by either replacing nominated or existing Gas deliveries to Transporter with Gas containing less of the non-conforming component or by reducing nominations or deliveries of non-conforming Gas until, inclusive of the reductions of non-conforming components similarly required of any other non-conforming shippers, the Composite Gas Stream is again calculated not to exceed 93% of the requirements of Section 14.2 herein.

4) Should Shipper fail to take adequate corrective action to comply with Transporter's requirements, Transporter shall have the right to curtail receipts from Shipper as described in Section 14.5(a) above.

(c) Continuation of Obligation to Pay: In the event Transporter refuses to accept Gas tendered by Shipper because such Gas does not conform to the specifications set forth herein, Shipper shall not be relieved of its obligation to pay any Monthly Reservation Charge provided for in this Agreement.

(d) Reservation Charge Credit: In the event that Gas tendered to Shipper by Transporter at any Delivery Point hereunder fails to meet the specification of Section 14.1 above, Shipper may refuse to accept such Gas. Refusal to accept such Gas by Shipper shall entitle Shipper to a credit to Shipper's Monthly Reservation Charge pursuant to Section 10.2; provided however, that if Transporter accepts Gas from Shipper pursuant to Section 14.3 above, or Shipper fails to comply with its obligations under Section 14.5 above, then Shipper may not refuse to accept such Gas at the Delivery Points and shall not receive a credit to Shipper's Monthly Reservation Charge for such Gas.

ARTICLE 14 - QUALITY OF GAS (continued)

14.6 Notice of Total Heating Value Testing: The testing party shall give the non-testing party notice of the time of any test or Total Heating Value determination sufficiently in advance of test or determination so that the non-testing party may conveniently have its representative present. The non-testing party shall respond in writing or by telecopy to the testing party if the non-testing party intends to witness any test or Total Heating Value determination, to inspect any equipment used, to obtain all relevant results, and to request a retest or redetermination. In the event a retest or redetermination is requested and the results, for the questioned portion thereof, vary less than two (2) percent from the previous test, the retesting Party may recover from the requesting Party the actual costs of performing such retest or redetermination.

14.7 Shipper Indemnification: If Transporter receives Gas from Shipper which fails to conform to the specifications of Section 14.2 above, (or Section 14.3 if applicable) above, Shipper shall indemnify Transporter for any injury, damage, loss, or liability caused by the receipt of such Gas, except to the extent Transporter knowingly and willingly receives such Gas.

14.8 Transporter Indemnification: If Transporter delivers Gas to Shipper which fails to conform to the specifications of Section 14.1 above, Transporter shall indemnify Shipper for any injury, damage, loss, or liability caused by the delivery of such Gas, except to the extent Shipper knowingly and willingly accepts such Gas.

ARTICLE 15 - PRESSURE

15.1 Receipt Point Pressure

15.1.1 Maximum Receipt Pressure. Shipper shall cause the Gas to be tendered at each Receipt Point at a pressure sufficient to enter Transporter's System against the pressure prevailing from time to time at each Receipt Point. Provided, however, that Shipper shall not be obligated to deliver, or cause to be delivered, Gas to Transporter at a pressure at any Receipt Point which is in excess of the Maximum Receipt Pressure specified for such Receipt Point as set forth in Exhibit "A". Transporter shall design, construct, and make such modifications to Transporter's System as may be necessary from time to time during the term hereof, to enable Shipper's Gas delivered to Transporter at such Maximum Receipt Pressure to

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 15 - PRESSURE (continued)

15.1.1 Maximum Receipt Pressure. (continued)

enter Transporter's System against the pressure prevailing at such Receipt Point from time to time. If additional compression facilities are required for such purpose, then the maximum fuel reimbursement factor established in Section 12.3 hereof shall be adjusted to reflect Shipper's pro rata share of the fuel associated with any such additional compression.

15.1.2 Reservation Charge Reduction. In the event that Transporter is unable to receive a portion of the Gas tendered by Shipper at the Maximum Receipt Pressure at one or more Receipt Points (up to Shipper's MDQ) because the pressure in Transporter's System exceeds such Maximum Receipt Pressure, then Shipper's Monthly Reservation Charge (if any) for any given Month shall be reduced in proportion to the volume of Gas tendered by Shipper in such Month that Transporter is unable to transport for the above-described reason; provided, however, that such reduction shall not apply if Transporter is performing maintenance on Transporter's System, subject to the limitations and alternative credit provisions in Section 10.4.

