2/25/08

TRANS-CANADA WITHDRAWN PARTNERS

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

January 16, 2008

Anthony (Tony) M. Palmer
Vice-President Alaska Development
TransCanada PipeLines Limited
450 – 1st Street S.W.
Calgary, AB, T2P 5H1
Canada

Re: Request for information relating to ANNGTC agreements.

Dear Mr. Palmer:

This letter requests additional clarifying information related to the original partnership agreements of Alaska Northwest Natural Gas Transportation Company ("ANNGTC") and the Co-Applicants' Alaska Gasline Inducements Act ("AGIA") Application.

In accordance with Section 1.17 of the RFA, the Commissioners request that Co-Applicants (TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly) provide the information addressed in the attachment to this letter to assist the Commissioners in obtaining a clear and complete understanding of all aspects of the Co-Applicants' Application. The Commissioners request that Co-Applicants provide the requested information within five working days from the date of this letter. However, where possible, earlier responses to any of the questions by e-mail will facilitate the review.

Please submit the additional clarifying information, in writing and signed by an official with authority to bind the Co-Applicants, at the address below by 5:00 PM AST on January 24, 2008.

Paper copies must be submitted to:
AGIA License Office
State of Alaska, Dept of Revenue
550 West 7th Ave. Suite 1820
Anchorage, AK 99501

E-mails or Fax copies must be submitted to:
Mr. Chris Rutz
E-mail: crutz@aidea.org
Facsimile: 907-771-3930

Information submitted by e-mail or facsimile must be followed with a paper copy mailed or delivered to the address above. Please contact me at 907-771-3015, to confirm timely receipt of the information or if you have other questions concerning this request.

Sincerely,

Christopher Rutz C.P.M.
Procurement Manager

WRITTEN REQUESTS FOR ADDITIONAL DATA OR FOR CLARIFICATION
RFA Section 1.17

Confidentiality:

Co-Applicants may request that Proprietary or Trade Secret information submitted in response to this request for additional information be kept confidential. As set out in RFA Section . 13.6, Co-Applicants must mark each page containing information that they request to be kept confidential, include a copy of the page with the Proprietary or Trade Secret information redacted, and provide a brief non-confidential summary for each section for which the Co-Applicants seek confidentiality (AS 43.90.160(b)).

The State understands that the original partnership agreements of Alaska Northwest Natural Gas Transportation Company ("ANNGTC") contained provisions under which the capital account of a withdrawing partner would be reclassified to "subordinated debt" of the partnership and payable by the partnership to the withdrawn partners after the Alaskan Natural Gas Transportation System became operational. The State further understands that such payments are required to be made when the partnership determines that they can be made without undue hardship. According to the April 12, 2007 "Financial Report to the Board of Partners of the Alaskan Northwest Natural Gas Transportation Company, Year 2006" filed with the Federal Energy Regulatory Commission "Obligations to Withdrawn Partners" is approximately $8.9 billion.

1. Please provide copies of the ANNGTC partnership agreement and any ancillary agreement(s) relating to the obligations of the partners of ANNGTC as the same have been amended or modified, and please identify the ultimate parent company for each withdrawn partner from that partnership.

2. Please provide an organizational chart that shows the relationship between TransCanada Corporation and the following entities: (1) TransCanada Alaska Company, LLC (one of the Co-applicants for the AGIA license); (2) Foothills Pipe Lines Ltd. (the other Co-Applicant for the AGIA license); (3) United Alaska Fuels Corporation (partner in) and (4) TransCanada PipeLine USA Ltd. (partner in ANNGTC).

3. Please identify the "applicable Canadian subsidiaries" of Foothills Pipe Lines Ltd. that are, "identified in the *Northern Pipeline Act* ('NPA') as having responsibility for the various zones of the Project in Canada" (Application at Section 1.3, Page 1-1) and describe what responsibility each entity has for each zone of the project in Canada.

4. Please state whether the ANNGTC holds any authorizations under the Northern Pipeline Act or otherwise for any facilities in Canada.

5. Please state whether Foothills Pipe Lines Ltd. or any of its subsidiaries holds any authorizations for facilities in the U.S. under the Alaska Natural Gas Transportation Act ("ANGTA").

6. Please provide all documentation whereby any of the withdrawn partners of the ANNGTC have acknowledged or agreed:

   (i) that there will be no obligation to withdrawn partners if the project proposed in the November 30, 2007, AGIA application is placed into service; or

(ii) that any partner withdrawing from that partnership forfeits all ownership rights, including past capital contributions.

7. Please provide all memoranda (internal or otherwise) and opinion letters from inside or outside counsel that TransCanada has received or commissioned evaluating TransCanada's obligations to withdrawn partners of the ANNGTC if the project proposed in the November 30, 2007, AGIA application is placed into service.

8. Please identify any obligations that the Co-Applicants, and their successors and assigns, would have to the partners of ANNGTC with respect to the AGIA project.

9. Assuming that the project proposed in the November 30 application is completed at the cost and on the schedule contained in the application.

(i) Please state what the Co-Applicants would do with respect to rates for the project if either of the Co-Applicants or affiliates or subsidiaries of the Co-Applicants are ultimately required to pay any obligations to withdrawn partners of the ANNGTC. Would the Co-Applicants commit not to include any such payments in the rates for their proposed project?

(ii) If the answer to (i) is yes, please confirm that such a commitment would be binding on the Co-Applicants if awarded the AGIA License.

