



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

April 1, 2016

Via Electronic Filing
puc.filingcenter@state.or.us

Oregon Public Utility Commission
Attention: Filing Center
PO Box 1088
Salem, OR 97308-1088

Re: Application for Affiliated Interest Transactions

Enclosed for filing is an Application for approval of transactions between Portland General Electric Company (PGE) and Portland General Gas Supply Company (PGGS), a newly formed affiliate of PGE. The proposed transactions consist of the following:

- PGE to provide support services to PGGS in accordance with the Master Service Agreement (MSA) between PGE and its affiliates. We have updated the MSA between PGE and the affiliates to include Addendum 8 for PGGS.
- PGE to potentially provide technical services to PGGS related specifically to oil and gas properties in accordance with the terms of the Operating Service Agreement.
- PGGS to provide cost-of-service gas to PGE as a long-term hedge for a portion of PGE's gas fuel requirements in accordance with the terms of the Gas Purchase Agreement. This transaction is discussed in detail in PGE's annual power cost update (AUT filing – also submitted April 1, 2016), specifically PGE Exhibits 100, 200, and 300.

For the purpose of this application, "affiliates" means persons or corporations having an affiliated interest with PGE under Oregon Revised Statutes (see ORS 757.015 and ORS 757.495).

As in the previous MSA applications, all PGE services to PGGS will be priced at the higher of fully allocated cost or market (unless specified otherwise). As discussed below, however, PGE requests a waiver of the lower-of-cost-or-market rule for PGE's purchase of cost-of-service gas from PGGS. PGE will purchase the gas from PGGS at its fully allocated cost, and all costs and revenues from PGGS will be passed to PGE customers.

Application for Affiliated Interest Transactions

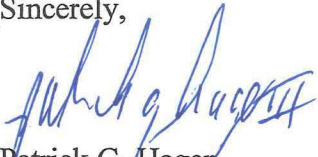
April 1, 2016

Page 2

All transactions between PGE and its affiliates are subject to audit by the Commission and a summary of transactions are filed annually in PGE's affiliated interest report as required by OAR 860-027-0100.

If you have any questions or require further information, please call me at 503-464-7580 or Alex Tooman at 503-464-7623. Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com.

Sincerely,



Patrick G. Hager
Manager, Regulatory Affairs

Enclosures

PGH/sp

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UI-___

In the Matter of the Application of)	Application for affiliated
PORTLAND GENERAL ELECTRIC COMPANY)	interest transactions and
for Affiliated Interest Transactions)	request for waiver

Pursuant to OAR 860-027-0040, OAR 860-027-0041, ORS 757.015 and ORS 757.495, Portland General Electric Company (PGE) hereby files an Application for Commission approval of transactions between PGE and Portland General Gas Supply Company (PGGS), a PGE affiliate¹.

The proposed transactions consist of the following:

- PGE to provide support services to PGGS in accordance with the Master Service Agreement (MSA) between PGE and its affiliates;
- PGE to potentially provide technical services to PGGS related specifically to oil and gas properties in accordance with the terms of the Operating Service Agreement (OSA); and
- PGGS to provide cost-of-service gas to PGE as a long-term hedge tool for a portion of PGE's gas fuel requirements in accordance with the terms of the Purchase Gas Agreement (PGA).

We address each type of transaction separately below, per the requirements of OAR 860-027-0040 and OAR 860-027-0041. In support of this application, and in particular to more fully address the

¹ Persons or corporations having an affiliated interest with PGE under ORS 757.495.

requirements of OAR 860-027-0040(2), sections (g) through (j), PGE provides the following pieces of testimony in its annual power cost update (AUT filing – also submitted April 1, 2016), wherein PGE requests recovery for the costs associated with these transactions.

<u>PGE Exhibit No.</u>	<u>Title</u>	<u>Witnesses</u>
100	Policy	Tinker – Sims
200	Guidelines for Proposed Transactions	Sims – Outama
300	Structure of Proposed Long-Term Gas Hedge	Russell – Tooman

A. Services PGE will Provide PGGS

PGE provides its affiliates with the following types of support services as described and incorporated in the attached MSA (previously approved by Commission Order No. 06-250 in Docket No. UI-248): printing and copying, mail services, computer hardware and software support, human resources support, tax and legal services, accounting services, business analyses, purchasing, product development, finance and treasury services, and construction and engineering services. PGE may also provide PGGS with technical services related specifically to oil and gas properties in accordance with the terms of the OSA.

1. The information required by OAR 860-027-0041 in connection with Applications for approval of utility goods and services provided to affiliated interests:

(a) Its exact name and the address of its principal business office. Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.

(b) The name of the persons authorized on the energy or large telecommunications utility's behalf to receive notices, inquiries, and communications regarding the information.

Jay Tinker
Rates and Regulatory Affairs
Portland General Electric
1 WTC0306
121 SW Salmon St.
Portland, OR 97204
Phone 503-464-7857
E-mail: pge.opuc.filings@pgn.com

Douglas C. Tingey
Associate General Counsel
Portland General Electric
1 WTC1301
121 SW Salmon St.
Portland, OR 97204
Phone 503-464-8926
E-mail: doug.tingey@pgn.com

In addition to the names and addresses above the following are to receive notices and communications via the e-mail service list:

Alex Tooman, Project Manager, Regulatory Affairs
E-mail: alex.tooman@pgn.com

(c) A statement describing the relationship between the energy or large telecommunications utility and the other contracting entity as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS 759.385. PGE has an affiliated interest relationship with PGGS, as defined in ORS 757.015(6).

(d) The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract. No PGE officer or director has or will have a direct or indirect pecuniary interest in any contract or agreement between PGE and PGGS.

(e) A description of the goods or services to be provided, the costs incurred in providing those goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services.

(i) Services to PGGGS:

PGE will provide office support, business analysis, finance and treasury support, human resources, investor relations, legal services, construction and engineering, purchasing, consulting/training services, and other services as listed in the MSA (see Attachment 1). PGE may also provide technical services related specifically to oil and gas properties (e.g., land management, pipeline nominations for gas deliveries, environmental, and geological) in accordance with the terms of the OSA (see Attachment 2).

(ii) Billing by PGE:

PGE will bill PGGGS for all services provided to it at the applicable rate in the MSA. For services detailed in the applicable Addendum to the MSA, PGE will bill PGGGS at the rate specified in the Addendum. These billings will create short-term accounts receivables on PGE's books.

(iii) Pricing by PGE:

PGE support services provided to PGGGS will be at the higher of cost or market, unless otherwise specified and approved by the Commission.

(f) An estimate of the amount the energy or large telecommunications utility will receive annually for the goods or services and the accounts in which it will record the payments. PGE does not currently have an estimate of the amount it expects to receive for services in 2017 from the

affiliate PGGS, because we are not certain of the amount of technical services that will be provided per the OSA. We do, however, expect the total to be below \$3.0 million.

Revenues will be recorded to the appropriate FERC Accounts as dictated by the Code of Federal Regulations.

(g) The reasons relied upon by the energy or large telecommunications utility for providing the proposed goods or services and the benefits, if any; utility customers will derive from the provision of goods or services: Since it is not currently anticipated that PGGS will have its own employees, and PGE currently provides these services to other affiliates, PGE believes that it will be cost effective and efficient to provide these services to PGGS. PGE's customers will benefit from the services to PGGS because they would support PGGS's efforts to provide cost-of-service gas to PGE.