15.2 Delivery Point Pressure. Transporter shall cause the Gas to be delivered at the Delivery Point(s) hereunder at such pressure sufficient to effect delivery into the receiving pipeline facilities against the pressure prevailing from time to time. Transporter, however, shall not be obligated to deliver to Shipper, or cause to be delivered, Gas at a pressure at each Delivery Point which is in excess of the Maximum Delivery Pressure specified for such Point as set forth in Exhibit "A" to the Firm Transportation Service Agreement.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 16 - OPERATING TOLERANCES AND BALANCING

16.1 Receipt and Delivery Tolerances. It is recognized that receipts from Shipper and deliveries by Transporter may vary above or below the quantities scheduled on any Day. Such variations shall be kept to the minimum permitted by operating conditions and shall be balanced as soon as practicable but in no event shall exceed an allowable daily variation of ten (10) percent of the scheduled quantities, and provided further that the cumulative net variations during any month above or below the quantities scheduled shall not exceed five (5) percent of the sum of the scheduled quantities for each Day of such month.

16.2 Uniform Receipts and Deliveries. Transporter and Shipper shall undertake to maintain receipts and deliveries on a uniform daily basis to the maximum extent practicable, subject to the provisions of this Rate Schedule.

16.3 Imbalance Correction. Transporter and Shipper agree to correct any cumulative imbalances in receipts and deliveries as soon as practicable, and shall seek to eliminate any imbalances within sixty (60) Days of the date Transporter notifies Shipper in writing that such imbalances have occurred. If such imbalances are not corrected within such sixty (60) Day period, Transporter shall have the right upon twenty-four (24) hours prior written notice to Shipper to suspend or reduce service to Shipper to correct such imbalances which threaten the operation or integrity of its system, including maintenance thereof and service to others.

16.3.1 Post Term Imbalance Correction. In the event that, at the end of the Primary Term or any Extended Term of the Firm Transportation Service Agreement as provided in Article 3 hereof, there are cumulative imbalances in receipt and deliveries, Transporter and Shipper have an obligation, which shall survive the termination of the Firm Transportation Service Agreement, to correct such cumulative imbalances in receipts and deliveries as soon as practicable after the end of the term of the Firm Transportation Service Agreement.

16.3.2 Thermally Equivalent Basis. All calculations of balances and imbalances and corrections under this Section shall be made on a Thermally Equivalent Basis.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 17 - MEASUREMENT

17.1 Measurement Standards. Unless otherwise mutually agreed, Transporter shall install, maintain and operate at its own expense at or near each Receipt and Delivery Point, a measuring station properly equipped with orifice meters, recording thermometers, and other necessary measuring equipment. Orifice meters shall be installed and operated in accordance with ANSI/API 2530, dated September 1985, and any modifications and amendments thereof, and applied in a practical manner. Btu measuring equipment shall be installed by Transporter at a location or locations where the Gross Heating Value of the Gas received and delivered by Transporter can be satisfactorily determined as provided in Section 14.3.

17.1.1 Measurement Basis. The unit of measurement for Gas received or delivered hereunder shall be an Mcf of Gas at a base temperature of 60 degrees Fahrenheit and at a base pressure of 14.73 psia.

17.1.2 Metering Equipment. Unless the parties otherwise mutually agree, the Gas shall be metered by orifice meters, which shall be installed and maintained, and volumes measured in accordance with the methods prescribed in "Orifice Metering of Natural Gas", Gas Measurement Committee Report No. 3 of the American Petroleum Institute or any subsequent revision thereof acceptable to Transporter and Shipper. Orifice meters shall be operated at a nominal Beta ratio of 0.5, but in no event shall the Beta ratio be less than 0.4 nor greater than 0.6. Transporter shall provide and use multiple meters when the operational range of Gas flow rates would necessitate Beta ratios outside of such limits.

If the parties mutually agree that turbine meters are to be used, such meters shall be installed and operated in accordance with American Gas Association Transmission Measurement Committee Report No. 7. If the parties mutually agree that positive displacement meters are to be used, they shall be installed in accordance with then-current American Gas Association recommendations.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 17 - MEASUREMENT (continued)

All meters shall be equipped with electronic flow computers, and all orifice meters shall be equipped with straightening vanes. Transporter shall make available, at no expense to Shipper, access to electronic signals from all electronic measuring and metering devices installed on Transporter's system but shall not be required to install, maintain or pay for any additional facilities. If facilities are required in order to access electric signals it shall be at Shipper's expense.