TransCanada
In business to deliver

January 24, 2008

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.2035
fax 403.920.2318
email tony_palmer@transcanada.com
web www.transcanada.com

AGIA License Office
State of Alaska, Dept of Revenue
550 West 7th Ave. Suite 1820
Anchorage, AK 99501

Attention: Mr. Christopher Rutz
AGIA License Office

Subject: Alaska Gasline Inducement Act
TransCanada Application for License
Additional Clarifying Information

Dear Mr. Rutz:

TransCanada acknowledges receipt of your correspondence dated January 16, 2008 in which TransCanada is asked to provide additional clarifying information to its November 30, 2007 Application for License. In that regard, please find attached our responses to the nine requests you forwarded.

We are submitting this reply document to the State by two means:

- we are today e-mailing an electronic copy to the attention of Mr Chris Rutz at crutz@aidea.org: and
- we are today forwarding the originally signed document by courier to the AGIA License Office, attention Chris Rutz.

Thank you for your ongoing consideration of our Application and I remain available to provide further information or participate in discussions that the State may wish to initiate.

Sincerely,

A. M. (Tony) Palmer
Vice President, Alaska Development

This response to the State's January 16, 2008 letter asking for additional information regarding Alaskan Northwest Natural Gas Transportation Company ("ANNGTC" or "the Partnership") is being submitted by TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd. (the "TransCanada AGIA Applicants" or "we"). We do not request confidential treatment for any of the information included in this response.

Before responding to the specific questions the State has asked, we believe that the following background information regarding ANNGTC will be helpful.

Background Information Regarding ANNGTC (Voluntarily Provided by the TransCanada AGIA Applicants)

ANNGTC was formed as a New York general partnership in 1978 to construct and operate the Alaska Natural Gas Transportation System ("ANGTS") pursuant to the Alaska Natural Gas Transportation Act of 1976 ("ANGTA"). The ANNGTC General Partnership Agreement (a copy of which is attached as Exhibit 1-A) anticipated that the pipeline would be built relatively promptly; thus, Section 3.3 of the Partnership Agreement, which sets forth the purpose of the Partnership, provides that the "Line" (defined in the Partnership Agreement as the "Gas pipeline to be owned and operated by the Partnership," extending from Prudhoe Bay to an interconnection with the Canadian pipeline) was to be put in operation by January 1, 1983 or "as soon thereafter as practicable." Each partner in ANNGTC was required to make an initial capital contribution equal to its pro rata share of up to $24 million and then to make annual capital contributions in the amount set by ANNGTC's Board of Partners each year. Partners who did not wish to continue contributing had the option of withdrawing, subject to a continuing obligation on the part of partners who joined later than others, to make equalizing payments to true up their capital contributions to the amount of the original partners' contributions.

The Partnership Agreement significantly limits the rights of partners that withdraw from the Partnership. Section 15.9 of the Partnership Agreement expressly provides that withdrawal "terminates the Withdrawing Partner's status as a Partner" and that a Withdrawn Partner "shall have those rights stated in Section 4.4.4 and no others." Section 4.4.4 provides that Withdrawn Partners are not entitled to any return of their capital contributions, except that they "shall be entitled to receive, after the Line becomes operational and at a time when the Executive Committee determines payment may be made without undue hardship to the Partnership" an amount equal to their respective capital contributions. If their right to payment is triggered, the Withdrawn Partners are also entitled to a return on their capital contributions, from the date of the withdrawal to the date of payment, "calculated at the rate permitted by the FERC to the Partnership as the Partnership's allowance for such funds during construction." Section 4.4.4 provides that the amounts due to Withdrawn Partners "shall be recorded as a contingent liability of the Partnership, and not as a Partner's Capital Account" and that their right to reimbursement is subordinate to the rights of the Partnership's other creditors. In FERC Order No. 31, issued in June 1979, the FERC preliminarily set the Partnership's AFUDC rate at 14% per annum.

There were originally eleven partners in ANNGTC. Partners began withdrawing in 1981; the last partner not affiliated with TransCanada withdrew more than a decade ago, in 1994.[1] The only remaining ANNGTC partners are TransCanada PipeLine USA Ltd. and United Alaska Fuels Corporation, both of which are indirect, wholly owned subsidiaries of TransCanada Corporation.

In accordance with the terms of the ANNGTC General Partnership Agreement, ANNGTC has recorded the amounts due to Withdrawn Partners under the Partnership Agreement as contingent liabilities on its financial statements. Those liabilities had grown to approximately $8.9 billion as of December 31, 2006.

Before the deadline for submitting applications under the Alaska Gasline Inducement Act ("AGIA"), the Partnership considered whether it could or should submit an application for the AGIA license. Ultimately, the Partnership concluded that the uncertainties created by ANNGTC's historical contingent liabilities would preclude it from making a viable proposal to be the AGIA licensee. Accordingly, ANNGTC has not made any application and has played no role in the AGIA application filed by the TransCanada AGIA Applicants.

It should be emphasized that the TransCanada AGIA Applicants are not, and have never been, partners in ANNGTC. They are entirely separate legal entities that have no obligations under the Partnership Agreement. Furthermore, their AGIA application does not contemplate the use of any assets owned by the Partnership (such as the certificate ANNGTC obtained from FERC under ANGTA or proprietary intellectual property licensed to or developed by the Partnership).