(h) A copy of the contract or agreement between the energy or large telecommunications utility and the contracting entity that is the subject of this filing: Attachment 1 to this filing is the MSA, which covers the provision of support services by PGE to its affiliates and those that the affiliates provide to PGE. Addenda 1 through 8 list the agreements between PGE and specific affiliates for services or transactions to and/or from PGE, with Addendum 8 representing the affiliate PGGS agreements. As noted above, the Commission approved the existing MSA (and Addenda 1 through 7) by Order No. 06-250 in Docket No. UI-248.

Attachment 2 to this filing is the proposed OSA, which covers the provision of technical services by PGE to PGGS and is related specifically to oil and gas properties.

(i) *Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.*

No resolution by the board of directors is necessary; nor does stockholder approval need to be obtained for the services PGE will provide to PGGGS.

B. Goods or Services PGGGS Will Provide to PGE

PGGS will acquire gas and sell it at cost to PGE as a long-term hedge to meet a portion of PGE's gas fuel requirements. Because the ultimate purpose of the gas purchase by PGE is a cost-of-service hedge against the potential volatility of market purchases, PGE hereby requests a waiver of OAR 860-027-0048(4)(e), which requires that:

When services or supplies (except for generation) are sold to an energy utility by an affiliate, sales shall be recorded in the energy utility's accounts at the approved rate if an applicable rate is on file with the Commission or with FERC. If services or supplies (except for generation) are not sold pursuant to an approved rate, sales shall be recorded in the energy utility's accounts at the affiliate's cost or the market rate, whichever is lower.

1. The information required by OAR 860-027-0040(2) in connection with Applications for approval of transactions between affiliated interests:

(a) *The applicant's exact name and the address of its principal business office. See A. 1. (a), above.*

(b) *The name and address of the person authorized, on the utility's behalf, to receive notices, inquiries, and communications regarding the information. See A. 1. (b), above.*

(c) *A statement describing the relationship between the utility and the contracting entity as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS 759.385. See A. 1. (c) above.*

(d) *The amount, kind, and ratio to total voting securities held, if applicable. PGE holds 100% of the common stock of PGGS.*

(e) *A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant:*

<u>Name</u>	<u>PGE Title</u>	<u>PGGS Title</u>
James F. Lobdell	Sr. Vice President, CFO, and Treasurer	Director
Maria M. Pope	Sr. Vice President	Director
William O. Nicholson	Sr. Vice President	Director
Marc S. Bocci	Assoc. General Counsel and Secretary	Secretary

(f) *The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract. No PGE officer has a direct or indirect pecuniary interest in PGGS, or any indirect pecuniary interest in any contract or agreement between PGE and PGGS.*

(g) *A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services. PGGS will acquire, from third-parties, rights to long-term gas and will make that gas available to PGE on a cost-of-service basis. For these purposes, cost of service represents PGGS's revenue requirement for its investment and operating costs associated with acquiring the physical gas. In addition, PGGS's revenue requirement will:*

- Include PGE's fully allocated charges per the MSA and OSA; and
- Be consistent with PGE's Commission-approved cost of capital and capital structure.

As noted above, PGE's objective in purchasing the cost-of-service gas is for a long-term hedge against the potential volatility of market purchases for fuel to run its gas-fired generating plants. In other words, the hedge is not intended to "beat" the market, but rather to provide price stability based on cost of service. Consequently, PGE hereby requests a waiver of the lower-of-cost-or-market rule in OAR 860-027-0048(4)(e). If this requirement is not waived, then PGE's proposed transaction with PGGS would not represent a cost-of-service hedge and PGE would not pursue it.

(h) *An estimate of the amount the utility will pay annually for the goods or services and the accounts in which it will record the charges.* PGE currently does not have a final estimate of the amount it expects to pay in 2017, and subsequent years, for gas purchases from PGGS. As part of PGE's AUT filing, however, we do propose to establish guidelines with which to limit the amount of gas PGE would purchase as part of the long-term hedge. Specifically, the first guideline will establish a Long-Term Benchmark Price and the second guideline will establish a maximum gas purchase commitment. To the extent that PGE's long-term gas hedging proposal and associated guidelines are approved, the 2017 gas purchase from PGGS will be within the guidelines. Expenses will be recorded to the appropriate FERC Accounts as dictated by the Code of Federal Regulations.

(i) *The reasons, in detail, relied upon by the utility for procuring the proposed goods or services from the affiliate and benefits, if any; utility customers and the general public will derive from the provision of goods or services.* PGE plans to purchase the cost-of-service gas from PGGS

as a long-term hedge against the potential volatility of market purchases for fuel to run its gas-fired generating plants. In 2006, PGE had 5% of its load requirement met by gas-fired generation. At that time, 25% of PGE's load was met by market purchases and 16% by long-term contracts. By 2017, PGE projects that over 40% of its load requirement will be met by gas-fired generation and only 1% by long-term contracts. A primary result of this transition is that PGE has moved away from a reliance on the short-term electricity market for energy and the risks associated with electric price volatility and supply reliability, and moved toward a reliance on the market for gas and the risks associated with gas price volatility. In response, implementing long-term gas hedges better matches the expected lives of PGE's gas-fired resources, which are expected to remain productive for at least thirty-five years. Consequently, we believe that the appropriate strategy to address a portion of this risk is to engage in long-term gas hedging.

(j) A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the utility for procuring the proposed goods or services without a competitive procurement process, if such a process is not used. PGE conducted multiple, concurrent, bi-lateral discussions with 40+ producers and provided each with detailed information regarding PGE's requirements and expectations. PGE also provided each producer with an opportunity to propose structures and terms and conditions that would meet those requirements and expectations.

In each case we provided the producers with a fact-sheet describing PGE, our regulatory process, gas purchasing / hedging needs, and PGE's preference for a long-term strategic partner. We

then asked candidates to provide feedback on whether or not they wanted to continue discussions with PGE and if so, to provide an indicative term sheet that would provide a starting point for continued commercial discussions. In order to ensure that any executed transactions best meet the objectives of PGE's proposed long-term gas hedging, we implemented a thorough process for evaluating, ranking, and selecting preferred resources and counterparties. PGE's scoring and selection criteria include the following elements:

- Price
- Resource characteristics
- Counterparty credit and performance
- Non-price terms and conditions
- Quantity
- Environmental considerations

In addition, and as previously mentioned, PGE has widely engaged potential sellers and market participants to help ensure that credible and potentially interested counterparties and resources are considered.

(k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process. Not applicable.


(l) *A copy of the proposed contract or agreement between the utility and the contracting entity.* Attachment 3 to this filing provides a form of the PGA. PGE will provide an executed copy of the PGA upon completion of final transaction with a third party.

(m) *Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.* No stockholder approval is needed for the proposed transactions. A resolution by PGE's Board of Directors is necessary for the completion of the third-party transaction, pursuant to which PGGGS will obtain rights to long-term natural gas and the associated PGA between PGE and PGGGS. This resolution will not be obtained until PGGGS has completed a transaction to acquire the gas, which would then be sold to PGE on a cost-of-service basis. If an acceptable third-party transaction is completed, PGE expects that the resolution will be obtained during the second quarter of 2016 and submitted later as part of this proceeding. Any third-party transaction for rights to long-term natural gas will be subject to Commission regulatory approval.

