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Original Sheet No.3 Portland Natural Gas Transmission System: Original Volume No.1
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PRELIMINARY STATEMENT

Portland Natural Gas Transmission System ("Transporter"), a partnership formed under the laws of the State of Maine, is a natural gas company engaged in the business of transporting on its System natural gas owned by Shippers. Transporter's System extends in a southeasterly direction from a point on the international border between the United States and Canada near North Troy, Vermont, where Transporter's facilities interconnect with those of TransCanada PipeLines Limited, through the States of Vermont, New Hampshire, and Maine to an interconnection with the facilities of Tennessee Gas Pipeline Company near Haverhill, Massachusetts. Transporter shall transport natural gas for shippers only pursuant to written contracts, in the form of agreements contained herein, and pursuant to authorization granted by the Federal Energy Regulatory Commission. Transporter is not a common carrier.

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GENERAL TERMS AND CONDITIONS

1. INTRODUCTORY STATEMENT

These General Terms and Conditions shall apply to all service rendered by Transporter and shall be considered a part of Transporter's Rate Schedules and Gas Transportation Contracts. Except as provided in Section 3.5 of each Rate Schedule, these General Terms and Conditions shall control in the event of a conflict between these General Terms and Conditions and any Gas Transportation Contract.

2. DEFINITIONS

Except where another meaning is expressly stated, the following terms shall have the following meanings when used in this Tariff and in any Gas Transportation Contract incorporating this Tariff. Whenever the singular or neuter is used the same shall be construed as meaning the plural or corporate and vice versa where the context so requires:

2.1 British Thermal Unit or BTU: shall mean the amount of heat required to raise the temperature of one pound of distilled water 1 degree Fahrenheit at 60 degrees Fahrenheit, at a constant pressure of 14.73 pounds per square inch absolute.

2.2 Business Day: shall mean the period from 8:00 a.m. to 6:00 p.m. Eastern Time, Monday through Friday, excluding national holidays.

2.3 Commencement Date: shall mean the date on which service begins, as set forth in a Gas Transportation Contract, or the date on which the facilities required to enable Transporter to render service to Shipper are constructed, installed and made operational, as set forth in Transporter's initial written notice to Shipper, which shall be given at least thirty (30) Days in advance of the estimated date ("Advance Notice"), followed by a written notice to transport Shipper's Gas by Transporter ("Final Notice"), which shall be given not less than five (5) Days prior to the date on which the service shall begin, unless Shipper and Transporter mutually agree to a shorter notice period.

2.4 Cubic Foot: shall mean the volume of Gas which occupies one cubic foot when such Gas is at a temperature of 60 degrees Fahrenheit, and at a pressure of 14.73 pounds per square inch absolute.

2.5 Day or Daily: shall mean a period of twenty-four consecutive hours, beginning and ending at 9:00 a.m. Central Clock Time.

GENERAL TERMS AND CONDITIONS (Continued)

2.14 General Terms and Conditions: shall mean the General Terms and Conditions of this Tariff, as they may be amended from time to time.

2.15 Intra-day Nomination: shall mean a Nomination submitted after the deadline which effective time is no earlier than the beginning of the gas Day and runs through the end of that gas Day. Intra-day Nominations may be used to nominate new supply or market. Shippers receiving service under any of Transporter's rate schedules may make Intra-day Nomination which can be used to request increases or decreases in total flow, changes to Receipt Points, or changes to Delivery Points of scheduled gas for less than one Day. Intra-day Nominations shall be stated in daily quantities, indicating the revised total flow for the 24 hour period commencing at 9:00 am Central Clock Time, and shall include an effective date and time. Such Nominations do not replace the remainder of a standing Nomination which may extend past that gas Day.

2.16 Maximum Contract Demand: shall mean the sum of the Receipt Point Maximum Daily Quantity or Quantities, as set forth in an executed Gas Transportation Contract under Rate Schedule FT.

2.17 Maximum Daily Quantity or "MDQ": shall mean the maximum number of DTH (adjusted by the applicable Measurement Variance Quantity), specified in a Gas Transportation Contract in accordance with one or more Rate Schedules herein, that Transporter is obligated to transport Daily for Shipper to a specified Delivery Point or from a specified Receipt Point.

2.18 Mcf: shall mean 1,000 Cubic Feet of Gas.

2.19 Measurement Variance Quantity: shall mean the product, rounded to the nearest DTH, of the applicable Measurement Variance Factor and the Receipt Point Scheduled Quantity in the case of a positive Measurement Variance Factor, or the Delivery Point Scheduled Quantity in the case of a negative Measurement Variance Factor.

