June 30, 2006

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Ms. Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Gas Transmission Northwest Corporation
Docket No. RP06-___

Dear Secretary Salas:

Pursuant to Section 4(e) of the Natural Gas Act, as amended,[1]/ ("NGA") and Subpart D of Part 154 of the regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission"),[2]/ Gas Transmission Northwest Corporation ("GTN") hereby submits for filing and acceptance the revised tariff sheets listed on Appendix A to be included in its FERC Gas Tariff, Third Revised Volume No. 1-A. The tariff sheets are proposed to become effective on August 1, 2006. GTN anticipates, however, that the rates proposed herein will be subject to a five-month suspension period and placed into effect on January 1, 2007.

Statement of Nature, Reasons and Basis

The purpose of this filing is to restate GTN's rates for service on its interstate transportation system. GTN's system extends approximately 612 miles from the International Boundary at Kingsgate, British Columbia, to the Oregon-California border, where it interconnects with Tuscarora Gas Transmission Company and Pacific Gas & Electric Company. GTN utilizes this pipeline to provide firm and interruptible transportation service to numerous shippers serving the Pacific Northwest, California, and Nevada markets. GTN also interconnects with facilities of Northwest Pipeline near Spokane and Palouse, Washington, and Stanfield, Oregon.

GTN's current rates for service were established more than 10 years ago by settlement in Docket No. RP94-149.[3]/ Since that time, the market in which GTN operates has undergone

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[1]/ 15 U.S.C. § 717c(e).
[2]/ 18 C.F.R. §§ 154.301 - 315 (2005).
[3]/ *See Pacific Gas Transmission Co.*, 76 FERC ¶ 61,246 (1996), *reh'g sub nom, PG&E Gas Transmission, Northwest Corp.*, 82 FERC ¶ 61,289 (1998).

significant, fundamental changes, including an increase in pipeline capacity into GTN's major market in California as well as an increase in pipeline capacity out of GTN's major supply area in the Western Canada Sedimentary Basin ("WCSB"). The changing competitive landscape has left GTN with substantial unsubscribed capacity as a result of capacity turnback and shipper defaults, and GTN has been forced to drastically discount the price of capacity to meet competitive demands. As further described in the testimony filed herein, GTN anticipates that, during the test period, it will have approximately 450,000 Dth per day of unsubscribed long-term capacity as the result of capacity turnback and/or defaults by customers. Also, as described in the testimony, GTN does not anticipate that it will be able to sell its unsubscribed capacity at or near GTN's tariff rate for the foreseeable future. In fact, for 290 days of the base period, GTN's capacity was worth less than zero, *i.e.*, the cost of transporting gas on GTN and upstream pipelines exceeded the difference between the price of gas in the supply and market areas.

As a result of the turnback of capacity and persistently poor market conditions, GTN is compelled to file to increase its rates to reflect the heightened risks it now faces and to allow GTN a fair opportunity to recover its costs and earn a fair return. To address the unique risks presented to the pipeline and its shippers by this level of capacity turnback and default, GTN proposes that it share with its shippers the costs associated with unsubscribed mainline capacity on a 10 percent/90 percent basis, respectively. GTN's proposal honors the Commission's objective that pipelines not shift 100 percent of the costs associated with turnback capacity to their shippers.[4]/

To the extent that GTN's efforts to remarket its unsubscribed capacity are successful, GTN proposes to share revenues generated from such unsubscribed mainline capacity sales with its shippers on a 25 percent/75 percent basis, respectively, after all costs allocated to long-term firm, short-term firm, seasonal and interruptible capacity services have been recovered. GTN will share revenues associated with mainline capacity sales regardless of their source, be it from long-term firm, short-term firm, seasonal, or interruptible capacity sales. Therefore, maximum rate, long-term firm shippers' ultimate cost responsibility will be reduced by the sale of GTN's unsubscribed capacity. By allowing GTN to retain 25 percent of the revenue from unsubscribed capacity sales, GTN will have an ongoing incentive to sell its unsubscribed capacity for the benefit of itself and its shippers.

GTN is also proposing a series of other changes designed to increase recovery of costs and reduce the burden on long-term firm shippers, including charging a market-based rate for full-haul interruptible transportation; implementing hub service rates that are similar to a 100 percent load factor interruptible transportation rate; and implementing a flexible service proposal designed to allow increased recovery of revenue from short-haul services. These proposals are addressed in greater detail below and in the testimony. Again, these services will inure to the benefit of long-term firm shippers through GTN's revenue sharing proposal.

The enclosed Statement P, in Volumes 3 of this filing, contains the prepared direct testimony and exhibits supporting GTN's proposed rate increase and tariff changes. A list of

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4/ *See Natural Gas Pipeline Co. of America*, 73 FERC ¶ 61,050, at 61,129 (1995) (citing *El Paso Natural Gas Co.*, 72 FERC ¶ 61,083, at 61,441 (1995)).

GTN's witnesses is set forth below, along with a brief summary of the principal topics addressed in each witness's testimony.

Witness	**Testimony**
Jeffrey R. Rush	Overview of GTN's system and major components of the rate case filing.
Amy Leong	Overall cost of service consisting of operations and maintenance expenses, depreciation and amortization, return allowance, income taxes and taxes other than income taxes, rate base and return, capital structure, cost of debt, and regulatory assets and liabilities.
John A. Roscher	Cost classification and rate design, treatment of turnback capacity, roll-in of 1998 and 2002 expansions, discount adjustments, market-based IT rate proposal and flexible services rate proposal.
Benjamin K. Johnson	Billing determinants and revenues, including Statement G, hub service rate design, and elimination of IT discount floor.
Kenneth W. Nichols	Revisions to creditworthiness tariff provisions.
Walter W. Haessel	WCSB gas supply projections to support the economic life of GTN's system.
Dan A. King	Cost analysis of retiring and removing facilities to support net negative salvage rate, and pipeline integrity costs.
Edward H. Feinstein	Depreciation rates.
Leslie Ferron-Jones	Commercial risk environment and turnback capacity issues.
Steven H. Levine	Business risk analysis, including analysis of proxy pipeline group.
Paul R. Moul	Range of return on equity.
Paul R. Carpenter	Market power analysis in support of GTN's market-based IT rate proposal.

Barry E. Sullivan	Consistency of GTN's market-based IT rate proposal with Commission policy.

Reasons for Proposed Rate Increase

GTN's cost-of-service and rate calculations are based upon the costs and throughput levels for the base period (twelve months ended March 31, 2006) as adjusted for known and measurable changes through the test period ending December 31, 2006. As a result of the changes proposed herein, GTN's maximum recourse full-haul unit rate for service under Rate Schedule FTS-1 will increase from $0.262787 per Dth to $0.449854 per Dth. However, as discussed above, under GTN's revenue sharing mechanism, the rate paid by long-term firm shippers could be significantly reduced if GTN is successful in remarketing unsubscribed capacity.

In compliance with section 154.7(a)(6) of the Commission's regulations, the following table compares the cost-of-service, rate base, and throughput contained in this filing with the same information underlying GTN's last rates found to be just and reasonable by the Commission:

	This Filing	Prior Rates [5]/
Mainline Cost-of-Service	$294,608,644	$206,019,324
Mainline Rate Base	$868,221,495	$951,237,958
Mainline Throughput	327,067,816,932 Dth-mi	367,128,864,763 Dth-mi

The proposed rates also incorporate an increase in return on equity, reflecting the increased business and financial risks GTN now faces. As detailed in the testimony of GTN Witness Amy Leong, GTN's proposed rates include an overall cost of capital of 11.33 percent. Witness Leong establishes GTN's overall cost of service for the twelve-month base period ending March 31, 2006, adjusted for known and measurable changes for the test period ending December 31, 2006, as $303.5 million. This cost of service is based on GTN's actual capital structure of 37.01 percent debt/62.99 percent equity and a transmission depreciation rate of 2.76 percent. GTN Witness Leong supports the use of GTN's own capital structure, which conforms to FERC's policy in that GTN issues its own non-guaranteed debt, has its own debt ratings separate from its parent, and has a common equity ratio in line with others previously approved by the Commission.

In addition, GTN Witness Paul R. Moul supports an appropriate return on common equity in the range of 13.0 to 15.0 percent. Based upon the investment risks unique to GTN, as detailed in the testimony of GTN Witnesses Moul, Steven H. Levine, and Leslie Ferron-Jones, GTN has justified a rate of return on equity of 14.5 percent.

[5]/ *See* n.3, *supra*.

The following table summarizes GTN's overall rate of return:

	Capitalization Ratio	Cost	Weighted Cost
Long-Term Debt	37.01%	5.96%	2.20%
Equity	62.99%	14.5%	9.13%
Overall Rate of Return			11.33%

GTN Witnesses demonstrate that GTN has above-average business risk relative to the relevant pipeline proxy group. GTN faces above-average supply risk due to its heavy dependence on gas supplies sourced from the WCSB, a basin where production has flattened out and is projected to remain flat or decline in the coming years. GTN also faces above-average market risk in its primary destination market in California because WCSB gas supplies transported to California via GTN compete with Rocky Mountain and San Juan gas supplies transported to California via numerous pipelines. Indeed, since 2001, there have been several expansions of pipeline capacity to California, which have resulted in excess interstate pipeline capacity to the state.

As a result of the competitive conditions in GTN's supply and market areas, GTN's pipeline capacity has been devalued significantly. GTN Witness Ferron-Jones describes how GTN has had difficulty selling its unsubscribed capacity even at sharply discounted rates due to these conditions.

As supported by GTN Witnesses Edward H. Feinstein, Walter W. Haessel and Dan A. King, GTN's rates also reflect an increase in the depreciation rate of GTN's transmission plant to 2.76 percent and the establishment of a negative salvage rate of 0.74 percent.

<u>Other Rate-Related Proposals</u>

Market-Based, Full-Haul IT Rate Proposal

Consistent with Commission policy and Commission cases approving or otherwise addressing market-based rates for transportation, [6]/ GTN is proposing to charge market-based rates for full-haul interruptible transportation ("IT") service from the International Boundary near Kingsgate, British Columbia, to Malin, Oregon. GTN Witness Dr. Paul R. Carpenter provides a market power analysis that concludes that GTN lacks market power over full-haul IT

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[6]/ *See K N Interstate Gas Transmission Co.*, 76 FERC ¶ 61,134 (1996); *Rendezvous Gas Services, L.L.C.*, 112 FERC ¶ 61,141, at 61,792-94 pp. 26-40 (2005); *Koch Gateway*, 61 FERC ¶ 61,013 (1996).

service from Kingsgate to Malin, and thus the Commission can appropriately approve GTN's request to charge market-based rates for such service. Just as importantly, GTN is not filing for authority to charge market-based rates for IT services at any other delivery points on its system. After careful consideration, GTN has determined that customers at these other receipt and delivery points do not have the same quality of good alternatives available to them. GTN will continue to provide all other customers (at all other delivery points) with IT service at a capped, cost-based IT tariff rate.

Roll-In of 1998 and 2002 Expansion Projects

GTN is proposing to roll in the costs associated with the 1998 and 2002 expansions. The 1998 Expansion benefits from de minimis capital costs of only $6 million and easily meets the roll-in threshold of the Commission's 1995 Policy Statement[7]/ even after taking into account all changed circumstances. The rate impact of rolled-in treatment for the proposed expansion is below the 5 percent threshold established by the Commission. GTN's roll-in analysis demonstrates that there are rate reductions and system benefits associated with the 1998 Expansion.

The 2002 Expansion meets the roll-in test as set forth in the 1999 Policy Statement.[8]/ Consistent with Commission policy,[9]/ GTN calculated a rolled-down, stand-alone rate for the 2002 Expansion, utilizing all maximum rate post-expansion long-term firm capacity sales and permanent capacity releases, with the exception of those expected to terminate or default during the test period. The resulting rolled-down 2002 Expansion rate is lower than the filed-for mainline system rate without the 2002 Expansion costs and volumes. As such, the 2002 Expansion qualifies for rolled-in treatment under the 1999 Policy Statement because with roll in, existing shippers will not subsidize the expansion. GTN is also proposing to roll in fuel costs associated with the 2002 Expansion. GTN demonstrates that pipeline capacity sales and permanent releases since the inception of the roll-down mechanism warrant a rolling in of the 2002 Expansion fuel costs. Rolling-down the overall incremental fuel rate yields a current rate, expressed on a full-haul basis, of 1.14 percent, well below the roll-in threshold of 2.45 percent.

Flexible Services Rate Proposal

GTN is proposing to facilitate the recovery of unsubscribed capacity costs by allowing GTN to apply higher rates to new contracts for services not sold on an annual, uniform MDQ basis. Such services would include seasonal long-term firm, variable MDQ long-term firm, short-term firm and interruptible transportation other than full-haul (collectively referred to as "flexible services"). GTN proposes to set the maximum rate for flexible services equal to 2.5 times the maximum reservation component of the recourse rate that applies to long-term firm, uniform MDQ shippers, plus the delivery component applicable to long-term firm, uniform

[7]/ *Pricing Policy for New and Existing Facilities Constructed by Interstate Natural Gas Pipelines*, 71 FERC ¶ 61,914 (1995).

