

EXHIBIT NO. \_\_\_\_\_ (TL-4)  
DOCKET NO. UG-040640 / UE-040641  
THIRD EXHIBIT TO PREFILED DIRECT TESTIMONY OF  
THEODORE S. LEHMANN ON BEHALF OF CMS (NONCONFIDENTIAL)

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Washington Utilities and Transportation  
Commission,

Complainant,

v.

Puget Sound Energy, Inc.,

Respondent.

Docket Nos. UG-040640 & UE- 040641

THIRD EXHIBIT (SCHEDULE T) TO PREFILED DIRECT TESTIMONY  
OF THEODORE S. LEHMANN  
ON BEHALF OF COST MANAGEMENT SERVICES, INC.  
(NONCONFIDENTIAL)

SEPTEMBER 23, 2004



# NORTHWEST NATURAL GAS COMPANY

WN U-6

First Revision of Sheet T.2  
Cancels Original Sheet T.2

---

## SCHEDULE T CUSTOMER-OWNED NATURAL GAS TRANSPORTATION SERVICE (continued)

### **SERVICE ELECTION**

**Annual Election.** Except as provided in this section, a Customer must elect to transfer from Sales Service to Transportation Service, or to transfer from Transportation Service to Sales Service, by giving written notice to Company on or before March 31 for an effective date on or after May 1 (the "Annual Election Period"). Customer's notice shall specify the exact date that the election is to be effective.

**Transportation Eligibility.** A Customer that has an open and active service account is eligible to elect Transportation Service under any of the Company's rate schedules for which Transportation Service is available, and for which Customer qualifies, at the Annual Election Period, provided Customer will meet all of the terms and conditions of Customer's existing Service Agreement prior to the effective date of the election. For purposes of this provision, a Customer whose Service Agreement is suspended under **RULE 14** shall be considered to have an open and active service account.

**Exceptions.** An Applicant/Customer is eligible to elect Transportation Service under any of the Company's rate schedules for which Transportation Service is available, and for which Customer qualifies, at times other than the Annual Election Period when: (a) the Applicant/Customer has never had an open and active service account at the site for which Transportation Service is being elected; and/or (b) the Company determines, in its sole judgment, that allowing the election will not adversely affect other Customers.

**Sales Eligibility.** A Customer may transfer from Transportation Service to Sales Service at the Annual Election Period, provided that: (a) the Company determines, in its sole judgment, that adequate supply and capacity exists to accommodate Customer's transfer request; and (b) all terms and conditions of Customer's existing Service Agreement are first met. A Customer that requests and is authorized by the Company to transfer from Transportation Service to Sales Service at any time other than at the Annual Election Period shall pay the Company for any incremental gas supply costs incurred by the Company to accommodate such Customer's change in service. Customer shall not be eligible to re-elect Transportation Service until the Annual Election Period following the end of a one year minimum term of service as a Sales Service Customer.

**Term.** The minimum term for the Transportation of Customer-Owned Gas supplies is one (1) Year. At Company's sole discretion, a Seasonal Service Customer may limit the term for the Transportation of Customer-Owned Gas supplies to Customer's seasonal operating period, provided Customer has executed a Sales Service Agreement for service during the non-seasonal operating period. At the end of the minimum term, Transportation Service shall continue, upon mutual agreement between Company and Customer, on a month to month or on a year to year basis thereafter until terminated by Customer by the election to transfer to Sales Service, or until otherwise terminated under the rules of this Tariff. Any Termination of Service under this Schedule must comply with **RULE 20**. Upon termination of Transportation Service, any imbalances in gas receipts and deliveries will be cleared in accordance with the Balancing Provisions of this Schedule.

(continue to Sheet T.3)

Issued December 18, 2000  
NWN Advice No. WUTC 00-6

Effective with service on  
and after January 25, 2001

---

Issued by: **NORTHWEST NATURAL GAS COMPANY**

220 N.W. Second Avenue  
Portland, Oregon 97209-3991

**NORTHWEST NATURAL GAS COMPANY**  
WN U-6

First Revision of Sheet T.3  
Cancels Original Sheet T.3

---

SCHEDULE T  
CUSTOMER-OWNED  
NATURAL GAS TRANSPORTATION SERVICE  
(continued)

**SUPPLY NOMINATIONS AND DELIVERIES:**

Customer must provide to the Company, in writing, the name(s) and telephone numbers of its authorized Marketer/supplier/agent(s) that will have authority to Nominate Natural Gas supplies on Company's distribution system for delivery on Customer's behalf.

Nominations of Customer-Owned Gas will be made in accordance with the Company's Nominations procedures. Acknowledged Confirmations, as received by the Company from the Pipeline, determines the volume of gas to be credited to Customer's account.

Company shall have the right to adjust a Customer's daily Nominations when, in Company's judgment, such action is necessary to bring into balance its system Nominations as a receiving party on the Pipeline system, or otherwise to maintain operational control or maintain the integrity of the Company's distribution system.