WHEREFORE, PGE respectfully submits this application for an order authorizing the affiliated interest transactions set forth above.

Dated this 1st day of April, 2016.

Respectfully Submitted,



Patrick G. Hager
Manager, Regulatory Affairs
On Behalf of Portland
General Electric Company

Attachment 1

PGE/Affiliates Master Service Agreement

Attachment 2

PGE/PGGS Operating Service Agreement

Attachment 3

PGE/PGGS Purchase Gas Agreement

MASTER SERVICE AGREEMENT

THIS AGREEMENT, dated _____, 2006, including addenda, is between PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation ("PGE"), and its affiliates and subsidiaries ("Master Service Agreement"). PGE's affiliates include the affiliates and subsidiaries as listed in Exhibit A, which may be amended periodically. They are referred to herein as "Affiliated Interests," in accordance with the definition contained in ORS 757.015.

RECITALS

- A. PGE is a regulated electric utility operating within the state of Oregon with its headquarters located in Portland, Oregon.
- B. PGE employs certain expert personnel capable of performing needed management, analytical, professional, and administrative services in furtherance of the operations of its Affiliated Interests.
- C. PGE's Affiliated Interests employ certain expert personnel capable of performing needed services in furtherance of PGE's operations.
- D. PGE and its Affiliated Interests agree that in some cases it would be more economical for each to provide the other with management, administrative, and other professional services, rather than for each to obtain such services by employing additional staff or by retaining independent contractors or consultants.
- E. PGE desires to make available to its Affiliated Interests such personnel and management, administrative, and other professional services as the Board of Directors or officers of those Affiliated Interests shall reasonably request in the future, without detriment to its utility functions.
- F. PGE's Affiliated Interests desire to make available to PGE such personnel and management, administrative, and other professional services the board of directors or officers of PGE shall reasonably request in the future, without detriment to its corporate functions.

THEREFORE, the parties hereto agree as follows:

PGE Services

1. Upon the request of the Board of Directors, officers, or managers of PGE, PGE will furnish to its Affiliated Interests the following administrative services as required, given the terms and conditions as follows:

Services

Service Description

- | | |
|--|--|
| A. Office Support | Word Processing, secretarial services, communications, mail services, printing, records management, facilities management, office space, conference room services, office supplies, furniture and equipment, computer services for affiliates' employees located in the World Trade Center or other buildings. |
| B. Business Analysis | Tax, regulatory, accounting, budgeting, and financial reporting assistance. Also, tax planning, financial and strategic studies, internal auditing services, market intelligence, marketing and product development support, engineering. |
| C. Finance and Treasury Support | Cash management services, maintain banking relationships, oversee financing, manage corporate and pension investment funds, and provide analytical support. |
| D. Human Resources | Administration of human resources and management of payroll and benefits. |
| E. Investor Relations | Provide information for investors. Provide support for corporate communications with the public and the media. |
| F. Legal Services | Services provided by PGE's Legal Department for legal proceedings and other legal functions. |
| G. Construction and Engineering Services | Purchasing materials and supplies, hiring contractors and hiring engineering services. |
| H. Purchasing | Purchasing goods, materials and services through PGE's Service and Contracts Department. |
| I. Consulting/Training Services | Providing labor, materials and expertise for consulting/training. |
| J. Other Services | Other services as defined and priced in the Addenda, signed by PGE and appropriate entity, and approved by the OPUC. |

2. Affiliated Interest Services

Upon the request of the Board of Directors, officers, or managers of PGE, PGE's Affiliated Interests will furnish to PGE services as required, upon the terms and conditions set forth herein and in the attached Addenda.

3. Requests for Service

All services provided will be based on a mutually agreeable work scope, specifying the scope of services, personnel, and budget for services. Changes in the scope of work will be agreed to by the parties.

4. Basis of Charges

If the service cost or benefit is intended for inclusion in PGE's retail revenue requirement, then

- a. All billing by PGE to an Affiliated Interest will be at the higher of cost or market, unless otherwise specified and approved by the OPUC; and
- b. All billings by an Affiliated Interest to PGE will be at the lower of cost or market, unless otherwise specified and approved by the OPUC.
- c. For the purpose of this Master Service Agreement, "cost" shall include:
 - (i). All out-of-pocket expenses of the provider of services incurred in connection with the services rendered including an appropriate share of salaries and benefits; amounts paid for independent technical and professional services; and all overhead expenses, including but not limited to space utilization; and
 - (ii). A reasonable return on any investment in assets, equipment, or plant supporting the provision of services ("tangible assets") in the following amounts:
 - (a) For services provided by PGE, the return on tangible assets employed, if any, will be no less than the authorized rate of return of PGE on its investment serving its electric ratepayers; and
 - (b) For services provided by an Affiliated Interest, the return on tangible assets employed, if any, will be no more than the authorized rate of return of PGE on its investment serving its Oregon electric ratepayers.

Costs shall include both direct and indirect costs of operation. Cost allocation is used where a cost incurred by an Affiliated Interest is attributed to related and/or unrelated third parties, including PGE. Exhibit B to this Master Service Agreement describes the method used for allocating common costs to be used by the Affiliated Interest.

5. Method of Charging for Services

Once the appropriate basis for charges is established in accordance with Section 4, accounting charges shall be made as follows:

a. PGE Charges to Affiliates

PGE will directly assign charges to Affiliated Interests for services involving labor provided to Affiliated Interests on the basis of the number of hours worked by PGE employees multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits,

taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded cost of employee time associated with services provided. Materials, supplies, and other vouchered items will similarly be charged to Affiliated Interests on the basis of the full cost of the items supplied. Supporting documentation on the cost of non-labor items will be available to Affiliated Interests to substantiate the charges billed. Non-labor costs will not have an A&G allocation rate applied. The allocation of PGE indirect costs to Affiliated Interests is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report. The most current Cost Allocation Manual (as of the effective date of this Master Service Agreement) is attached hereto as part of Exhibit B. Any charges under this Section will be in accordance with PGE's most recent Cost Allocation Manual on file with the Commission.

b. Affiliated Interest Charges to PGE

Affiliated Interests will directly assign charges to PGE for services involving labor provided to PGE on the basis of the number of hours worked by employees of Affiliated Interests multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits, taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded cost of employee time associated with services provided.

Allocable costs which meet the four-point test described herein will be allocated based on methods described in Exhibit B to this Master Service Agreement. The four points that costs must meet for inclusion in rates are: (1) they must be a necessary, just and reasonable regulated utility expense; (2) they must be for functions that PGE would perform as a stand-alone utility; (3) they must not arise from non-regulated activities; and (4) they must not duplicate functions already performed at PGE.

Periodically, PGE will review the work functions supplied by Affiliated Interests. The review will include a determination of the functions supplied and the relationship between costs incurred (Direct and Allocable) and the entities creating those costs, and establish allocation factors for budgeting and for assigning any allocable costs in accordance with this Section and Section 4 above. In addition, any changes to Exhibit B concerning Affiliated Interest charges to PGE will be submitted to the Commission for approval.

6. Invoicing

- a. As soon as practicable after the last day of each month, the provider of services will invoice the recipient for services and expenses for the month concluded, computed pursuant to Section 4 above.
- b. All invoice charges will be supported by documentation satisfactory to the recipient. Charges for services will be entered into the accounting records in the month following the period in which services were rendered. However, if the invoice is less than \$50,000,

charges will not be entered until either (1) total invoices are more than \$50,000 or (2) quarterly, whichever comes first.