17.1.3 Temperature Measurement. The flowing temperature of the Gas being metered shall be determined by means of a recording thermometer installed and maintained in accordance with the specifications set forth in "Natural Gas Contract Measurement and Quality Clauses", Gas Measurement Committee Report 4A or any subsequent revisions thereof. The arithmetical average of readings each Day for time that Gas is flowing shall be deemed the Gas temperature and used in computing the volumes of Gas metered during such Day.

17.1.4 Specific Gravity Measurement. The specific gravity of the Gas shall be determined every three (3) months by the Party operating the meter, or more frequently if found necessary in practice at each meter, in accordance with an approved method commonly accepted in the Gas industry. The regular test shall determine the specific gravity to be used in computations in the measurement of Gas deliveries until the next regular test, or until changed by special test.

17.1.5 Boyle's Law Deviation. Deviation from Boyle's Law shall be determined in accordance with the American Gas Association NX-19 formula. The arithmetic average of the pressure and temperature recorded during the time Gas was flowing shall be used in the computations. The pressure and temperature data shall be used in conjunction with data obtained from a compositional analysis of the Gas which shall be verified at least once each year, or more frequently if found necessary in practice.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 17 - MEASUREMENT (continued)

17.2 Delivery and Receipt Point Heating Value. The total MMBtu at each Receipt and Delivery Point shall be determined as follows:

Total MMBtu = (Vx(THVx1000)) / 1,000,000,

Where

V = the volume of Gas, in Mcf, at the specific Receipt or Delivery Point

THV = the Total Heating Value of the Gas expressed as Btu per cubic foot of the Gas.

17.3 Measuring Equipment Calibration. At least once each month all measuring equipment, including temperature recorders, is to be calibrated, and adjusted if necessary, by Transporter in the presence of a representative of Shipper, if Shipper chooses to be represented. If Shipper at any time desires a special test of any measuring equipment, it will promptly notify Transporter, and the Parties will then cooperate to promptly secure a calibration test and a joint observation of any adjustments.

17.4 Testing and Accuracy. Transporter shall give to Shipper notice of the time of all regular tests of measuring equipment and other tests called for herein sufficiently in advance of the holding of tests so that Shipper may conveniently have its representative present. If, upon any test, the volume measured by any measuring equipment is found to be inaccurate by 1.0 percent or more, registrations thereof shall be corrected at the rate of inaccuracy for any period which is definitely known and agreed upon, but in case the period is not definitely known and agreed upon, then for a period extending back one-half of the time elapsed since the last date of calibration. Following any test, measuring equipment found inaccurate by any percentage shall be promptly adjusted to record as accurately as possible. If for any reason measuring equipment is out of service and/or out of repair so that the amount of Gas received or delivered cannot be measured or computed from the reading thereof, the Gas received or delivered during the period such measuring equipment is out of service and/or out of repair shall be estimated and agreed upon by the Parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 17 - MEASUREMENT (continued)

17.4 Testing and Accuracy (continued)

(i) by using the registration of any check measuring equipment if installed and accurately registering.

(ii) by correcting the error, if the percentage of error is ascertainable by calibration, test, or mathematical calculation.

(iii) by estimating the quantities received or delivered based on deliveries during periods of similar operating conditions when the measuring equipment was registering accurately.

17.5 Correction of Stated Metered Volumes. GISB 2.3.14: "Measurement data corrections shall be processed within 6 months of the production month with a 3 month rebuttal period. This standard will not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard."

17.6 Shipper Monitoring Equipment. Shipper may install, maintain and operate at its own expense monitoring equipment, including check measuring equipment and electronic measuring and metering devices, provided such equipment does not interfere with the operation and use of Transporter's equipment. Transporter shall not acquire title to any such equipment installed by Shipper and shall permit Shipper to install and remove such equipment without interference upon reasonable notice to Transporter by Shipper. However, except as provided in Section 17.4(i), measurement of Gas for purposes of this Rate Schedule and the Firm Transportation Service Agreement shall be done by means of the measuring equipment installed pursuant to Section 17.1 herein.