[8]/ *Certificate of New Interstate Natural Gas Pipeline Facilities,* 88 FERC ¶ 61,225 (1999), *clarified,* 90 FERC ¶ 61,128 (2000).

[9]/ *PG&E Gas Transmission, Northwest Corp.*, 82 FERC ¶ 61,289, at 62,123 n.29 (1998).

MDQ shippers. These flexible service rates can be assessed at any time during the year and revenues from flexible services will be shared on an annual basis to the extent that overall pipeline revenues for mainline service exceed what would have been collected had the maximum recourse rates for long-term, uniform MDQ shippers applied to all mainline volumes transported during the annual period. GTN proposes that revenues above this threshold be shared among GTN and its shippers on a 25 percent/75 percent basis, consistent with the revenue sharing percentage GTN is proposing for unsubscribed capacity sales.

Hub Service Rates

Consistent with Commission precedent,[10]/ GTN is also proposing to charge a postagestamp rate for hub services which is similar to a 100 percent load factor IT rate. By approving this proposal, the Commission will level the playing field for pipelines serving western markets by allowing GTN the opportunity to charge similar rates for similar services.

Summary of Proposed Tariff Changes

GTN is also proposing to implement the following tariff changes reflected on the revised tariff sheets in Appendix A, to be effective August 1, 2006:

Revised Base Rates

As explained above, GTN is updating its cost-of-service and proposing to increase its base transportation rates (maximum recourse rates) for Rate Schedule FTS-1. In addition, GTN is seeking authorization to charge market-based rates for full-haul interruptible transportation service under Rate Schedule IT from one receipt point (Kingsgate) to one delivery point (Malin). As noted, GTN is also requesting authorization to implement a flexible service rate proposal that will allow GTN to set the maximum rate for new sales of seasonal long-term firm, variable MDQ long-term firm, short-term firm, and interruptible transportation other than full-haul at levels higher than their respective maximum recourse rates, subject to a cap of 2.5 times the maximum reservation component of the recourse rate that applies to long-term firm, uniform MDQ shippers, plus the delivery component applicable to such long-term firm, uniform MDQ shippers.

Creditworthiness

As detailed in the testimony of GTN Witness Kenneth W. Nichols, GTN proposes to make four tariff changes related to credit provisions:

First, GTN proposes to modify General Terms and Conditions ("GT&C") ¶ 18.1(e) to allow GTN to consider a shipper's credit quality when evaluating bids and awarding capacity in an open season for long-term firm capacity based on specific, objective criteria that will be posted prior to the commencement of each open season. As explained by GTN Witness Nichols, this change is necessary given GTN's unique experience with non-creditworthy shippers, and is

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[10]/ *Mojave Pipeline Co.*, 79 FERC ¶ 61,347 (1997).

also consistent with FERC's Policy Statement on Creditworthiness Issues for Interstate Natural Gas Pipelines. [11]/

Second, GTN proposes to modify GT&C ¶ 18.3(A)(2)(b) and ¶ 18.3(D)(3) of its Tariff to give GTN the discretion to determine whether to allow a shipper to replace its original credit assurance with an alternative assurance. This proposal would prevent a shipper from using a superior form of credit assurance to secure capacity in an open season and then substituting an inferior form of security thereafter.

Third, GTN proposes to clarify GT&C ¶ 18.3(A)(2)(b)(i) and ¶ 18.3(D)(3)(a) to ensure that GTN has the authority to request additional assurances when a shipper provides GTN with a guarantee and the guarantor has become noncreditworthy or no longer has a sufficient credit limit.

Fourth, GTN is proposing to eliminate its current strict "10 percent of tangible net worth test" for establishing shipper credit limits in GT&C ¶ 18.3(A)(2)(b) and to replace it with a more flexible approach that considers a shipper's specific circumstances in determining credit limits.

Reservation of Capacity for Future Expansions

GTN is proposing to revise GT&C ¶ 32 to permit GTN to reserve unsubscribed firm capacity, or capacity under existing or expiring firm transportation agreements that are not subject to the right of first refusal ("ROFR"), for use in connection with a future expansion project. GTN will only be permitted to reserve capacity for a future expansion project for which an open season has been held or will be held within one year of posting the capacity as reserved. Capacity may only be reserved for up to one year prior to GTN's filing a certificate application for the proposed expansion, and thereafter until the expansion is placed into service. GTN submits that its proposed tariff revisions with respect to the reservation of capacity for future expansions are consistent with the capacity reservation tariff provisions that the Commission has approved for several other pipelines.[12]/

Open Seasons for Expansion Capacity and ROFR Capacity

GTN Witness Roscher describes how GTN's currently-effective ROFR procedures have exposed GTN and it long-term shippers to the risk of prospective capacity turnback. For example, in 2001 an open season for ROFR capacity generated contract extensions of 2 to 5 years while contemporaneous open seasons for GTN's 2002 Expansion Project generated binding bids for terms ranging from 10 to 52 years.[13]/ GTN awarded the expansion capacity to

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[11]/ *See Policy Statement on Creditworthiness for Interstate Natural Gas Pipelines and Order Withdrawing Rulemaking Proceeding*, 111 FERC ¶ 61,412 (2005).

[12]/ *See Texas Gas Transmission, LLC*, 111 FERC ¶ 61,380 (2005); *Dominion Transmission, Inc.*, 111 FERC ¶ 61,135 (2005); *Tennessee Gas Pipeline Co.*, 84 FERC ¶ 61,304 (1998), *reh'g and clarification*, 86 FERC ¶ 61,066 (1999).

[13]/ *See* Exh. GTN-6 at 41-45.

two shippers for contract terms of 52 and 40 years.[14]/ According to Mr. Roscher, shippers and potential shippers have been reluctant to bid on ROFR capacity because of the uncertainty inherent in the ROFR shipper's right to retain the capacity by matching the highest bid.[15]/

In order to promote allocative efficiency, rationalize demand for expansion capacity with existing capacity and reduce the risk of prospective capacity turnback, GTN is proposing to add a new ¶ 33.11 to its ROFR procedures that will permit GTN to hold one open season for an expansion project and a shipper's ROFR capacity when GTN has announced an expansion project and a shipper has notified GTN of its intent to exercise its right of first refusal. Under the proposed ¶ 33.11, in order to continue to receive transportation service following the expiration of its contract term, a ROFR shipper may be required to match the lowest acceptable bid that meets the minimum terms and conditions of the expansion open season.

GTN submits that this matching requirement is consistent with the Commission's allocative efficiency principle that holds that pipeline capacity should be allocated to shippers that value the capacity most as reflected by the NPV of their bids. If an expansion shipper places greater value on the existing capacity than the ROFR shipper, then the existing capacity should be used to satisfy this new demand. By satisfying new demand with existing capacity, GTN's proposal also rationalizes capacity by reducing the pipeline's need to construct additional capacity. Finally, GTN's proposal would benefit GTN and its shippers by reducing the risk of prospective capacity turnback. Allocating ROFR capacity and expansion capacity in one open season would mitigate the risk of future capacity turnback by ensuring that the longest possible term for the capacity is obtained.

Finally, GTN submits that its proposal to require the ROFR shipper to match the minimum terms and conditions in the expansion open season is consistent with Commission precedent. In *Kern River Gas Transmission Co.*, for example, the Commission relied on its earlier decision in *Tennessee Gas Pipeline Co.* to find that "if a pipeline has already announced an expansion project, the Commission will allow the pipeline to impose the same minimum terms and conditions on the posting of unsubscribed capacity that it anticipates it will impose in the future expansion project open season."[16]/ Thus, in these cases the Commission has endorsed the concept that, when the pipeline has announced an expansion project, in allocating expired capacity, the pipeline may impose the same minimum terms and conditions that it will use to allocate the expansion capacity.

ROFR Notice Period When Expansion Project is Proposed

Under the ROFR procedures set forth in GT&C ¶ 33, in order to exercise the ROFR, a shipper must notify GTN one year prior to the primary election date whether it elects to

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[14]/ *See id.* at 44.
[15]/ *See id.* at 43-44.
[16]/ 105 FERC ¶ 61,114, at P 14 (2003) (citing *Tennessee*, 84 FERC at 62,347, in which the Commission permitted the pipeline to impose the same minimum terms and conditions in the posting of "expired contract capacity" that it received from shippers "as a result of an expansion open season").

terminate or not to terminate its service agreement. If the shipper elects not to terminate its contract, then the ROFR process will be triggered and the shipper will be permitted to retain its capacity if it agrees to match any acceptable bid that may be received by GTN. In light of its proposal to rationalize the allocation of ROFR capacity with allocation of expansion of capacity, GTN is also proposing to revise its ROFR procedures to provide that, when GTN has proposed an expansion the sizing of which could be affected by the shipper's decision on whether or not to exercise its ROFR to continue service, GTN may notify a shipper that its election to terminate or not to terminate its service agreement must be provided up to 36 months prior to the expiration date of the shipper's term of service. GTN's proposed language with respect to the 36-month notice requirement is virtually identical to language that the Commission has approved for Northern Border Pipeline Company.[17]

Materials Submitted

Consistent with the relevant provisions of Sections 154.7, 154.201, *et seq.*, and 154.301 of the Commission's regulations, GTN is submitting the original and 12 copies of this filing comprised of the following:

1) Transmittal Letter including Statement of Nature, Basis and Reasons for Filing;

2) A Form of Notice for this filing suitable for publication in the Federal Register, including one diskette containing a copy of the Form of Notice;

3) A certificate of service;

4) Statement of Authorized Accounting Representative pursuant to § 154.308 of the Commission's regulations;

5) Appendix A -- List of Revised Tariff Sheets in clean and marked versions;

6) Statements A - O; and

7) Statement P -- Prepared Direct Testimony/Exhibits.

Electronic Filing Requirement

Pursuant to Section 154.4 of the Commission's regulations, this filing includes a disk containing all statements and schedules contained in this filing in electronic media in the same format generated by the spreadsheet software used in developing the statements.

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[17]/ *See* Northern Border, FERC Gas Tariff, First Rev. Vol. 1, Rate Schedule T-1 § 5.1, Third Rev. Sheet No. 102A.

<u>Proposed Effective Date and Motion to Place Rates Into Effect</u>

The revised tariff sheets filed herein have a proposed effective date of August 1, 2006. Because this filing reflects a rate increase, however, GTN expects the Commission to suspend the effectiveness of the tariff sheets until January 1, 2007. Pursuant to section 154.7(a)(9), GTN hereby moves to place the tariff sheets set forth in Appendix A into effect August 1, 2006. In the event the Commission elects to accept and suspend the tariff sheets, GTN will file a separate motion pursuant to section 154.206 to place the tariff sheets into effect at the end of the suspension period.

<u>Requests for Waivers</u>

Pursuant to section 154.7(a)(7), GTN respectfully requests that the Commission grant all waivers necessary to allow the tariff sheets to become effective as proposed herein, including any necessary waivers of Parts 154, 284 and 385, as well as any other rule, policy, pronouncement or order.

<u>Posting and Certification of Service</u>

In accordance with section 154.2(d) of the Commission's regulations, GTN has made copies of this filing available for public inspection, during regular business hours, in a convenient form and place at GTN's main offices located at 1400 SW 5th Avenue, Suite 900, Portland, Oregon 97201. In addition, GTN has posted a complete copy of the filing on its internet website http://www.gastransmissionnw.com. Finally, GTN is serving copies of this filing on interested state regulatory commissions, GTN's affected customers, and other interested parties. Such service meets or exceeds the requirements of section 154.208 of the Commission's regulations.

Communications

All correspondence and communications concerning this filing should be addressed to the following:

Carl M. Fink,
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* Denotes person designated to receive official service pursuant to Rule 203 of the Commission's Rules of Practice and Procedure.

The undersigned hereby certifies that he has read this filing and knows (i) the contents of the paper copies and electronic media; (ii) that the paper copies contain the same information contained on the electronic media; (iii) that the contents as stated in the copies and on the electronic media are true to the best of his knowledge and belief; and (iv) that he possesses full power and authority to sign this filing.

Respectfully submitted,

/s

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John A. Roscher
Director, Rates and Regulatory Affairs
Gas Transmission Northwest Corporation

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Gas Transmission Northwest Corporation	)	**Docket No. RP06-___**

NOTICE OF PROPOSED CHANGES IN FERC GAS TARIFF

Take notice that on June 30, 2006, Gas Transmission Northwest Corporation ("GTN") tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1-A, revised tariff sheets listed below. GTN proposes that the tariff sheets become effective on August 1, 2006.

