



January 30, 2024

via eTariff

Debbie-Anne A. Reese, Acting Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, DC 20426

Re: *NorthWestern Energy Public Service Corporation, Tariff Baseline Filing, ER24-___-000*

Dear Acting Secretary Reese:

In South Dakota, NorthWestern Corporation is a local distribution company and was granted a Section 284.224 limited jurisdiction blanket certificate to transport gas in interstate commerce.¹ Pursuant to an internal corporate restructuring, effective January 1, 2024, NorthWestern Corporation and NorthWestern Energy Public Service Corporation (“NWPS”) are separate public utilities under the same holding company, NorthWestern Energy Group, Inc. The existing Statement of Operation Conditions (“SOC”) for NorthWestern Corporation’s South Dakota operations, which is on file in NorthWestern Corporation’s “Baseline Tariff of SOC” database, shall be succeeded to by NWPS. The revised SOC will be included in a brand new NWPS database² – “Statement of Operating Conditions.”

Pursuant to 18 C.F.R. § 284.123(e) (2022), the instant filing is being submitted to advise the Federal Energy Regulatory Commission (“Commission”) of the change, and to update the name set forth in the Statement of Operating Conditions (“SOC”) previously filed by NorthWestern Corporation for interruptible transportation service it provides under Section 311(a)(2) of the Natural Gas Policy Act of 1978.

Attached are clean and redline versions of the revised SOC reflecting the name change. No other revisions are proposed. NWPS elects to use the notice procedures set forth in 18 C.F.R. § 284.123(g) (2022). Although NWPS transferred the relevant SOC and assets on January 1, 2024, it cannot open a new eTariff database retroactively and thus while NWPS asks for an effective date of January 1, 2024, the proposed effective date of the tariff record is today.

¹ NorthWestern Corp., 134 FERC ¶ 62,299 (2011).

² Because NorthWestern Corporation continues to exist, a new database under the CID of NWPS is needed. NorthWestern Corporation separately will file separately to cancel its existing SOC database.



I. Background

NWPS is a recently created public utility engaged in the generation, transmission, and distribution of electricity and the supply, transportation and distribution of natural gas. NWPS is a local distribution company serving customers in South Dakota and Nebraska. NWPS was created as part of NorthWestern Corporation's planned internal corporate restructuring, which the Commission approved under FPA Section 203 in Docket No. EC22-72-000.³ Pursuant to the restructuring and effective January 1, 2024, NWPS became a wholly-owned subsidiary of NorthWestern Energy Group, Inc. and assumed NorthWestern Corporation's assets, debt, service obligations and operations in South Dakota and Nebraska, and NorthWestern Corporation retained its existing assets, debt, service obligations and operations in Montana.

NWPS is a transmission-owning member of the Southwest Power Pool, Inc. ("SPP") and SPP functionally controls NWPS's transmission facilities. Service over NWPS's transmission assets are available under the SPP Open Access Transmission Tariff, which is on file with the Commission.

II. Description of Filing

In this filing, NWPS is submitting the revised SOC in its new eTariff database "Statement of Operation Conditions." No changes to the SOC language are being made, just the name of the service provider.

III. Proposed Effective Date & Request for Waiver

As noted, per Commission policy, despite the January 1, 2024 SOC/asset transfer, an effective date of January 1, 2024 cannot be proposed in eTariff metadata, because a new eTariff database and tariff record cannot have a proposed retroactive effective date. That said, the SOC should be treated as effective January 1, 2024 and if possible, such date, should be set administratively by FERC through adjusting the eTariff data.

IV. Contents of Filing

This filing establishes new Tariff and includes the following documents:

- a. This transmittal letter;
- b. Marked tariff attachment in pdf format;

³ *NorthWestern Corp., Order Authorizing Disposition of Jurisdictional Facilities*, 181 FERC ¶ 61,161 (Nov. 29, 2022).



- c. Clean tariff attachment in pdf format; and
- d. An eTariff XML filing package.

V. Communications and Service

Communications concerning this filing should be directed to the following persons, who should be included on the official service list compiled by the Secretary in this proceeding:

Shannon M. Heim
General Counsel, Vice President, Federal
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Pursuant to 18 C.F.R. § 385.2010(f)(i) of the Commission's regulations, a copy of this filing is being served by electronic means on all customers under the SOC and the South Dakota Public Utilities Commission.

VI. Conclusion

For the foregoing reasons, NorthWestern respectfully requests that the Commission accept this filing and treat it as if effective January 1, 2024.

Respectfully submitted,

s/ Melissa M. Crosby

Melissa M. Crosby

Manager - FERC Compliance and Policy

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📞 406-444-8109

NorthWestern Energy Public Service Corporation
Gas Transportation Service
Statement of Operating Conditions

1. Rates

Firm Transportation Service:

Demand Charge

Milbank Line and distribution delivery only	\$1.080 / therm-mo. *
Milbank Line only	\$0.800 / therm-mo.

Commodity Charge

\$0.0335 / therm **

Customer Charge

\$350.00 / Meter-mo.

* \$1.08 per therm-mo. of contract of contract demand rate assumes delivery at Ortonville tap (milepost 54.6). Rate for deliveries at points upstream will be adjusted as follows: Mileage at selected delivery point divided by 54.6 times \$1.08.

** plus BTU adjustment, tax adjustments, and ad valorem tax passthrough

Where a NBPL Milbank Line Customer transports volumes in excess of contract demand, all such additional transport volumes will be assessed \$0.017 per therm per day.

Fuel Retention (Lost and Unaccounted for Gas): The value of retention shall be determined by multiplying i) the monthly average price plus applicable interstate pipeline transportation charges as reported in the BTUs Daily Gas Wire Index for each pipeline (NNG: MidContinent Pooling Point) times ii) the Retention percentage times iii) the Deliveries. The Retention percentage for the Company's South Dakota distribution system is 1.97% and will be adjusted annually, to be effective October 1, based on the actual percentage incurred by the Company for the prior 12 month period ending July 31.

One-Time Charges:

Application Charge: \$50.00 with each request for service.

Telemetering: Standard cost of telemetry, installation and hardware, including appropriate tax gross-up, Standard costs shall reflect actual costs and customers will be charged on a nondiscriminatory basis.

Optional Intra-day Hourly Metering Service: As provided in Section 9(h) of these Operating Conditions

Balancing Services and Penalties: As provided in Section 15 of these Operating Conditions

2. Applicability and Character of Service

This Transportation Service shall apply to gas purchased by Customer from a third-party supplier, or through an agency relationship with the Company, delivered to Company's Milbank pipeline by an interstate pipeline, and received, transported, and delivered, on a firm basis, by Company to Customer's delivery point on the Milbank pipeline, when the Company and Customer have executed a Service Request Form.

3. Definitions

Balance – The Customer's obligation to make Deliveries equal Receipts.

Billing Period – Shall mean the period beginning at 9:00 a.m. CCT, on the first day of a calendar month and ending at the same hour on the first day of the next succeeding calendar month, unless a different period of time is specified in the Service Request Form.

CCT – Central Clock Time follows the same time changes as Central Standard Time and Central Daylight Time in the Central Time Zone.

Commodity Charge – Amount based upon the quantity of gas transported.

Company – NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy "NorthWestern".

Critical Day – A Critical Day shall be a day which may be declared by the Company whenever any of the following five conditions occurs or is anticipated to occur: (a) when the Company experiences failure of transmission, distribution, gas storage or gas manufacturing facilities; (b) when transmission system pressures or other unusual conditions jeopardize the operation of the Company's system; (c) when the Company's transportation, storage, and supply resources are being used at or near their maximum rated deliverability; (d) when any of the Company's transporters or suppliers call the equivalent of a Critical Day; or (e) when the Company is unable to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a part of the Company's system.

Customer – Shall mean any person, association, firm, public or private corporation, or any agency of the federal, state or local government or legal entity responsible by law for payment for gas service at a single location.

Day or Daily – The gas Day is a 24-hour period beginning at 9:00 a.m. CCT, and ending at 9:00 a.m. CCT the following day.

Deliveries – The Customer metered usage at the Delivery Point.

Delivery Point – The location where the Company’s gas distribution facilities are interconnected with the Customer’s facilities and where the Customer and the Company have agreed that transportation gas received at the Receipt Point will be delivered by the Company to the Customer.

Demand Charge – Amount based upon the quantity of transportation space desired.

Fuel – Any charges levied or reduction in volumes delivered as a result of the movement of gas.

“Gas Daily” – Industry publication giving daily gas price indices by interstate pipeline points. The indices used will be the “Midpoint” price of Gas delivered to the applicable interstate pipeline point(s), or other point(s) as specifically referenced, as published by Platts, a division of The McGraw-Hill Companies, in Gas Daily and referenced in the “Daily Price Survey” under the applicable heading for the reported “Flow Date(s).” If the “Midpoint” price is not published in Gas Daily for the applicable “Flow Date(s),” then the index shall be the “Midpoint” price for the most recently published “Flow Date(s)” preceding the “Flow Date(s)” on which the “Midpoint” price was not published.