2.20 Measurement Variance Factor: shall mean the applicable percentage, determined on a Monthly basis pursuant to this Section 2.20, to account for and recover lost and unaccounted-for gas on the System. The Monthly percentages shall be within the minimum and maximum percentages set forth on the currently effective Sheet No. 6 of this Tariff for the applicable Rate Schedule. At least ten (10) days prior to the beginning of each Month, Transporter will publish the Measurement Variance Factor via its electronic bulletin board. The Monthly Measurement Variance Factor shall be calculated in the following manner:

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(b) by correcting the error if the percentage of error is ascertainable by calibration, tests, or mathematical calculation; or in the absence of both (a) and (b), then;

(c) by estimating the quantity of delivery on the basis of deliveries during periods under similar conditions when the meter was registering accurately.

6.8 Preservation of Metering Records. Transporter and Shipper shall each preserve for a period of at least three (3) Years all test data, charts and other similar records.

7. NOMINATIONS AND SCHEDULING

7.1 Nominations.

(a) For service requested for any Nomination period under each of Shipper's Gas Transportation Contracts, Shipper, or Shipper's agent, shall provide Transporter with the level of information required to define a Nomination as provided in GISB Data Set 1.4.1 Version 1.2 (a pro-forma Nomination form is attached as Sheet No. 260 to this Tariff), as required by the Commission in 18 C.F.R. 284.10(b) in accordance with Order No. 587-G issued April 15, 1998. Transporter shall provide, upon request an indication of which data elements it is using and what it is using them for. Such Nominations are to be provided to Transporter under the timeline set forth in Section 7.2 via EDI. All such transmissions for Nomination purposes shall comply with all format and protocol requirements specified by the applicable trading partner agreement. Nominations may be sent to Transporter for each Nomination cycle described in Section 7.2 either in hard copy or facsimile not later than one hour prior to the applicable Nomination receipt deadline. Shippers shall have the ability to nominate for several Days, Months, or Years, provided the Nomination begin and end dates are within the term of Shipper's contract. There is no need to re-nominate if Intra-day Nomination modifies existing Nomination.

All Nominations shall be considered original Nominations and must be replaced to be changed. When a Nomination for a date range is received, each day within the range is considered an original Nomination. When a subsequent Nomination is received for one or more days within that range, the previous Nomination is superseded by the subsequent Nomination only to the extent of the days specified. The days of the previous Nomination outside the range of the subsequent Nomination are unaffected. Nominations have a prospective effect only.

Transporter shall support a seven-days-a-week, twenty-four-hours-a-day Nomination process. Personnel may be reached by beeper after normal business hours.

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GENERAL TERMS AND CONDITIONS (Continued)

(14) the date and time the Release Notice is posted on Transporter's electronic bulletin board; and

(15) all other relevant terms of the prearranged release.

(d) The Releasing Shipper may withdraw a Release Notice at any time during the bidding period. Where Transporter has determined that the Release Notice contains no deficiencies, once the bidding period closes, the Release Notice shall constitute a binding offer to release capacity to a Successful Bidder(s) whose bid satisfies all the minimum terms specified in the Release Notice.

11.7 Posting of Releasing Shipper's Election to Release Capacity. All complete Release Notices submitted via Transporter's electronic bulletin board or EDI pursuant to Section 11.6 herein shall be posted on the electronic bulletin board as soon as they are submitted unless otherwise indicated by Releasing Shipper, provided, however, that the names of Pre-Arranged Replacement Shippers shall not be posted by Transporter during the bidding period, and Transporter shall begin accepting bids immediately. Upon Transporter's receipt of a Release Notice, Transporter shall evaluate the notice to determine whether it satisfies the terms of this Section and shall notify the Releasing Shipper of any deficiencies within a minimum period of four (4) hours during one (1) or more Business Days. If there are no deficiencies, Transporter shall indicate the fact that the Release Notice contains no deficiencies on its electronic bulletin board. If there are deficiencies, Transporter shall promptly notify the Releasing Shipper of the deficiencies and the Releasing Shipper may at any time thereafter submit a revised Release Notice. Following Transporter's determination that a Release Notice or revised Release Notice contains no deficiencies, all information relevant to the release shall remain on Transporter's electronic bulletin board and available for bidding in accordance with the timeline specified in Section 11.6(a). All offers to release capacity by the Releasing Shipper shall be binding unless withdrawn in writing or electronically via Transporter's Web EBB or EDI.

11.8 Bidding Procedure. Immediately upon the posting of a Release Notice on Transporter's electronic bulletin board, Transporter shall begin receiving bids for such capacity from potential Replacement Shippers. All Shippers that wish to bid on such released capacity must notify Transporter via Transporter's electronic bulletin board or via EDI. All bids submitted shall be posted on the electronic bulletin board as soon as they are submitted; provided, however, that the names of bidders shall not be posted by Transporter during the bidding period. Any bids received must provide the following information:

GENERAL TERMS AND CONDITIONS (Continued)

(a) Prearranged Replacement Shipper. If, at the same time it provides its Release Notice to Transporter, the Releasing Shipper provides Transporter with notice of a prearranged agreement with a prospective Prearranged Replacement Shipper, Transporter will post notice of that arrangement on its electronic bulletin board in accordance with the provisions of Section 11.7 herein. In accordance with the timeline specified in Section 11.6, Transporter shall evaluate all bids that satisfy the minimum terms of the Release Notice. If the Prearranged Replacement Shipper's bid is the highest Present Value, up to the maximum Recourse Reservation charge that Transporter is authorized to charge the Releasing Shipper, then Transporter shall select the Prearranged Replacement Shipper as the Successful Bidder.