Customer shall be deemed to be in control and possession of gas purchased by Customer until it has been accepted by the Company at the Receipt Point. Company shall be deemed to be in control or possession of gas purchased by Customer until the equivalent terms are delivered to Customer at the Delivery Point.

The Company accepts gas purchased by Customer at the Receipt Point subject to Customer's warranty that at the time of the Company's receipt, Customer has good title to all gas received, free and clear from all liens, encumbrances and claims. Customer shall indemnify and hold Company harmless should a third party make any claims regarding Customer's title to gas transported under this schedule.

When combinations of sales and Transportation services through a single Delivery Point are applicable, the following delivery sequence will apply during the Gas Day.

- (1) Firm sales gas up to Customer's firm sales MDDV will be first through the meter; then
- (2) Firm Transportation gas up to Customer's firm transportation MDDV, or Acknowledged Confirmation level, whichever is less; then
- (3) Interruptible sales gas up to Customer's interruptible sales MDDV; then
- (4) Interruptible Transportation gas up to Customer's interruptible Transportation MDDV, or Acknowledged Confirmation level, whichever is less.

The mix between services cannot be changed for the duration of a Gas Day after initial Nominations for that day are transmitted to the Pipeline.

(continue to Sheet T-4)

Issued December 18, 2000  
NWN Advice No. WUTC 00-6

Effective with service on  
and after January 25, 2001

---

**Issued by: NORTHWEST NATURAL GAS COMPANY**

220 N.W. Second Avenue  
Portland, Oregon 97209-3991

**NORTHWEST NATURAL GAS COMPANY**  
WN U-6

First Revision of Sheet T.4  
Cancels Original Sheet T.4

---

**SCHEDULE T**  
**CUSTOMER-OWNED**  
**NATURAL GAS TRANSPORTATION SERVICE**  
(continued)

**BALANCING OF RECEIPTS AND DELIVERIES:**

Balancing of receipts and deliveries shall be accomplished on a daily basis to the extent possible. Cumulative Imbalances in receipts and deliveries will be carried over to the next month. If a Customer's cumulative Imbalance in any month is more than five percent (5%) above or below total Acknowledged Confirmations for that month, such Customer will be notified by the fifteenth (15<sup>th</sup>) day of the following month that the Imbalance exceeds the allowed tolerance, and such Customer will receive a minimum of forty-five (45) non-Entitlement days from the date of notification by the Company to eliminate the Imbalance.

If a Customer's cumulative Imbalance comes within the five percent (5%) tolerance, or the Imbalance has moved from negative to positive, or from positive to negative at the end of a billing month within a Balancing Period, that Balancing Period will end.

If an Imbalance is not brought to within the five percent (5%) tolerance, Customer will be required to choose one of two options to clear the Imbalance. The first option is to pay a Balancing charge of \$1.00 per Therm on all Imbalance Therms in excess of five percent (5%), and the Imbalance volumes will carry to the next Balancing Period. The Imbalance charge will be payable in addition to Customer's normal charges.

The second option is to buy out the Imbalance. If the Imbalance is negative, Customer may buy out the entire negative Imbalance volume by paying the Company a price per Therm that is the greater of: (a) the highest monthly spot price index reported over the previous three (3) month period, or (b) 150% of the Company's current Annual WACOG. If the Imbalance is positive, the Company will pay the Customer on all positive Imbalance volumes a price per Therm that is the lesser of: (a) the lowest monthly spot price index reported over the previous three (3) month period, or (b) 50% of the Company's current Annual WACOG. The spot price index to be used for purposes of the buy out option shall be that reported in "Inside F.E.R.C.'s Gas Market Report", for gas delivered to Northwest Pipeline Corp. at the Canadian border or Rocky Mountains. Following a buyout, Customer's cumulative Imbalance will be eliminated and that Balancing Period will end.

Customer must notify the Company in writing not later than the fifteenth (15<sup>th</sup>) day of that calendar month of its intent to exercise option two. If a Customer exercises option two in the month following the end of a Balancing Period, such Customer's cumulative Imbalance will be eliminated, but such Customer will be responsible for the payment of any Balancing charge assessed for the prior period.

Balancing gas is not available when Entitlement, Curtailment or Pre-emption has been ordered, except, during an Entitlement, to the extent of the Threshold Percentage tolerance levels.

Imbalances incurred as a direct result of a meter error or malfunction shall be resolved on a case-by-case basis between the Company and the Customer. In such an event, Customer shall notify the Company prior to purchasing Imbalance volumes from third party suppliers. The Company shall not be responsible to Customer for any costs incurred should Customer fail to make such appropriate notification.