Imbalances – The difference between Receipts and Deliveries.

Long Critical Day – Shall mean a day when the Company anticipates that the level of demand on the system is expected to fall below a level of scheduled supply, which could operationally or otherwise adversely impact the Company, its systems, or its customers.

MMBtu, Dekatherm and Therm – The term “MMBtu” shall mean 1,000,000 Btus. One MMBtu is equal to one Dekatherm (1 Dth) or 10 Therms. One Therm is equal to 100,000 Btus. The standard quantity for nomination, confirmation and scheduling is Dekatherms per gas day in the United States.

Month, Monthly, Billing Period – The period beginning on the first day of a calendar month and ending on the first day of the succeeding calendar month.

Negative Imbalance – The daily difference between the quantity of gas received at the Receipt Point and a greater quantity of Deliveries.

Nomination – Quantity of gas the Company is requested to transport daily from the Receipt Point to the Delivery Point.

Operational Flow Order (OFO) – An order by the Company to transport customer, customers, or group customer, to make deliveries match usage. The stricter provisions of either a critical short or long day will apply to the customer.

Positive Imbalance – The daily difference between the quantity of gas received at the Receipt Point and the lesser quantity of Deliveries.

Receipts – Shall mean the quantity of gas received by Company from the transporting pipeline on a daily basis for the account of Customer.

Receipt Point – The point at which the transporting pipelines facilities are interconnected with the Company’s facilities. Receipt Points are usually Town Border Stations (“TBS”) applicable to the Delivery Point. The Receipt Point must be at a location applicable to the Customer’s historical purchases and the Delivery Point must be the historical purchase site. If, in the sole discretion of the Company, the Company can, operationally and without hardship to its other customers, receive gas for the account of Customer at a point other than the town border station applicable to the Customer’s historical purchases, the Receipt Point restriction may be waived by Company.

Reservation Charge – Amount based upon the quantity of service desired.

Retention – The percentage by which gas received at the Receipt Point is reduced in order to arrive at the quantity delivered at the Delivery Point.

Short Critical Day – Shall mean a day when the Company anticipates that the level of demand on the system is expected to be greater than a level of scheduled supply, which could operationally or otherwise adversely impact the Company, its system, or its customers.

4. Request for Service:

- (a) Requests for service under any Transportation Schedule must be made by filing with the Company the information required on the form entitled “Service Request Form” and “Transportation Service Designation” in the Company’s effective Gas Transportation Tariff.
- (b) Transportation Service will be provided on a “first-come/first-served” basis.
- (c) Service will not be approved, and a first-come/first-served priority rating for service will not be determined and assigned, until all the information required by the Service Request Form and Transportation Service Designation has been delivered to the Company. The Company reserves the right to request additional information from any applicant, but requesting such information will not reduce the priority rating for service if the applicant has otherwise provided all of the information and paid the fee as required by this section.
- (d) Service under this tariff will begin on the first of the month following a date which is thirty (30) days after the Service Request Form, and all additional information has been received by the Company. The Company may, at its sole discretion, reduce the request for service requirements.

5. Minimum Term: The minimum term of the Service Request Form shall be annual unless the Company and Customer mutually agree to a shorter time period. In no event shall Customer be allowed to switch between Transportation and Sales service with less than a

30 day written notification. In the event Customer wishes to return to Sales service, the Company shall have the discretion to approve or deny the request based on various factors such as availability of interstate pipeline capacity to meet customers' needs. After the contract period, the Customer may return to sales on the same basis as any new customer.

6. **Gas Quality:** Gas purchased by Customer from a third party for Transportation by the Company shall be commercially clean and merchantable. Such gas shall be comparable in quality to and interchangeable with gas purchased by the Company. The Company reserves the right to refuse to accept gas that does not meet the Company's quality specifications.
7. **Liability:**
 - (a) General – Gas shall be and shall remain the property of the Customer while being transported and delivered by the Company. The Company shall not be liable to the Customer for any loss arising from or out of Gas Transportation Service while in the Company's system or for any other cause, except for gross or willful negligence of the Company's own employees. The Company reserves the right to commingle gas of the Customer with other gas supplies including propane and liquefied natural gas.
 - (b) Insurance – The Customer shall be responsible for determining the extent of and maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.
8. **Capacity Curtailment or Interruption:**
 - (a) Transportation service is subject to the physical, operational, and contractual constraints of the Company's gas system, pertinent to the Delivery Point and the Receipt Point. If the Company is required to curtail or interrupt service due to Capacity constraints or system integrity conditions, the Company's interruptible sales shall have a priority subordinate to the Company's firm sales, firm transportation and Firm Supply Standby services. Such firm sales, firm transportation and Firm Supply Standby services shall be curtailed in accordance with the priority guidelines set forth in the Company's General Terms and Conditions, Section No. 5, Sheet No. 5.2.
 - (b) When required by capacity constraints, Interruptions shall be in accordance with the priority guidelines set forth in the Company's General Terms and Conditions, Section No. 5, Sheet No. 5.2.
9. **Nominations**

Nominations shall be the volume of gas the Customer wishes to transport on Company's distribution system for transportation service. Each customer or assigned agent desiring to deliver gas into NorthWestern Energy's system must submit a nomination to flow gas into the Company's distribution system. Nominations shall be delivered to:

NorthWestern Energy Gas Supply
600 Market Street W.
Huron, South Dakota 57350
Phone: (605) 352-8411
FAX: (605) 353-8346

- (a) Nomination Time Line: The nomination will be due by 9:00 a.m. CCT coincident to the start of the gas day beginning at 9:00 a.m. CCT. Nominations delivered via fax are due 2 hours before the start of the gas day.
- (b) Confirmation: The Company will begin verification of scheduled flow/confirmation upon receipt of nominations from the Customer. Company will confirm the lesser of 1) the confirmed pipeline volumes, or 2) the nomination into the Company's distribution system.
- (c) Nomination Process: All parties should support a seven-days-a-week, twenty-four-hours-a-day nomination process. Party contacts need not be at their ordinary work sites but should be available by telephone or pager.
- (d) Daily: Customers, or their agent, shall notify the Company's representative by 9:00 a.m. CCT, by mutually acceptable method, of a Daily Nomination or a desired change, if any, to its requested quantity of transportation gas for the gas Day commencing at 9:00 a.m. CCT or for following gas Days. Nomination of Delivery and Receipt Point shall be limited to those specified in the Service Request Form.
- (e) Critical Day and/or OFO: When curtailment/interruption/OFO is called, the Company shall attempt to notify the Customer by 3:30 p.m. CCT, prior to the beginning of the gas day, or as necessary to maintain the integrity of the system, of the receipt and delivery conditions applicable to Customer's Gas Transportation Service during the next gas day commencing at 9:00 a.m. CCT. Such notification shall include all necessary information known at the time, such as curtailment or interruption conditions, allowable balancing adjustments, deliveries under standby service, the estimated Supply Standby price, etc. The Company shall also notify the Customer once the curtailment/interruption conditions have changed. Similar to the provisions of the Late Nominations section below, the Company may allow for reduced Critical Day/OFO nomination requirements.
- (g) Intra-day Nominations: The Company and Customer shall agree to support the North American Energy Standards Board (NAESB) standard nomination timeline for nomination cycles that pertain to the upcoming and current gas days, referred to as grid-wide synchronization times, with Customer providing Company with notification of intra-day nomination changes concurrent with notification to the interstate pipeline, . The Company shall, at its discretion, allow non-grid final nomination changes to zone deliveries for those Customers who have contracted storage services with Northern Natural Gas Pipeline, but Customer must notify

Company by e-mail prior to 7:30 a.m. of the affected gas day to allow time for confirmation of the new nomination. Nominations shall be implemented only if they are confirmed by the interstate pipeline. Company shall have the right at any time to limit acceptance of an intra-day or non-grid nomination on a non-discriminatory basis if system integrity will be placed in jeopardy.

(h) **Optional Intra-day Hourly Metering Service:**

1. **Applicability and Character of Service:** The customer or Agent shall have the option to choose intra-day hourly metering service. The intra-day hourly metering volume information is available to transportation Customers via email, at times specified by the Company. Company makes no warranty, whether express, implied or otherwise, regarding the timeliness, quality or accuracy of the information provided to Customer pursuant to this tariff.

2. **Availability:** This service is available to any gas transportation customer with facilities served by the Company who has Company installed, AC powered telemetry equipment in place to monitor daily usage. The Customer or their Agent must notify the Company three (3) working days prior to receiving the email data. The Customer will have the option of 18 and/or 21 hour email reads.

3. **Monthly Charges:** Intra-day hourly metering charge of \$5.00 per account. This charge will be applied to the invoice based on who elects the service. If the Customer elects the service, the charge will be applied to the Customer's monthly invoice. If the Agent elects the service, the charge will be applied to the monthly group invoice.

4. **Bill Payment Provision:** The rate is net. A late payment charge of 1.5 percent per month shall be added to the past-due amount if the bill is not paid by the due date.