If a "better offer" (i.e., an offer that meets all other minimum terms of the Release Notice while providing a higher Present Value, up to the maximum Recourse Rate reservation charge Transporter is authorized to charge) is received, Transporter shall post the better offer on its electronic bulletin board, and the Prearranged Replacement Shipper shall have the opportunity to match that offer, in accordance with the timeline specified in Section 11.6. If the Prearranged Replacement Shipper matches the better offer, then Transporter shall select the Prearranged Replacement Shipper as the Successful Bidder. The Prearranged Replacement Shipper shall not be required to pay any rate higher than the maximum applicable Recourse Rate.

If the Prearranged Replacement Shipper does not match the better offer, Transporter shall select the bidder(s) that made the better offer as the Successful Bidder(s). If two or more bidders made the same better offer, then the capacity will be prorated in the manner described in Section 11.9(c) herein.

(b) No Prearranged Replacement Shipper. If Transporter receives notice of a Releasing Shipper's election to release capacity, without receiving notice of a Prearranged Replacement Shipper, Transporter shall post that notice on its electronic bulletin board in accordance with the provisions of Section 11.7 herein. Within one (1) Business Day of the end of the bidding period, Transporter shall evaluate all bids that satisfy the minimum terms of the Release Notice. The bid providing the highest Present Value, up to the maximum Recourse Rate reservation charge that Transporter is authorized to charge, while meeting all other minimum terms of the Release Notice, will be selected as the best bid. If two or more bidders made bids that provide the same highest Present Value, then the capacity will be prorated in the manner described in Section 11.9(c) herein.

GENERAL TERMS AND CONDITIONS (Continued)

(c) Two or More Bids with the Same Highest Present Value. In the event two or more bids provide the same highest present value, the Releasing Shipper has not specified a different method for breaking ties, and none of those successful bids states that the bidder is unwilling to accept proration of the released capacity in the event of a tie, the capacity released will be prorated among the Successful Bidders as follows:

(1) If all successful bids are for the full amount of released capacity, the released capacity will be allocated pro-rata to the Successful Bidders; and

(2) If any or all successful bids are for less than the full amount of released capacity, then the released capacity will be prorated based on the ration of each Successful Bidder's requested quantity and the total quantity requested by such bids.

In the event that any Successful Bidder has stated in its bid that it is unwilling to accept a prorated part of the release capacity in the event of a tie; or fails to satisfy the criteria set forth in Section 11.11 herein; then the uncommitted capacity will be allocated to the other Successful Bidder(s) in accordance with the applicable proration procedures.

(d) Failure to Execute a Gas Transportation Contract for Firm Service. In the event the Successful Bidder fails to execute a Gas Transportation Contract for firm service within the time frame set forth in Section 11.12, and the Releasing Shipper does not at that time withdraw the Release Notice, Transporter will offer the released capacity to the bidder(s) who submitted the next highest bid(s) in accordance with the criteria specified in Section 11.9 or 11.10 herein, while meeting all other minimum terms of the Release Notice.

(e) For purposes of this Section 11.9 only, any bid rate, or other form of revenue guarantee, higher than the maximum applicable Recourse Rate reservation charge shall be deemed to be a bid equal to the maximum applicable Recourse rate reservation charge.

GENERAL TERMS AND CONDITIONS (Continued)

misrepresentation or omission or mutual mistake of fact. The responding party to such dispute shall provide any rebuttal claims to the other party within three months of receipt of notice of dispute.

15.6 Adjustment of Bills. If it is determined that at any time or times Shipper has been overcharged or undercharged under the provisions of the Gas Transportation Contract and Shipper has actually paid the bills containing such overcharge or undercharge, then within thirty (30) Days after the final determination thereof, subject to the limitations in Section 15.5(b) above, Transporter shall refund the amount of any such overcharge, and Shipper shall pay the amount of any such undercharge; provided, however, that interest calculated in accordance with Section 15.4(a) shall apply to any undercharge not paid and to any overcharge not returned within thirty (30) Days from the date of Transporter's notification to Shipper of the amount of the undercharge or overcharge. In the event an error is discovered by Shipper in the amount billed in any statement rendered by Transporter, such error shall be adjusted within thirty (30) Days of the final determination thereof provided that claim therefore shall have been made within six (6) months from the date of the initial transportation invoice month in which such overcharge or undercharge occurred except claims for government required rate changes.