The State's January 16, 2008 request for information asks whether the TransCanada AGIA Applicants would have any liability to ANNGTC's Withdrawn Partners if the TransCanada AGIA Applicants were selected as the AGIA licensee and succeeded in constructing the pipeline. The answer to that question is "no"; the TransCanada AGIA Applicants would have no such liability. As noted above, the TransCanada AGIA Applicants are not, and have never been, partners in ANNGTC, and, their November 30, 2007 AGIA application does not contemplate the use of any Partnership assets. Moreover, they would have no liability for the same reasons that no other TransCanada entity, including the remaining partners in the Partnership, would have no such liability. Under the Partnership Agreement, contingent liabilities to Withdrawn Partners are triggered only if (among other things) the Partnership itself builds the Line contemplated by the Partnership Agreement—namely, the pipeline authorized under ANGTA. The remaining partners in the Partnership have no obligation under the terms of the Partnership Agreement to pursue that project (which, in any event, is no longer viable due to the contingent obligations of the Partnership) and owe no duties to their former partners who have withdrawn from the venture. Furthermore, the Partnership Agreement does not contain any provision that purports to limit the ability of a partner or former partner—let alone their respective affiliates—to pursue a

[1] The original partners in ANNGTC and their withdrawal dates are as follows: Texas Gas Alaska Corporation (1981), American Natural Alaskan Company (1982), Northern Arctic Gas Company (1984), Columbia Alaskan Gas Transmission Corporation (1984), Pan Alaskan Gas Company (1984), Pacific Interstate Transmission Company (Arctic) (1985), TETCO Four, Inc. (1989), Calaska Energy Company (1993), and Northwest Alaskan Pipeline Company (1994). Until its withdrawal in 1994, Northwest Alaskan Pipeline Company was the Operator of the Partnership.

separate pipeline project. Accordingly, neither the TransCanada AGIA Applicants nor any other TransCanada entity will have any obligation to the Withdrawn Partners if the TC AGIA Applicants succeed in building the pipeline proposed in their November 30, 2007 AGIA application.

State of Alaska Request #1

Please provide copies of the ANNGTC partnership agreement and any ancillary agreement(s) relating to the obligations of the partners of ANNGTC as the same have been amended or modified, and please identify the ultimate parent company for each withdrawn partner from that partnership.

Response

Exhibit 1-A to this response is a copy of the ANNGTC General Partnership Agreement, including all amendments to date. Exhibit 1-B includes copies of all withdrawal notices received from the Withdrawn Partners of ANNGTC of which we are aware. We are not aware of any ancillary agreements that would affect the obligations of the ANNGTC partners to each other or to the Withdrawn Partners.

Set forth below is a chart listing the name of each Withdrawn Partner of ANNGTC, the year such Withdrawn Partner withdrew from the Partnership and the entity we believe is the current ultimate parent of such Withdrawn Partner.

Name of Withdrawn Partner (Year of Withdrawal from ANNGTC)	Current Ultimate Parent of Withdrawn Partner*
Texas Gas Alaska Corporation (1981)	Loews Corporation
American Natural Alaskan Company (1982)	TransCanada Corporation
Northern Arctic Gas Company (1984)	MidAmerican Energy Holdings Company, a consolidated subsidiary of Berkshire Hathaway Inc.
Columbia Alaskan Gas Transmission Corporation (1984)	NiSource Inc.
Pan Alaskan Gas Company (1984)	TransCanada Corporation
Pacific Interstate Transmission Company (Arctic) (1985)**	Sempra Energy
TETCO Four, Inc. (1989)	TransCanada Corporation
Calaska Energy Company (1993)	PG&E Corporation
Northwest Alaskan Pipeline Company (1994)	The Williams Companies, Inc.

* Information regarding the Withdrawn Partners' ultimate parent (other than those that are currently affiliates of TransCanada Corporation) is given to the best of our information and belief. We make no representation or warranty as to the accuracy of the information provided.

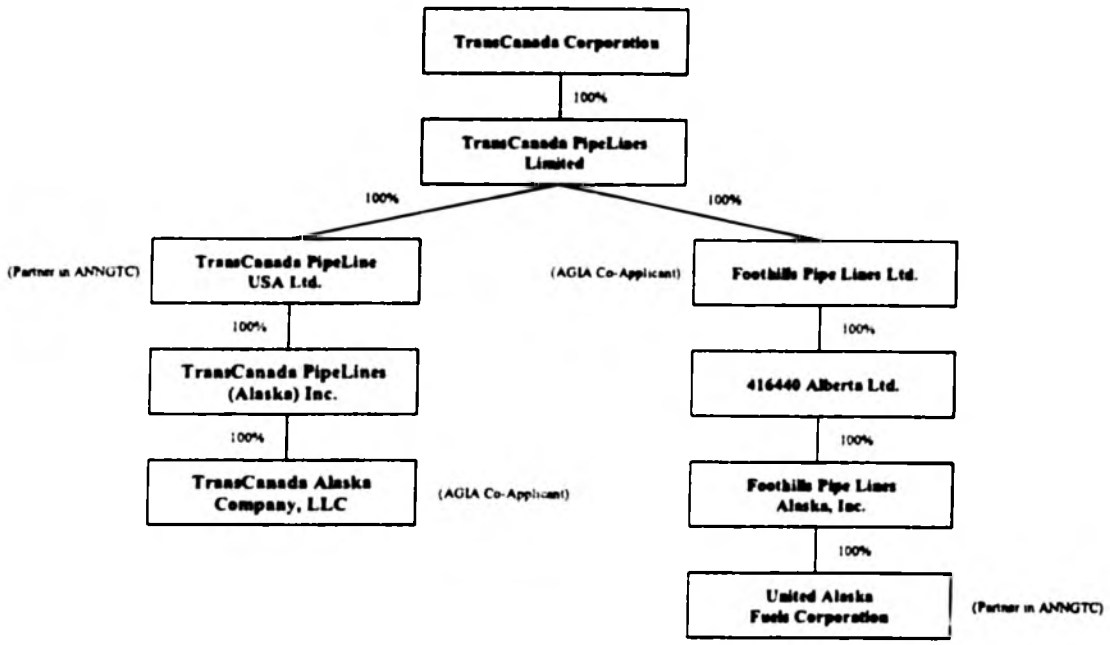
** We understand that Pacific Interstate Transmission Company (Arctic) has transferred its right to any contingent payments under Section 4.4.4 of the ANNGTC General Partnership Agreement to a trust for the benefit of the California Public Utility Commission.