7. Billing Disputes

Disputes on billings for services will be resolved through negotiations between an officer of the Affiliated Interest and the Vice President of the department at PGE responsible for providing services or their respective designees.

8. Books and Records

- a. All transactions made under this Master Service Agreement will be recorded by PGE in accordance with the uniform system of accounts prescribed by the regulatory authorities having jurisdiction over PGE.
- b. Each party shall have the right at all reasonable times to examine the books and records of the other for the purpose of verifying the cost of the services performed by the other party.

9. Limitations on Service

- a. PGE shall render diligently and competently all services reasonably requested by Affiliated Interests to the extent it will not harm PGE's utility functions.
- b. Affiliated Interests shall render diligently and competently all services reasonably requested by PGE to the extent those Affiliated Interests can make available their resources without detriment to its corporate functions, and to the extent that Affiliated Interest services to PGE are specified in the attached Addenda to this Master Service Agreement.
- c. PGE and Affiliated Interests shall coordinate and administer all services being rendered under this Master Service Agreement in order that such services shall be furnished as efficiently and economically as possible.
- d. Neither PGE nor its Affiliated Interests shall have priority over the other in obtaining services under this Master Service Agreement.

10. Limitation of Authority

The parties agree that no party shall assume nor create any obligation on behalf of the other party other than such as are specifically provided for herein. Each party reserves to itself the right to make commitments for loans, financing, mortgages, and other commitments necessary and proper for its corporate purposes.

11. Inspection and Reporting

All relevant books, records, and other data in possession of either of the parties relating to the operations under the administration of this Master Service Agreement shall at all times, during normal business hours, be made available in Portland, Oregon to any regulatory agency having jurisdiction when engaged in the performance of its lawful functions.

12. Regulatory Jurisdiction

It is recognized by the parties that PGE is a public utility subject to regulation and control by various state and federal governmental regulatory agencies. The provisions of this Master Service Agreement shall be construed in aid of and not in derogation of the lawful control and regulatory power of any such agency.

13. Damages

IN NO EVENT SHALL A PARTY BE LIABLE TO ANOTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS MASTER SERVICE AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM THE PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE.

14. Governing Law

This Master Service Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

15. Waiver

Any of the terms and conditions of this Master Service Agreement may be waived at any time and from time to time by the party entitled to the benefit thereof; but a waiver in one instance shall not be deemed to construe a waiver in any other instance. A failure to enforce any provision of this Master Service Agreement shall not operate as a waiver of such provision or of any other provision hereof. Notwithstanding any of the foregoing, Sections 4 and 5 of this MSA may not be waived without approval of the Commission.

16. Assignment

This Master Service Agreement shall be binding upon the parties and their representatives but shall not be subject to assignment.

17. Termination

PGE reserves the right at any time upon thirty (30) days' notice to its affiliates to terminate this Master Service Agreement in whole or part. PGE, or any affiliate, reserves the right at any time upon 30 days' notice to the other to terminate such affiliate's addendum to this Master Service Agreement. PGE shall notify the Commission at least 15 days prior to such termination.

18. Integrated Agreement

This Master Service Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements between such parties, except for the January 1, 1993 PGE/WTCNW Service Agreement as amended. This Master Service Agreement may be executed by the parties in separate counterparts, each of which when executed and delivered shall be an original, but which together shall constitute but one and the same agreement.

Date as of _____.

(Name)

(Signature)

PORTLAND GENERAL ELECTRIC
COMPANY

Exhibit A
List of PGE Affiliated Interests

The following is a comprehensive list of Affiliated Interests with which PGE intends to transact business. Each of these companies will provide services to and/or receive services from PGE in accordance with the Master Service Agreement or the Addenda thereto:

<u>Addendum</u>	<u>Affiliated Interests</u>	<u>Status</u>
1.	World Trade Center Northwest Corporation (WTCNW)	Active
2.	Salmon Springs Hospitality Group, Inc. (Salmon Springs)	Active
3.	Portland General Transport Corp. (PGT)	Dissolved
4.	121 SW Salmon Corp. (121 Salmon)	Active
5.	Integrated Utility Solutions, Inc. (IUS)	Dissolved
6.	Portland General Resource Development, Inc. (PGRD)	Dissolved
7.	PGE Foundation	Active
8.	Portland General Gas Supply Company	Active

Exhibit B
Allocation Methods

No costs are currently being allocated from Affiliated Interests to PGE. The allocation of PGE indirect costs to Affiliated Interests is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report, the most recent version of which is attached as part of this Exhibit B.

Addendum 1

World Trade Center Northwest Corporation
(WTCNW is currently not providing any services to PGE.)

A. PGE/WTCNW Services

(Attached to this addendum. Included as part of the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)

B. PGE/WTCNW Service Agreement

(Filed, OPUC Docket UI-126; approved by Order No. 94-1954)

C. PGE/WTC Sublease Agreement

(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)

World Trade Center Northwest Corporation (WTCNW) agrees to become a party to the Master Service Agreement dated _____, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of _____

By: _____

Name: _____

World Trade Center Northwest Corporation

By: _____

Name: _____

Portland General Electric Company

Addendum 2

Salmon Springs Hospitality Group, Inc.

A. PGE/Salmon Springs Services

(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)

B. PGE/Salmon Springs Agreement for Catering Services

*(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)
Sublease 1st Amendment executed May 1, 2003.*

Salmon Springs Hospitality Group, Inc. (Salmon Springs) agrees to become a party to the Master Service Agreement dated _____, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof. Salmon Springs Hospitality Group, Inc. agrees to offer PGE the goods and services listed in Table A at the prices listed subject to the terms and conditions in the Master Service Agreement.

TABLE A

Description	Price Paid by PGE
1. <u>Catering Services</u> . Salmon Springs Hospitality Group, Inc. will provide PGE with catering services	Discount to market price. All Salmon Springs profit will be credit to PGE utility accounts

Date as of _____

By: _____

Salmon Springs Hospitality Group, Inc.

By: _____

Portland General Electric Company

Addendum 3

Portland General Transport Corp.

(PGT was dissolved, effective as of December 27, 2006)

A. PGE/PGT Services

(No services between PGE and PGT)

B. PGE release (and potential repurchase) of interstate pipeline capacity to PGT

(Filed February 2, 1999; UI-175, UM-814, UP-156; Approved by the OPUC, Order No. 99-543)

Addendum 4

121 SW Salmon Corp.

A. PGE/121 Salmon Services

(No services between PGE and 121 Salmon)

B. PGE/121 Salmon sublease of World Trade Center

(Amended sublease application filed with the OPUC on 12-19-97, UI-169; approved by OPUC Order No. 98-193)

Addendum 5

Integrated Utility Solutions, Inc.

(IUS was dissolved, effective as of December 27, 2006)

A. PGE/IUS

(No services between PGE and IUS)

B. PGE purchase of computer hardware from IUS

(Filed with the OPUC 4-7-03, Waiver pursuant to OAR 860-027-0043 granted 4-9-03)

Addendum 6

Portland General Resource Development, Inc.

(PGRD was dissolved, effective as of October 5, 2007)

A. PGE/PGRD

(No services between PGE and PGRD.)