Ninth Revised Sheet No. 4
Fourth Revised Sheet No. 5
Eighth Revised Sheet No. 6
Fourth Revised Sheet No. 12
Sixth Revised Sheet No. 100
Second Revised Sheet No. 108
Second Revised Sheet No. 109
First Revised Sheet No. 129
First Revised Sheet No. 130
Second Revised Sheet No. 133
First Revised Sheet No. 133A
Second Revised Sheet No. 134
Second Revised Sheet No. 135
First Revised Sheet No. 135A
Second Revised Sheet No. 136
First Revised Sheet No. 136A
Second Revised Sheet No. 137
Second Revised Sheet No. 138
Second Revised Sheet No. 139
First Revised Sheet No. 140
Third Revised Sheet No. 141
First Revised Sheet No. 141A
First Revised Sheet No. 210
Original Sheet No. 210A
Third Revised Sheet No. 211
Original Sheet No. 211A
Third Revised Sheet No. 212
Fourth Revised Sheet No. 213
Second Revised Sheet No. 214

GTN states that the purpose of this filing is to effectuate an increase in the base tariff rates applicable to GTN's jurisdictional services and to implement certain related tariff revisions. GTN further states that the filing is necessary to allow GTN an opportunity to recover its costs and earn a fair return in light of the increased risks that GTN now faces as a result of significant capacity turnback on its system and its inability to remarket such capacity at or near its maximum recourse rate.

GTN states that a copy of this filing has been served upon its customers and interested state regulatory commissions.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR § 385.211 and § 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed in accordance with the provisions of Section 154.210 of the Commission's regulations (18 C.F.R. § 154.210). Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicant. Anyone filing an intervention or protest on or before the intervention or protest date, need not serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at http://www.ferc.gov. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at http://www.ferc.gov, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on [DATE].

Magalie R. Salas
Secretary

STATEMENT OF AUTHORIZED ACCOUNT REPRESENTATIVE

RATE FILING OF GAS TRANSMISSION NORTHWEST CORPORATION

OF JUNE 30, 2006

TO THE FEDERAL ENERGY REGULATORY COMMISSION:

I, Gregory A. Lohnes, Chief Financial Officer for Gas Transmission Northwest Corporation, do hereby represent that the cost statements and supporting data submitted as part of the above-mentioned filing by Gas Transmission Northwest Corporation, together with working papers required therein, which purport to reflect the books of the Company, do, in fact, set forth the results shown by such books.

/s
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Gregory A. Lohnes
Chief Financial Officer
Gas Transmission Northwest Corporation

Dated: June 22, 2006

APPENDIX A
REVISED TARIFF SHEETS

STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
TRANSPORTATION OF NATURAL GAS
Rate Schedules FTS-1 and LFS-1

	RESERVATION DAILY MILEAGE (a) (Dth-MILE)		RESERVATION DAILY NON-MILEAGE (b) (Dth)		DELIVERY (c) (Dth-MILE)		FUEL (d) (Dth)	
	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM
BASE	0.000616	0.000000	0.049918	0.000000	0.000037	0.000037	0.0050%	0.0000%
STF(e)	0.001540	0.000000	0.124795	0.000000	0.000037	0.000037	0.0050%	0.0000%
EXTENSION CHARGES								
MEDFORD								
E-1(f)	0.003917	0.000000	0.014747	0.000000	0.000024	0.000024	---	---
E-2(g) (WWP)	0.189234	0.000000	---	---	0.000000	0.000000	---	---
E-2(h) (Diamond 1)	0.090388	0.000000	---	---	0.000000	0.000000	---	---
E-2(h) (Diamond 2)	0.035477	0.000000	---	---	0.000000	0.000000	---	---
COYOTE SPRINGS								
E-3(i)	0.001878	0.000000	0.003652	0.000000	0.000000	0.000000	---	---
OVERRUN CHARGE(j)	---	---	---	---	---	---	---	---
SURCHARGES								
ACA (k)	---	---	---	---	0.001800	0.001800	---	---

STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
TRANSPORTATION OF NATURAL GAS (a)
Rate Schedule ITS-1

	MILEAGE (n) (Dth-Mile)		NON-MILEAGE (o) (Dth)		FUEL (d) (Dth)	
	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM
BASE	0.001577	0.000037	0.124795	0.000000	0.0050%	0.0000%
EXTENSION CHARGES						
MEDFORD						
E-1 (Medford) (f)	0.003941	0.000024	0.014747	0.000000	----	----
COYOTE SPRINGS						
E-3 (Coyote Springs) (i)	0.001878	0.000000	0.003652	0.000000	----	----
SURCHARGES						
ACA (k)	---	---	0.001800	0.001800	---	---

(Continued)

STATEMENT OF EFFECTIVE RATES AND CHARGES
FOR TRANSPORTATION OF NATURAL GAS

Notes:

(a) The mileage component shall be applied per pipeline mile to gas transported by GTN for delivery to shipper based on the primary receipt and delivery points in Shipper's contract. Consult GTN's system map on Sheet 3 for receipt and delivery point and milepost designations.

(b) The non-mileage component is applied per Shipper's MDQ at Primary Point(s) of Delivery on Mainline Facilities.

(c) The delivery rates are applied per pipeline mile to gas transported by GTN for delivery to shipper based on distance of gas transported. Consult GTN's system map on Sheet No. 3 for receipt and delivery point and milepost designations.

(d) Fuel Use: Shipper shall furnish gas used for compressor station fuel, line loss, and other utility purposes, plus other unaccounted-for gas used in the operation of GTN's combined pipeline system in an amount equal to the sum of the current fuel and line loss percentage and the fuel and line loss percentage surcharge in accordance with Paragraph 37 of this tariff, multiplied by the distance in pipeline miles transported from the receipt point to the delivery point multiplied by the transportation quantities of gas received from Shipper under these rate schedules. The current fuel and line loss percentage shall be adjusted each month between the maximum rate of 0.0050% per Dth per pipeline mile and the minimum rate of 0.0000% per Dth per mile. The fuel and line loss percentage surcharge is 0.0000% per Dth per pipeline mile. No fuel use charges will be assessed for backhaul service. The incremental fuel surcharge, initially established for Shippers utilizing capacity constructed as part of GTN's 2002 Pipeline Expansion Project at 0.000854% per Dth per pipeline mile, shall be adjusted downward as new long-term Shippers take capacity that is subject to the incremental fuel surcharge pursuant to Paragraph 38 of GTN's General Terms and Conditions. Currently effective fuel charges, including GTN's currently effective incremental fuel surcharge, may be found on GTN's Internet website under "Informational Postings."

(e) Maximum reservation rates for Short-Term Firm service under Rate Schedule FTS-1 are equal to two and one-half times the applicable non-mileage and mileage FTS-1 Base Reservation components.

(f) Applicable to firm service on GTN's Medford Extension.

(Continued)

STATEMENT OF EFFECTIVE RATES AND CHARGES
FOR TRANSPORTATION OF NATURAL GAS FOR
PARKING AND AUTHORIZED IMBALANCE SERVICES
($/Dth)

Rate Schedule and Type of Charge	Base Tariff Rate Minimum	Maximum
PS-1 Parking Service:	0.0	0.353377/d
AIS-1 Authorized Imbalance Service:	0.0	0.353377/d

Notes:

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS

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Reserved for Future Use

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

2. EQUALITY OF TRANSPORTATION SERVICE

GTN hereby states that the terms and conditions of service for all unbundled sales and transportation services provided in GTN's FERC Gas Tariff, Third Revised Volume No. 1-A, are provided on a basis that is equal in quality for all Shippers. All Shippers can access all sellers of gas and receive the same quality of service on GTN whether their gas supplies are purchased from GTN or any other seller. Furthermore, no preference is accorded to any affiliate of GTN for sales and transportation services provided by GTN.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.1 Firm Service (Continued)

(e) Valuation of Bids

Unless otherwise specified in its open season posting, the bid(s) with the greatest economic value will be the bid(s) with the highest net present value ("NPV") based on (1) the reservation charge and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise that requestor(s) would pay at the rates the requestor(s) has bid, (2) the term of service specified in the request, as limited by Shipper's credit quality, and (3) Shipper's probability of default for the applicable bid term. If the economic values of separate bids are equal, then service shall be offered to such requestors on a pro-rata basis. The NPV is the discounted cash flow of the bid according to the following formula, net of revenues lost or affected by the requests for service:

$$\text{Present Value per} = P * R * (1\text{-}PD) * \frac{(1 + i)^{n} - 1}{i\,(1 + i)^{n}}$$

where: P = percent of the rate or charge that the Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth in effect at the time of the bid for service.

PD = Shipper's probability of default for the applicable bid term.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract.

The NPV formula will be affected by the rate requested, the applicable bid term, and Shipper's probability of default. In the event GTN intends to entertain bids for service under index-based or other Negotiated Rate Formulae, the future value of which cannot be determined at the time of the bidding, GTN

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.1 Firm Service (Continued)

(e) Valuation of Bids (Continued)

shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

As part of an open season posting, GTN will provide a probability of default table and will identify any limits, based upon credit rating, to be placed on bid lengths. The probability of default table will define a bidder's probability of default based upon 1) the applicable bid term and 2) the credit rating of the shipper. Shipper credit ratings will be determined consistent with Paragraph 18.3 of these General Terms and Conditions.

The specific bid evaluation methodology to be used, including, where appropriate, the data to be used for evaluation of Negotiated Rate Formula bids, will be included as part of GTN's open season posting under Paragraph 18.1(c) with sufficient specificity to allow a prospective shipper to calculate the value of its bid and duplicate GTN's results.

Irrespective of whether a bid(s) has the highest NPV of the bids received, GTN may reject bids for service that (i) may detrimentally impact the operational integrity of Transporter's system; (ii) do not satisfy all the terms of the specified posting; or (iii) contain terms and conditions other than those set forth in GTN's FERC Gas Tariff.

If the NPV of any Negotiated Rate revenues would exceed the NPV of the revenue stream produced by paying the Maximum Rate over the same period of time, then the Shipper bidding the Negotiated Rate shall be considered to be paying the Maximum Rate for purposes of determining the bid with the greatest economic value.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness

(A) Creditworthiness for Firm Transportation Service

(1) GTN shall not be required to perform or to continue transportation service under this FERC Gas Tariff, Third Revised Volume 1-A, on behalf of any Shipper who, after GTN's request, fails to establish or confirm creditworthiness. If Shipper is found by GTN to be non-creditworthy, GTN will, upon request, inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

If Shipper's credit standing ceases to meet GTN's credit requirements during the period of service, then GTN has the right to require security as specified herein. Upon notification by GTN that Shipper no longer meets GTN's creditworthiness standards, Shipper must, within five (5) business days, pay for one month of service in advance to continue service. Shipper must, within thirty (30) days, provide an acceptable guarantee or either a three-month cash security deposit or letter of credit, consistent with GTN's creditworthiness standards for Existing Capacity shippers. For shippers utilizing Expansion Capacity on lateral facilities, the security that must be provided within thirty (30) days will not be greater than a shipper's pro rata share of the total facilities costs, and such security will be reduced over time in proportion to the shipper's contract term. If Shipper fails to provide one of the credit alternatives within these time periods, GTN may suspend service immediately (Shippers are not responsible for reservation charges after service is suspended) and may provide simultaneous written notice to Shipper, the Commission, and any replacement Shipper(s) that service will be terminated in thirty (30) days. GTN also may exercise any other remedy available to it hereunder, at law or in equity.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (continued)

(2) Determining Creditworthiness

A Shipper seeking new service shall initially provide financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by GTN to establish Shipper's qualification for service. Within three (3) business days, or such later date acceptable to GTN, an existing Shipper shall provide such information as is reasonably requested by GTN to confirm Shipper's qualification for service.

(a) Creditworthiness must be evidenced by 1) a rating for unenhanced senior unsecured debt of at least BBB by Standard & Poor's, Baa2 by Moody's, or an equivalent rating as determined by GTN, and 2) a credit limit as defined in Section 18.3(G). In the event that a split rating occurs between rating agencies, GTN will rely upon the lower of the ratings. An equivalent rating may be obtained in one of two ways:

(i) If Shipper's debt is not rated by a recognized debt rating service, Shipper may request an equivalent rating as determined by GTN, based on the financial rating methodology, criteria and ratios for the industry of the Shipper as published by the above rating agencies from time to time. In general, such equivalent rating will be based on the audited financial statements for the Shipper's two (2) most recent fiscal years, all interim reports, and any other relevant information.