State of Alaska Request #2

Please provide an organizational chart that shows the relationship between TransCanada Corporation and the following entities: (1) TransCanada Alaska Company, LLC (one of the Co-applicants for the AGIA license); (2) Foothills Pipe Lines Ltd. (the other Co-Applicant for the AGIA license); (3) United Alaska Fuels Corporation (partner in ANNGTC) and (4) TransCanada PipeLine USA Ltd. (partner in ANNGTC).

Response

Set forth below is an organizational chart that graphically depicts the relationship between TransCanada Corporation (the ultimate parent in the TransCanada corporate structure) and the entities referenced in the State's request.



State of Alaska Request #3

Please identify the "applicable Canadian subsidiaries" of Foothills Pipe Lines Ltd. that are "identified in the *Northern Pipeline Act* ('NPA') as having responsibility for the various zones of the Project in Canada" (Application at Section 1.3, Page 1-1) and describe what responsibility each entity has for each zone of the project in Canada.

Response

The applicable Canadian subsidiaries of Foothills Pipe Lines Ltd. and the zones for which they have responsibility to own, construct and operate the Project in Canada are as follows:

(Zones 1 through 5 form part of the Project as described in the TC AGIA Applicants' pending application and have yet to be built.)

Zone	Subsidiary Name	Responsible Area
Zone 1	Foothills Pipe Lines (South Yukon) Ltd.	Alaska Boundary to Whitehorse
Zone 2	Foothills Pipe Lines (South Yukon) Ltd.	Whitehorse to Watson Lake
Zone 3	Foothills Pipe Lines (North B.C.) Ltd.	Watson Lake to Fort Nelson
Zone 4	Foothills Pipe Lines (North B.C.) Ltd.	Fort Nelson to the Alberta-B.C. border
Zone 5	Foothills Pipe Lines (Alta.) Ltd.	Alberta-B.C. border to Caroline, Alberta

(Zones 6 through 9 make up the portion of the Project described in the TC AGIA Applicants' pending application as the "Pre-Build," which has already been constructed.)

Zone	Company Name	Responsible Area
Zone 6	Foothills Pipe Lines (Alta.) Ltd.	Caroline, Alberta to Alberta-Saskatchewan border near Empress
Zone 7	Foothills Pipe Lines (Alta.) Ltd.	Caroline, Alberta to Alberta-B.C. border near Coleman
Zone 8	Foothills Pipe Lines (South B.C.) Ltd.	Alberta-B.C. border near Coleman to B.C.-United States border near Kingsgate
Zone 9	Foothills Pipe Lines (Sask.) Ltd.	Alberta-Saskatchewan border near Empress to Saskatchewan-United States border near Monchy

State of Alaska Request #4

Please state whether ANNGTC holds any authorizations under the *Northern Pipeline Act* or otherwise for any facilities in Canada.

Response

ANNGTC does not hold any authorizations under the *Northern Pipeline Act* or otherwise for any facilities in Canada.

State of Alaska Request #5

Please state whether Foothills Pipe Lines Ltd. or any of its subsidiaries holds any authorizations for facilities in the U.S. under the Alaska Natural Gas Transportation Act ("ANGTA").

Response

Foothills Pipe Lines Ltd. and its subsidiaries do not hold any authorizations for facilities in the United States under ANGTA.

United Alaska Fuels Corporation, an indirect, wholly owned subsidiary of Foothills Pipe Lines Ltd., is one of two partners in ANNGTC. As we explained in the "Background" section of this response, the ANNGTC Partnership is a New York general partnership that was formed in 1978 to construct and operate the Alaska Natural Gas Transportation System (ANGTS) pursuant to the ANGTA. The Partnership currently holds a FERC certificate of public convenience and necessity, a federal right-of-way and several permits with respect to the ANGTS. ANNGTC is neither a co-applicant nor a participant for the November 30, 2007 AGIA application, and the TransCanada AGIA Applicants have not used, and do not intend to use, any assets owned by the Partnership.

State of Alaska Request #6

Please provide all documentation whereby any of the withdrawn partners of ANNGTC have acknowledged or agreed:

(i) that there will be no obligation to withdrawn partners if the project proposed in the November 30, 2007, AGIA application is placed into service; or

(ii) that any partner withdrawing from that partnership forfeits all ownership rights, including past capital contributions.

Response

(i) As explained in the "Background" section of this response, no TransCanada entity, including the TransCanada AGIA Applicants, will have any obligations to ANNGTC's Withdrawn Partners if the project proposed in the November 30, 2007 AGIA application is placed into service. The TransCanada AGIA Applicants are not, and have never been, partners in ANNGTC. They are entirely separate legal entities that have no obligations under the ANNGTC General Partnership Agreement and owe no duties to the Withdrawn Partners. As we have also explained above, neither ANNGTC nor its two remaining partners will have any obligations to the Withdrawn Partners in the event the TransCanada AGIA Applicants put their proposed project into service.

These conclusions are fully supported by the ANNGTC General Partnership Agreement, a copy of which is attached as Exhibit 1-A. We are not aware of any other documentation with or from Withdrawn Partners responsive to this request.