(continue to Sheet T-5)

Issued December 18, 2000  
NWN Advice No. WUTC 00-6

Effective with service on  
and after January 25, 2001

---

Issued by: **NORTHWEST NATURAL GAS COMPANY**

220 N.W. Second Avenue  
Portland, Oregon 97209-3991

**NORTHWEST NATURAL GAS COMPANY**  
WN U-6

First Revision of Sheet T.5  
Cancels Original Sheet T.5

---

SCHEDULE T  
CUSTOMER-OWNED  
NATURAL GAS TRANSPORTATION SERVICE  
(continued)

**CURTAILMENT AND ENTITLEMENT:**

Any restrictions of service to Customer when Curtailment or Entitlement conditions exist will be made in accordance with the rules of this Tariff, and in accordance with currently effective Company policies and procedures, as circumstances dictate. Entitlement, Curtailment and Pre-emption of service may exist concurrently during any one episode. However, not more than one Entitlement, Curtailment, or Pre-emption condition will exist at any one time.

Restrictions of service under Curtailment conditions will be made in accordance with **RULES 14 AND 16**. Curtailment of Customer-Owned Gas due to Force Majeure conditions, or due to capacity limitation on the Company's system shall not be considered a Pre-emption of Customer-Owned Gas. Gas taken by a Customer due to a failure to comply with a Curtailment order will be considered unauthorized, and subject to charges set forth in **SCHEDULE C**.

Restrictions of service under Entitlement conditions will be made as follows:

Overrun Entitlement. In an Overrun Entitlement condition the following threshold percentage levels will be effective:

- Stage 1: Three percent (3%) of Acknowledged Confirmations; or  
if ordered within two (2) hours of the start of the Gas Day;  
five percent (5%) of Acknowledged Confirmations
- Stage 2: Eight percent (8%) of Acknowledged Confirmations
- Stage 3: Thirteen percent (13%) of Acknowledged Confirmations

The Company will specify the applicable threshold percentage in its Entitlement notice.

The following overrun charges will apply during any Overrun Entitlement episode:

- ∪ \$0.50 per Therm for any overrun that is greater than the threshold percentage but less than the threshold percentage plus two percent (2%) of a Customer's Acknowledged Confirmation on that day;
- ∪ \$1.00 per Therm for any overrun that is equal to or greater than the threshold percentage plus two percent (2%) of a Customer's Acknowledged Confirmation for that day.

(continue to Sheet T-6)

Issued December 18, 2000  
NWN Advice No. WUTC 00-6

Effective with service on  
and after January 25, 2001

---

Issued by: **NORTHWEST NATURAL GAS COMPANY**

220 N.W. Second Avenue  
Portland, Oregon 97209-3991

# NORTHWEST NATURAL GAS COMPANY

WN U-6

First Revision of Sheet T.6  
Cancels Original Sheet T.6, Original Sheet T.7,  
Original Sheet T.8, Original Sheet T.9, and Original Sheet T.10

---

## SCHEDULE T CUSTOMER-OWNED NATURAL GAS TRANSPORTATION SERVICE (continued)

### CURTAILMENT AND ENTITLEMENT (continued):

Underrun Entitlement. During an Underrun Entitlement condition, a Customer that is in an underrun situation will be notified and given seventy-two (72) hours to clear the system of the underrun imbalance to avoid underrun charges. Customer will be subject to underrun charges for each instance of underrun imbalance that occurs during any Underrun Entitlement period. The following charges will apply during any Underrun Entitlement episode:

- υ \$0.50 per Therm for any underrun between five percent (5%) and ten percent (10%) of a Customer's Entitlement on that day;
- υ \$1.00 per Therm for any underrun in excess of ten percent (10%) of a Customer's Entitlement on that day; and
- υ An additional \$1.00 per Therm for any underrun imbalances not taken within the seventy-two (72) hour period.

### PRE-EMPTION:

Customer-Owned Gas may be Pre-empted in the event that the Company's firm gas supply and Company's peaking facilities are insufficient at any time to meet the requirements of Firm Sales Service Customers.

The Company will use reasonable efforts to obtain voluntary Pre-emption of gas by negotiation with individual Customers. If the Company cannot obtain sufficient volumes of gas from volunteers, then the Company shall select and pay individual Customers for involuntary Pre-emption of gas at a rate of \$2.00 per Therm. The selection of individual Customers for involuntary Pre-emption will be based on system needs and Company's ability to maintain operational control or system integrity. The Company will use its best efforts to avoid Pre-empting an individual Customer's gas on a repeated basis.

A Customer who fails to comply with a Pre-emption Order shall pay \$2.00 per Therm for any gas taken, and the Company shall not be obligated to pay such Customer for Pre-emption gas.

The priorities of service for Pre-emption purposes due to limited gas supply are, as follows:

- (1) Firm Service schedules (pre-empted last).
- (2) Interruptible service schedules (pre-empted first).

A Customer's priority of service within each of the above categories shall be based on economic considerations and/or other contract considerations.

### GENERAL RULES AND REGULATIONS:

Service under this schedule is subject to the General Rules and Regulations contained in this Tariff and to those prescribed by regulatory authorities, as amended from time to time.

Issued December 18, 2000  
NWN Advice No. WUTC 00-6

Effective with service on  
and after January 25, 2001

---

Issued by: **NORTHWEST NATURAL GAS COMPANY**

220 N.W. Second Avenue  
Portland, Oregon 97209-3991