(ii) If Shipper's debt is not rated by a recognized debt rating service, Shipper may, at its own expense, obtain a private rating from a recognized debt rating service acceptable to GTN, or request that an independent accountant or financial advisor, mutually acceptable to GTN and the Shipper, prepare an equivalent evaluation based on the financial rating methodology, criteria, and ratios for the industry of the Shipper as published by the above rating agencies.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (Continued)

(2) (Continued)

(b) Shipper will be deemed to be non-creditworthy if 1) it is rated below a BBB/Baa2 equivalent standard by any rating agency or if its credit limit is insufficient to cover Shipper's total contractual obligation, as described in Paragraph 18.3 (G) of these Transportation General Terms and Conditions of Service, or 2) if Shipper's credit limit as determined by GTN is insufficient to cover Shipper's total contractual obligation. GTN will inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

If Shipper does not establish or maintain creditworthiness as described above, Shipper has the option of receiving transportation service under this FERC Gas Tariff by providing to GTN a guarantee acceptable to GTN, collateral (i.e., cash or letter of credit), or security as described in (i) through (iv) below. GTN may not unreasonably prevent a shipper from later switching the type of credit alternative that it provides.

(i) Guarantee: Shipper may obtain a guarantee of financial performance in a form satisfactory to GTN and for the term of the Gas Transportation Agreement from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these Shippers, the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on GTN's Internet website. If during the term of service the guarantor does not meet the creditworthiness standards discussed above, then GTN may request additional alternatives as described in (i) through (iv) below.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (Continued)

(2)(b) (Continued)

(ii) Cash Security Deposit: A Shipper may provide a cash security deposit for service via cleared check or wire transfer. For Existing Capacity, the deposit must be sufficient to cover up to the value of three months worth of reservation charges. For Expansion Capacity on lateral facilities, the pipeline will not require a deposit greater than Shipper's pro rata share of the total facilities costs, and such deposit will be reduced over time in proportion to Shipper's contract term, consistent with Paragraph 18.3(C) of these General Terms and Conditions. GTN will accrue interest on cash security deposits at the FERC interest rate consistent with Section 154.501 of the Commission's regulations. Interest will be paid by GTN on an annual basis each September 1 or at the time Shipper's deposit is returned due to either a return to creditworthiness by Shipper or the expiration of Shipper's Agreement(s).

(iii) Letter of Credit: Shipper may post a Letter of Credit (LC) in a form acceptable to GTN. A form of LC is available on GTN's Internet website. For Existing Capacity, the LC must be sufficient to cover up to the value of three months worth of reservation charges. For Expansion Capacity on lateral facilities, the pipeline will not require an LC greater than Shipper's pro rata share of the total facilities costs, and such LC will be reduced over time in proportion to Shipper's contract term, consistent with Paragraph 18.3(C) of these General Terms and Conditions.

(iv) Any other security mutually agreed upon by Shipper and GTN. Such other security shall be accepted on a nondiscriminatory basis.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (Continued)

(2) (Continued)

(c) Within five (5) business days of a Shipper notifying GTN either in writing or by fax that it has returned to creditworthiness, as evidenced by a rating for unenhanced senior unsecured debt and consistent with Paragraph 18.3(A)(1)(a) herein, and provided that Shipper's credit limit is adequate to cover its contractual obligations, GTN will return, with any applicable interest, Shipper's security held by GTN along with reconciliations of interest calculations.

Upon the expiration of Shipper's Agreement(s), GTN will return, with any applicable interest, Shipper's security associated with undisputed invoice amounts within five (5) business days of Shipper paying its final invoice. Any remaining security will be returned with interest after resolving any and all disputed invoice amounts under the expired Agreement(s). GTN will provide Shipper with final billing reconciliations detailing interest calculations.

(B) Credit Standards for Capacity Release

(1) Long Term Capacity Release: The standards for Firm Transportation Service apply. However, pursuant to Paragraph 28.3 of this FERC Gas Tariff, a Releasing Shipper has the option of waiving the creditworthiness requirements for temporary releases of capacity for as long as the Releasing Shipper maintains compliance with GTN's creditworthiness requirements.

(2) Short Term Capacity Release: The standards for Firm Transportation Service apply. However, pursuant to Paragraph 28.3 of this FERC Gas Tariff, a Releasing Shipper has the option of waiving the creditworthiness requirements for temporary releases of capacity for as long as the Releasing Shipper maintains compliance with GTN's creditworthiness requirements.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(C) Security requirements for Expansion Capacity will be separately identified within the nondiscriminatory project requirements included as part of any open season for Expansion Capacity. The amount of security initially required for Expansion Capacity on lateral facilities will be determined by GTN and may be up to the cost of the facilities to be constructed ("Maximum Allowable Security Requirement or MASR"). Where new lateral facilities serve multiple shippers, an individual shipper's maximum security obligation will be for no more than its proportionate share of the MASR ("Shipper's Maximum Security Obligation or SMSO"). Subsequent to Expansion Capacity on lateral facilities being placed into service, the SMSO shall be reduced in proportion to contract term. Shipper's actual security requirement, as identified within the open season project requirements, may be equal to or less than the SMSO ("Shipper's Actual Security Obligation or SASO"). When the SMSO equals the SASO held by GTN, GTN shall thereafter return Shipper's security on either a monthly basis or as mutually agreed with Shipper consistent with the reduction in SMSO. GTN is only permitted to recover the cost of Expansion Capacity on lateral facilities once through either transportation rates or, in the event of shipper default, by means of the security provided through this provision.

(D) Creditworthiness for Interruptible Transportation Service

(1) GTN shall not be required to perform or to continue interruptible transportation service under this FERC Gas Tariff, Third Revised Volume No. 1-A, on behalf of any Shipper who, after GTN's request, fails to demonstrate creditworthiness. If Shipper is found by GTN to be non-creditworthy, GTN will, upon request, inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(1) (Continued)

If Shipper's credit standing ceases to meet GTN's credit requirements during the period of service, then GTN has the right to require security as specified herein. Upon notification by GTN that Shipper no longer meets GTN's creditworthiness standards, Shipper must, within five (5) business days, pay for one month of service in advance to continue service. Shipper must, within thirty (30) days, provide an acceptable guarantee or either a three-month cash security deposit or letter of credit, consistent with GTN's creditworthiness standards. If Shipper fails to provide the required security within these time periods, GTN may suspend service immediately and may provide simultaneous written notice to Shipper and the Commission that service will be terminated in thirty (30) days. GTN also may exercise any other remedy available to it hereunder, at law or in equity.

(2) Determining Creditworthiness

A Shipper seeking new service shall initially provide financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by GTN to establish Shipper's qualification for service. Within three (3) business days, or such later date acceptable to GTN, an existing Shipper shall provide such information as is reasonably requested by GTN to confirm Shipper's qualification for service.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(2) (Continued)

Shipper's creditworthiness shall be determined by providing proof of one of the items listed below:

(a) A rating for unenhanced senior unsecured debt of at least BB+ by Standard & Poor's or Ba1 by Moody's. In the event that a split rating occurs between rating agencies, GTN will rely upon the lower of the ratings.

(b) Audited financial statements for itself, or for its parent company if it is a subsidiary that is consolidated with its parent company for reporting purposes and does not issue stand-alone financial statements, for the two (2) preceding years that in GTN's opinion demonstrate adequate financial strength.

(c) An estimated financial strength rating by Dun and Bradstreet sufficient to cover the credit to be extended and a corresponding Dun and Bradstreet composite credit appraisal of "fair" or better.

(3) Shipper's credit limit for interruptible transportation will be established by GTN based upon the audited financial statements for the Shipper's two (2) most recent fiscal years, all interim reports, and any other relevant information. If Shipper does not establish or maintain creditworthiness as described above, or if Shipper's credit limit as determined by GTN is insufficient to cover Shipper's contractual obligations, Shipper has the option of receiving interruptible transportation service under this FERC Gas Tariff by providing to GTN a guarantee acceptable to GTN, collateral (i.e., cash or letter of credit), or security as described in (a) through (e) below. GTN may not unreasonably prevent a shipper from later switching the type of credit alternative that it provides.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(3) (Continued)

(a) Guarantee: Shipper may obtain a guarantee of financial performance in a form satisfactory to GTN from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these companies, the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on GTN's Internet website. If during the term of service the guarantor does not meet the creditworthiness standards discussed above, then GTN may request additional alternatives as described in (a) through (e) below.

(b) Cash Options: A Shipper may provide cash as security for service via cleared check or wire transfer. Shippers may provide either of the following forms of cash security:

(i) A cash security deposit up to the maximum amount of the services that may be provided in any three-month period under an interruptible Agreement. Such cash security deposit will remain in place to allow continued service under Shipper's IT Agreement(s). Cash security deposits will earn interest at the FERC interest rate consistent with Section 154.501 of the Commission's regulations. Interest will be paid by GTN on an annual basis each September 1 or at the time Shipper's deposit is returned due to either a return to creditworthiness by Shipper or the expiration of Shipper's Agreement(s).

(ii) A prepayment equal to an amount defined by Shipper. Such defined balance prepayment will remain in place until Shipper exhausts its prepaid balance by utilizing interruptible transportation service. At the point Shipper's prepayment is exhausted, GTN may suspend further activity under an interruptible Agreement collateralized by a prepayment. Shipper will not earn interest on defined balance prepayments.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(3) (Continued)

(c) Letter of Credit: Shipper may post a Letter of Credit (LC) in a form acceptable to GTN. A form of LC is available on GTN's Internet website. For interruptible service, the amount of the LC must be up to the maximum amount of the services that may be provided in any three-month period under an interruptible Agreement.

(d) Flexible Credit Account: As an alternative to providing security for interruptible service based upon the maximum amount of service that may be provided in any three-month period, a Shipper may establish a flexible credit account by providing either a letter of credit or cash security deposit in an amount defined by Shipper. The minimum amount of security required under this option equals the maximum amount of service that may be provided in one day. Once Shipper has taken service up to the point where the security provided is insufficient to cover the maximum amount of service that may be provided in one day, Shipper will not be entitled to receive further interruptible service until Shipper 1) pays all or a portion of the amounts due for interruptible service or 2) Shipper provides GTN with additional security. Firm Shippers may utilize security provided for firm transportation service that is in excess of the amount necessary to collateralize Shipper's Firm Transportation Service Agreement(s) in order to establish a flexible credit account. Cash security deposits under this security option, including excess firm security balances, will earn interest at the FERC interest rate consistent with Section 154.501 of the Commission's regulations. Interest will be paid by GTN on an annual basis each September 1 or at the time Shipper's deposit is returned due to either a return to creditworthiness by Shipper or the expiration of Shipper's Agreement(s).

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(3) (Continued)

(e) Any other security mutually agreed upon by Shipper and GTN. Such other security shall be accepted on a nondiscriminatory basis.

(4) Within five (5) business days of a Shipper notifying GTN either in writing or by fax that it has returned to creditworthiness consistent with Paragraph 18.3(D)(1)(a) or 18.3(D)(1)(c) herein, and provided that Shipper's credit limit is adequate to cover its contractual obligations, GTN will return, with any applicable interest, Shipper's security held by GTN along with reconciliations of interest calculations.

Upon the expiration of Shipper's Agreement(s), GTN will return, with any applicable interest, Shipper's security associated with undisputed invoice amounts within five (5) business days of Shipper paying its final invoice. Any remaining security will be returned with interest after resolving any and all disputed invoice amounts under the expired Agreement(s). GTN will provide Shipper with final billing reconciliations detailing interest calculations.

(E) Creditworthiness for Parking and Lending Services

The standards for Interruptible Transportation Service apply to parking and lending service under GTN Rate Schedules PS-1 and AIS-1, respectively. For lending service, however, the security requirement under the cash and Letter of Credit options includes an amount to adequately account for the value of the gas being lent. The amount of security necessary to collateralize lent gas will be up to Shipper's maximum quantity times the average annual "Malin" price, as reported in Gas Daily's Daily Price Survey, for the preceding calendar year ended October 31. GTN shall have no obligation to lend any quantity of gas beyond amounts for which GTN holds security.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(F) Creditworthiness for Imbalance Gas Owed to GTN

The standards for Interruptible Transportation Service apply to negative imbalances under GTN Rate Schedules. For negative imbalances, the security requirement under the cash and Letter of Credit options includes an amount to adequately account for the value of imbalance gas owed to GTN. The amount of security necessary to collateralize imbalance gas will be determined as follows:

(1) For existing Shippers that do not meet GTN's creditworthiness standards, the security requirement shall be up to the product of a Shipper's largest monthly negative imbalance over the most recent twelve (12) month period and the average of NYMEX future prices for the available twelve (12) month period as such prices close on the day the credit requirement is determined.

(2) For new Shippers that do not meet GTN's creditworthiness standards, the security requirement shall be up to the product of ten (10) percent of a Shipper's estimated monthly usage (as estimated by GTN) and the average of NYMEX future prices for the available twelve (12) month period as such prices close on the day the credit requirement is determined. This formula shall be used for the first twelve (12) months of service while a historical record is established; thereafter, security for such Shipper will be determined as specified for an existing Shipper that does not meet GTN's creditworthiness standards.