- 10. Provisions Applicable to Third Party Suppliers:** If a Gas Transportation Customer wishes to utilize brokers, marketers, or other third party suppliers ("Third Party Suppliers") either as agents or as suppliers of gas into the Company's system, the Customer must notify the Company in writing of the Third Party Supplier that will be used in any particular gas month and whether the Third Party Supplier will be acting as agent for Customer for making nominations. If the Customer is using a Third Party Supplier, Customer agrees that as between Company and Customer, the Company shall be entitled to rely upon information concerning deliveries of natural gas on behalf of Customer provided by Third Party Supplier.
- 11. Failure to Comply:** If the Customer fails to comply with or perform any of the obligations on its part to be complied with or performed under a Schedule, the Company shall have the right to give Customer written notice of the Company's intention to terminate the Transportation on account of such failure. The Company shall have the right to terminate such Transportation at the expiration of five days after the giving of said notice, unless within five days the Customer shall make good such failure.

Termination of such Transportation for any such cause shall be a cumulative remedy as to the Company, and shall not release the Customer from its obligation to make payment of any amount or amounts due or to become due from the Customer to the Company under the applicable Schedule. In order to resume Transportation after termination of service hereunder, it shall be necessary for Customer to file a new request for service.

12. Force Majeure:

- (a) Definition: The term “force majeure” as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include acts of God, strikes, lockouts, material or equipment or labor shortages, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, interruptions by government or court orders, present or future orders of any regulatory body having proper jurisdiction, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome.
- (b) Effect of Force Majeure: If either the Company or the Customer is rendered unable by force majeure to wholly or in part carry out its obligations under the provisions of any Schedule, the obligations of the party affected by such force majeure, other than the obligation to make payments thereunder, shall be suspended during the continuance of any inability so caused but for no longer period; and such cause shall, in so far as possible, be remedied with all reasonable dispatch.

13. Successors and Assigns: Any party which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of any Customer shall be subject to the obligations of its predecessor in title under a Contract. No other assignment of a Contract or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the consent thereto of the non-assigning party, which consent shall not be unreasonably withheld. Any party may assign its respective right, title, and interest in and to and under a Contract to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of any such assignee becoming in any respect obligated to perform the obligation of the assignor under a Contract and, if any such trustee be a corporation, without its being required to qualify to do business in any state in which performance of a Contract may occur.

14. Laws, Regulations, and Orders: All Contracts and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules, and regulations of any legislative body, or duly constituted authority now or hereafter having jurisdiction and shall be varied and amended to comply with or conform to any valid rule, regulation, order, or direction of any board, tribunal, or administrative agency with jurisdiction that affects any of the provisions of the Contract.

15. Balancing

A. Obligations

Customer Obligation – Customer shall have the obligation to balance on a daily basis the receipt of transportation gas by the Company at the Receipt Point with deliveries of thermally equivalent quantities of gas by the Company to the Delivery Point (“Balance”). Differences between Daily Receipts and Deliveries (“Imbalances”) shall be accumulated and recorded in a Customer account. NorthWestern Energy will review the Customer’s nomination made to the interstate pipeline. For purposes of determining distribution system imbalances, NorthWestern Energy will use the lesser of the volume confirmed on the interstate pipeline or the nomination submitted by the Customer to NorthWestern Energy.

- (a) **Daily Balancing Limit** – The Customer is permitted to incur a daily Positive (Receipts greater than Deliveries) or Negative (Receipts less than Deliveries) Imbalance up to and including ten percent (10%) of the quantities delivered by the Company on the Customer’s behalf, except on Critical Days.
- (b) **Short Critical Day** – The Customer is not permitted to incur a Daily Negative Imbalance but is permitted to incur an unlimited daily Positive Imbalance.
- (c) **Long Critical Day** – The Customer is permitted to incur a Daily Positive Imbalance up to and including five percent (5%) and is permitted to incur an unlimited Negative Imbalance.
- (d) **Operational Flow Order (OFO)** – Company may call an OFO on a specific customer, multiple customers, or a Group Customer in order to limit critical day parameters to as small a segment of customers as possible. This customer or group will be subject to the same balancing parameters imposed on a Critical Day as outlined above.

Company Obligation – The Company is obligated to supply daily meter readings to the Customer, their agent or supplier. In addition, the Company has the obligation to provide applicable factors as are necessary to compute the Customer’s usage.

B. Cash Out of Commodity Imbalances:

On a monthly basis, the Customer will receive an Imbalance Statement from the Company which will show the daily quantities received by the Company on behalf of the Customer, Deliveries to the Customer’s facilities and any Daily Imbalances resulting from the over or under delivery of gas.

- (a) **Commodity Imbalance Cash Out** – In addition to the applicable over/under delivery charges, cumulative daily Positive or Negative Imbalances at a delivery point will be deemed to have been sold to or bought from the Company at the applicable Gas Daily index prices plus applicable interstate pipeline transportation

fees. The Customer's imbalance will be subject to the index pricing point on the pipeline they are served by. The Company will establish the pricing index points and transportation used for each pipeline. The Company may change this index point at its discretion via the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. Customers with multiple index pricing points will be cashed out at a weighted cost of the pipeline index points listed in the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. A tiered level of Imbalance Cashout will be assessed when the Daily Imbalances are greater than 1,000 Dth. Imbalance volumes in excess of 1,000 but less than 2,500 Dth or 10% of scheduled volumes, whichever is greater, will be cashed out at 90% if long, or 110% if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. Imbalance volumes in excess of 2,500 Dth or 25% of scheduled volumes, whichever is greater, will be cashed out at 50% if long, or 150%, if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees.

- (b) Waiver of Penalties – The Company may, at its discretion, in a non-discriminatory manner, waive its daily imbalance charges in the event of extraneous circumstances, beyond the customer's control, if the imbalance results in no detriment to other NorthWestern customers. Any imbalance charge paid by the Customer or waived by the Company, shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

C. Over/Under Delivery Charges for Balancing Services:

- (a) Daily – Customers are allowed Positive or Negative Imbalances equal to 10% of net receipts without imbalance charges. Customers with a Positive or Negative Imbalance, after adjustment for optional balancing service, shall be subject to an additional charge at the rate of \$0.01 per therm (\$0.10 per Dth) up to 30% of net receipts. For imbalances greater than 30% of net receipts, the imbalance charge is \$0.10 per therm (\$1.00 per Dth). Daily charges on imbalances will be waived if the customer's Daily Imbalance is in the opposite direction of the Company's Daily net system pipeline imbalance, as determined by Gas Control personnel. Daily Net Pipeline System imbalance will be defined as daily variance between daily target and actual results. These charges apply except for Critical or OFO days.
- (b) Short Critical Day – Customers with a Negative Imbalance will be charged \$0.50 per therm (\$5.00 per Dth) for the first 5% Negative Imbalance and will be assessed the greater of \$3.00 per therm (\$30.00 per Dth) or three (3) times the Chicago City-gates "Midpoint" Index price as reported in Gas Daily publication for any Negative Imbalance in excess of 5% of net receipts. Customers with a Positive Imbalance on any Short Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) over delivery charge.

- (c) Long Critical Day – Customers with a Positive Imbalance in excess of 5% of net receipts will be charged \$1.00 per therm (\$10.00 per Dth). Customers with a Negative Imbalance on any Long Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) under delivery charge.
- (d) Additional Charges – If the Company incurs additional charges due to a Customer's Imbalance, those costs will be passed on to the Customer.

The Customer shall reimburse the Company for any penalty, storage, or other costs incurred by the Company or imposed on the Company by a pipeline as a result of any under or over delivery imbalance, daily, monthly or otherwise, caused by the Customer.

If the Company incurs additional charges due to a Customer's Imbalance, which is in excess of the penalty recoveries from transportation customers, the net excess penalty will be collected on a pro rata basis from all parties that created the additional charges.

- (e) Waiver of Penalties – Regardless of Customer circumstances, the Company will not waive interstate pipeline imbalance charges that are incurred due to a customer imbalance. However, in the event of unanticipated, non-recurring conditions experienced by the Customer with their natural gas fueled equipment where the Customer as a result of problems with its natural gas fueled equipment was unable to use all quantities of gas confirmed for delivery (excluding changes in production levels by the Customer), or other extraneous circumstances beyond the customer's control, the Company may, at its discretion, waive its daily imbalance charges for the gas day the condition initially occurred, if the imbalance results in no detriment to other NorthWestern customers. Any imbalance charge paid by the Customer or waived by the Company shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

D. Optional Daily Balancing Service (DBS):

- (a) Description – A Customer or Group Customer shall have the option to choose a Daily Balancing Service ("DBS"). This balancing service is not available to customers on critical or OFO days. This is a delivery point service providing balancing tolerance, on a reasonable efforts basis, above or below the Customer's Receipts without the incurrence of Daily Over/Under Delivery Charges. This service is available on a monthly basis. The Customer must notify the Company of its DBS quantity coincident with reporting gas nominations for the first day of the month. If a Customer also elects to enter a Group Balancing arrangement, the Customer's DBS quantity becomes available for use by the Group Customer. DBS does not affect the monthly Cash Out of Imbalances.