15.7 Examination of Books. Both Transporter and Shipper have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart, or computation made under or pursuant to the provisions of this Tariff or the Gas Transportation Contract.

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GENERAL TERMS AND CONDITIONS (Continued)

16. COST REIMBURSEMENTS

16.1 Reimbursable Costs. Shipper shall reimburse Transporter for the following costs, to the extent that they are attributable to Shipper:

(a) Except as provided by Section 6.2 herein, the costs of any facilities, other than System facilities, installed by Transporter with Shipper's consent to receive, measure, transport or deliver Gas for the account of Shipper;

(b) Filing fees required in connection with the Gas Transportation Contract(s) that Transporter is obligated to pay to the FERC or any other governmental authority having jurisdiction, less generally applicable regulatory fees necessary for rendition of Transporter's service generally to all customers;

(c) Any and all occupation, sales tax, user fee, or taxes or fees similar in nature or equivalent in effect which are now or hereafter imposed or assessed against Transporter by any lawful authority as a result of the transportation of Gas pursuant to the Gas Transportation Contract(s), and which the FERC has determined, after a Section 4 rate filing, to be directly assignable to the specific service to be rendered by Transporter on behalf of Shipper thereunder; and

(d) Any and all overrun costs including:

(1) costs incurred by Transporter to correct the effect of any tampering with or alteration of Transporter's facilities which permitted an overall overrun to occur at the affected Delivery Point and the costs incurred by Transporter to repair such facilities;

(2) costs incurred by Transporter to acquire additional Gas to prevent or alleviate curtailments and to reestablish appropriate operating pressure on its System;

(3) penalties paid by Transporter to third parties; and

(4) costs incurred by Transporter to collect overrun penalties.

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GENERAL TERMS AND CONDITIONS (Continued)

COMPLIANCE WITH GISB STANDARDS

24.1 Compliance With GISB Standards. Transporter has adopted all of the Business Practices and Electronic Communication Standards which were required by the Commission in 18 C.F.R. Section 284.10(b) in accordance with Order No. 587 issued July 17, 1996. In addition to those GISB standards elsewhere referred to in the tariff, Transporter is incorporating herein the following GISB standards, definitions and data sets, Version 1.2 by reference:

1.1.19, 1.2.2, 1.2.3, 1.2.5, 1.2.6, 1.2.8, 1.2.9, 1.2.10, 1.2.11, 1.3.2, 1.3.3, 1.3.14, 1.3.15, 1.3.16, 1.3.19, 1.3.21, 1.3.23, 1.3.24, 1.3.25, 1.3.26, 1.3.27, 1.3.28, 1.3.29, 1.3.30, 1.3.31, 1.3.33, 1.3.34, 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 2.2.1, 2.3.1, 2.3.2, 2.3.4, 2.3.5, 2.3.6, 2.3.7, 2.3.8, 2.3.9, 2.3.10, 2.3.11, 2.3.12, 2.3.13, 2.3.15, 2.3.16, 2.3.17, 2.3.18, 2.3.19, 2.3.20, 2.3.21, 2.3.22, 2.3.23, 2.3.24, 2.3.25, 2.3.27, 2.3.28, 2.3.31, 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5, 2.4.6, 3.3.1, 3.3.2, 3.3.3, 3.3.4, 3.3.5, 3.3.6, 3.3.7, 3.3.8, 3.3.9, 3.3.10, 3.3.11, 3.3.12, 3.3.13, 3.3.14, 3.3.16, 3.3.17, 3.3.18, 3.3.19, 3.3.20, 3.3.21, 3.4.1, 3.4.2, 3.4.3, 4.3.1, 4.3.2, 4.3.3, 4.3.7, 4.3.8, 4.3.9, 4.3.10, 4.3.11, 4.3.12, 4.3.13, 4.3.14, 4.3.15, 4.3.16, 5.2.1, 5.3.1, 5.3.5, 5.3.9, 5.3.10, 5.3.11, 5.3.18, 5.3.20, 5.3.21, 5.3.22, 5.3.23, 5.3.25, 5.3.26, 5.3.30, 5.4.1, 5.4.2, 5.4.3, 5.4.4, 5.4.5, 5.4.6, 5.4.7, 5.4.8, 5.4.9, 5.4.10, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.4.15, 5.4.16, 5.4.17

Transporter is also incorporating herein the following GISB standards, definitions and data sets (Version 1.3, as approved March 12, 1998) by reference:

1.3.20, 1.3.32, 1.3.39, 1.3.40, 1.3.41, 1.3.42, 1.3.43, 1.3.44

If there is a conflict between any of these GISB standards and other portions of this FERC Gas Tariff, the GISB standards will control.