17.7 Transporter Measurement Records. Transporter shall, upon Shipper's request, furnish to Shipper at the earliest practicable time true copies of all records upon which it has based any statements of Gas received or delivered.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 17 - MEASUREMENT (continued)

17.8 Substitution of New Measurement Techniques. If, at any time during the term of the Firm Transportation Service Agreement, a new method or technique is developed with respect to Gas measurement or the determination of the factors used in such Gas measurement, such new method or technique may be substituted by Transporter upon mutual agreement of Shipper, not to be unreasonably withheld.

ARTICLE 18 - INSPECTION OF EQUIPMENT AND RECORDS

18.1 Inspection and Record Retention. Upon five Days prior written notice, Shipper and Transporter shall have the right to inspect all measurement equipment installed or furnished by the other party, and the records and other measurement or test data of the other party, at all times during normal business hours; but the reading, calibration and adjustment of such equipment shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data and other similar records in such party's possession, for a period of at least three (3) years.

18.2 Records Inspection. Shipper and Transporter shall have the right to examine at reasonable times the books and records of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to this Rate Schedule.

ARTICLE 19 - WARRANTY OF TITLE, LIENS, ADVERSE CLAIMS, AND ENCUMBRANCES

19.1 Shipper's Warranty. Shipper warrants: (i) that it has title to all Gas tendered to Transporter at each Receipt Point for transportation hereunder, (ii) that it has the right to tender the same for transportation, and (iii) that Transporter shall not be liable for any claims, liens, encumbrances, or taxes of any kind whatsoever that have been asserted or levied against Shipper's Gas prior to the time it was tendered to Transporter.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 19 - WARRANTY OF TITLE, LIENS, ADVERSE CLAIMS, AND ENCUMBRANCES (continued)

19.2 Transporter's Warranty. Transporter warrants: (i) to preserve the title of Shipper to all of Shipper's Gas received by Transporter at each Receipt Point during transportation and until delivered to Shipper at each Delivery Point, (ii) to keep Shipper's Gas, while in Transporter's possession, free and clear of any claims, liens, encumbrances, or taxes, of any kind whatsoever to which it was not otherwise subject at the time it was tendered to Transporter; and (iii) to deliver such Gas to Shipper at each Delivery Point free and clear of any impairment of title or such claims, liens, encumbrances, or taxes, of any kind whatsoever.

ARTICLE 20 - LIABILITY OF PARTIES AND INDEMNIFICATION

20.1 Liability Determined by Possession and Control. As between Shipper and Transporter, Shipper shall be deemed to be in control and possession of, and responsible for, all Gas tendered to Transporter at the Receipt Point(s) prior to Transporter's receipt from Shipper, after which Transporter shall be deemed to be in control and possession of, and responsible for, such Gas until it is delivered to Shipper at the Delivery Point(s) after which Shipper shall be deemed to be in control and possession of, and responsible for, all such Gas delivered to Shipper.

20.2 Transporter's Facilities Indemnification. Transporter shall assume responsibility and liability for the installation, maintenance and operation of its properties and equipment and shall indemnify and save harmless Shipper from all liability and expense on account of any and all losses, damages, claims or actions, including injury to or death of persons, arising from any act or accident resulting from the installation, presence, maintenance and operation of the property and equipment of Transporter, except to the extent, if any, that such liability or expense is caused by, or arises out of, the negligence or willful misconduct of Shipper or its agents or employees. Transporter shall have no obligation to odorize Gas delivered to Shipper, nor to maintain any odorant level.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 20 - LIABILITY OF PARTIES AND INDEMNIFICATION (continued)

20.3 Shipper's Facilities Indemnification. Shipper shall assume responsibility and liability for the installation, maintenance and operation of its properties and equipment and shall indemnify and save harmless Transporter from all liability and expense on account of any and all losses, damages, claims or actions, including injury to or death of persons, arising from any act or accident resulting from the installation, presence, maintenance and operation of the property and equipment of Shipper, except to the extent, if any, that such liability or expense is caused by, or arises out of, the negligence or willful misconduct of Transporter or its agents or employees. Shipper shall have no obligation to odorize Gas delivered to Transporter, nor to maintain any odorant level.

20.4 Transporter's Liability. Transporter agrees to indemnify and hold harmless Shipper, its officers, agents, and employees from any claim, demand, or expense for loss, damage, or injury arising out of or in any way connected with the transportation of Shipper's Gas after receipt from Shipper at the Receipt Points through and including delivery to Shipper at the Delivery Points, except in the case of willful misconduct or gross negligence on the part of Shipper, its officers, agents, or employees.