(G) Creditworthiness for Firm and Interruptible Transportation Service

(1) GTN's credit appraisal procedures involve the establishment of dollar and term of service credit limits on a nondiscriminatory basis. Credit limits will reflect an annual dollar amount and a maximum term. If Shipper provides a guarantee, GTN will set a credit limit for the shipper based upon a credit appraisal of the guarantor. Credit limits may be modified by GTN when Shipper's financial conditions change.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(G) Creditworthiness for Firm and Interruptible Transportation Service (Continued)

(2) Shipper's total contractual obligation is the present value of all firm contracts, plus the amount necessary to collateralize all of a Shipper's interruptible transportation agreements.

(3) Shipper's total security requirement is the amount necessary to collateralize all of a Shipper's firm and interruptible transportation agreements.

(4) Subject to the requirements of Section 7 of the Natural Gas Act, GTN shall not be required to perform or to continue to perform service on behalf of any Customer who fails to demonstrate minimal creditworthiness as required under this FERC Gas Tariff; provided, however, such Customer may receive service if said Customer provides alternative credit as described within Paragraphs 18.3(A)(1), 18.3(D)(2), and 18.3(E) of these Transportation General Terms and Conditions.

18.4 Upon request of GTN, Shipper shall from time to time submit estimates of daily, monthly and annual quantities of gas to be transported, including peak day requirements.

18.5 GTN shall not be obligated to install additional facilities, other than those specified in Paragraph 4.1 herein, that are required to provide service under this FERC Gas Tariff, Third Revised Volume No. 1-A; provided, however, GTN may install or Shipper may pay all of the expenses incurred for installing additional facilities on a nondiscriminatory basis and under terms that are mutually agreeable. In the event GTN incurs the cost of installing additional facilities on behalf of a Shipper, Shipper shall pay, in addition to the rate(s) stated in the applicable rate schedule, the prorated (based on Transportation Contract Demand) cost of service attributable to any such additional facilities until such time as a different allocation procedure is specified by Commission order.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

32. RESERVATION OF CAPACITY FOR EXPANSION PROJECTS

Transporter may elect to reserve, for future expansion projects, unsubscribed firm capacity or capacity under expiring or terminating firm transportation agreements where such agreements do not carry a right of first refusal or where Shipper does not exercise its right of first refusal. Transporter may only reserve capacity for a future expansion project for which an open season has been held or will be held within one (1) year of the date that Transporter posts such capacity as being reserved. Capacity reserved under this Section may be reserved for up to one year prior to Transporter filing for certificate approval for the proposed expansion, and thereafter until such expansion is placed into service. Capacity that is reserved for a future expansion will be made available for transportation service on an interim basis up to the in-service date of the expansion project. For such interim service agreements, Transporter reserves the right to limit Shipper extension rights, including the right of first refusal, within the service agreement. Transporter will indicate in any open season posting of this capacity any limitations on extension rights that will apply to such interim transportation service.

Prior to reserving capacity for future expansion projects under this Section, the subject capacity must have first been made available pursuant to Section 18.1(c) of these Transportation General Terms and Conditions. Capacity that remains available after the posting and bidding procedure outlined in Section 18.1(c) may be reserved by Transporter by means of a posting on Transporter's Internet website that shall include:

(a) A description of the expansion project for which the capacity will be reserved;

(b) The total quantity of capacity to be reserved;

(c) The location of the proposed reserved capacity on Transporter's system;

(d) When Transporter anticipates holding an open season or otherwise posting the capacity for bidding in connection with the expansion project;

(e) The projected in-service date of the expansion project; and

(f) On an ongoing basis, how much of the reserved capacity has been sold on a limited-term basis.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

32. RESERVATION OF CAPACITY FOR EXPANSION PROJECTS (Continued)

If capacity that is reserved for an expansion project is insufficient to fully meet the needs of expansion shippers, the expansion open season posting will include a non-binding solicitation for turnback capacity from Transporter's existing Shippers to serve the expansion project. Transporter shall post, in the Informational Postings section of its website, a non-binding solicitation for expansion project related turnback capacity no later than 90 days after the close of an expansion project's open season specifying the minimum term for a response to the solicitation.

Any capacity reserved for a project that does not go forward for any reason shall be reposted as generally available within 30 days of the date the capacity becomes available.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT

Firm Shippers (original capacity holders) under GTN's firm transportation rate schedules of Third Revised Volume No. 1-A who hold capacity for terms greater than or equal to one year at the maximum authorized reservation charge or rate shall have the right of first refusal at the expiration of their service agreements, subject to the procedures outlined below. The right of first refusal does not apply to interim service agreements for capacity that has been reserved for a future expansion project as set forth in Section 32 of these Transportation General Terms and Conditions, or capacity that has been sold on a pre-arranged basis pursuant to Section 18.1(b) of these Transportation General Terms and Conditions.

Original capacity holders must notify GTN one year prior to the primary expiration date of their service agreements whether they elect to terminate or not to terminate the service agreements. However, in the event that an expansion project is proposed that would utilize capacity on Transporter's existing facilities, the sizing of which project could be affected by Shipper's plans regarding the continuation of service, Transporter will have the right to notify Shipper that Shipper's election to terminate or not to terminate must be provided up to, but no more than, thirty six (36) months prior to termination of Shipper's service agreement.

At the time an original capacity holder provides notification to GTN regarding its election to terminate or not to terminate its service agreement, GTN will post a notice on its Internet website that the original capacity holder's service agreement will expire and whether the original capacity holder has either elected or not elected to terminate pursuant to this paragraph.

33.1 In the event original capacity holder elects termination, original capacity holder shall no longer hold a right of first refusal and GTN shall subject the capacity to a bidding process. GTN will

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.1 (Continued)

commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will announce the bid winner(s) as soon as practicable after the close of the bid period, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Paragraph 18.1(e). Tied bids will be awarded on a pro rata basis. Winning Shipper(s) and GTN must execute a new firm transportation service agreement prior to service commencement. New long-term Shippers will be subject to the highest incremental fuel rate on the GTN system where such fuel rate otherwise applies to expansion Shippers on the GTN system.

33.2 In the event original capacity holder does not elect termination, GTN will commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will notify the original capacity holder of any acceptable bid(s) as soon as practicable, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Paragraph 18.1(e). In the event that GTN does not receive any acceptable bids, the original capacity holder shall not be entitled to continue to receive transportation service upon the expiration of its contract except by agreeing to pay the maximum applicable tariff rate. If GTN accepts any bid(s) the original

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.2 (Continued)

capacity holder will have ten (10) business days from the date of notice to match the accepted bid(s) in order of economic value (highest to lowest), provided that the original capacity holder shall not have to match any bid rate higher than the maximum applicable rate and shall not be subject to the highest incremental rate on the GTN system. GTN will announce the winning bid(s) as soon as practicable after the close of the match period. If the original capacity holder matches an accepted bid, the associated capacity is awarded to the original capacity holder. If the original capacity holder does not match an accepted bid, the capacity shall be awarded to the highest acceptable bid(s). If there is more than one equivalent winning bid, GTN shall award capacity on a pro rata basis. New long-term Shippers will be subject to the highest incremental fuel rate on the GTN system where such fuel rate otherwise applies to expansion shippers on the GTN system. New Shippers must execute a firm transportation service agreement with GTN prior to service commencement. Original capacity holder is allowed to retain a portion of its capacity by matching the NPV of acceptable bids according to the procedure outlined in this provision, provided that the original contract path is maintained.

33.3 Bids shall be evaluated on the net present value methodology described in Paragraph 18.1(e). The net present value of revenues to be received from a Shipper bidding a Negotiated Rate shall be calculated using the proposed reservation charge revenues and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise. Where the Negotiated Rate is based on a Negotiated Rate Formula, the future value of which cannot be determined at the time of the bidding, GTN shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

33.4 If there are no acceptable bids received, the rate and terms of continuing service is to be negotiated between original capacity holder and GTN. GTN and original capacity holder shall have 20 business days from the end of the bid period to mutually agree to acceptable terms. In the event GTN and original capacity holder do not mutually agree to continue service, original capacity holder shall no longer hold a right of first refusal and GTN shall subject the capacity to a bidding process consistent with Section 33.8.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.4 (Continued)

However, if during this 20-day period the original capacity holder agrees to pay the maximum authorized rate, the original capacity holder may determine the term it desires and GTN must extend the original capacity holder's contract accordingly. However, in order to retain the right of first refusal, the original capacity holder must extend its contract at the maximum authorized rate for a term of at least one year.

33.5 Shippers who terminate their service agreements are not liable for any reservation charges or other charges applicable to the new Shipper contracting for this capacity.

33.6 Only valid bids will be accepted. In order for a bid to be considered valid, a bidder must be deemed creditworthy per Paragraph 18.3 of these Transportation General Terms and Conditions by the close of the bid period. All bids not withdrawn prior to the close of the bid period shall be binding. At the end of the bid period, GTN will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Paragraph 18.1(e). Bidders may submit valid bids for all or a portion of the capacity that is subject to a right of first refusal provided that the original contract path is maintained.

33.7 Right of first refusal rights held by Shipper continue to apply following an election of termination pursuant to existing evergreen language contained in Shipper's Firm Transportation Service Agreement. A Shipper that holds evergreen rights in addition to a right of first refusal under a Firm Transportation Service Agreement must first elect termination under the evergreen provision in order to initiate the right of first refusal process. When either GTN or Shipper elects termination under an evergreen provision, GTN shall not be obligated to continue Shipper's evergreen rights on a contract extended through the right of first refusal process. Shippers may exercise their right of first refusal rights consistent with this Paragraph 33.

33.8 When a right of first refusal process has been completed and there has been no award of capacity, the capacity will be offered pursuant to Transportation General Terms and Conditions Section 18.1(c), which governs GTN's sale of generally available capacity where there is no shipper with right of first refusal rights.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.9 Unless GTN and Shipper expressly agree otherwise in Shipper's service agreement, a Shipper who has entered into an interim service agreement pursuant to Paragraph 18.1(b) or Paragraph 32 of these Transportation General Terms and Conditions may not elect to extend such interim service agreement pursuant to this Paragraph 33.

33.10 A Shipper paying a discounted rate or a negotiated rate will not have the Right of First Refusal, unless otherwise agreed to in writing by GTN. GTN shall offer Rights of First Refusal on a not unduly discriminatory basis.

33.11 Expansion Project Open Seasons: When GTN has already announced an expansion project, and following an original capacity holder's notification to terminate or not to terminate, GTN may subject a Shipper's capacity to the expansion project open season bidding process, rather than a separate open bidding process, no later than 3 months prior to the service agreement expiration. For those Shippers that elect not to terminate, in order to match an accepted expansion bid, Shipper may be required to meet the lowest accepted expansion bid(s), which meet the minimum terms and conditions that GTN imposes in the expansion project open season. If there are no acceptable expansion bids received, GTN will hold a subsequent open season for expiring contracts, within 10 business days, consistent with Sections 33.1 and 33.2 of this Paragraph, whichever applies. GTN will satisfy expansion capacity needs, in the following order, with:

(1) Unsubscribed long-term firm capacity that has been reserved pursuant to Paragraph 32 of these Transportation General Terms and Conditions;
(2) Capacity that is subject to Transporter's right-of-first-refusal tariff provisions that is included in an expansion open season bidding process;
(3) Capacity that is turned back to Transporter as part of Transporter's non-binding solicitation for expansion project related turnback capacity which specifies the minimum term for a response to the solicitation; and
(4) Expansion capacity.

