

## **Palomar Gas Transmission Open Season Procedures *September 25, 2006***

### **INTRODUCTION**

TransCanada's Gas Transmission Northwest System (GTN) and Northwest Natural Gas Company (NWN) announce an open season for the Palomar Gas Transmission pipeline project ("Palomar"). GTN provides transportation services to customers in the northwestern U.S. and California through its mainline system, and NWN distributes gas to over 600,000 customers in Oregon and Washington. The companies together are proposing to construct a new pipeline directly connecting the Willamette Valley with the GTN mainline, improving the reliability of natural gas infrastructure in the region for the customers they serve. Palomar will connect the existing GTN mainline north of Madras, Oregon to interconnections with NWN's existing facilities near Molalla, Oregon and to other existing facilities in northwestern Oregon, providing shippers access to the Mist underground storage facility. See map on **Attachment A**.

Additionally, Palomar is seeking requests for transportation service from receipt points and delivery points other than those described above, including potential LNG terminals, for service through connecting facilities such as meter stations, laterals and ancillary facilities. The expected in-service date for Palomar is November 1, 2011.

Requests for service on GTN's mainline system and NWN's distribution system will be considered at the conclusion of the open season.

The open season will commence on Monday September 25, 2006. These open season procedures describe how parties may submit a request for service on the Palomar project.

Requests for service are due no later than 5:00 pm (PST) on Thursday November 2, 2006. Subsequent to receiving requests for service, Palomar will review the requests and determine what facilities are required to provide the requested service. By December 1, 2006 Palomar will provide revised estimated rates for the new facilities based on the requests for service received. The parties will then have until Monday January 8, 2007 to enter into FTPAs.

Shippers participating in this open season may submit requests for service through one or more of the following pipeline zones:

1. The Eastern Zone; connecting the GTN mainline with Molalla. (**Attachment B-1**)
2. The Western Zone; connecting the Eastern Zone to other points along the Northwest Natural system. This zone will include connecting facilities such as meter stations, laterals and ancillary facilities to receipt and delivery points other than Molalla. (**Attachment B-2**)

The nature, configuration, and timing of this pipeline project are subject to approval by the Federal Energy Regulatory Commission (FERC) and the Boards of Directors of TransCanada and NWN.

## 1. Pipeline Design and Costs

Final pipeline design, configuration and rates will be based on the total capacity requested by shippers and the direction of flow requested by shippers, and either cost of service rates or negotiated rates can be requested. Following receipt of executed Confidentiality Agreements preliminary rate estimates will be provided. The estimated cost of the facilities will be determined within 30 days of the conclusion of the open season, at which time Palomar will provide updated transportation rates.

## 2. Requests for Service

- A. In order to participate in this open season, potential shippers must submit a complete request for service form (in either fax or hardcopy form) to:

Attn: Michael Burke  
TransCanada's GTN System  
1400 SW Fifth Ave., Suite 900  
Portland, OR 97201  
Fax: (503) 833-4954 Phone: (503) 833-4509

- B. Completed request for service forms are due no later than 5:00 pm (PST) Thursday November 2, 2006, in either fax or hardcopy form.
- C. Concurrently with the submittal of the requests for service, shippers are responsible for providing specific information describing how they plan to meet the creditworthiness standards in accordance with **Attachment C**.
- D. Additions, deletions, or any other changes to any part of the open season request for service form will not be accepted.
- E. Open season request for service forms are included in this package (see **Attachment B-1 and B-2**). Request for service forms should be completed as follows:
- i.* In the top section of the request for service form, identify the participant's company, its state or country of incorporation, and its parent corporation. In addition, indicate if credit information is included with the request form or if it has already been sent. Also include the name and telephone number of the contact person handling credit information at the company.
  - ii.* In the middle section of the request for service form, indicate the maximum daily quantity (Dth/day) and the term of service (begin and end dates) desired for each receipt/delivery point combination.
  - iii.* Service on the Eastern Zone should be requested using **Attachment B-1**.
  - iv.* Service on the Western Zone, including connecting facilities such as meter stations, laterals and ancillary facilities to receipt and delivery points other than Molalla and the Mist Storage Project, should be requested using **Attachment B-2**.
  - v.* If a shipper requests a Negotiated Rate, then a complete description of the desired Negotiated Rate proposal should be provided in the open season request for service form. The shipper should provide a description of the proposed structure of the negotiated rate rather than a specific proposed rate for service (for example: fixed for the term, escalating with inflation,

modified fixed variable, etc.). After all requests for service are received and evaluated, and a cost estimate for the facilities has been developed, Palomar will provide proposed rates to the shippers.

- vi. Palomar reserves the right to reject any recourse rate service request for less than 20 years. No minimum term is required for negotiated rate proposals.

### 3. Firm Transportation Precedent Agreements (FTPA)

- A. Following receipt of executed Confidentiality Agreements, a draft FTPA will be provided to all qualified potential shippers. The date to conclude negotiations and execute FTPAs is January 8, 2007.
- B. Any contractual relationship between the parties will be established in the FTPA.
- C. Palomar will require that all shippers meet the gas quality standards of its pipeline as well as all standards of any downstream pipelines.