(ii) The ANNGTC General Partnership Agreement provides that each Withdrawn Partner forfeited all ownership rights in ANNGTC, including any ownership rights it may have had in ANNGTC's assets, upon withdrawal. Thus, Section 15.9 of the Partnership Agreement provides that withdrawal "terminates the Withdrawing Partner's status as a Partner" and that a Withdrawn Partner "shall have those rights stated in Section 4.4.4 *and no others*." Section 4.4.4 provides that Withdrawn Partners are not entitled to any return of their capital contributions, except that they are entitled to receive a payment equal to their forfeited capital contributions (plus a return at the FERC-approved AFUDC rate) if the ANGTS/ANGTA pipeline constructed by the Partnership ever becomes operational and the Executive Committee of the Partnership determines payment may be made without undue hardship to the Partnership. And Section 7.10 of the Partnership Agreement expressly provides in several places that a Withdrawn Partner forfeits all ownership rights, if any, that the Withdrawn Partner might have had in the Partnership's proprietary intellectual property prior to withdrawal.

Apart from the ANNGTC General Partnership Agreement itself and the withdrawal letters from Withdrawn Partners, copies of which are attached as Exhibits 1-A and 1-B, we are not aware of any other documentation responsive to this request.

State of Alaska Request #7

Please provide all memoranda (internal or otherwise) and opinion letters from inside or outside counsel that TransCanada has received or commissioned evaluating TransCanada's obligations to withdrawn partners of ANNGTC if the project proposed in the November 30, 2007, AGIA application is placed into service.

Response

We have explained in the "Background" section of this response why we believe that no TransCanada entity, including the TransCanada AGIA Applicants, has any potential liability to the Withdrawn Partners. The information the State has requested in question 7 seeks access to privileged and/or confidential communications that cannot be shared with the State without the risk that it could be deemed a waiver. Accordingly, we are unable to supply the State with the documents requested.

State of Alaska Request #8

Please identify any obligations that the Co-Applicants, and their successors and assigns, would have to the partners of ANNGTC with respect to the AGIA project.

Response

None. The TransCanada AGIA Applicants and their respective successors and assigns do not have any obligations to the Withdrawn Partners of ANNGTC or to the current partners of ANNGTC (both of which are indirect, wholly owned subsidiaries of TransCanada Corporation) with respect to the AGIA project.

State of Alaska Request #9

Assuming that the project proposed in the November 30 application is completed at the cost and on the schedule contained in the application.

(i) Please state what the Co-Applicants would do with respect to rates for the project if either of the Co-Applicants or affiliates or subsidiaries of the Co-Applicants are ultimately required to pay any obligations to withdrawn partners of the ANNGTC. Would the Co-Applicants commit not to include any such payments in the rates for their proposed project?

(ii) If the answer to (i) is yes, please confirm that such a commitment would be binding on the Co-Applicants if awarded the AGIA License.

Response

(i) The statement and commitment the State seems to be requesting in question 9 presumes that the TransCanada AGIA Applicants would be required to pay, either directly or indirectly, obligations owing to ANNGTC's Withdrawn Partners. As we explained in the "Background" section of this response and in our response to questions 6 and 8, that presumption is incorrect; no TransCanada entity, including the TransCanada AGIA Applicants, their successors and assigns, has any obligations that would require any such payment. Nevertheless, in the highly unlikely event that the TransCanada AGIA Applicants or any of their affiliates or subsidiaries were to be somehow required to pay an obligation to a Withdrawn Partner of ANNGTC, the TransCanada AGIA Applicants hereby commit not to include such payment in the rates for the project proposed in their AGIA application.

(ii) We confirm that this commitment will be binding on the TransCanada AGIA Applicants if they are awarded the AGIA License.

EXHIBIT 1-A

ANNGTC Partnership Agreement and Amendments

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

GENERAL PARTNERSHIP AGREEMENT

(Effective as of January 31, 1978)

INDEX

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

GENERAL PARTNERSHIP AGREEMENT
(Effective as of January 31, 1978)

The parties to this Agreement voluntarily associate themselves as general partners and agree as follows:

1 Parties The following are the parties to this Agreement:

1.1 Northern Arctic Gas Company, a corporation organized under the laws of the State of Delaware, with its principal corporate offices at 2223 Dodge Street, Omaha, Nebraska. Northern Arctic Gas Company represents that: (a) all of its capital stock is owned by Northern Natural Gas Company, a Delaware corporation; and (b) Northern Natural Gas Company intends to become a Shipper.

1.2 Northwest Alaskan Pipeline Company (previously Alcan Pipeline Company, and hereinafter called "Northwest"), a corporation organized under the laws of the State of Delaware, with its principal corporate offices at 315 East 200 South Street, Salt Lake City, Utah. Northwest represents that: (a) as of the Formation Date, all of its stock is owned by Northwest Energy Corporation, a Delaware corporation; and (b) Northwest Energy Corporation also owns all of the common stock of Northwest Pipeline Corporation, a Delaware corporation, which intends to become a Shipper

1.3 Pan Alaskan Gas Company, a corporation organized under the laws of the State of Delaware, with its principal corporate offices at 3000 Bissonnet Avenue, Houston, Texas. Pan Alaskan Gas Company represents that: (a) all of its capital stock is owned by Panhandle Eastern Pipe Line Company, a Delaware corporation; and (b) Panhandle Eastern Pipe Line Company intends to become a Shipper.

1 4 Natural Gas Corporation of California, a corporation organized under the laws of the State of California, with its principal corporate offices at 77 Beale Street, San Francisco,

California. Natural Gas Corporation of California represents that: (a) all of its capital stock is owned by Pacific Gas and Electric Company, a California corporation; and (b) Natural Gas Corporation of California intends to become a Shipper.

1.5 Pacific Interstate Transmission Company (Arctic), a corporation organized under the laws of the State of California, with its principal corporate offices at 720 West Eighth Street, Los Angeles, California. Pacific Interstate Transmission Company (Arctic) represents that: (a) all of its capital stock is owned by Pacific Interstate Transmission Company, a California corporation; and (b) Pacific Interstate Transmission Company intends to become a Shipper.