The DBS begins after a ten percent (10%) of Net Receipts tolerance is applied. DBS quantity is the daily volume variance between Net Receipts at the Receipt

Point, plus or minus the ten percent (10%) of Net Receipts tolerance, and the amount actually used at the Delivery Point (Deliveries), unless a Critical Day is called.

- (b) Rates – The rates and charges for service under this optional service shall include each of the following:

Reservation Charge – The reservation rate is \$0.15 per therm (\$1.50 per Dth) per month, October-March, and \$0.03 per therm (\$0.30 per Dth) per month, April-September for all DBS therms purchased.

Commodity Charge – The commodity rate is \$0.003 per therm (\$0.03 per Dth). The monthly charge is equal to the commodity rate multiplied by the sum of the DBS variance volumes. DBS variance volumes are defined as: the absolute value of receipts less deliveries (capped at the DBS quantity contracted for), less 10% of the net receipts tolerance.

E. Optional Group Balancing Service:

- (a) Description – The Customer shall have the option to choose a Group Balancing Service (GBS) with the same balancing provisions, on the same pipeline and in the same interstate pipeline operational zone. For purposes of calculating the level of Customer Imbalances incurred under the terms of this tariff, the Group Customer shall be considered to be one Customer and the sum of the individual Customer's DBS quantities shall be the minimum DBS quantity for the Group Customer. In all respects, the Customer shall operate individually under the provisions of this tariff. The Group Customer shall enter into a Group Balancing Agreement under this tariff, which shall be for a term of not less than one month. The term Group Customer shall mean a person, corporation, partnership, or other legal entity that provides gas under the parameters as specified above.
- (b) Applicability
- (i) The Group Customer must execute a Supplier Service Agreement and must notify the Company of the Customers to be grouped, by Delivery Point(s), at least two (2) working days before the first of the month nominations are due. All billing will be based on the Group Customer's notification. Any requests to change Customers in a group after the notification timeframe outlined above will be accommodated at Company's discretion and shall be subject to a Rescheduling Service fee of \$50 for each Customer change in a Group.
- (ii) The Group Customer shall provide the Company a single combined daily nomination representing the sum of the daily nominations for all of the Delivery Points applicable to the Group Customer. The Group Customer shall retain information regarding individual nominations, which shall be

provided to Company upon request. Each Delivery Point within the group must have operational telemetering in place.

- (iii) If the Group Customer does not comply with the provisions of its Supplier Service Agreement, Company may terminate the Agreement and each Customer whose Delivery Point is part of the Group Customer will be individually responsible for the settlement of gas transportation imbalances and other charges regardless of payments that the Customer may have rendered to the Group Customer. The Group Customer shall remain responsible for Pipeline Imbalances, penalties, overrun charges or other charges it may create on the interstate pipeline system. Company reserves the right to terminate the Supplier Service Agreement for due cause upon three days of written notice. In the event the Agreement is terminated during any month, the Customers whose Delivery Points are within the Group Customer shall be billed separately for any imbalances and shall also be billed the Group Balancing Charge.

16. Creditworthiness Standards

1.1 Credit Evaluation:

This Policy has been developed to determine the ability of Marketers and/or Gas Transportation Customers (“Marketer/Customer”) in meeting its obligations related to services under NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy’s (“NorthWestern”) South Dakota Natural Gas Transportation Tariff and to mitigate NorthWestern’s financial exposure against any potential risk of non-payment. These standards will be documented and available for all existing and prospective Marketer/ Customers. A credit evaluation may occur at any time, not less than annually, and at NorthWestern’s discretion. The following information (as produced in the normal course of business) will be required by each Marketer/Customer to enable NorthWestern to conduct its credit review:

- a. Last 2 years of Audited Financial Statements;
- b. Most recent annual report;
- c. Most recent quarterly report;
- d. Upon request by NorthWestern, any other reasonable commercial information that would assist in determining the Marketer/Customer’s creditworthiness.

NorthWestern reserves the right to modify these standards at any time.

1.2 Creditworthiness:

The Credit Manager, using NorthWestern’s Credit Policy and a credit-scoring model, will determine the amount of open credit that NorthWestern will grant to any given

Marketer/Customer. The following components are used in calculating the Marketer/Customer's overall credit score:

- a. Traditional Information (payment history, years in business, rank within industry by asset size, number of years a customer, management expertise etc.).
- b. Proprietary Information (including Moody's Expected Default Frequency (EDF)).
- c. Financial Information.

A score is calculated for each of the components above. The score from each component is then taken times a weighted percent to arrive at an overall score. The overall score is used to determine the amount of open credit.

If the overall credit score is not sufficient under NorthWestern's Credit Policy, the Marketer/Customer will be notified in writing of the amount of security that will be required.

If the above information in section 1.1 is not made available to NorthWestern, the Marketer/Customer will be required to post security with NorthWestern.

1.3 Acceptable Forms of Security:

- a. Cash Deposit.
- b. Irrevocable Letter of Credit (issuing bank must be investment grade).
 - (1) Costs associated with the Letter of Credit will be the obligation of the Marketer/Customer.
 - (2) Form of Letter of Credit will need to be approved by NorthWestern.
- c. Guarantee.
 - (1) The guarantor must go through the same credit review process as the Marketer/Customer.
 - (2) Guarantors must be legally affiliated with the counter-party or able to show an acknowledged beneficial interest in the country-party.
- d. The Marketer/Customer may receive service if it prepays for such service an amount equal to the cost of performing the maximum level of Daily Balancing Service (DBS) for a three (3) month period in addition to the highest previous 12 month imbalance fee.

1.4 Suspension and/or Termination of Gas Transportation Service:

NorthWestern may suspend transportation service if:

- a. The Marketer/Customer is required to post security for transportation services in accordance with section 1.3, fails to provide such security, and such failure to post security is not corrected within five (5) business days following NorthWestern's notification to the Marketer/Customer of the need to cure such failure. Upon the occurrence of such a default, NorthWestern may initiate a proceeding to terminate service; or
 - b. The Marketer/Customer fails, for any reason other than a billing dispute, to make payment to NorthWestern for the previous months invoice, on or before the date specified on the invoice and such failure of payment is not cured within three (3) business days, then such an occurrence of default, will allow NorthWestern to terminate service.
 - c. In the event of a billing dispute between NorthWestern and the Marketer/Customer, NorthWestern will continue to provide service under the Service Agreement as long as the Marketer/Customer: (1) continues to make all payments not in dispute, and (2) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Marketer/Customer fails to meet these two requirements for the continuation of service, then NorthWestern may initiate a proceeding to terminate service.
 - d. In the event a termination occurs with a Marketer/Customer, it is the sole responsibility for the end user of the Marketer/Customer to select and secure the services of an approved Marketer/Customer. NorthWestern has no responsibility to a third party end user in the event that a particular marketer/customer is terminated pursuant to this policy
- 17. Terms of Payment.** Bills are due and payable upon receipt and will be delinquent if not paid by the 20th day after billing. A late payment charge of 1% of the unpaid balance plus a collection fee of \$2.00 will be assessed against any delinquent account having an unpaid balance of \$5.00 or more at the time of processing of the next monthly bill. Where a customer has been disconnected for non-payment of a bill, a reconnection charge will be assessed in accordance with the Company's concurrent connection policy.
- 18. Billing Day and Curtailment.** The billing day for the purpose of determining the amount of gas used will be from 9:00 a.m. CCT one day until 9:00 a.m. CCT the next day. The Company shall have the right to curtail or limit the Customer's use of gas during any billing day to the Contract Demand then in effect when demand by firm and higher priority interruptible natural gas purchasers exceeds available pipeline supply. Curtailment of interruptible gas will commence at 9:00 a.m. CCT at the start of a new billing day. Under normal circumstances, notice of curtailment of interruptible gas will be given to Customer by 3:00 p.m. CCT, prior to the beginning of the gas day in which curtailment is to begin. However, in cases of emergency (to be determined solely by the Company) any notice prior to 9:00 a.m. CCT is deemed to place the curtailment in effect at 9:00 a.m. CCT, and such curtailment shall continue in effect until the Company notifies Customer that the curtailment is released. In cases of emergency when notice of curtailment cannot reasonably be given immediately prior to a new billing day, Customer

will cooperate with the Company by curtailing its use of interruptible gas as soon as possible after notice of curtailment by Company. Proper notice of curtailment will be deemed to have been given, when any person or persons authorized to receive curtailment orders on behalf of Customer has been notified by telephone or in person by a representative of Company.

The Company will endeavor to give the Customer as much notice as possible with respect to curtailment of service. Customer agrees to provide and maintain complete standby facilities and have available at all times sufficient standby fuel to maintain continuous plant operations during complete curtailment in the delivery of natural gas.

- 19. Continuity of Service, Interruptions, and Liability.** The Company will endeavor to provide continuous service but does not guarantee an uninterrupted or undisturbed supply of gas service. The Company will not be responsible for any loss or damage resulting from the interruption or disturbance of service for any cause other than negligence of the Company. The Company will not be liable for any loss of profits or other consequential damages resulting from the use of service or any interruption or disturbance of service.