20.5 Shipper's Gas Indemnification. Shipper agrees to indemnify and hold harmless Transporter, its officers, agents, and employees from any claim, demand, or expense for loss, damage, or injury arising out of or in any way connected with the quality, use, or condition of Gas after delivery from Transporter's system for the account of Shipper at the Delivery Points, except in the case of willful misconduct or gross negligence on the part of the Transporter, its officer, agents, or employees.

ARTICLE 21 - NOTICES

21.1 Addressee. Any notice, statement, or invoice provided for in this Rate Schedule or the Firm Transportation Service Agreement shall be in writing and shall be considered as having been given if delivered personally or if mailed by United States mail, postage prepaid, to the following addresses, respectively:

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 21 - NOTICES (continued)

21.1 Addressee (continued)

To Shipper:

To Transporter: Payments for Transportation:
Federal Reserve Bank of New York
The Fuji Bank and Trust Company, New York
ABA No. 026008905
FUJI TR NYC
Attention: Trust Department
Account No. 30981018

All Notices:

Kern River Gas Transmission Company
295 Chipeta Way
P.O. Box 58900
Salt Lake City, Utah 84158-0900
Attention: Marketing Department

21.2 Operating Notices. Either Party may notify the other in writing of the address of the person or persons who shall have authority to act for such Party in connection with the operation of pipelines, facilities, and wells in connection with this Rate Schedule and the Firm Transportation Service Agreement, and operating notices shall thereafter be served upon such person or persons.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 22 - MISCELLANEOUS

22.1 Binding Effect on Transporter's Successors. The Firm Transportation Service Agreement shall extend to and be binding upon any company, corporation, partnership, joint venture, or other business entity in which Transporter holds an ownership or equity interest, in the event the interstate pipeline and related facilities Transporter intends to construct and operate between the Overthrust Area and the vicinity of the California border and within California, are ultimately constructed and operated by such other entity in which Transporter holds an ownership interest.

22.2 Amendment and Modifications. The Firm Transportation Service Agreement may not be amended, modified or supplemented except by a written instrument executed by the duly authorized representatives of the parties hereto.

22.3 Headings. The headings used in this Rate Schedule and the Firm Transportation Service Agreement are for convenience of reference only and do not constitute a part of the Firm Transportation Service Agreement.

22.4 Legality of Contract. Nothing herein shall be construed as requiring, or purporting to require, Transporter, Shipper or any other person to violate any valid law, regulation, rule or order of any court or governmental agency properly exercising jurisdiction. Notwithstanding the foregoing, however, this Section 22.4 shall not be construed to excuse the performance hereunder of either Transporter or Shipper, except to the extent, if any, that such performance would contravene any such law, regulation, rule or order.

22.5 Waiver of Conditions. Transporter and Shipper hereby agree that all Gas tendered to Transporter by Shipper shall be eligible for transportation without any offer of credit or other condition pursuant to Part 284 of the Commission's regulations, 18 C.F.R. 284.1, et. seq., as those regulations may be hereafter superseded or amended.

22.6 Assignment. Notwithstanding any other provision in the Firm Transportation Service Agreement, Shipper shall have the right to assign the Firm Transportation Service Agreement in whole or in part to a pre-approved affiliate as established by mutual agreement in the Firm Transportation Service Agreement.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 22 - MISCELLANEOUS (continued)

22.7 Successor and Assigns. The Firm Transportation Service Agreement shall be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns. Except as otherwise provided in Section 22.6 of this Rate Schedule, no assignment or transfer of the Firm Transportation Service Agreement by either party thereunder shall be made without written approval of the other party. Such approval shall not be unreasonably withheld. No such consent of Transporter or Shipper shall be required when an assignment by Shipper or Transporter is the result of, and part of, a corporate acquisition, merger or reorganization. Nothing contained in this Rate Schedule shall prevent either party from pledging, mortgaging or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under the Firm Transportation Service Agreement. As between the parties thereto, such assignment shall become effective on the first Day of the Month following written notice that such assignment has been effectuated. Upon request of either party, the other party shall acknowledge in writing any assignment permitted by this Rate Schedule and the Firm Transportation Service Agreement and the right of any assignee thereunder (and any assignee upon enforcement of any assignment made as security for indebtedness) to enforce the Firm Transportation Service Agreement against such other party. With respect to an assignment of the Firm Transportation Service Agreement by Transporter for security of indebtedness, Shipper shall deliver such certificates and other documents as may be reasonably requested by Transporter's lenders, including but not limited to officer's and secretary's' certificates, certificates of incorporation and good standing, copies of by-laws and opinions of counsel to evidence the due incorporation of Shipper; the validity, enforceability and binding effect of the Agreement; and other similar matters.
Any assignment permitted by this Rate Schedule and the Firm