(Continued)

STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
TRANSPORTATION OF NATURAL GAS
Rate Schedules FTS-1 and LFS-1

	RESERVATION DAILY MILEAGE (a) (Dth-MILE)		RESERVATION DAILY NON-MILEAGE (b) (Dth)		DELIVERY (c) (Dth)		FUEL (d)	
	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM
BASE	0.~~011212~~000616	0.000000	0.~~884028~~049918	0.000000	0.~~000013~~000037	0.~~000013~~000037	0.0050%	0.0000%
STF(e)	0.001540	0.000000	0.124795	0.000000	0.000037	0.000037	0.0050%	0.0000%
EXTENSION CHARGES								
MEDFORD								
E-1(f)	0.~~296969~~003917	0.000000	~~---~~	~~---~~	0.~~000016~~	~~0.000016~~	~~---~~	---
~~E-2(g)~~	~~0.189234~~ 014747	0.000000	~~---~~	~~---~~	0.000024	0.000024	---	---
E-2(g) (WWP)	0.189234	0.000000	---	---	0.000000	0.000000	---	---
E-2(h) (Diamond 1)	0.090388	0.000000	---	---	0.000000	0.000000	---	---
E-2(h) (Diamond 2)	0.035477	0.000000	---	---	0.000000	0.000000	---	---
COYOTE SPRINGS								
E-3(i)	0.~~064705~~ 001878	~~0.00000~~ 0.000000	~~---~~ 0.003652	~~---~~ 0.000000	0.000000	0.000000	---	---
OVERRUN CHARGE(j)	---	---	---	---	---	---	---	---
SURCHARGES								
ACA (k)	---	---	---	---	0.001800	0.001800	---	---

STATEMENT OF EFFECTIVE RATES AND CHARGES FOR
TRANSPORTATION OF NATURAL GAS (a)
Rate Schedule ITS-1

	MILEAGE (n) (Dth-Mile)		NON-MILEAGE (o) (Dth)		FUEL (d) (Dth)	
	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM	MAXIMUM	MINIMUM

BASE 0.~~000382~~ 001577 0.~~000013~~000037 0.~~029064~~124795 0.~~00000~~
000000 0.0050% 0.000~~%~~ 0%

EXTENSION CHARGES

MEDFORD

E-1 (Medford) (f)
0.~~009779~~003941 0.~~000016~~ ~~---- ----~~ 000024
0.014747 0.000000 ---- ----

COYOTE SPRINGS

E-3 (Coyote Springs) (i)
0.~~002127~~001878 0.000000 ~~---- ----~~ 0.003652
0.000000 ---- ----

SURCHARGES

ACA (k)
--- --- 0.001800 0.001800 --- ---

(Continued)

STATEMENT OF EFFECTIVE RATES AND CHARGES
FOR TRANSPORTATION OF NATURAL GAS

Notes:

(a) The mileage component shall be applied per pipeline mile to gas transported by GTN for delivery to shipper based on the primary receipt and delivery points in Shipper's contract. Consult GTN's system map on Sheet 3 for receipt and delivery point and milepost designations.

(b) The non-mileage component is applied per Shipper's MDQ at Primary Point(s) of Delivery on Mainline Facilities.

(c) The delivery rates are applied per pipeline mile to gas transported by GTN for delivery to shipper based on distance of gas transported. Consult GTN's system map on Sheet No. 3 for receipt and delivery point and milepost designations.

(d) Fuel Use: Shipper shall furnish gas used for compressor station fuel, line loss, and other utility purposes, plus other unaccounted-for gas used in the operation of GTN's combined pipeline system in an amount equal to the sum of the current fuel and line loss percentage and the fuel and line loss percentage surcharge in accordance with Paragraph 37 of this tariff, multiplied by the distance in pipeline miles transported from the receipt point to the delivery point multiplied by the transportation quantities of gas received from Shipper under these rate schedules. The current fuel and line loss percentage shall be adjusted each month between the maximum rate of 0.0050% per Dth per pipeline mile and the minimum rate of 0.0000% per Dth per mile. The fuel and line loss percentage surcharge is 0.0000% per Dth per pipeline mile. No fuel use charges will be assessed for backhaul service. The incremental fuel surcharge, initially established for Shippers utilizing capacity constructed as part of GTN's 2002 Pipeline Expansion Project at 0.000854% per Dth per pipeline mile, shall be adjusted downward as new long-term Shippers take capacity that is subject to the incremental fuel surcharge pursuant to Paragraph 38 of GTN's General Terms and Conditions. Currently effective fuel charges, including GTN's currently effective incremental fuel surcharge, may be found on GTN's Internet website under "Informational Postings."

(e) ~~Reserved~~Maximum reservation rates for Short-Term Firm service under Rate Schedule FTS-1 are equal to two and one-half times the applicable non-mileage and mileage FTS-1 Base Reservation components.

(f) Applicable to firm service on GTN's Medford Extension.

(Continued)

STATEMENT OF EFFECTIVE RATES AND CHARGES
FOR TRANSPORTATION OF NATURAL GAS FOR
PARKING AND AUTHORIZED IMBALANCE SERVICES
($/Dth)

Rate Schedule and Type of Charge	Base Tariff Rate Minimum	Maximum
PS-1 Parking Service:	0.0	0.~~029~~353377/d
AIS-1 Authorized Imbalance Service:	0.0	0.~~012~~353377/d

Notes:

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS

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~~TRANSPORTATION GENERAL TERMS AND CONDITIONS~~
~~(Continued)~~

~~2. RESERVED FOR FUTURE USE~~

Reserved for Future Use

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

2. ~~RESERVED FOR FUTURE USE~~ EQUALITY OF TRANSPORTATION SERVICE

GTN hereby states that the terms and conditions of service for all unbundled sales and transportation services provided in GTN's FERC Gas Tariff, Third Revised Volume No. 1-A, are provided on a basis that is equal in quality for all Shippers. All Shippers can access all sellers of gas and receive the same quality of service on GTN whether their gas supplies are purchased from GTN or any other seller. Furthermore, no preference is accorded to any affiliate of GTN for sales and transportation services provided by GTN.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.1 Firm Service (Continued)

(e) Valuation of Bids

Unless otherwise specified in its open season posting, the bid(s) with the greatest economic value will be the bid(s) with the highest net present value ("NPV") based on (1) the reservation charge and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise that requestor(s) would pay at the rates the requestor(s) has bid, ~~over~~(2) the term of service specified in the request, as limited by Shipper's credit quality, and (3) Shipper's probability of default for the applicable bid term. If the economic values of separate bids are equal, then service shall be offered to such requestors on a pro-rata basis. The NPV is the discounted cash flow of the bid according to the following formula, net of revenues lost or affected by the requests for service:

$$\text{Present Value per} = P * R * (1\text{-}PD) * \frac{(1 + i)^{n} - 1}{i\,(1 + i)^{n}}$$

where: P = percent of the rate or charge that the Shipper is willing to pay.

R = Rate or charge calculated as: The applicable maximum authorized reservation charge(s) per Dth in effect at the time of the bid for service.

PD = Shipper's probability of default for the applicable bid term.

i = FERC's annual interest rate divided by 12.

n = number of periods for which the bidder wishes to contract.

The NPV formula will be affected by the ~~term and~~ rate requested, the applicable bid term, and Shipper's probability of default. In the event GTN intends to entertain bids for service under index-based or other Negotiated Rate Formulae, the future value of which cannot be determined at the time of the bidding, GTN ~~shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.~~

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.1 Firm Service (Continued)

(e) Valuation of Bids (Continued)

shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

As part of an open season posting, GTN will provide a probability of default table and will identify any limits, based upon credit rating, to be placed on bid lengths. The probability of default table will define a bidder's probability of default based upon 1) the applicable bid term and 2) the credit rating of the shipper. Shipper credit ratings will be determined consistent with Paragraph 18.3 of these General Terms and Conditions.

The specific bid evaluation methodology to be used, including, where appropriate, the data to be used for evaluation of Negotiated Rate Formula bids, will be included as part of GTN's open season posting under Paragraph 18.1(c) with sufficient specificity to allow a prospective shipper to calculate the value of its bid and duplicate GTN's results.

Irrespective of whether a bid(s) has the highest NPV of the bids received, GTN may reject bids for service that (i) may detrimentally impact the operational integrity of Transporter's system; (ii) do not satisfy all the terms of the specified posting; or (iii) contain terms and conditions other than those set forth in GTN's FERC Gas Tariff.

If the NPV of any Negotiated Rate revenues would exceed the NPV of the revenue stream produced by paying the Maximum Rate over the same period of time, then the Shipper bidding the Negotiated Rate shall be considered to be paying the Maximum Rate for purposes of determining the bid with the greatest economic value.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness

(A) Creditworthiness for Firm Transportation Service

(1) GTN shall not be required to perform or to continue transportation service under this FERC Gas Tariff, Third Revised Volume 1-A, on behalf of any Shipper who, after GTN's request, fails to establish or confirm creditworthiness. If Shipper is found by GTN to be non-creditworthy, GTN will, upon request, inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

~~A Shipper seeking new service shall initially provide financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by GTN to establish Shipper's qualification for service. Within three (3) business days, or such later date acceptable to GTN, an existing Shipper shall provide such information as is reasonably requested by GTN to confirm Shipper's qualification for service.~~

If Shipper's credit standing ceases to meet GTN's credit requirements during the period of service, then GTN has the right to require security as specified herein. Upon notification by GTN that Shipper no longer meets GTN's creditworthiness standards, Shipper must, within five (5) business days, pay for one month of service in advance to continue service. Shipper must, within thirty (30) days, provide an acceptable guarantee or either a three-month cash security deposit or letter of credit, consistent with GTN's creditworthiness standards for Existing Capacity shippers. For shippers utilizing Expansion Capacity on lateral facilities, the security that must be provided within thirty (30) days will not be greater than a shipper's pro rata share of the total facilities costs, and such security will be reduced over time in proportion to the shipper's contract term. If Shipper fails to provide one of the credit alternatives within these time periods, GTN may suspend service immediately (Shippers are not responsible for reservation charges after service is suspended) and may provide simultaneous written notice to Shipper, the Commission, and any replacement Shipper(s) that service will be terminated in thirty (30) days. GTN also may exercise any other remedy available to it hereunder, at law or in equity. ~~(Continued)~~

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (continued)

~~(1) (Continued)~~

~~Shipper, the Commission, and any replacement Shipper(s) that service will be terminated in thirty (30) days. GTN also may exercise any other remedy available to it hereunder, at law or in equity.~~

~~Credit limits will be established based on the level of requested service and Shipper creditworthiness as established by the following:~~

(2) Determining Creditworthiness

A Shipper seeking new service shall initially provide financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by GTN to establish Shipper's qualification for service. Within three (3) business days, or such later date acceptable to GTN, an existing Shipper shall provide such information as is reasonably requested by GTN to confirm Shipper's qualification for service.

(a) Creditworthiness must be evidenced by 1) a rating for unenhanced senior unsecured debt of at least BBB by Standard & Poor's, Baa2 by Moody's, or an equivalent rating as determined by GTN~~.~~ , and 2) a credit limit as defined in Section 18.3(G). In the event that a split rating occurs between rating agencies, GTN will rely upon the lower of the ratings. An equivalent rating may be obtained in one of two ways:

(i) If Shipper's debt is not rated by a recognized debt rating service, Shipper may request an equivalent rating as determined by GTN, based on the financial rating methodology, criteria and ratios for the industry of the Shipper as published by the above rating agencies from time to time. In general, such equivalent rating will be based on the audited financial statements for the Shipper's two (2) most recent fiscal years, all interim reports, and any other relevant information.

(ii) If Shipper's debt is not rated by a recognized debt rating service, Shipper may, at its own expense, obtain a private rating from a recognized debt rating service acceptable to GTN, or request that an independent accountant or financial advisor, mutually acceptable to GTN and the Shipper, prepare an equivalent evaluation based on the financial rating methodology, criteria, and ratios for the industry of the Shipper as published by the above rating agencies.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (Continued)

(2) (Continued)

(b) Shipper will be deemed to be non-creditworthy if 1) it is rated below a BBB/Baa2 equivalent standard by any rating agency or if its credit limit is insufficient to cover Shipper's total contractual obligation, as described in Paragraph 18.3 (G) of these Transportation General Terms and Conditions of Service, ~~. GTN will set credit limits at 10% of a Shipper's Tangible Net Worth (defined as Shipper's total assets, less liabilities, less intangible assets, less off-balance sheet items). If~~ or 2) if Shipper's credit limit as determined by GTN is insufficient to cover Shipper's total contractual obligation. ~~,~~ GTN will inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

If Shipper does not establish or maintain creditworthiness as described above, or if Shipper's credit limit as determined by GTN is insufficient to cover Shipper's contractual obligations, Shipper has the option of receiving transportation service under this FERC Gas Tariff by providing to GTN ~~one of the following alternatives:~~ a guarantee acceptable to GTN, collateral (i.e., cash or letter of credit), or security as described in (i) through (iv) below. GTN may not unreasonably prevent a shipper from later switching the type of credit alternative that it provides.

(i) Guarantee: Shipper may obtain a guarantee of financial performance in a form satisfactory to GTN and for the term of the Gas Transportation Agreement from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these Shippers, the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on GTN's Internet website. If during the term of service the guarantor does not meet the creditworthiness standards discussed above, then GTN may request additional alternatives as described in (i) through (iv) below.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (Continued)

(~~1~~2)(b) (Continued)

(ii) Cash Security Deposit: A Shipper may provide a cash security deposit for service via cleared check or wire transfer. For Existing Capacity, the deposit must be sufficient to cover up to the value of three months worth of reservation charges. For Expansion Capacity on lateral facilities, the pipeline will not require a deposit greater than Shipper's pro rata share of the total facilities costs, and such deposit will be reduced over time in proportion to Shipper's contract term, consistent with Paragraph 18.3(C) of these General Terms and Conditions. GTN will accrue interest on cash security deposits at the FERC interest rate consistent with Section 154.501 of the Commission's regulations. Interest will be paid by GTN on an annual basis each September 1 or at the time Shipper's deposit is returned due to either a return to creditworthiness by Shipper or the expiration of Shipper's Agreement(s).