The Company shall use due care and diligence to furnish gas service near the normal pressure levels and in accordance with the acceptable levels of delivery pressure as may exist under operating conditions in the pipeline and distribution system.

Because delivery pressure may vary, the customer shall install, operate, and maintain, at his own expense such pressure regulating devices as may be necessary to regulate the pressure of gas after its delivery to the customer. The Company shall not be liable for the control of gas pressure or gas after delivery of gas to the consumer.

Neither Customer nor the Company shall have any claim against the other for damages sustained as a result of interruptions of gas deliveries caused by Acts of God, weather conditions, labor disturbances, fires, accidents, breakage or repair of pipeline, mechanical failure of any machinery, equipment or other mechanical devices, shortage of gas supply, or other causes or contingencies beyond the reasonable control of and occurring without negligence on the part of such other party. When such causes or contingencies cease to be operative, delivery and receipt of gas shall resume as soon as practicable. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party affected. Any such cause or contingency, however, exempting customers from liability for non-performance (except where prevented by valid orders or requirements of Federal, State, or other governmental regulatory bodies having jurisdiction in the premises) shall not relieve customer of its obligation to pay minimum charges in accordance with the applicable rate schedule.

The Customer agrees to save, indemnify and hold the Company harmless from any and all claims, damage, or injury to persons or property arising from any cause whatsoever after the delivery of gas by the Company to the point of service attachment, except where such injury or damage is shown to have been caused solely by the negligence of the Company. The Customer shall not be liable for any loss, damage, or injury to persons or property arising from any cause whatsoever before the actual delivery of gas to the point

of service attachment, except where such injury or damage is shown to have arisen solely from the negligence of the Customer. The Customer shall assume responsibility for all service and equipment at and from the Customer's point of service attachments.

- 20. Delivery Pressure.** The volume of gas measured, where delivered at other than 0.25 p.s.i.g. at the customer's meter, shall be adjusted to a base pressure equal to atmospheric pressure plus 0.25 p.s.i., in accordance with accepted standards for measurement of gas at varying pressures.

NorthWestern Energy Public Service Corporation
South Dakota

**Gas Transportation Service
Statement of Operating Conditions**

1. Rates

Firm Transportation Service:

Demand Charge

Milbank Line and distribution delivery only \$1.080 / therm-mo. *

Milbank Line only \$0.800 / therm-mo.

Commodity Charge \$0.0335 / therm **

Customer Charge \$350.00 / Meter-mo.

* \$1.08 per therm-mo. of contract of contract demand rate assumes delivery at Ortonville tap (milepost 54.6). Rate for deliveries at points upstream will be adjusted as follows: Mileage at selected delivery point divided by 54.6 times \$1.08.

** plus BTU adjustment, tax adjustments, and ad valorem tax passthrough

Where a NBPL Milbank Line Customer transports volumes in excess of contract demand, all such additional transport volumes will be assessed \$0.017 per therm per day.

Fuel Retention (Lost and Unaccounted for Gas): The value of retention shall be determined by multiplying i) the monthly average price plus applicable interstate pipeline transportation charges as reported in the BTUs Daily Gas Wire Index for each pipeline (NNG: MidContinent Pooling Point) times ii) the Retention percentage times iii) the Deliveries. The Retention percentage for the Company's South Dakota distribution system is 1.97% and will be adjusted annually, to be effective October 1, based on the actual percentage incurred by the Company for the prior 12 month period ending July 31.

One-Time Charges:

Application Charge: \$50.00 with each request for service.

Telemetry: Standard cost of telemetry, installation and hardware, including appropriate tax gross-up, Standard costs shall reflect actual costs and customers will be charged on a nondiscriminatory basis.

Optional Intra-day Hourly Metering Service: As provided in Section 9(h) of these Operating Conditions

Balancing Services and Penalties: As provided in Section 15 of these Operating Conditions

2. Applicability and Character of Service

This Transportation Service shall apply to gas purchased by Customer from a third-party supplier, or through an agency relationship with the Company, delivered to Company's Milbank pipeline by an interstate pipeline, and received, transported, and delivered, on a firm basis, by Company to Customer's delivery point on the Milbank pipeline, when the Company and Customer have executed a Service Request Form.

3. Definitions

Balance – The Customer's obligation to make Deliveries equal Receipts.

Billing Period – Shall mean the period beginning at 9:00 a.m. CCT, on the first day of a calendar month and ending at the same hour on the first day of the next succeeding calendar month, unless a different period of time is specified in the Service Request Form.

CCT – Central Clock Time follows the same time changes as Central Standard Time and Central Daylight Time in the Central Time Zone.

Commodity Charge – Amount based upon the quantity of gas transported.

Company – NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy "NorthWestern".

Critical Day – A Critical Day shall be a day which may be declared by the Company whenever any of the following five conditions occurs or is anticipated to occur: (a) when the Company experiences failure of transmission, distribution, gas storage or gas manufacturing facilities; (b) when transmission system pressures or other unusual conditions jeopardize the operation of the Company's system; (c) when the Company's transportation, storage, and supply resources are being used at or near their maximum rated deliverability; (d) when any of the Company's transporters or suppliers call the equivalent of a Critical Day; or (e) when the Company is unable to fulfill its firm contractual obligations or otherwise when necessary to maintain the overall operational integrity of all or a part of the Company's system.

Customer – Shall mean any person, association, firm, public or private corporation, or any agency of the federal, state or local government or legal entity responsible by law for payment for gas service at a single location.

Day or Daily – The gas Day is a 24-hour period beginning at 9:00 a.m. CCT, and ending at 9:00 a.m. CCT the following day.

Deliveries – The Customer metered usage at the Delivery Point.

Delivery Point – The location where the Company’s gas distribution facilities are interconnected with the Customer’s facilities and where the Customer and the Company have agreed that transportation gas received at the Receipt Point will be delivered by the Company to the Customer.

Demand Charge – Amount based upon the quantity of transportation space desired.

Fuel – Any charges levied or reduction in volumes delivered as a result of the movement of gas.

“Gas Daily” – Industry publication giving daily gas price indices by interstate pipeline points. The indices used will be the “Midpoint” price of Gas delivered to the applicable interstate pipeline point(s), or other point(s) as specifically referenced, as published by Platts, a division of The McGraw-Hill Companies, in Gas Daily and referenced in the “Daily Price Survey” under the applicable heading for the reported “Flow Date(s).” If the “Midpoint” price is not published in Gas Daily for the applicable “Flow Date(s),” then the index shall be the “Midpoint” price for the most recently published “Flow Date(s)” preceding the “Flow Date(s)” on which the “Midpoint” price was not published.

Imbalances – The difference between Receipts and Deliveries.

Long Critical Day – Shall mean a day when the Company anticipates that the level of demand on the system is expected to fall below a level of scheduled supply, which could operationally or otherwise adversely impact the Company, its systems, or its customers.

MMBtu, Dekatherm and Therm – The term “MMBtu” shall mean 1,000,000 Btus. One MMBtu is equal to one Dekatherm (1 Dth) or 10 Therms. One Therm is equal to 100,000 Btus. The standard quantity for nomination, confirmation and scheduling is Dekatherms per gas day in the United States.

Month, Monthly, Billing Period – The period beginning on the first day of a calendar month and ending on the first day of the succeeding calendar month.

Negative Imbalance – The daily difference between the quantity of gas received at the Receipt Point and a greater quantity of Deliveries.

Nomination – Quantity of gas the Company is requested to transport daily from the Receipt Point to the Delivery Point.

Operational Flow Order (OFO) – An order by the Company to transport customer, customers, or group customer, to make deliveries match usage. The stricter provisions of either a critical short or long day will apply to the customer.

Positive Imbalance – The daily difference between the quantity of gas received at the Receipt Point and the lesser quantity of Deliveries.

Receipts – Shall mean the quantity of gas received by Company from the transporting pipeline on a daily basis for the account of Customer.

Receipt Point – The point at which the transporting pipelines facilities are interconnected with the Company’s facilities. Receipt Points are usually Town Border Stations (“TBS”) applicable to the Delivery Point. The Receipt Point must be at a location applicable to the Customer’s historical purchases and the Delivery Point must be the historical purchase site. If, in the sole discretion of the Company, the Company can, operationally and without hardship to its other customers, receive gas for the account of Customer at a point other than the town border station applicable to the Customer’s historical purchases, the Receipt Point restriction may be waived by Company.

Reservation Charge – Amount based upon the quantity of service desired.

Retention – The percentage by which gas received at the Receipt Point is reduced in order to arrive at the quantity delivered at the Delivery Point.

Short Critical Day – Shall mean a day when the Company anticipates that the level of demand on the system is expected to be greater than a level of scheduled supply, which could operationally or otherwise adversely impact the Company, its system, or its customers.