1.6 United Alaska Fuels Corporation, a corporation organized under the laws of the State of Delaware, with its principal office at 700 Milam Street, Houston, Texas. United Alaska Fuels Corporation represents that: (a) as of the Formation Date, all of its capital stock is owned by United Gas Pipe Line Company, a Delaware corporation; and (b) United Gas Pipe Line Company intends to become a Shipper.

2. Definitions. Unless otherwise required by the context, the terms defined in this Section 2 shall, for all purposes of this Agreement, have the respective meanings set forth below:

2.1 Additional Partners: A general Partner under this Agreement admitted in accordance with the provisions of Section 11.

2.2 Affiliate: Any person which, directly or indirectly, through one or more intermediaries controls or is controlled by or is under common control with another person.

2.3 Alaska Natural Gas Transportation System: The natural gas pipeline and related facilities to be constructed and operated to transport natural gas from Alaska and Canada to the lower Forty-Eight States, as described in the Presidential Report.

2.4 Board of Partners: The Board of Partners provided for in Section 8.

2 5 Canadian Pipeline: The natural gas pipaline and related facilities to be constructed and operated in Canada, as described in the Presidential Report

2.6 Capital Account: The total Capital Investment credited to the account of a Partner in accordance with Sections 4, 11 1.1 and 12, plus any undistributed profits of the Partnership and less any losses of the Partnership determined in accordance with Required Accounting Practice and allocated to such account in accordance with Section 5 and less also any capital contribution returned to such Partner pursuant to Section 6 The Capital Accounts of the Partners established pursuant to this Agreement shall not be deemed to be, or have the same meaning as, the capital account of the Partnership under Section 12 of the Natural Gas Act.

2.7 Capital Investment: The sum of the capital contributions made by a Partner pursuant to Sections 4, 11.1 1 and 12.

2.8 Certified Public Accountants: A firm of independent public accountants selected from time to time by the Board of Partners

2 9 Commitment Date: The date as of which the Partnership Commitment Agreement shall have become effective by its terms.

2.10 Corporation: Alaskan Northwest Gas Transmission Corporation, a corporation organized or to be organized under the laws of Delaware for the purpose, among others, of succeeding to the assets and business of the Partnership as provided in Section 14, if succession occurs, and which corporation shall have such classes of stock, common and preferred, voting and nonvoting, as the Certificate of Incorporation and By-Laws of said corporation may provide.

2.11 Cost of the Project: Qualified Expenditures and all costs and expenses incurred, assumed or paid by the Partnership for the acquisition, planning, design, engineering and construction of the Project, and securing necessary governmental authorizations and approvals therefor.

2.12 Estimated Cost of the Project: The Cost of the Project as estimated by the Executive Committee and approved by the Board of Partners

2.13 Executive Committee: The Executive Committee provided for in Section 8

2.14 Financing Commitment Agreements: Arrangements for the issuance of debt securities by the Partnership, debt and other securities by the Corporation or the Financing Corporation, (or by any combination of them), the proceeds of which are sufficient, together with the capital contributions to be made by the Partners pursuant to the Partnership Commitment Agreement, in the opinion of the Board of Partners, to complete construction of the Project based upon the then Estimated Cost of the Project.

2.15 Financing Corporation: A corporation organized or to be organized for the purpose of issuing securities, the proceeds of the sale of which are to be paid, directly or indirectly, to the Partnership to finance partially the Cost of the Project; the Financing Corporation may be the same corporate entity as the Corporation, and shall have such class or classes of stock, common and preferred, voting and nonvoting, as the Certificate of Incorporation and By-Laws of the Financing Corporation may provide.

2.16 Formation Date: The date as of which the Partnership is formed, as provided in Section 3.1

2 17 FERC: The Federal Energy Regulatory Commission or any commission, agency or other governmental body succeeding to the powers of such commission.

2.18 Gas: Gas having the physical and chemical qualities required for acceptance by the Partnership for transportation under the Partnership's tariffs at the time either (i) in effect under an appropriate order of the FERC or (ii) on file with the FERC pursuant to an application of the Partnership that such tariff become effective

2.19 Initial Capital Investment: The initial capital contribution to be made by those Partners contributing in accordance with Section 4.1.

2.20 Initial FERC Certificate: The certificate of public convenience and necessity issued by the FERC under the Natural Gas Act, pursuant to Section 9 of the Alaska Natural Gas Transportation Act of 1976, authorizing the construction of the Project and the operation of the Line, notwithstanding the fact that such certificate is subject to the satisfaction of conditions which are material

2 21 In-Service Date: The date on which the Project (other than extensions or increases in transmission capacity not authorized by the Initial FERC Certificate) has been placed in service from the Prudhoe Bay area to the interconnection on the Alaska-Canada border with the Canadian Pipeline (without regard to whether deliveries of Gas are then being made or capable of being made at maximum amounts authorized by the FERC by the Initial FERC Certificate or whether the compression facilities so authorized have been placed in-service) pursuant to notice to the FERC.

2 22 Line: The Gas pipeline and related facilities to be owned and operated by the Partnership, which shall initially extend from the Prudhoe Bay area to an interconnection with the Canadian Pipeline on the Alaska-Canada border, and any extensions, expansions, additions, betterments or renewals thereof.

2.23 Operator: The Operator provided for in Section 8.

2 24 Partner: Each of the Partners executing this Agreement, and any Partner substituted for an original Partner pursuant to Section 10; and any Additional Partner which is admitted to the Partnership pursuant to Section 11; provided, however, that the term Partner shall not include any Person which has given a Withdrawal Notice (as defined in Section 15 2) to the Partners and the Partnership pursuant to Sections 15.2 and 16.2, or any Person which has been deemed to have withdrawn from the Partnership pursuant to Sections 4.4.5, 12.2 or 15.4.