(iii) Letter of Credit: Shipper may post a Letter of Credit (LC) in a form acceptable to GTN. A form of LC is available on GTN's Internet website. For Existing Capacity, the LC must be sufficient to cover up to the value of three months worth of reservation charges. For Expansion Capacity on lateral facilities, the pipeline will not require an LC greater than Shipper's pro rata share of the total facilities costs, and such LC will be reduced over time in proportion to Shipper's contract term, consistent with Paragraph 18.3(C) of these General Terms and Conditions.

(iv) Any other security mutually agreed upon by Shipper and GTN. Such other security shall be accepted on a nondiscriminatory basis.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(A) Creditworthiness for Firm Transportation Service (Continued)

(~~1~~2) (Continued)

(c) Within five (5) business days of a Shipper notifying GTN either in writing or by fax that it has returned to creditworthiness, as evidenced by a rating for unenhanced senior unsecured debt and consistent with Paragraph 18.3(A)(1)(a) herein, and provided that Shipper's credit limit is adequate to cover its contractual obligations, GTN will return, with any applicable interest, Shipper's security held by GTN along with reconciliations of interest calculations.

Upon the expiration of Shipper's Agreement(s), GTN will return, with any applicable interest, Shipper's security associated with undisputed invoice amounts within five (5) business days of Shipper paying its final invoice. Any remaining security will be returned with interest after resolving any and all disputed invoice amounts under the expired Agreement(s). GTN will provide Shipper with final billing reconciliations detailing interest calculations.

(B) Credit Standards for Capacity Release

(1) Long Term Capacity Release: The standards for Firm Transportation Service apply. However, pursuant to Paragraph 28.3 of this FERC Gas Tariff, a Releasing Shipper has the option of waiving the creditworthiness requirements for temporary releases of capacity for as long as the Releasing Shipper maintains compliance with GTN's creditworthiness requirements.

(2) Short Term Capacity Release: The standards for Firm Transportation Service apply. However, pursuant to Paragraph 28.3 of this FERC Gas Tariff, a Releasing Shipper has the option of waiving the creditworthiness requirements for temporary releases of capacity for as long as the Releasing Shipper maintains compliance with GTN's creditworthiness requirements.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(C) Security requirements for Expansion Capacity will be separately identified within the nondiscriminatory project requirements included as part of any open season for Expansion Capacity. The amount of security initially required for Expansion Capacity on lateral facilities will be determined by GTN and may be up to the cost of the facilities to be constructed ("Maximum Allowable Security Requirement or MASR"). Where new lateral facilities serve multiple shippers, an individual shipper's maximum security obligation will be for no more than its proportionate share of the MASR ("Shipper's Maximum Security Obligation or SMSO"). Subsequent to Expansion Capacity on lateral facilities being placed into service, the SMSO shall be reduced in proportion to contract term. Shipper's actual security requirement, as identified within the open season project requirements, may be equal to or less than the SMSO ("Shipper's Actual Security Obligation or SASO"). When the SMSO equals the SASO held by GTN, GTN shall thereafter return Shipper's security on either a monthly basis or as mutually agreed with Shipper consistent with the reduction in SMSO. GTN is only permitted to recover the cost of Expansion Capacity on lateral facilities once through either transportation rates or, in the event of shipper default, by means of the security provided through this provision.

(D) Creditworthiness for Interruptible Transportation Service

(1) GTN shall not be required to perform or to continue interruptible transportation service under this FERC Gas Tariff, Third Revised Volume No. 1-A, on behalf of any Shipper who, after GTN's request, fails to demonstrate creditworthiness. If Shipper is found by GTN to be non-creditworthy, GTN will, upon request, inform Shipper in writing as to the reasons Shipper has been deemed non-creditworthy.

~~A Shipper seeking new service shall initially provide financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by GTN to establish Shipper's qualification for service. Within three (3) business days, or such later date acceptable to GTN, an existing Shipper shall provide such information as is reasonably requested by GTN to confirm Shipper's qualification for service. (Continued)~~

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(1) (Continued)

If Shipper's credit standing ceases to meet GTN's credit requirements during the period of service, then GTN has the right to require security as specified herein. Upon notification by GTN that Shipper no longer meets GTN's creditworthiness standards, Shipper must, within five (5) business days, pay for one month of service in advance to continue service. Shipper must, within thirty (30) days, provide an acceptable guarantee or either a three-month cash security deposit or letter of credit, consistent with GTN's creditworthiness standards. If Shipper fails to provide the required security within these time periods, GTN may suspend service immediately and may provide simultaneous written notice to Shipper and the Commission that service will be terminated in thirty (30) days. GTN also may exercise any other remedy available to it hereunder, at law or in equity.

(2) Determining Creditworthiness

A Shipper seeking new service shall initially provide financial statements, evidence of debt and/or credit ratings, and other such information as is reasonably requested by GTN to establish Shipper's qualification for service. Within three (3) business days, or such later date acceptable to GTN, an existing Shipper shall provide such information as is reasonably requested by GTN to confirm Shipper's qualification for service.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

~~(1~~(2) (Continued)

Shipper's creditworthiness shall be determined by providing proof of one of the items listed below:

(a) A rating for unenhanced senior unsecured debt of at least BB+ by Standard & Poor's or Ba1 by Moody's. In the event that a split rating occurs between rating agencies, GTN will rely upon the lower of the ratings.

(b) Audited financial statements for itself, or for its parent company if it is a subsidiary that is consolidated with its parent company for reporting purposes and does not issue stand-alone financial statements, for the two (2) preceding years that in GTN's opinion demonstrate adequate financial strength.

(c) An estimated financial strength rating by Dun and Bradstreet sufficient to cover the credit to be extended and a corresponding Dun and Bradstreet composite credit appraisal of "fair" or better.

~~(2)~~(3) Shipper's credit limit for interruptible transportation will be established by GTN based upon the audited financial statements for the Shipper's two (2) most recent fiscal years, all interim reports, and any other relevant information. If Shipper does not establish or maintain creditworthiness as described above, or if Shipper's credit limit as determined by GTN is insufficient to cover Shipper's contractual obligations, Shipper has the option of receiving interruptible transportation service under this FERC Gas Tariff by providing to GTN ~~one of the following alternatives:~~ a guarantee acceptable to GTN, collateral (i.e., cash or letter of credit), or security as described in (a) through (e) below. GTN may not unreasonably prevent a shipper from later switching the type of credit alternative that it provides.

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

~~(2)~~(3) (Continued)

(a) Guarantee: Shipper may obtain a guarantee of financial performance in a form satisfactory to GTN from a corporate affiliate of the Shipper or a third party, either of which meets the creditworthiness standard discussed above. For these companies, the credit limit will be based upon the financials of the guarantor. A form of guarantee is available on GTN's Internet website. If during the term of service the guarantor does not meet the creditworthiness standards discussed above, then GTN may request additional alternatives as described in (a) through (e) below.

(b) Cash Options: A Shipper may provide cash as security for service via cleared check or wire transfer. Shippers may provide either of the following forms of cash security:

(i) A cash security deposit up to the maximum amount of the services that may be provided in any three-month period under an interruptible Agreement. Such cash security deposit will remain in place to allow continued service under Shipper's IT Agreement(s). Cash security deposits will earn interest at the FERC interest rate consistent with Section 154.501 of the Commission's regulations. Interest will be paid by GTN on an annual basis each September 1 or at the time Shipper's deposit is returned due to either a return to creditworthiness by Shipper or the expiration of Shipper's Agreement(s).

(ii) A prepayment equal to an amount defined by Shipper. Such defined balance prepayment will remain in place until Shipper exhausts its prepaid balance by utilizing interruptible transportation service. At the point Shipper's prepayment is exhausted, GTN may suspend further activity under an interruptible Agreement collateralized by a prepayment. Shipper will not earn interest on defined balance prepayments.

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TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(~~2~~3) (Continued)

(c) Letter of Credit: Shipper may post a Letter of Credit (LC) in a form acceptable to GTN. A form of LC is available on GTN's Internet website. For interruptible service, the amount of the LC must be up to the maximum amount of the services that may be provided in any three-month period under an interruptible Agreement.

(d) Flexible Credit Account: As an alternative to providing security for interruptible service based upon the maximum amount of service that may be provided in any three-month period, a Shipper may establish a flexible credit account by providing either a letter of credit or cash security deposit in an amount defined by Shipper. The minimum amount of security required under this option equals the maximum amount of service that may be provided in one day. Once Shipper has taken service up to the point where the security provided is insufficient to cover the maximum amount of service that may be provided in one day, Shipper will not be entitled to receive further interruptible service until Shipper 1) pays all or a portion of the amounts due for interruptible service or 2) Shipper provides GTN with additional security. Firm Shippers may utilize security provided for firm transportation service that is in excess of the amount necessary to collateralize Shipper's Firm Transportation Service Agreement(s) in order to establish a flexible credit account. Cash security deposits under this security option, including excess firm security balances, will earn interest at the FERC interest rate consistent with Section 154.501 of the Commission's regulations. Interest will be paid by GTN on an annual basis each September 1 or at the time Shipper's deposit is returned due to either a return to creditworthiness by Shipper or the expiration of Shipper's Agreement(s).

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TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(D) Creditworthiness for Interruptible Transportation Service (Continued)

(~~2~~3) (Continued)

(e) Any other security mutually agreed upon by Shipper and GTN. Such other security shall be accepted on a nondiscriminatory basis.

(~~3~~4) Within five (5) business days of a Shipper notifying GTN either in writing or by fax that it has returned to creditworthiness consistent with Paragraph 18.3(D)(1)(a) or 18.3(D)(1)(c) herein, and provided that Shipper's credit limit is adequate to cover its contractual obligations, GTN will return, with any applicable interest, Shipper's security held by GTN along with reconciliations of interest calculations.

Upon the expiration of Shipper's Agreement(s), GTN will return, with any applicable interest, Shipper's security associated with undisputed invoice amounts within five (5) business days of Shipper paying its final invoice. Any remaining security will be returned with interest after resolving any and all disputed invoice amounts under the expired Agreement(s). GTN will provide Shipper with final billing reconciliations detailing interest calculations.

(E) Creditworthiness for Parking and Lending Services

The standards for Interruptible Transportation Service apply to parking and lending service under GTN Rate Schedules PS-1 and AIS-1, respectively. For lending service, however, the security requirement under the cash and Letter of Credit options includes an amount to adequately account for the value of the gas being lent. The amount of security necessary to collateralize lent gas will be up to Shipper's maximum quantity times the average annual "Malin" price, as reported in Gas Daily's Daily Price Survey, for the preceding calendar year ended October 31. GTN shall have no obligation to lend any quantity of gas beyond amounts for which GTN holds security.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(F) Creditworthiness for Imbalance Gas Owed to GTN

The standards for Interruptible Transportation Service apply to negative imbalances under GTN Rate Schedules. For negative imbalances, the security requirement under the cash and Letter of Credit options includes an amount to adequately account for the value of imbalance gas owed to GTN. The amount of security necessary to collateralize imbalance gas will be determined as follows:

(1) For existing Shippers that do not meet GTN's creditworthiness standards, the security requirement shall be up to the product of a Shipper's largest monthly negative imbalance over the most recent twelve (12) month period and the average of NYMEX future prices for the available twelve (12) month period as such prices close on the day the credit requirement is determined.

(2) For new Shippers that do not meet GTN's creditworthiness standards, the security requirement shall be up to the product of ten (10) percent of a Shipper's estimated monthly usage (as estimated by GTN) and the average of NYMEX future prices for the available twelve (12) month period as such prices close on the day the credit requirement is determined. This formula shall be used for the first twelve (12) months of service while a historical record is established; thereafter, security for such Shipper will be determined as specified for an existing Shipper that does not meet GTN's creditworthiness standards.

(G) Creditworthiness for Firm and Interruptible Transportation Service

~~(1) Shipper's total security requirement is the amount necessary to collateralize all of a Shipper's firm and interruptible transportation agreements.~~

(1) GTN's credit appraisal procedures involve the establishment of dollar and term of service credit limits on a nondiscriminatory basis. Credit limits will reflect an annual dollar amount and a maximum term. If Shipper provides a guarantee, GTN will set a credit limit for the shipper based upon a credit appraisal of the guarantor.

Credit limits may be modified by GTN when Shipper's financial conditions change.

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TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

18. OPERATING PROVISIONS (Continued)

18.3 Creditworthiness (Continued)

(G) Creditworthiness for Firm and Interruptible Transportation Service (Continued)

(2) Shipper's total contractual obligation is the present value of all firm contracts, plus the amount necessary to collateralize all of a Shipper's interruptible transportation agreements.

(3) Shipper's total security requirement is the amount necessary to collateralize all of a Shipper's firm and interruptible transportation agreements.