4. Request for Service:

- (a) Requests for service under any Transportation Schedule must be made by filing with the Company the information required on the form entitled “Service Request Form” and “Transportation Service Designation” in the Company’s effective Gas Transportation Tariff.
- (b) Transportation Service will be provided on a “first-come/first-served” basis.
- (c) Service will not be approved, and a first-come/first-served priority rating for service will not be determined and assigned, until all the information required by the Service Request Form and Transportation Service Designation has been delivered to the Company. The Company reserves the right to request additional information from any applicant, but requesting such information will not reduce the priority rating for service if the applicant has otherwise provided all of the information and paid the fee as required by this section.
- (d) Service under this tariff will begin on the first of the month following a date which is thirty (30) days after the Service Request Form, and all additional information has been received by the Company. The Company may, at its sole discretion, reduce the request for service requirements.

5. Minimum Term: The minimum term of the Service Request Form shall be annual unless the Company and Customer mutually agree to a shorter time period. In no event shall Customer be allowed to switch between Transportation and Sales service with less than a

30 day written notification. In the event Customer wishes to return to Sales service, the Company shall have the discretion to approve or deny the request based on various factors such as availability of interstate pipeline capacity to meet customers' needs. After the contract period, the Customer may return to sales on the same basis as any new customer.

6. **Gas Quality:** Gas purchased by Customer from a third party for Transportation by the Company shall be commercially clean and merchantable. Such gas shall be comparable in quality to and interchangeable with gas purchased by the Company. The Company reserves the right to refuse to accept gas that does not meet the Company's quality specifications.
7. **Liability:**
 - (a) General – Gas shall be and shall remain the property of the Customer while being transported and delivered by the Company. The Company shall not be liable to the Customer for any loss arising from or out of Gas Transportation Service while in the Company's system or for any other cause, except for gross or willful negligence of the Company's own employees. The Company reserves the right to commingle gas of the Customer with other gas supplies including propane and liquefied natural gas.
 - (b) Insurance – The Customer shall be responsible for determining the extent of and maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.
8. **Capacity Curtailment or Interruption:**
 - (a) Transportation service is subject to the physical, operational, and contractual constraints of the Company's gas system, pertinent to the Delivery Point and the Receipt Point. If the Company is required to curtail or interrupt service due to Capacity constraints or system integrity conditions, the Company's interruptible sales shall have a priority subordinate to the Company's firm sales, firm transportation and Firm Supply Standby services. Such firm sales, firm transportation and Firm Supply Standby services shall be curtailed in accordance with the priority guidelines set forth in the Company's General Terms and Conditions, Section No. 5, Sheet No. 5.2.
 - (b) When required by capacity constraints, Interruptions shall be in accordance with the priority guidelines set forth in the Company's General Terms and Conditions, Section No. 5, Sheet No. 5.2.
9. **Nominations**

Nominations shall be the volume of gas the Customer wishes to transport on Company's distribution system for transportation service. Each customer or assigned agent desiring to deliver gas into NorthWestern Energy's system must submit a nomination to flow gas into the Company's distribution system. Nominations shall be delivered to:

NorthWestern Energy Gas Supply
600 Market Street W.
Huron, South Dakota 57350
Phone: (605) 352-8411
FAX: (605) 353-8346

- (a) Nomination Time Line: The nomination will be due by 9:00 a.m. CCT coincident to the start of the gas day beginning at 9:00 a.m. CCT. Nominations delivered via fax are due 2 hours before the start of the gas day.
- (b) Confirmation: The Company will begin verification of scheduled flow/confirmation upon receipt of nominations from the Customer. Company will confirm the lesser of 1) the confirmed pipeline volumes, or 2) the nomination into the Company's distribution system.
- (c) Nomination Process: All parties should support a seven-days-a-week, twenty-four-hours-a-day nomination process. Party contacts need not be at their ordinary work sites but should be available by telephone or pager.
- (d) Daily: Customers, or their agent, shall notify the Company's representative by 9:00 a.m. CCT, by mutually acceptable method, of a Daily Nomination or a desired change, if any, to its requested quantity of transportation gas for the gas Day commencing at 9:00 a.m. CCT or for following gas Days. Nomination of Delivery and Receipt Point shall be limited to those specified in the Service Request Form.
- (e) Critical Day and/or OFO: When curtailment/interruption/OFO is called, the Company shall attempt to notify the Customer by 3:30 p.m. CCT, prior to the beginning of the gas day, or as necessary to maintain the integrity of the system, of the receipt and delivery conditions applicable to Customer's Gas Transportation Service during the next gas day commencing at 9:00 a.m. CCT. Such notification shall include all necessary information known at the time, such as curtailment or interruption conditions, allowable balancing adjustments, deliveries under standby service, the estimated Supply Standby price, etc. The Company shall also notify the Customer once the curtailment/interruption conditions have changed. Similar to the provisions of the Late Nominations section below, the Company may allow for reduced Critical Day/OFO nomination requirements.
- (g) Intra-day Nominations: The Company and Customer shall agree to support the North American Energy Standards Board (NAESB) standard nomination timeline for nomination cycles that pertain to the upcoming and current gas days, referred to as grid-wide synchronization times, with Customer providing Company with notification of intra-day nomination changes concurrent with notification to the interstate pipeline, . The Company shall, at its discretion, allow non-grid final nomination changes to zone deliveries for those Customers who have contracted storage services with Northern Natural Gas Pipeline, but Customer must notify

Company by e-mail prior to 7:30 a.m. of the affected gas day to allow time for confirmation of the new nomination. Nominations shall be implemented only if they are confirmed by the interstate pipeline. Company shall have the right at any time to limit acceptance of an intra-day or non-grid nomination on a non-discriminatory basis if system integrity will be placed in jeopardy.

(h) **Optional Intra-day Hourly Metering Service:**

1. **Applicability and Character of Service:** The customer or Agent shall have the option to choose intra-day hourly metering service. The intra-day hourly metering volume information is available to transportation Customers via email, at times specified by the Company. Company makes no warranty, whether express, implied or otherwise, regarding the timeliness, quality or accuracy of the information provided to Customer pursuant to this tariff.

2. **Availability:** This service is available to any gas transportation customer with facilities served by the Company who has Company installed, AC powered telemetry equipment in place to monitor daily usage. The Customer or their Agent must notify the Company three (3) working days prior to receiving the email data. The Customer will have the option of 18 and/or 21 hour email reads.

3. **Monthly Charges:** Intra-day hourly metering charge of \$5.00 per account. This charge will be applied to the invoice based on who elects the service. If the Customer elects the service, the charge will be applied to the Customer's monthly invoice. If the Agent elects the service, the charge will be applied to the monthly group invoice.

4. **Bill Payment Provision:** The rate is net. A late payment charge of 1.5 percent per month shall be added to the past-due amount if the bill is not paid by the due date.

10. Provisions Applicable to Third Party Suppliers: If a Gas Transportation Customer wishes to utilize brokers, marketers, or other third party suppliers ("Third Party Suppliers") either as agents or as suppliers of gas into the Company's system, the Customer must notify the Company in writing of the Third Party Supplier that will be used in any particular gas month and whether the Third Party Supplier will be acting as agent for Customer for making nominations. If the Customer is using a Third Party Supplier, Customer agrees that as between Company and Customer, the Company shall be entitled to rely upon information concerning deliveries of natural gas on behalf of Customer provided by Third Party Supplier.

11. Failure to Comply: If the Customer fails to comply with or perform any of the obligations on its part to be complied with or performed under a Schedule, the Company shall have the right to give Customer written notice of the Company's intention to terminate the Transportation on account of such failure. The Company shall have the right to terminate such Transportation at the expiration of five days after the giving of said notice, unless within five days the Customer shall make good such failure.

Termination of such Transportation for any such cause shall be a cumulative remedy as to the Company, and shall not release the Customer from its obligation to make payment of any amount or amounts due or to become due from the Customer to the Company under the applicable Schedule. In order to resume Transportation after termination of service hereunder, it shall be necessary for Customer to file a new request for service.

12. Force Majeure:

- (a) Definition: The term “force majeure” as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include acts of God, strikes, lockouts, material or equipment or labor shortages, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, interruptions by government or court orders, present or future orders of any regulatory body having proper jurisdiction, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which, by the exercise of due diligence, such party is unable to overcome.
- (b) Effect of Force Majeure: If either the Company or the Customer is rendered unable by force majeure to wholly or in part carry out its obligations under the provisions of any Schedule, the obligations of the party affected by such force majeure, other than the obligation to make payments thereunder, shall be suspended during the continuance of any inability so caused but for no longer period; and such cause shall, in so far as possible, be remedied with all reasonable dispatch.

13. Successors and Assigns: Any party which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of any Customer shall be subject to the obligations of its predecessor in title under a Contract. No other assignment of a Contract or any of the rights or obligations hereunder shall be made unless there first shall have been obtained the consent thereto of the non-assigning party, which consent shall not be unreasonably withheld. Any party may assign its respective right, title, and interest in and to and under a Contract to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities without the necessity of any such assignee becoming in any respect obligated to perform the obligation of the assignor under a Contract and, if any such trustee be a corporation, without its being required to qualify to do business in any state in which performance of a Contract may occur.

14. Laws, Regulations, and Orders: All Contracts and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules, and regulations of any legislative body, or duly constituted authority now or hereafter having jurisdiction and shall be varied and amended to comply with or conform to any valid rule, regulation, order, or direction of any board, tribunal, or administrative agency with jurisdiction that affects any of the provisions of the Contract.