Addendum 7

PGE Foundation

A. PGE/PGE Foundation Services

(Attached to this addendum. Included as part of the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)

PGE Foundation agrees to become a party to the Master Service Agreement dated _____, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of _____

By: _____
Name: _____

PGE Foundation

By: _____
Name: _____

Portland General Electric Company

Addendum 8

Portland General Gas Supply Company

A. PGE/PGGS Services

(Attached to this addendum. Included as part of the Master Service Agreement

B. PGGS purchase of Operating Services from PGE

(Included as part of this filing)

C. PGE purchase of cost of service gas from PGGS

(Included as part of this filing.)

Portland General Gas Supply Company (PGGS) agrees to become a party to the Master Service Agreement dated April 1, 2016 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of March 31, 2016

DFW

By: 

Name: Maria M. Payne
Portland General Gas Supply Company

DFW

By: 

Name: JAMES F. LOBDELL
Portland General Electric Company

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OPERATING SERVICE AGREEMENT

THIS AGREEMENT, dated March 31, 2016 (“Operating Service Agreement”), is between PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation (“PGE”), and PORTLAND GENERAL GAS SUPPLY COMPANY, an Oregon corporation (“PGGS”). PGGS is sometimes referred to herein as an “Affiliated Interest,” in accordance with the definition contained in ORS 757.015.

RECITALS

- A. PGE is a regulated electric utility operating within the state of Oregon with its headquarters located in Portland, Oregon.
- B. PGE employs certain expert personnel capable of performing needed management, analytical, professional, and administrative services in furtherance of the operations of the Affiliated Interest.
- C. PGE and PGGS agree that in some cases it would be more economical for PGE to provide PGGS with management, administrative, and other professional services, rather than for PGGS to obtain such services by employing its own staff or by retaining certain independent contractors or consultants.
- D. PGE desires to make available to PGGS such personnel and management, administrative, and other professional services as the board of directors or officers of PGGS shall reasonably request in the future, without detriment to PGE’s utility functions.
- E. PGGS has agreed to become a party to the Master Service Agreement as of March 31, 2016, and receive from PGE the services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof. PGGS and PGE wish to enter into this Operating Services Agreement so that PGGS may receive from PGE services not covered by the Master Service Agreement and described herein, but at comparable prices and on similar terms as set forth in the Master Service Agreement.

THEREFORE, the parties hereto agree as follows:

PGE Services

1. Upon the request of the board of directors, officers, or managers of PGE, PGE will furnish to PGGS the following administrative services as required, given the terms and conditions as follows:

Services

Service Description

A. Construction and Engineering Services

Purchasing materials and supplies, hiring contractors and hiring engineering services.

B. Oil and Gas

Provide services related to the following: (1) land management; (2) technical services (drilling, engineering, environmental and geological); (3) pipeline nominations for natural gas deliveries, and liaison with third party pipelines, processors *et al.* as to scheduling, balancing and similar matters; (4) payment of royalty (if not paid on PGGGS's behalf by the operator of PGGGS's oil and gas properties); and (5) performance of PGGGS's obligations under joint development agreements, joint operating agreements, acquisition and similar agreements and exercise of PGGGS's rights thereunder, including monitoring of the operator's performance in the financial, technical and health, safety, security and environmental areas; provided, however, that without first obtaining the approval of a representative designated by PGGGS, PGE may not propose, or consent to participate in, any drilling operation or other capital project requiring an expenditure (net to PGGGS's interest) in excess of \$1,000,000 per the relevant "authorization for expenditure" (AFE); and provided further, however, that the foregoing limitation shall not apply in cases of emergency or to address imminent risk of loss of life or bodily injury, or material damage to property or the environment.

C. Sale Assistance

Upon request by PGGGS, provide the following services to PGGGS in connection with a proposed sale of PGGGS's oil and gas properties, or any part thereof (an "Exit Transaction"): (1) formulate a strategy for consummating an Exit Transaction, including the identification of parties that may have an interest in an Exit Transaction, and develop procedures and timetables for implementing an Exit Transaction; (2) prepare or assist PGGGS in the preparation of marketing materials describing PGGGS's oil and gas properties, as well as other materials requested by interested parties; (3) assemble, or assist PGGGS in the assembly of required data, including land schedules and maps, geological maps and data, geophysical data, engineering analyses and supporting documentation, operating agreements, accounting reports, lease operating statements, legal contracts and marketing agreements as PGGGS may request; (4) approach selected parties, and provide these parties with the appropriate material, subject to a confidentiality agreement that is acceptable to PGGGS and the potential purchaser; (5) coordinate, schedule and manage data rooms; (6) assist PGGGS in evaluating proposals regarding a possible Exit Transaction; (7) formulate negotiation strategies, participate in negotiations with interested parties and work with the legal counsel and accountants of PGGGS to facilitate and negotiate letters of intent, term sheets, definitive agreements and other customary agreements associated with completion of an Exit Transaction, as appropriate and customary for oil and gas property divestitures of a similar type as the Exit Transaction; and (8) present analyses of purchase offers or proposals to executive management and the board of directors of PGGGS.

D. Engagement of Third Party Contractors and Service Providers

Engaging and overseeing service providers to assist with, or perform, any of the services to be provided by PGE herein.

E. Other Services

Other services as defined and priced in an Addenda hereto, agreed to by PGE and PGGGS, and approved by the OPUC.

2. **[Intentionally omitted.]**

3. **Requests for Service**

All services provided will be based on a mutually agreeable work scope, specifying the scope of services, personnel, and budget for services. Changes in the scope of work will be agreed to by the parties.

4. **Basis of Charges**

If the service cost or benefit is intended for inclusion in PGE's retail revenue requirement, then

- a. All billing by PGE to PGGS will be at the higher of cost or market, unless otherwise specified and approved by the OPUC.
- b. For the purpose of this Operating Service Agreement, "cost" shall include:
 - (i). All out-of-pocket expenses PGE incurred in connection with the services rendered including an appropriate share of salaries and benefits; amounts paid for independent technical and professional services; and all overhead expenses, including but not limited to space utilization; and
 - (ii). A reasonable return on any investment in assets, equipment, or plant supporting the provision of services ("tangible assets") in an amount no less than the authorized rate of return of PGE on its investment in tangible assets serving its electric ratepayers.

Costs shall include both direct and indirect costs of operation. Cost allocation is used where a cost incurred by PGGS is attributed to related and/or unrelated third parties, including PGE. Exhibit A to this Operating Service Agreement describes the method used for allocating common costs to be used by PGGS.

5. **Method of Charging for Services**

Once the appropriate basis for charges is established in accordance with Section 4, accounting charges shall be made as follows:

PGE will directly assign charges to PGGS for services involving labor provided to PGGS on the basis of the number of hours worked by PGE employees multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits, taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded, fully allocated cost of employee time associated with services provided. Materials, supplies, and other vouchered items will similarly be charged to PGGS on the basis of the full cost of the items supplied. Supporting documentation on the cost of non-labor items will be available to PGGS to substantiate the charges billed. Non-labor costs will not have an A&G allocation rate applied. The allocation of PGE indirect costs to PGGS is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report. The most current Cost Allocation Manual (as of the effective date of this Operating Service Agreement) is attached hereto as part of Exhibit A. Any charges under this Section will be in accordance with PGE's most recent Cost Allocation Manual on file with the Commission.