2 25 Partnership: The general Partnership created by this Agreement.

2 26 Partnership Commitment Agreement: The Agreement, executed by all Partners, pursuant to which all Partners (other than those Partners who have withdrawn prior to the execution of

such agreement) agree to establish each Partner's Percentage for the period commencing with the Commitment Date and agree to make capital contributions to the Partnership sufficient, together with the proceeds of securities to be issued pursuant to the Financing Commitment Agreements, to finance the Estimated Cost of the Project as of the Commitment Date.

2.27 Partner's Percentage: That percentage which is determined by dividing a Partner's Capital Account by the total of all Partners' Capital Accounts, rounded to the nearest ten-thousandth of one percent

2 28 Person: An individual, a corporation, voluntary association, joint stock company, business trust or partnership

2 29 Pre-Commitment Capital Investment: The capital contributions to be made by each of the Partners in accordance with Section 4 2.

2.30 Presidential Report: The "Decision and Report to Congress on the Alaska Natural Gas Transportation System" issued by the President on September 22, 1977.

2 31 Project: The Gas transmission pipeline (together with all related properties and facilities) to extend from the Prudhoe Bay area of the North Slope of Alaska to an interconnection with the Canadian Pipeline on the Alaska-Canada border, as described in the Presidential Report, and the planning, design and construction of such pipeline and facilities.

2.32 Qualified Expenditures: Expenditures to acquire information, knowledge, studies, tests, computer programs or governmental authorizations by any Partner or corporate Affiliate of a Partner, in the course of activities reasonably related to the selection of a transportation system for the delivery of Alaskan natural gas, if such expenditures were made by such Partner or corporate Affiliate prior to the Formation Date

2 33 Required Accounting Practice: The accounting rules and regulations, if any, at the time prescribed by the regulatory body or bodies under the jurisdiction of which the Partnership is at the time operating and, to the extent of matters not covered by such rules and regulations, generally

accepted principles of accounting at the time prevailing, for companies engaged in a business similar to that of the Partnership

2.34 SEC: The Securities and Exchange Commission or any commission, agency or other governmental body succeeding to the powers of such commission.

2.35 Shipper: Any Person which enters into a contract with the Partnership for the purpose of transporting Gas through all or any portion of the Line.

2.36 Shipper Commitment Agreements: Agreements pursuant to which Shippers agree to transport Gas through the facilities of the Line.

3. Formation and Purpose of the General Partnership

3.1 Formation: The Partnership formed by this Agreement shall be a general partnership, to be effective as of January 31, 1978, pursuant to the Uniform Partnership Act of the State of New York.

3.2 Name: The name of the Partnership shall be: ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY.

3.3 Purpose: The Partnership is the successor to all of the rights, titles and interests of Alcan Pipeline Company as the Person designated by the Presidential Report and related Federal Power Commission and FERC proceedings and orders to construct and operate a natural gas pipeline system in Alaska pursuant to Section 7(a)(4)(B) of the Alaska Natural Gas Transportation Act of 1976. The Partnership shall plan, design, obtain financing for and construct the Project, own and operate the Line and place the Line in service on January 1, 1983 or as soon thereafter as practicable. The Partnership proposes to transport Gas owned by Shippers from points at which the Partnership is authorized to receive Gas to the point of interconnection with the Canadian Pipeline, and to any intermediate points authorized by appropriate governmental orders. The Partners agree to cooperate, and to cause their Affiliates to cooperate, in obtaining all necessary authorizations from governmental authorities having jurisdiction as may be required to construct the Project and operate the Line.

3.4 Use of the Line: It is the intention and policy of the Partnership that the Line shall be a contract carrier of Gas and be available to Shippers (whether or not a Partner or its Affiliate) on a fair and non-discriminatory basis Nothing in this Agreement shall (i) commit or entitle any Partner or any of its Affiliates to transport Gas owned by, or committed to be sold to, such Partner or Affiliate through the Line or other facilities of the Partnership regardless of the location of such Partner's or Affiliate's owned or controlled Gas reserves or the markets to which such Gas is to be delivered or (ii) limit the availability of Gas transportation service only to those who are Partners or Affiliates of Partners.

3.5 Regulatory Status: The Partners acknowledge that the Partnership will be a "natural gas company" under the Natural Gas Act subject to the jurisdiction of the FERC.

3.6 Representations and Warranties Concerning Formation of Partnership: Each Partner represents and warrants that, subject to the receipt of all necessary regulatory approvals relating to this Agreement and the investment of the Partners in this Partnership, the execution and delivery of this Agreement, the formation of the Partnership and the performance hereof will not contravene any provision of, or constitute a default under, any indenture, mortgage or other agreement of such Partner or any Affiliate of such Partner or any order of any court, commission or governmental agency having jurisdiction, and this Agreement is a valid and enforceable Agreement against such Partner except insofar as enforcement hereof may be limited by bankruptcy, insolvency or other similar laws related to or affecting the enforcement of creditors' rights. Each of the Parties to this Agreement set forth in Sections 1.1 through 1.6 represents that it is not subject to the jurisdiction of the SEC as a public utility holding company within the meaning of the Public Utility Holding Company Act of 1935.

3.7 Offices: The principal offices of the Partnership shall be at such place as the Executive Committee may determine.

4. Capital Investments.

4.1 Initial Capital Investment:

4.1.1 The Qualified Expenditures of each Partner shall, as provided in Sections 4.1.2, 4.1.3 and 4.1.4, be credited to the respective Capital Accounts of the contributing Partners, and assets acquired by means of Qualified Expenditures shall be and are hereby contributed to the Partnership.