15. Balancing

A. Obligations

Customer Obligation – Customer shall have the obligation to balance on a daily basis the receipt of transportation gas by the Company at the Receipt Point with deliveries of thermally equivalent quantities of gas by the Company to the Delivery Point (“Balance”). Differences between Daily Receipts and Deliveries (“Imbalances”) shall be accumulated and recorded in a Customer account. NorthWestern Energy will review the Customer’s nomination made to the interstate pipeline. For purposes of determining distribution system imbalances, NorthWestern Energy will use the lesser of the volume confirmed on the interstate pipeline or the nomination submitted by the Customer to NorthWestern Energy.

- (a) **Daily Balancing Limit** – The Customer is permitted to incur a daily Positive (Receipts greater than Deliveries) or Negative (Receipts less than Deliveries) Imbalance up to and including ten percent (10%) of the quantities delivered by the Company on the Customer’s behalf, except on Critical Days.
- (b) **Short Critical Day** – The Customer is not permitted to incur a Daily Negative Imbalance but is permitted to incur an unlimited daily Positive Imbalance.
- (c) **Long Critical Day** – The Customer is permitted to incur a Daily Positive Imbalance up to and including five percent (5%) and is permitted to incur an unlimited Negative Imbalance.
- (d) **Operational Flow Order (OFO)** – Company may call an OFO on a specific customer, multiple customers, or a Group Customer in order to limit critical day parameters to as small a segment of customers as possible. This customer or group will be subject to the same balancing parameters imposed on a Critical Day as outlined above.

Company Obligation – The Company is obligated to supply daily meter readings to the Customer, their agent or supplier. In addition, the Company has the obligation to provide applicable factors as are necessary to compute the Customer’s usage.

B. Cash Out of Commodity Imbalances:

On a monthly basis, the Customer will receive an Imbalance Statement from the Company which will show the daily quantities received by the Company on behalf of the Customer, Deliveries to the Customer’s facilities and any Daily Imbalances resulting from the over or under delivery of gas.

- (a) **Commodity Imbalance Cash Out** – In addition to the applicable over/under delivery charges, cumulative daily Positive or Negative Imbalances at a delivery point will be deemed to have been sold to or bought from the Company at the applicable Gas Daily index prices plus applicable interstate pipeline transportation

fees. The Customer's imbalance will be subject to the index pricing point on the pipeline they are served by. The Company will establish the pricing index points and transportation used for each pipeline. The Company may change this index point at its discretion via the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. Customers with multiple index pricing points will be cashed out at a weighted cost of the pipeline index points listed in the Purchased Gas Cost Adjustment, Section No. 3, Sheet No. 9b, that is filed monthly with the South Dakota Public Utilities Commission. A tiered level of Imbalance Cashout will be assessed when the Daily Imbalances are greater than 1,000 Dth. Imbalance volumes in excess of 1,000 but less than 2,500 Dth or 10% of scheduled volumes, whichever is greater, will be cashed out at 90% if long, or 110% if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees. Imbalance volumes in excess of 2,500 Dth or 25% of scheduled volumes, whichever is greater, will be cashed out at 50% if long, or 150%, if short, of applicable Gas Daily index prices plus applicable interstate pipeline transportation fees.

- (b) Waiver of Penalties – The Company may, at its discretion, in a non-discriminatory manner, waive its daily imbalance charges in the event of extraneous circumstances, beyond the customer's control, if the imbalance results in no detriment to other NorthWestern customers. Any imbalance charge paid by the Customer or waived by the Company, shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

C. Over/Under Delivery Charges for Balancing Services:

- (a) Daily – Customers are allowed Positive or Negative Imbalances equal to 10% of net receipts without imbalance charges. Customers with a Positive or Negative Imbalance, after adjustment for optional balancing service, shall be subject to an additional charge at the rate of \$0.01 per therm (\$0.10 per Dth) up to 30% of net receipts. For imbalances greater than 30% of net receipts, the imbalance charge is \$0.10 per therm (\$1.00 per Dth). Daily charges on imbalances will be waived if the customer's Daily Imbalance is in the opposite direction of the Company's Daily net system pipeline imbalance, as determined by Gas Control personnel. Daily Net Pipeline System imbalance will be defined as daily variance between daily target and actual results. These charges apply except for Critical or OFO days.
- (b) Short Critical Day – Customers with a Negative Imbalance will be charged \$0.50 per therm (\$5.00 per Dth) for the first 5% Negative Imbalance and will be assessed the greater of \$3.00 per therm (\$30.00 per Dth) or three (3) times the Chicago City-gates "Midpoint" Index price as reported in Gas Daily publication for any Negative Imbalance in excess of 5% of net receipts. Customers with a Positive Imbalance on any Short Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) over delivery charge.

- (c) Long Critical Day – Customers with a Positive Imbalance in excess of 5% of net receipts will be charged \$1.00 per therm (\$10.00 per Dth). Customers with a Negative Imbalance on any Long Critical Day will not incur the daily \$0.10 per therm (\$1.00 per Dth) under delivery charge.
- (d) Additional Charges – If the Company incurs additional charges due to a Customer's Imbalance, those costs will be passed on to the Customer.

The Customer shall reimburse the Company for any penalty, storage, or other costs incurred by the Company or imposed on the Company by a pipeline as a result of any under or over delivery imbalance, daily, monthly or otherwise, caused by the Customer.

If the Company incurs additional charges due to a Customer's Imbalance, which is in excess of the penalty recoveries from transportation customers, the net excess penalty will be collected on a pro rata basis from all parties that created the additional charges.

- (e) Waiver of Penalties – Regardless of Customer circumstances, the Company will not waive interstate pipeline imbalance charges that are incurred due to a customer imbalance. However, in the event of unanticipated, non-recurring conditions experienced by the Customer with their natural gas fueled equipment where the Customer as a result of problems with its natural gas fueled equipment was unable to use all quantities of gas confirmed for delivery (excluding changes in production levels by the Customer), or other extraneous circumstances beyond the customer's control, the Company may, at its discretion, waive its daily imbalance charges for the gas day the condition initially occurred, if the imbalance results in no detriment to other NorthWestern customers. Any imbalance charge paid by the Customer or waived by the Company shall not be construed as giving the Customer the right to continue to create an imbalance on the system.

D. Optional Daily Balancing Service (DBS):

- (a) Description – A Customer or Group Customer shall have the option to choose a Daily Balancing Service ("DBS"). This balancing service is not available to customers on critical or OFO days. This is a delivery point service providing balancing tolerance, on a reasonable efforts basis, above or below the Customer's Receipts without the incurrence of Daily Over/Under Delivery Charges. This service is available on a monthly basis. The Customer must notify the Company of its DBS quantity coincident with reporting gas nominations for the first day of the month. If a Customer also elects to enter a Group Balancing arrangement, the Customer's DBS quantity becomes available for use by the Group Customer. DBS does not affect the monthly Cash Out of Imbalances.

The DBS begins after a ten percent (10%) of Net Receipts tolerance is applied. DBS quantity is the daily volume variance between Net Receipts at the Receipt

Point, plus or minus the ten percent (10%) of Net Receipts tolerance, and the amount actually used at the Delivery Point (Deliveries), unless a Critical Day is called.

- (b) Rates – The rates and charges for service under this optional service shall include each of the following:

Reservation Charge – The reservation rate is \$0.15 per therm (\$1.50 per Dth) per month, October-March, and \$0.03 per therm (\$0.30 per Dth) per month, April-September for all DBS therms purchased.

Commodity Charge – The commodity rate is \$0.003 per therm (\$0.03 per Dth). The monthly charge is equal to the commodity rate multiplied by the sum of the DBS variance volumes. DBS variance volumes are defined as: the absolute value of receipts less deliveries (capped at the DBS quantity contracted for), less 10% of the net receipts tolerance.

E. Optional Group Balancing Service:

- (a) Description – The Customer shall have the option to choose a Group Balancing Service (GBS) with the same balancing provisions, on the same pipeline and in the same interstate pipeline operational zone. For purposes of calculating the level of Customer Imbalances incurred under the terms of this tariff, the Group Customer shall be considered to be one Customer and the sum of the individual Customer's DBS quantities shall be the minimum DBS quantity for the Group Customer. In all respects, the Customer shall operate individually under the provisions of this tariff. The Group Customer shall enter into a Group Balancing Agreement under this tariff, which shall be for a term of not less than one month. The term Group Customer shall mean a person, corporation, partnership, or other legal entity that provides gas under the parameters as specified above.
- (b) Applicability
- (i) The Group Customer must execute a Supplier Service Agreement and must notify the Company of the Customers to be grouped, by Delivery Point(s), at least two (2) working days before the first of the month nominations are due. All billing will be based on the Group Customer's notification. Any requests to change Customers in a group after the notification timeframe outlined above will be accommodated at Company's discretion and shall be subject to a Rescheduling Service fee of \$50 for each Customer change in a Group.
- (ii) The Group Customer shall provide the Company a single combined daily nomination representing the sum of the daily nominations for all of the Delivery Points applicable to the Group Customer. The Group Customer shall retain information regarding individual nominations, which shall be

provided to Company upon request. Each Delivery Point within the group must have operational telemetering in place.