Transportation Service Agreement may include any right given or reserved to the assignor thereunder to consent to any assignment or transfer by the other party thereto of its rights and obligations under the Firm Transportation Service Agreement. If Shipper assigns its interest thereunder to a third party (Assignee) pursuant to the terms thereof, and Shipper receives, within a reasonable period of time, written notice from Transporter, alleging that such Assignee has, with respect to the payment provisions of this Rate Schedule and the Firm Transportation Service Agreement, defaulted, describing in reasonable detail such

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 22 - MISCELLANEOUS (continued)

22.7 Successor and Assigns. (continued)

alleged default, then Shipper shall, prospectively and effective as of the date of receipt of Transporter's written notice, either (i) act as a guarantor of such Assignee's financial obligations thereunder, or (ii) reassume the obligations so assigned.

22.8 Nonexclusivity. Shipper hereby expressly reserves the right to continue to negotiate agreements with other pipeline companies, including, but not limited to, Wyoming-California Pipeline Company and Mojave Pipeline Company, for transmission of Shipper's Gas to Kern County, California. Transporter expressly acknowledges that Shipper may execute any transportation agreement (including but not limited to, a letter of intent, a memorandum of understanding, and an agreement subject to a condition precedent) that is limited to become effective on the date the Firm Transportation Service Agreement is terminated pursuant to the provisions thereof, or limited to become effective only in the event it becomes impossible for Transporter to fulfill its obligations under the terms of the Firm Transportation Service Agreement. Transporter also acknowledges that Shipper may execute any agreement that provides for the transportation of volumes of Shipper's Gas in addition to the Maximum Daily Quantity.

22.9 Waiver of Defaults. No waiver by any party of any one or more defaults by the other in the performance of any provisions of this Rate Schedule or the Firm Transportation Service Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

22.10 Exhibits. The exhibits to the Firm Transportation Service Agreement are incorporated by reference as if set forth in full therein.

22.11 Reservation of Processing Rights. Shipper shall retain title to the entire Gas stream Shipper delivers to Transporter, provided, however, that oil or liquid hydrocarbons recovered from Shipper's Gas by Transporter using conventional gravity separation facilities during transportation shall become and remain the exclusive property of Transporter. Shipper hereby reserves the right at any time and from time to time to process the Gas delivered to Transporter hereunder for the extraction of substances contained therein, including but not limited to, retrograde liquid hydrocarbons,

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 22 - MISCELLANEOUS (continued)

22.11 Reservation of Processing Rights. (continued)

liquefiable hydrocarbons and concomitant materials (i.e., sulfur, carbon dioxide, nitrogen, helium, etc.), herein called "Plant Products", and Transporter specifically agrees not to have Shipper's Gas processed without Shipper's express written consent. Shipper may process Gas hereunder individually, jointly with others, or by assignment of such right to one or more parties. Shipper reserves the right to process Gas hereunder: (i) in the field prior to delivery to Transporter, (ii) at any point off of Transporter's System, or (iii) at any mutually agreeable point on Transporter's System downstream of a Receipt Point at a processing plant, if any, located, or to be located on Transporter's System; provided, however, any costs associated with such processing shall not be borne by Transporter, unless Transporter otherwise agrees.

22.12 Choice of Law. The Firm Transportation Service Agreement shall be construed in accordance with the laws of Utah, except to the extent that such laws would refer any construction thereof or dispute arising thereunder to the laws of another jurisdiction.

22.13 Singular and Plural. Unless otherwise provided herein, the singular form of any noun shall include the plural form and the plural form shall include the singular.

ARTICLE 23 - ELECTRONIC BULLETIN BOARD

23.1 a) Transporter has established an interactive computer system, RAPIDS II, to publicize information concerning its services and available transportation capacity and to facilitate Shippers' use of the services provided by Kern River. RAPIDS II is available on a nondiscriminatory basis for use by any party (hereinafter "User") that has compatible equipment for electronic transmission of data and has executed a RAPIDS II License Agreement and accompanying Sublicense Agreement.