6. Invoicing

- a. As soon as practicable after the last day of each month, PGE will invoice PGGGS for services and expenses for the month concluded, computed pursuant to Section 4 above.
- b. All invoice charges will be supported by documentation satisfactory to PGGGS. Charges for services will be entered into the accounting records in the period in which services were rendered.

7. Billing Disputes

Disputes on billings for services will be resolved through negotiations between an officer of PGGGS and the Vice President of the department at PGE responsible for providing services or their respective designees.

8. Books and Records

- a. All transactions made under this Operating Service Agreement will be recorded by PGE in accordance with the uniform system of accounts prescribed by the regulatory authorities having jurisdiction over PGE.
- b. PGGGS shall have the right at all reasonable times to examine the books and records of PGE for the purpose of verifying the cost of the services performed by PGE.

9. Limitations on Service

- a. PGE shall render diligently and competently all services reasonably requested by PGGGS to the extent it will not harm PGE's utility functions.
- b. PGE and PGGGS shall coordinate and administer all services being rendered under this Operating Service Agreement in order that such services shall be furnished as efficiently and economically as possible.
- c. Neither PGE nor PGGGS shall have priority over the other in obtaining services under this Operating Service Agreement.

10. Limitation of Authority

The parties agree that no party shall assume nor create any obligation on behalf of the other party other than such as are specifically provided for herein. Each party reserves to itself the right to make commitments for loans, financing, mortgages, and other commitments necessary and proper for its corporate purposes.

11. Inspection and Reporting

All relevant books, records, and other data in possession of either of the parties relating to the operations under the administration of this Operating Service Agreement shall at all times, during normal business hours, be made available in Portland, Oregon to any regulatory agency having jurisdiction when engaged in the performance of its lawful functions.

12. Regulatory Jurisdiction

It is recognized by the parties that PGE is a public utility subject to regulation and control by various state and federal governmental regulatory agencies. The provisions of this Operating Service Agreement shall be construed in aid of and not in derogation of the lawful control and regulatory power of any such agency.

13. Damages

IN NO EVENT SHALL A PARTY BE LIABLE TO ANOTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS OPERATING SERVICE AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM THE PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE.

14. Governing Law

This Operating Service Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

15. Waiver

Any of the terms and conditions of this Operating Service Agreement may be waived at any time and from time to time by the party entitled to the benefit thereof; but a waiver in one instance shall not be deemed to construe a waiver in any other instance. A failure to enforce any provision of this Operating Service Agreement shall not operate as a waiver of such provision or of any other provision hereof. Notwithstanding any of the foregoing, Sections 4 and 5 of this Operating Services Agreement may not be waived without approval of the Commission.

16. Assignment

This Operating Service Agreement shall be binding upon the parties and their representatives but shall not be subject to assignment.

17. Termination

PGE reserves the right at any time upon thirty (30) days' notice to PGGS to terminate this Operating Service Agreement in whole or part. PGGS reserves the right at any time upon 30 days' notice to PGE to terminate this Operating Service Agreement in whole or in part. PGE shall notify the Commission at least 15 days prior to such termination.

18. Integrated Agreement

This Operating Service Agreement, together with the Master Service Agreement, embodies the entire agreement and understanding between the parties and supersedes all prior agreements between such parties regarding the provisioning of services described herein. This Operating Service Agreement may be executed by the parties in separate counterparts, each of which when executed and delivered shall be an original, but which together shall constitute but one and the same agreement.

Date as of March 31, 2016.

JAMES F. LOBDELL
(Name) DFW


(Signature)
PORTLAND GENERAL ELECTRIC
COMPANY

DFW

Maria W. Pige
(Name)


(Signature)

PORTLAND GENERAL GAS SUPPLY COMPANY

[008694/252510/1]

Exhibit A
Allocation Methods

No costs are currently being allocated from Affiliated Interest to PGE. The allocation of PGE indirect costs to Affiliated Interest is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report, the most recent version of which is attached as part of this Exhibit A.

[Form] Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: _____

The parties to this Base Contract are the following:

PARTY A <i>Portland General Electric Company</i>	PARTY NAME	PARTY B <i>Portland General Gas Supply Company</i>
Portland General Electric Company 121 SW Salmon Street Portland, Oregon 97204	ADDRESS	Portland General Gas Supply Company 121 SW Salmon Street Portland, Oregon 97204
	BUSINESS WEBSITE	
	CONTRACT NUMBER	
	D-U-N-S® NUMBER	
<input type="checkbox"/> US FEDERAL: <input type="checkbox"/> OTHER:	TAX ID NUMBERS	<input type="checkbox"/> US FEDERAL: <input type="checkbox"/> OTHER:
	JURISDICTION OF ORGANIZATION	
<input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____	COMPANY TYPE	<input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____
None.	GUARANTOR (IF APPLICABLE)	None.
CONTACT INFORMATION		
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	▪ COMMERCIAL	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	▪ SCHEDULING	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	▪ CONTRACT AND LEGAL NOTICES	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	▪ CREDIT	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	▪ TRANSACTION CONFIRMATIONS	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
ACCOUNTING INFORMATION		
ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____	▪ INVOICES ▪ PAYMENTS ▪ SETTLEMENTS	ATTN: _____ TEL#: _____ FAX#: _____ EMAIL: _____
BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____	WIRE TRANSFER NUMBERS (IF APPLICABLE)	BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____
BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____	ACH NUMBERS (IF APPLICABLE)	BANK: _____ ABA: _____ ACCT: _____ OTHER DETAILS: _____
ATTN: _____ ADDRESS: _____	CHECKS (IF APPLICABLE)	ATTN: _____ ADDRESS: _____

Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

Section 1.2 Transaction Procedure <input type="checkbox"/> Oral (default) <input type="checkbox"/> Written <input checked="" type="checkbox"/> See Special Provisions	Section 10.2 Additional Events of Default <input checked="" type="checkbox"/> No Additional Events of Default (default) <input type="checkbox"/> Indebtedness Cross Default <input type="checkbox"/> Party A: _____ <input type="checkbox"/> Party B: _____ <input type="checkbox"/> Transactional Cross Default <u>Specified Transactions:</u> _____ _____ _____
Section 2.7 Confirm Deadline <input checked="" type="checkbox"/> 2 Business Days after receipt (default) OR <input type="checkbox"/> ____ Business Days after receipt	
Section 2.8 Confirming Party <input type="checkbox"/> Seller (default) OR <input checked="" type="checkbox"/> Buyer	
Section 3.2 Performance Obligation <input checked="" type="checkbox"/> Cover Standard (default) OR <input type="checkbox"/> Spot Price Standard	Section 10.3.1 Early Termination Damages <input type="checkbox"/> Early Termination Damages Apply (default) OR <input checked="" type="checkbox"/> Early Termination Damages Do Not Apply
Note: The following Spot Price Publication applies to both of the immediately preceding.	
Section 2.31 Spot Price Publication <input checked="" type="checkbox"/> Gas Daily Midpoint (default) OR <input type="checkbox"/> _____	Section 10.3.2 Other Agreement Setoffs <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) <input checked="" type="checkbox"/> Bilateral (default) <input type="checkbox"/> Triangular OR <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
Section 6 Taxes <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) OR <input type="checkbox"/> Seller Pays Before and At Delivery Point	
Section 7.2 Payment Date <input type="checkbox"/> 25 th Day of Month following Month of delivery (default) OR <input checked="" type="checkbox"/> ____ Day of Month following Month of delivery	Section 15.5 Choice Of Law State of New York
Section 7.2¹ Method of Payment <input type="checkbox"/> Wire transfer (default) <input type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check	Section 15.10 Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) OR <input type="checkbox"/> Confidentiality does not apply
Section 7.7 Netting <input checked="" type="checkbox"/> Netting applies (default) OR <input type="checkbox"/> Netting does not apply	
<input checked="" type="checkbox"/> Special Provisions Number of sheets attached: 3 <input type="checkbox"/> Addendum(s):	

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

	<i>PARTY NAME</i>	
	<i>SIGNATURE</i>	
By: _____		By: _____
[Insert Name]	<i>PRINTED NAME</i>	[Insert Name]
[Insert Title]	<i>TITLE</i>	[Insert Title]

¹ NTD: PGE to select desired billing method.