- (iii) If the Group Customer does not comply with the provisions of its Supplier Service Agreement, Company may terminate the Agreement and each Customer whose Delivery Point is part of the Group Customer will be individually responsible for the settlement of gas transportation imbalances and other charges regardless of payments that the Customer may have rendered to the Group Customer. The Group Customer shall remain responsible for Pipeline Imbalances, penalties, overrun charges or other charges it may create on the interstate pipeline system. Company reserves the right to terminate the Supplier Service Agreement for due cause upon three days of written notice. In the event the Agreement is terminated during any month, the Customers whose Delivery Points are within the Group Customer shall be billed separately for any imbalances and shall also be billed the Group Balancing Charge.

16. Creditworthiness Standards

1.1 Credit Evaluation:

This Policy has been developed to determine the ability of Marketers and/or Gas Transportation Customers (“Marketer/Customer”) in meeting its obligations related to services under NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy’s Corporation, D.B.A. NorthWestern Energy’s (“NorthWestern”) South Dakota Natural Gas Transportation Tariff and to mitigate NorthWestern’s financial exposure against any potential risk of non-payment. These standards will be documented and available for all existing and prospective Marketer/ Customers. A credit evaluation may occur at any time, not less than annually, and at NorthWestern’s discretion. The following information (as produced in the normal course of business) will be required by each Marketer/Customer to enable NorthWestern to conduct its credit review:

- a. Last 2 years of Audited Financial Statements;
- b. Most recent annual report;
- c. Most recent quarterly report;
- d. Upon request by NorthWestern, any other reasonable commercial information that would assist in determining the Marketer/Customer’s creditworthiness.

NorthWestern reserves the right to modify these standards at any time.

1.2 Creditworthiness:

The Credit Manager, using NorthWestern’s Credit Policy and a credit-scoring model, will determine the amount of open credit that NorthWestern will grant to any given

Marketer/Customer. The following components are used in calculating the Marketer/Customer's overall credit score:

- a. Traditional Information (payment history, years in business, rank within industry by asset size, number of years a customer, management expertise etc.).
- b. Proprietary Information (including Moody's Expected Default Frequency (EDF)).
- c. Financial Information.

A score is calculated for each of the components above. The score from each component is then taken times a weighted percent to arrive at an overall score. The overall score is used to determine the amount of open credit.

If the overall credit score is not sufficient under NorthWestern's Credit Policy, the Marketer/Customer will be notified in writing of the amount of security that will be required.

If the above information in section 1.1 is not made available to NorthWestern, the Marketer/Customer will be required to post security with NorthWestern.

1.3 Acceptable Forms of Security:

- a. Cash Deposit.
- b. Irrevocable Letter of Credit (issuing bank must be investment grade).
 - (1) Costs associated with the Letter of Credit will be the obligation of the Marketer/Customer.
 - (2) Form of Letter of Credit will need to be approved by NorthWestern.
- c. Guarantee.
 - (1) The guarantor must go through the same credit review process as the Marketer/Customer.
 - (2) Guarantors must be legally affiliated with the counter-party or able to show an acknowledged beneficial interest in the country-party.
- d. The Marketer/Customer may receive service if it prepays for such service an amount equal to the cost of performing the maximum level of Daily Balancing Service (DBS) for a three (3) month period in addition to the highest previous 12 month imbalance fee.

1.4 Suspension and/or Termination of Gas Transportation Service:

NorthWestern may suspend transportation service if:

- a. The Marketer/Customer is required to post security for transportation services in accordance with section 1.3, fails to provide such security, and such failure to post security is not corrected within five (5) business days following NorthWestern's notification to the Marketer/Customer of the need to cure such failure. Upon the occurrence of such a default, NorthWestern may initiate a proceeding to terminate service; or
- b. The Marketer/Customer fails, for any reason other than a billing dispute, to make payment to NorthWestern for the previous months invoice, on or before the date specified on the invoice and such failure of payment is not cured within three (3) business days, then such an occurrence of default, will allow NorthWestern to terminate service.
- c. In the event of a billing dispute between NorthWestern and the Marketer/Customer, NorthWestern will continue to provide service under the Service Agreement as long as the Marketer/Customer: (1) continues to make all payments not in dispute, and (2) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Marketer/Customer fails to meet these two requirements for the continuation of service, then NorthWestern may initiate a proceeding to terminate service.
- d. In the event a termination occurs with a Marketer/Customer, it is the sole responsibility for the end user of the Marketer/Customer to select and secure the services of an approved Marketer/Customer. NorthWestern has no responsibility to a third party end user in the event that a particular marketer/customer is terminated pursuant to this policy

17. Terms of Payment. Bills are due and payable upon receipt and will be delinquent if not paid by the 20th day after billing. A late payment charge of 1% of the unpaid balance plus a collection fee of \$2.00 will be assessed against any delinquent account having an unpaid balance of \$5.00 or more at the time of processing of the next monthly bill. Where a customer has been disconnected for non-payment of a bill, a reconnection charge will be assessed in accordance with the Company's concurrent connection policy.

18. Billing Day and Curtailment. The billing day for the purpose of determining the amount of gas used will be from 9:00 a.m. CCT one day until 9:00 a.m. CCT the next day. The Company shall have the right to curtail or limit the Customer's use of gas during any billing day to the Contract Demand then in effect when demand by firm and higher priority interruptible natural gas purchasers exceeds available pipeline supply. Curtailment of interruptible gas will commence at 9:00 a.m. CCT at the start of a new billing day. Under normal circumstances, notice of curtailment of interruptible gas will be given to Customer by 3:00 p.m. CCT, prior to the beginning of the gas day in which curtailment is to begin. However, in cases of emergency (to be determined solely by the Company) any notice prior to 9:00 a.m. CCT is deemed to place the curtailment in effect at 9:00 a.m. CCT, and such curtailment shall continue in effect until the Company notifies Customer that the curtailment is released. In cases of emergency when notice of curtailment cannot reasonably be given immediately prior to a new billing day, Customer

will cooperate with the Company by curtailing its use of interruptible gas as soon as possible after notice of curtailment by Company. Proper notice of curtailment will be deemed to have been given, when any person or persons authorized to receive curtailment orders on behalf of Customer has been notified by telephone or in person by a representative of Company.

The Company will endeavor to give the Customer as much notice as possible with respect to curtailment of service. Customer agrees to provide and maintain complete standby facilities and have available at all times sufficient standby fuel to maintain continuous plant operations during complete curtailment in the delivery of natural gas.

- 19. Continuity of Service, Interruptions, and Liability.** The Company will endeavor to provide continuous service but does not guarantee an uninterrupted or undisturbed supply of gas service. The Company will not be responsible for any loss or damage resulting from the interruption or disturbance of service for any cause other than negligence of the Company. The Company will not be liable for any loss of profits or other consequential damages resulting from the use of service or any interruption or disturbance of service.

The Company shall use due care and diligence to furnish gas service near the normal pressure levels and in accordance with the acceptable levels of delivery pressure as may exist under operating conditions in the pipeline and distribution system.

Because delivery pressure may vary, the customer shall install, operate, and maintain, at his own expense such pressure regulating devices as may be necessary to regulate the pressure of gas after its delivery to the customer. The Company shall not be liable for the control of gas pressure or gas after delivery of gas to the consumer.

Neither Customer nor the Company shall have any claim against the other for damages sustained as a result of interruptions of gas deliveries caused by Acts of God, weather conditions, labor disturbances, fires, accidents, breakage or repair of pipeline, mechanical failure of any machinery, equipment or other mechanical devices, shortage of gas supply, or other causes or contingencies beyond the reasonable control of and occurring without negligence on the part of such other party. When such causes or contingencies cease to be operative, delivery and receipt of gas shall resume as soon as practicable. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party affected. Any such cause or contingency, however, exempting customers from liability for non-performance (except where prevented by valid orders or requirements of Federal, State, or other governmental regulatory bodies having jurisdiction in the premises) shall not relieve customer of its obligation to pay minimum charges in accordance with the applicable rate schedule.

The Customer agrees to save, indemnify and hold the Company harmless from any and all claims, damage, or injury to persons or property arising from any cause whatsoever after the delivery of gas by the Company to the point of service attachment, except where such injury or damage is shown to have been caused solely by the negligence of the Company. The Customer shall not be liable for any loss, damage, or injury to persons or property arising from any cause whatsoever before the actual delivery of gas to the point

of service attachment, except where such injury or damage is shown to have arisen solely from the negligence of the Customer. The Customer shall assume responsibility for all service and equipment at and from the Customer's point of service attachments.

- 20. Delivery Pressure.** The volume of gas measured, where delivered at other than 0.25 p.s.i.g. at the customer's meter, shall be adjusted to a base pressure equal to atmospheric pressure plus 0.25 p.s.i., in accordance with accepted standards for measurement of gas at varying pressures.