### 4. Additional Information

- A. Palomar will require all interested shippers to execute Confidentiality Agreements. Confidentiality Agreements must be executed prior to the exchange of any confidential information.
- B. If Palomar determines, in its sole discretion, that interest in service is not sufficient to support advancement of the project, it will notify potential shippers of such decision within 30 days of the closing of the open season. Palomar may withdraw from this open season at any time prior to the execution of FTPAs without penalty or liability to any third party.

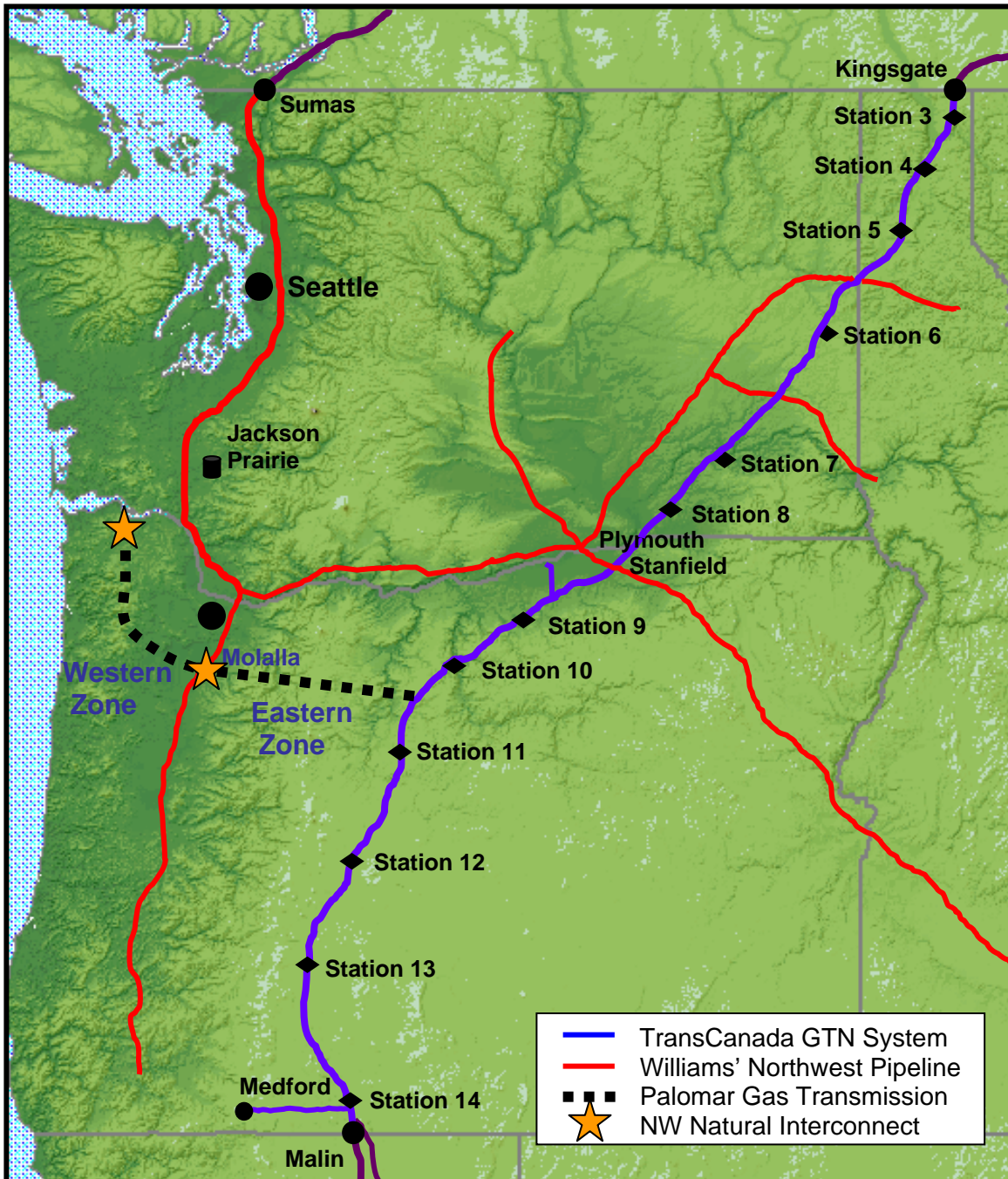
If questions arise during this process, shippers interested in requesting service are encouraged to contact one of the following individuals:

|               | <b>Position</b>                      | <b>Phone Number</b> |
|---------------|--------------------------------------|---------------------|
| David White   | Director, Business Development - GTN | (503) 833-4321      |
| Michael Burke | Project Development Manager - GTN    | (503) 833-4509      |

### 5. Summary of Key Dates and Deadlines

|                    |   |
|--------------------|---|
| September 25, 2006 | Open season commences   |
| November 2, 2006   | Open season closes – Request for Service Forms due                                    |
| December 1, 2006   | Target date to provide revised estimated rates based on requests for service received |
| January 8, 2007    | Date for completing negotiated FTPAs  |