General Terms and Conditions

Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.9.

The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Additional Event of Default" shall mean Transactional Cross Default or Indebtedness Cross Default, each as and if selected by the parties pursuant to the Base Contract.

2.2. "Affiliate" shall mean, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of at least 50 percent of the voting power of the entity or person.

2.3. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

- 2.4. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.
- 2.5. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).
- 2.6. "Business Day(s)" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S.
- 2.7. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.8. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.9. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation, all of which shall form a single integrated agreement between the parties.
- 2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.11. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.12. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.13. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as cash, an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, guaranty, or other good and sufficient security of a continuing nature.
- 2.14. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.15. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.16. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.17. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.18. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.19. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.20. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.21. "Guarantor" shall mean any entity that has provided a guaranty of the obligations of a party hereunder.
- 2.22. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.23. "Indebtedness Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it or its Guarantor, if any, experiences a default, or similar condition or event however therein defined, under one or more agreements or instruments, individually or collectively, relating to indebtedness (such indebtedness to include any obligation whether present or future, contingent or otherwise, as principal or surety or otherwise) for the payment or repayment of borrowed money in an aggregate amount greater than the threshold specified in the Base Contract with respect to such party or its Guarantor, if any, which results in such indebtedness becoming immediately due and payable.
- 2.24. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set

forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

- 2.25. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.26. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.27. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.28. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.29. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.30. "Specified Transaction(s)" shall mean any other transaction or agreement between the parties for the purchase, sale or exchange of physical Gas, and any other transaction or agreement identified as a Specified Transaction under the Base Contract.
- 2.31. "Spot Price" as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.
- 2.32. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.
- 2.33. "Transactional Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it shall be in default, however therein defined, under any Specified Transaction.
- 2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.
- 2.35. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s) excluding any quantity for which no sale is available; and (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of Gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the Gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the quantity of such Gas not replaced or sold. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied

by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury (including death) or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. The parties agree that the delivery of and the transfer of title to all Gas under this Contract shall take place within the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3); provided, however, that in the event Seller took title to the Gas outside the Customs Territory of the United States, Seller represents and warrants that it is the importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

8.5. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

9.1. All Transaction Confirmations, invoices, payment instructions, and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder shall be in writing and may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

9.4. The party receiving a commercially acceptable Notice of change in payment instructions or other payment information shall not be obligated to implement such change until ten Business Days after receipt of such Notice.

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; or ix) be the affected party with respect to any Additional Event of Default; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

Bilateral Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties.

Triangular Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MARKET DISRUPTION

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Floating Price (or on a method for determining a replacement price for the Floating Price) for the affected Day, and if the parties have not so agreed on or before the second Business Day following the affected Day then the replacement price for the Floating Price shall be determined within the next two following Business Days with each party obtaining, in good faith and from non-affiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the average of the other party's two quotes shall determine the replacement price for the Floating Price. "Floating Price" means the price or a factor of the price agreed to in the transaction as being based upon a specified index. "Market Disruption Event" means, with respect to an index specified for a transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Floating Price has occurred. For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

SECTION 15. MISCELLANEOUS

15.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

15.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

15.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

15.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

15.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

15.7. There is no third party beneficiary to this Contract.

15.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

15.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

15.10. Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

15.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties

15.12. Any original executed Base Contract, Transaction Confirmation or other related document may be digitally copied, photocopied, or stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the Transaction Confirmation, if introduced as evidence in automated facsimile form, the recording, if introduced as evidence in its original form, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the recording, the Transaction Confirmation, or the Imaged Agreement on the basis that such were not originated or maintained in documentary form. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**



SPECIAL PROVISIONS

The following sections hereby amend and replace the applicable sections of the General Terms and Conditions Base Contract for Sale and Purchase of Natural Gas.

Section 1. Purpose and Procedures

Section 1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas. "Buyer" refers to the party receiving Gas (Party A) and "Seller" refers to the party delivering Gas (Party B). The entire agreement between the parties shall be the Contract as defined in Section 2.9.

Section 1.2. The parties will use the following Transaction Confirmation procedure. Seller will deliver a Transaction Confirmation covering a calendar month to Buyer no later than five Business Days prior to the first day of such calendar month. Each such Transaction Confirmation shall include the expected Contract Quantity. The Transaction Confirmation shall only contain the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), and no other terms that modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties).

Section 1.3 In the event of a conflict among the terms of (i) a Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties, which may be evidenced by a recorded conversation, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

Section 2. Definitions

Section 2.3. The definition of "Alternative Damages" is deleted in its entirety.

Section 2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas calculated pursuant to Exhibit B.

Section 2.14. "Day" shall mean a period of 24 consecutive hours commencing at 7 am.

Section 2.18. The definition of "EFP" is deleted in its entirety.

Section 2.19. The definition of "Firm" is deleted in its entirety.

Section 2.22. The definition of "Imbalance Charges" is deleted in its entirety.

Section 2.24. The definition of "Interruptible" is deleted in its entirety.

Section 2.28. The definition of "Receiving Transporter" is deleted in its entirety.

Section 2.29. "Scheduled Gas" shall mean the quantity of Gas confirmed by Seller for delivery to Buyer.

Section 2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform an obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

Section 2.35. The definition of "Transporter(s)" is deleted in its entirety.

Section 3. Performance Obligation

Section 3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, all the Gas that Seller receives from Seller's interest in the properties described in Annex A hereto.

Section 3.2. Cover Standard. The sole and exclusive remedy of the parties in the event of a breach of an obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s) excluding any quantity for which no sale is available; and (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of Gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the Gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the quantity of such Gas not replaced or sold. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

Section 3.3. Section 3.3 is deleted in its entirety.

Section 4. Transportation, Nominations, and Imbalances

Section 4.2. [Detail nomination/notice procedure for deliveries to be added based upon actual transaction.]

Section 4.3. Section 4.3 is deleted in its entirety.

Section 5. Quality and Measurement

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Buyer. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry.[to be supplemented based upon actual transaction]

Section 7. Billing, Payment, and Audit

Section 7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month providing supporting documentation acceptable in industry practice and showing a calculation of the Contract Price to support the amount charged.

Section 7.2. [Detail billing and payment terms to be added based upon actual transaction.]

Section 7.3. Section 7.3 is deleted in its entirety.

Section 7.7. The reference to Section 7.3 in Section 7.7 is deleted.