RAPIDS II will allow Users to (a) request new services or request amendments of existing Transportation Service Agreements, (b) submit nominations pursuant to the applicable Rate Schedule and the General Terms and Conditions contained in this tariff, (c) participate in Transporter's Capacity Release Program, and (d) obtain the following information:

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 23 - ELECTRONIC BULLETIN BOARD (continued)

23.1 a) (continued)

i) the available capacity on Transporter's System for firm and interruptible forward haul transportation service, including capacity availability at Receipt Points and Delivery Points;

ii) the master receipt point list and the master delivery point list;

iii) the firm transportation release information described in Article 5 of this Rate Schedule SH-1;

iv) standards of conduct information under Order Nos. 497 and 566;

v) offers to purchase released transportation rights from firm shippers and the terms and conditions of such offers;

vi) general system notices concerning operating conditions on Transporter's pipeline.

Transporter shall update the information on its Electronic Bulletin Board as frequently as is necessary, but shall not be obligated to provide updates more frequently than once per day. Transporter's RAPIDS II system includes an EBB that is menu-driven and incorporates search functions, an on-line help feature and the capability for users to download information. The Electronic Bulletin Board displays the most recent information ahead of less current data. Transporter shall retain daily back-up records of the information displayed on the Electronic Bulletin Board and will make such records available for review upon request. Persons that wish to utilize Transporter's RAPIDS II system should contact Transporter at the address below to obtain detailed access and log-on information:

Kern River Gas Transmission Company
Attn.: Customer Service Department
295 Chipeta Way
P.O. Box 5890
Salt Lake City, Utah 84158-0900
Telephone: (801) 584-7799
Telefax: (801) 584-6444

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 23 - ELECTRONIC BULLETIN BOARD (continued)

23.1 (continued)

(b) Transporter shall use reasonable efforts to ensure the accuracy of information presented on RAPIDS II; however, Transporter makes no representation or warranty of any kind to any person concerning the use of RAPIDS II, including, without limitation, the accuracy of any posted information, and shall not be liable to any person for any damages, including without limitation any special, incidental, or consequential damages which may arise in connection with Transporter's posting of information on RAPIDS II, or as a result of any person's use, abuse or misuse of RAPIDS II, unless and only to the extent that such damages are caused solely by Transporter's negligence in the performance of any obligations for which Transporter is solely and directly responsible.

ARTICLE 24 - REVENUE SHARING

24. Revenue Sharing. Transporter agrees to a revenue sharing arrangement as described in Section 18 of the General Terms and Conditions of this tariff.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services (continued)

ARTICLE 25 - DISCOUNTING POLICY

25. To the extent Transporter agrees to a discount of any rates, the order in which each component of the transportation rate will be discounted will be as stated in Section 19 of the General Terms and Conditions of Transporter's tariff.

ARTICLE 26 - DELIVERY FACILITIES

26. In the event Transporter agrees to construct, modify, or rearrange facilities for delivery of a Shipper's gas, Transporter will do so in the manner stated in Section 20 of the General Terms and Conditions of its tariff.

RATE SCHEDULE SH-1
Kern River Firm Transportation Services
(continued)

ARTICLE 27 - PROVISIONS GOVERNED BY THE GENERAL TERMS AND CONDITIONS

27. Notwithstanding anything to the contrary in this Rate Schedule SH-1, the following Sections of the General Terms and Conditions of this Tariff shall govern service under this Rate Schedule SH-1:

Section Number	Section Title
1.1	Backhaul
1.23	Negotiated Rate
1.31	Recourse Rate
2.1	GISB Flowing Gas Standards
5.1	GISB Invoicing Standards
12	Reimbursement of Fuel Used and Lost and Unaccounted-for Gas
13.1	Nomination Process
13.2	Scheduling Process
13.3	Interruption/Curtailment Procedures
15.1(b)	GISB Capacity Release Standards
17	Gas Research Institute Surcharge
18	Revenue Sharing
21	GISB Electronic Delivery Mechanism and Data Dictionary Standards
22	Pooling
23	Negotiated Rates

Effective Date: 05/01/1999 Status: Effective
FERC Docket: GT99- 32-000

Sheet Nos. 892 Through 899 Sheet Nos. 892 Through 899 : Superseded

RESERVED FOR FUTURE USE