(4) Subject to the requirements of Section 7 of the Natural Gas Act, GTN shall not be required to perform or to continue to perform service on behalf of any Customer who fails to demonstrate minimal creditworthiness as required under this FERC Gas Tariff; provided, however, such Customer may receive service if said Customer provides alternative credit as described within Paragraphs 18.3(A)(1), 18.3(D)(2), and 18.3(E) of these Transportation General Terms and Conditions.

18.4 Upon request of GTN, Shipper shall from time to time submit estimates of daily, monthly and annual quantities of gas to be transported, including peak day requirements.

18.5 GTN shall not be obligated to install additional facilities, other than those specified in Paragraph 4.1 herein, that are required to provide service under this FERC Gas Tariff, Third Revised Volume No. 1-A; provided, however, GTN may install or Shipper may pay all of the expenses incurred for installing additional facilities on a nondiscriminatory basis and under terms that are mutually agreeable. In the event GTN incurs the cost of installing additional facilities on behalf of a Shipper, Shipper shall pay, in addition to the rate(s) stated in the applicable rate schedule, the prorated (based on Transportation Contract Demand) cost of service attributable to any such additional facilities until such time as a different allocation procedure is specified by Commission order.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

32. ~~EQUALITY OF TRANSPORTATION SERVICE~~RESERVATION OF CAPACITY FOR EXPANSION PROJECTS

~~GTN hereby states that the terms and conditions of service for all unbundled sales and transportation services provided in GTN's FERC Gas Tariff, Third Revised Volume No. 1-A, are provided on a basis that is equal in quality for all Shippers. All Shippers can access all sellers of gas and receive the same quality of service on GTN whether their gas supplies are purchased from GTN or any other seller. Furthermore, no preference is accorded to any affiliate of GTN for sales and transportation services provided by GTN.~~

Transporter may elect to reserve, for future expansion projects, unsubscribed firm capacity or capacity under expiring or terminating firm transportation agreements where such agreements do not carry a right of first refusal or where Shipper does not exercise its right of first refusal. Transporter may only reserve capacity for a future expansion project for which an open season has been held or will be held within one (1) year of the date that Transporter posts such capacity as being reserved. Capacity reserved under this Section may be reserved for up to one year prior to Transporter filing for certificate approval for the proposed expansion, and thereafter until such expansion is placed into service. Capacity that is reserved for a future expansion will be made available for transportation service on an interim basis up to the in-service date of the expansion project. For such interim service agreements, Transporter reserves the right to limit Shipper extension rights, including the right of first refusal, within the service agreement. Transporter will indicate in any open season posting of this capacity any limitations on extension rights that will apply to such interim transportation service.

Prior to reserving capacity for future expansion projects under this Section, the subject capacity must have first been made available pursuant to Section 18.1(c) of these Transportation General Terms and Conditions. Capacity that remains available after the posting and bidding procedure outlined in Section 18.1(c) may be reserved by Transporter by means of a posting on Transporter's Internet website that shall include:

(a) A description of the expansion project for which the capacity will be reserved;

(b) The total quantity of capacity to be reserved;

(c) The location of the proposed reserved capacity on Transporter's system;

(d) When Transporter anticipates holding an open season or otherwise posting the capacity for bidding in connection with the expansion project;

(e) The projected in-service date of the expansion project; and

(f) On an ongoing basis, how much of the reserved capacity has been sold on a limited-term basis.

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TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

32. RESERVATION OF CAPACITY FOR EXPANSION PROJECTS (Continued)

If capacity that is reserved for an expansion project is insufficient to fully meet the needs of expansion shippers, the expansion open season posting will include a non-binding solicitation for turnback capacity from Transporter's existing Shippers to serve the expansion project. Transporter shall post, in the Informational Postings section of its website, a non-binding solicitation for expansion project related turnback capacity no later than 90 days after the close of an expansion project's open season specifying the minimum term for a response to the solicitation.

Any capacity reserved for a project that does not go forward for any reason shall be reposted as generally available within 30 days of the date the capacity becomes available.

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT

Firm Shippers (original capacity holders) under GTN's firm transportation rate schedules of Third Revised Volume No. 1-A who hold capacity for terms greater than or equal to one year at the maximum authorized reservation charge or rate shall have the right of first refusal at the expiration of their service agreements, subject to the ~~following~~ procedures~~.~~ outlined below. The right of first refusal does not apply to interim service agreements for capacity that has been reserved for a future expansion project as set forth in Section 32 of these Transportation General Terms and Conditions, or capacity that has been sold on a pre-arranged basis pursuant to Section 18.1(b) of these Transportation General Terms and Conditions.

Original capacity holders must notify GTN one year prior to the primary expiration date of their service agreements whether they elect to terminate or not to terminate the service agreements. However, in the event that an expansion project is proposed that would utilize capacity on Transporter's existing facilities, the sizing of which project could be affected by Shipper's plans regarding the continuation of service, Transporter will have the right to notify Shipper that Shipper's election to terminate or not to terminate must be provided up to, but no more than, thirty six (36) months prior to termination of Shipper's service agreement.

~~One year prior to the expiration of the~~ At the time an original capacity holder provides notification to GTN regarding its election to terminate or not to terminate its service agreement, GTN will post a notice on its Internet website that the original capacity holder's service agreement will expire and whether the original capacity holder has either elected or not elected to terminate pursuant to this paragraph.

33.1 In the event original capacity holder elects termination, original capacity holder shall no longer hold a right of first refusal and GTN shall subject the capacity to a bidding process. GTN will ~~commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will announce the bid winner(s) as soon as practicable after the close of the bid period, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Tied bids will be awarded on a pro rata basis. Winning Shipper(s) and GTN must execute a new firm transportation service agreement prior to service commencement. New long-term Shippers will be subject to the highest incremental fuel rate on the GTN system where such fuel rate otherwise applies to expansion Shippers on the GTN system.~~

~~33.2 In the event original capacity holder does not elect termination, GTN will commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will notify the original capacity holder of any acceptable bid(s) as soon as practicable, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Paragraph 18.1(e). In the event that GTN does not receive any acceptable bids, the original capacity holder shall not be entitled to continue to receive transportation service upon the expiration of its contract except by agreeing to pay the maximum applicable tariff rate. If GTN accepts any bid(s) the original~~

(Continued)

TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.1 (Continued)

commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will announce the bid winner(s) as soon as practicable after the close of the bid period, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Paragraph 18.1(e). Tied bids will be awarded on a pro rata basis. Winning Shipper(s) and GTN must execute a new firm transportation service agreement prior to service commencement. New long-term Shippers will be subject to the highest incremental fuel rate on the GTN system where such fuel rate otherwise applies to expansion Shippers on the GTN system.

33.2 In the event original capacity holder does not elect termination, GTN will commence open bidding no later than 3 months prior to the service agreement expiration. The bid period will be no less than 5 business days in duration. GTN will notify the original capacity holder of any acceptable bid(s) as soon as practicable, provided, however, that GTN will have no obligation to accept any bid(s) at rates less than the maximum applicable rate in effect. Acceptable bids will be those having the greatest economic value as determined in Paragraph 18.1(e). In the event that GTN does not receive any acceptable bids, the original capacity holder shall not be entitled to continue to receive transportation service upon the expiration of its contract except by agreeing to pay the maximum applicable tariff rate. If GTN accepts any bid(s) the original

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TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.2 (Continued)

capacity holder will have ten (10) business days from the date of notice to match the accepted bid(s) in order of economic value (highest to lowest), provided that the original capacity holder shall not have to match any bid rate higher than the maximum applicable rate and shall not be subject to the highest incremental rate on the GTN system. GTN will announce the winning bid(s) as soon as practicable after the close of the match period. If the original capacity holder matches an accepted bid, the associated capacity is awarded to the original capacity holder. If the original capacity holder does not match an accepted bid, the capacity shall be awarded to the highest acceptable bid(s). If there is more than one equivalent winning bid, GTN shall award capacity on a pro rata basis. New long-term Shippers will be subject to the highest incremental fuel rate on the GTN system where such fuel rate otherwise applies to expansion shippers on the GTN system. New Shippers must execute a firm transportation service agreement with GTN prior to service commencement. Original capacity holder is allowed to retain a portion of its capacity by matching ~~price and term~~ the NPV of acceptable bids according to the procedure outlined in this provision, provided that the original contract path is maintained.

33.3 Bids shall be evaluated on the net present value ~~incorporating price and term.~~ methodology described in Paragraph 18.1(e). The net present value of revenues to be received from a Shipper bidding a Negotiated Rate shall be calculated using the proposed reservation charge revenues and any proposed usage charge revenues guaranteed by a minimum volume commitment or otherwise. Where the Negotiated Rate is based on a Negotiated Rate Formula, the future value of which cannot be determined at the time of the bidding, GTN shall estimate the future revenues to be received under the Negotiated Rate Formula using currently available data.

33.4 If there are no acceptable bids received, the rate and terms of continuing service is to be negotiated between original capacity holder and GTN. GTN and original capacity holder shall have 20 business days from the end of the bid period to mutually agree to acceptable terms. In the event GTN and original capacity holder do not mutually agree to continue service, original capacity holder shall no longer hold a right of first refusal and GTN shall subject the capacity to a bidding process consistent with Section 33.8. ~~However, if during this 20-day period the original capacity holder~~

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TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.4 (Continued)

However, if during this 20-day period the original capacity holder agrees to pay the maximum authorized rate, the original capacity holder may determine the term it desires and GTN must extend the original capacity holder's contract accordingly. However, in order to retain the right of first refusal, the original capacity holder must extend its contract at the maximum authorized rate for a term of at least one year.

33.5 Shippers who terminate their service agreements are not liable for any reservation charges or other charges applicable to the new Shipper contracting for this capacity.

33.6 Only valid bids will be accepted. In order for a bid to be considered valid, a bidder must be deemed creditworthy per Paragraph 18.3 of these Transportation General Terms and Conditions by the close of the bid period. All bids not withdrawn prior to the close of the bid period shall be binding. At the end of the bid period, GTN will evaluate the bids and determine the bid(s) having the greatest economic value as determined in Paragraph 18.1(e). Bidders may submit valid bids for all or a portion of the capacity that is subject to a right of first refusal provided that the original contract path is maintained.

33.7 Right of first refusal rights held by Shipper continue to apply following an election of termination pursuant to existing evergreen language contained in Shipper's Firm Transportation Service Agreement. A Shipper that holds evergreen rights in addition to a right of first refusal under a Firm Transportation Service Agreement must first elect termination under the evergreen provision in order to initiate the right of first refusal process. When either GTN or Shipper elects termination under an evergreen provision, GTN shall not be obligated to continue Shipper's evergreen rights on a contract extended through the right of first refusal process. Shippers may exercise their right of first refusal rights consistent with this Paragraph 33.

33.8 When a right of first refusal process has been completed and there has been no award of capacity, the capacity will be offered pursuant to Transportation General Terms and Conditions Section 18.1(c), which governs GTN's sale of generally available capacity where there is no shipper with right of first refusal rights.

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TRANSPORTATION GENERAL TERMS AND CONDITIONS
(Continued)

33. RIGHT OF FIRST REFUSAL UPON TERMINATION OF FIRM SHIPPER'S SERVICE AGREEMENT (Continued)

33.9 Unless GTN and Shipper expressly agree otherwise in Shipper's service agreement, a Shipper who has entered into an interim service agreement pursuant to Paragraph 18.1(b) or Paragraph 32 of these Transportation General Terms and Conditions may not elect to extend such interim service agreement pursuant to this Paragraph 33.

33.10 A Shipper paying a discounted rate or a negotiated rate will not have the Right of First Refusal, unless otherwise agreed to in writing by GTN. GTN shall offer Rights of First Refusal on a not unduly discriminatory basis.

33.11 Expansion Project Open Seasons: When GTN has already announced an expansion project, and following an original capacity holder's notification to terminate or not to terminate, GTN may subject a Shipper's capacity to the expansion project open season bidding process, rather than a separate open bidding process, no later than 3 months prior to the service agreement expiration. For those Shippers that elect not to terminate, in order to match an accepted expansion bid, Shipper may be required to meet the lowest accepted expansion bid(s), which meet the minimum terms and conditions that GTN imposes in the expansion project open season. If there are no acceptable expansion bids received, GTN will hold a subsequent open season for expiring contracts, within 10 business days, consistent with Sections 33.1 and 33.2 of this Paragraph, whichever applies. GTN will satisfy expansion capacity needs, in the following order, with:

(1) Unsubscribed long-term firm capacity that has been reserved pursuant to Paragraph 32 of these Transportation General Terms and Conditions;
(2) Capacity that is subject to Transporter's right-of-first-refusal tariff provisions that is included in an expansion open season bidding process;
(3) Capacity that is turned back to Transporter as part of Transporter's non-binding solicitation for expansion project related turnback capacity which specifies the minimum term for a response to the solicitation; and
(4) Expansion capacity.

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