**ATTACHMENT A**  
**Palomar Gas Transmission**  
**Pipeline Map**





**ATTACHMENT B-1**

**Palomar Gas Transmission**

**Request for Service: On the Eastern Zone**

Company Name: \_\_\_\_\_  
 State or Country of Incorporation: \_\_\_\_\_  
 Parent Corporation: \_\_\_\_\_  
 Credit Information Attached: \_\_\_\_\_ or Date Sent: \_\_\_\_\_  
 Credit Information Contact Name: \_\_\_\_\_  
 Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

| Receipt Point | Delivery Point | Annual MDQ (Dth/d) | Negotiated Rate (Y/N) <sup>1</sup> | Contract Term MM/DD/YY |     |
|---------------|----------------|--------------------|------------------------------------|------------------------|-----|
|               |                |                    |                                    | Begin                  | End |
|               |                |                    |                                    |                        |     |
|               |                |                    |                                    |                        |     |
|               |                |                    |                                    |                        |     |
|               |                |                    |                                    |                        |     |

(1) If yes "Y", then a description of the desired negotiated rate structure must be provided.  
 Description: \_\_\_\_\_  
 \_\_\_\_\_

Request Form Submitted By:  
 Name: \_\_\_\_\_ Title: \_\_\_\_\_  
 Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
 Company Address: \_\_\_\_\_  
 Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

**Original hard copy or fax copy of the Request Form must be received no later than 5:00 p.m. (PST) Thursday November 2, 2006.**

Attention: Michael Burke  
 TransCanada's GTN System  
 1400 S.W. Fifth Avenue, Suite 900  
 Portland, OR 97201  
 Facsimile (503) 833-4954



**ATTACHMENT B-2**

**Palomar Gas Transmission**

**Request For Service: On the Western Zone**

Company Name: \_\_\_\_\_  
 State or Country of Incorporation: \_\_\_\_\_  
 Parent Corporation: \_\_\_\_\_  
 Credit Information Attached: \_\_\_\_\_ or Date Sent: \_\_\_\_\_  
 Credit Information Contact Name: \_\_\_\_\_  
 Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

| Receipt Point | Delivery Point | Annual MDQ (Dth/d) | Negotiated Rate (Y/N) <sup>1</sup> | Contract Term<br>MM/DD/YY |     |
|---------------|----------------|--------------------|------------------------------------|---------------------------|-----|
|               |                |                    |                                    | Begin                     | End |
|               |                |                    |                                    |                           |     |
|               |                |                    |                                    |                           |     |
|               |                |                    |                                    |                           |     |
|               |                |                    |                                    |                           |     |

(1) If yes "Y", then a description of the desired negotiated rate structure must be provided.

Description: \_\_\_\_\_  
 \_\_\_\_\_

Request Form Submitted By:

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
 Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
 Company Address: \_\_\_\_\_  
 Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

**Original hard copy or faxed copy of the Request Form must be received no later than 5:00 p.m. (PST) Thursday, November 2, 2006.**

**Please send this form to:**

Attention: Michael Burke  
 TransCanada's GTN System  
 1400 S.W. Fifth Avenue, Suite 900  
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September 25, 2006

## ATTACHMENT C

### **Palomar Gas Transmission**

#### **Credit Requirements**

1. These are the credit requirements for Palomar for new service that will be available from the construction of facilities as provided for in this open season.
2. In order to meet Palomar's creditworthiness requirements, Shippers must have (i) a credit rating for unenhanced senior unsecured debt of at least BBB- or Baa3 from Standard and Poor's or Moody's, respectively, and (ii) a Palomar established annual credit limit sufficient to meet the Shipper's annual contractual obligations.
3. The shipper may also obtain a guarantee in a form acceptable to Palomar from an affiliate or other entity that meets the above credit rating standards.
4. If Shipper, or Shipper's guarantor, does not have an SUD rating by a recognized service, Shipper may request an equivalent rating as determined by Palomar, based on the financial rating methodology, criteria and ratios for the industry of the Shipper as published by the above rating agencies from time to time. In general, such equivalent rating will be based on the audited financial statements for the Shipper's two (2) most recent fiscal years, all interim reports and any other relevant information.
5. If a shipper does not meet either of the above mentioned creditworthiness standards, then the shipper will be required to provide a letter of credit or other equivalent security acceptable to Palomar equal to the lessor of **(i) five years of demand charges** for their proposed capacity, or **(ii) the Shipper's proportionate share of the cost of facilities**. A portion of this security will be required upon signing the FTPA. The security requirement will then increase with the entire amount required upon signing the FTSA. The specific portions required to be deposited at various points in time will be defined in the FTPA.
6. For lateral projects, other credit requirements in addition to those described in paragraphs 2, 3, 4 and 5 above may be required.
7. All requests for service must indicate how the requesting party plans to meet Palomar's standards for creditworthiness. All shippers in this open season are encouraged to contact Ken Nichols at (503) 833-4123 to establish and/or verify creditworthiness.