Section 11. Force Majeure

Section 11.1. Except with regard to a party's obligation to make payment(s) due under Section 7 and Section 10.4, neither party shall be liable to the other for failure to perform an obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

Section 11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (iv) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

Section 11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (ii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2.

Section 11.6. Section 11.6 is deleted in its entirety.

Section 12. Term.

This Contract will terminate automatically on the earlier to occur of (a) the termination or release of the oil and gas or oil, gas and mineral leases covering or included in, and the permanent plugging and abandoning of the wells on, all properties described on Annex A or (b) the date on which Seller no longer owns an interest in the properties described on Annex A. The rights of either party pursuant to Section 7, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

Section 14. Market Disruption.

Section 14 is deleted in its entirety.

[To be completed based upon actual transaction.]



TRANSACTION CONFIRMATION
FOR MONTHLY DELIVERY

EXHIBIT A

[To be completed and amended based upon actual transaction]

Letterhead/Logo	Date: _____, ____ Transaction Confirmation #: _____	
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.		
SELLER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	BUYER: _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	
Contract Price (determined in accordance with Exhibit B of the Base Contract): \$_____/MMBtu		
Delivery Period: Begin: _____, ____ End: _____, ____		
Performance Obligation and Contract Quantity: (Select One)		
Firm (Fixed Quantity): _____ MMBtus/day <input type="checkbox"/> EFP	Firm (Variable Quantity): _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	Interruptible: Up to _____ MMBtus/day
Delivery Point(s): _____ (If a pooling point is used, list a specific geographic and pipeline location):		
The parties hereby acknowledge that they intend this Transaction Confirmation to constitute a forward contract within the meaning of the Commodity Futures Trading Commission's Final Interpretation of Forward Contracts with Embedded Volumetric Optionality, 80 Fed. Reg. 28239 (May 18, 2015). In furtherance of such intent, as of the date hereof: (a) Buyer hereby represents and warrants to Seller that it is entering into this Transaction Confirmation with the intent of taking physical delivery of the Gas delivered by Seller pursuant to the terms of this Transaction Confirmation and the Base Contract; and (b) Seller hereby represents and warrants to Buyer that: (x) it is entering into this Transaction Confirmation with the intent of physically delivering the Gas contemplated in this Transaction Confirmation to Buyer; and (y) that the quantity of Gas that Seller nominates to Buyer will primarily be determined based on physical factors or regulatory requirements and not price risk.		
Special Conditions: _____ _____		
Seller: _____ By: _____	Buyer: _____ By: _____	

Title: _____	Title: _____
Date: _____	Date: _____



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The monthly cost-of-service charge directly attributable to the sale by Seller of Gas provided to Buyer from the leases and lands set forth on Annex A to the Contract will include the following costs. The "Contract Price" shall mean (x) the total of the following costs (in U.S. Dollars) for the applicable monthly period, minus (y) the net proceeds received by Seller from the sale of natural gas liquids and crude oil produced from the leases and lands set forth on Annex A during the applicable monthly period, divided by the Contract Quantity.

1. **Operating Expenses.** Reasonable and necessary operating expenses incurred by Seller (including, without limitation, any amounts charged by Buyer to Seller in connection with any other agreement between the parties) and allocated to the production, gathering, treatment, transportation, and disposition of Gas produced from the leases and lands described on Annex A attached to the Base Contract. Such expenses will include all operating and maintenance expenses, administrative and general expenses, royalties (including, without limitation royalty calculated on the basis of "market value" of Gas at the mouth of the well or as otherwise required to comply with the terms of Seller's oil and gas or oil, gas and mineral leases, shut-in and compensatory royalties) and all joint interest billings to Seller under joint operating agreements or unit operating agreements covering Seller's interests in the leases and lands set forth on Annex A and other related expenses.

2. **Depreciation.** The allocated monthly depreciation expense (including, without limitation any decommissioning expense) as computed by the unit-of-production method for proved developed producing reserves of Gas only where applicable and/or one-twelfth of any annual depreciation expense computed using applicable depreciation methods other than the unit-of-production method as allowed by and computed under applicable regulatory or accounting standards.

3. **Amortization and Depletion.** The allocated monthly accrual recorded for the billing month as amortization and depletion of producing leases and lands, amortization of intangible gas plant and other amortized expenses.

4. **Taxes.**

(a) **Taxes Other than Income Taxes.** Accruals recorded for the billing month with respect to taxes other than federal and state income taxes allocated to Gas operations, adjustments of such accruals for tax expenses previously billed, and such taxes paid but not previously billed, including any state and local income taxes.

(b) **Federal and State Income Taxes.** Federal and state income taxes for the billing month attributable to the investment of Seller allocated to natural gas production facilities, computed by multiplying the Return by the marginal composite income tax rate divided by 1.0 minus the marginal composite income tax rate.

5. **Return.** Return is computed using the Oregon Public Utility Commission (the "Commission") allowed weighted average cost of capital for Portland General Electric Company as adjusted from time to time by the Commission in connection with general rate proceedings.

The investment used as a base to which a rate of return is applied will be computed as one-twelfth of the sum of:

(a) The allocated, actual original investment, including, without limitation, an allowance for funds used during construction, in wells, well facilities and plant facilities utilized in connection with the production, gathering, treatment and disposition of Gas and other hydrocarbon substances, less accumulated reserves for depreciation and amortization of such plant facilities; plus

(b) working cash based on total expenses and the working cash factor allowed for Portland General Electric Company as determined by the Commission in connection with the most recent general rate proceeding; plus

(c) A credit for the balance of accumulated deferred income taxes and other tax-timing reserves.

6. **Cost Allocation.** Costs, expenses and investments will be allocated only when direct assignment cannot be made to specific products. When any cost, expense or investment is related to the production of joint products and direct assignment cannot be made, a mutually agreed product allocation procedure will be used.

7. **Sample Calculation.** Table 1 of this Exhibit is an example of the monthly calculations to be used for Gas that is subject to this cost-of-service determination. The individual numbers are illustrative only and do not represent any actual circumstances.

Table 1. Sample Calculation of the monthly cost-of-service determination.
(all numbers are illustrative and do not reflect actual costs, prices, or production)

Line No.	Category	Revenue Requirement	Production Dth	\$/Dth
1	Sales to Customers	\$1,100,000	287,000	\$3.83
2	Other Revenues	-0-		
3	Total Operating Revenues	\$1,100,000		
4	NVPC	-0-		
5	O&M	\$375,000		
6	A&G	\$25,000		
7	Uncollectibles Expense	-0-		
8	OPUC Fees	-0-		
9	Depletion	\$250,000		
10	Depreciation	\$125,000		
11	Payroll, Property, Other Taxes	\$58,000		
12	Franchise Fees	-0-		
13	Utility Income Tax	\$79,000		
14	Total Operating Expenses & Taxes	\$912,000		
15	Utility Operating Income	\$188,000		
16	Rate of Return	7.51%		
17	Avg. Gross Plant	\$2,830,000		
18	Avg. Accum. Depletion	(\$240,000)		
19	Avg. Accum. Depreciation	(\$120,000)		
20	Avg. Accum. Def Tax	-0-		
21	M&S Inventories	-0-		
22	Misc. Deferred Debits	-0-		
23	Misc. Deferred Credits	-0-		
24	Working Cash	\$33,000		
25	Avg. Rate Base	\$2,503,000		
26	Regulated Net Income	\$120,000		
27	Return on Equity	9.6%		