4.1.2 Subject to such change as may be necessary by Section 4.1.4, the value to the Project of Northwest's Qualified Expenditures, and Northwest's initial Capital Account balance, is agreed to be $19,163,000.00, the amount expended by Northwest and its Affiliates through January 31, 1978. The Partners, other than Northwest, may have reasonable access to Northwest's books and records to verify the accuracy of such expenditures

4.1.3 Subject to such change as may be necessary by Section 4.1.4, the identification and value to the Project of the Qualified Expenditures of any Partner or any Affiliate of a Partner (other than Northwest) shall be determined by the Board of Partners. Upon review and determination of the value of the Qualified Expenditures of such Partners or Affiliates (other than Northwest), as herein provided (such review and determination to be made as soon as practicable after the Formation Date and, in any event, prior to November 30, 1978), the Capital Account of each Partner (other than Northwest) shall be credited with the amount so determined. Each Partner claiming a Qualified Expenditure shall permit the Partners reasonable access to its books and records to verify such expenditure.

4.1.4 Qualified Expenditures, and the value of assets generated thereby, shall be subject to review and verification by the FERC, and only those expenditures, and the values ascribed to such assets, found by the FERC to reflect reasonable and necessary expenditures, prudently incurred, shall be retained in the Capital Accounts, and then only to the extent that FERC authorizes the inclusion thereof as a capital expenditure appropriately made on

behalf of the Partnership for inclusion in rate base. Any disallowance by the FERC of an amount included in any Capital Account under Section 4.1 shall be reflected forthwith in a retroactive adjustment of (i) the Capital Account from which such amount was so disallowed and (ii) all other Capital Accounts affected by such disallowance in accordance with this Agreement

4 2 Pre-Commitment Date Capital Investment:

4.2 1 Each Partner agrees to contribute to the Partnership, for the period commencing with the Formation Date and ending July 31, 1978, an amount equal to the anticipated cash requirements of the Partnership during such period divided by the number of Partners.

4.2 2 The Pre-Commitment Date cash requirements of the Partnership through July 31, 1978 are not anticipated to exceed $20 4 million in budgeted costs, and $3 6 million in contractual commitments which will accrue in the event of Project suspension as of July 31, 1978 Each Partner is bound by its agreement in Section 4.2.1 to contribute to the Partnership:

(i) Its per capita share of said $20 4 million; and

(ii) Its per capita share of said $3 6 million in contractual commitments, if such contractual commitments accrue;

but no Partner is obligated under Section 4 2.1 or this Section 4 2 2 to contribute any amount in excess of its per capita share of $24 million

4.2.3 On or before June 30, 1978, the Board of Partners shall determine, taking into account budgeted costs and contractual commitments which will accrue if the Project is suspended, the anticipated cash requirements of the Partnership for the period from August 1, 1978 through December 31, 1978 Immediate notice of such determination shall be given in writing to all Partners Each Partner shall elect, prior to July 15, 1978, whether (a) it will

contribute its per capita share or (b) it will withdraw as a Partner on July 31, 1978. Notice of withdrawal, if that is a Partner's election, shall be given as provided in Section 15.2. Failure to give notice of withdrawal shall obligate such Partner to pay its per capita share; provided, that no Partner will be obligated under Section 4.2.3 to contribute any amount in excess of its per capita share As used in this Section 4.2.3, the term "per capita share" as applied to any Partner shall mean the anticipated cash requirements of the Partnership for the period from August 1, 1978 through December 31, 1978 as determined by the Board of Partners on or before June 30, 1978 divided by the number of Partners at the time notice of such determination was given pursuant to this Section 4 2.3.

4.2 4 On or before December 1, 1978, the Board of Partners shall determine, taking into account budgeted costs and contractual commitments which will accrue if the Project is suspended, the anticipated cash requirements of the Partnership for the period from January 1, 1979 through December 31, 1979. Immediate notice of such determination shall be given in writing to all Partners Each Partner shall elect, prior to December 15, 1978, whether (a) it will contribute its per capita share or (b) it will withdraw as a Partner on December 31, 1978 Notice of withdrawal, if that is a Partner's election, shall be given as provided in Section 15 2. Failure to give notice of withdrawal shall obligate such Partner to pay its per capita share; provided, that no Partner will be obligated under this Section 4.2 4 to contribute any amount in excess of its per capita share. As used in this Section 4.2.4, the term "per capita share" as applied to any Partner shall mean the anticipated cash requirements of the Partnership for the period from January 1, 1979 through December 31, 1979 as determined by the Board of Partners on or before December 1, 1978 divided by the number of Partners at the time notice of such determination was given pursuant to this Section 4.2 4

4 2.5 On or before December 1, 1979, and on or before each succeeding December 1 in the event the Commitment Date is estimated to occur after such succeeding December 1, the Board of Partners shall determine, taking into account budgeted costs and contractual commitments

which will accrue if the Project is suspended, the anticipated cash requirements of the Partnership for the period from January 1, 1980 (or from any succeeding January 1) through the date then estimated to be the Commitment Date Immediate notice of each such determination shall be given to all Partners Each Partner agrees, subject to the withdrawal rights specified in Section 4 4 3, to contribute to the Partnership, for the period commencing January 1, 1980 and ending with the Commitment Date, an amount equal to the cash requirements of the Partnership during such period divided by the number of Partners.

4.3 Further Capital Investment:

4 3 1 Prior to the Commitment Date, Northwest shall notify, in writing, the Board of Partners of the ownership interest which Northwest elects to hold, for itself or an Affiliate, in the Partnership from and after the Commitment Date The ownership interest in the Partnership remaining after Northwest's election shall be apportioned among the Partners other than Northwest, by mutual agreement; provided, however, that if the ownership interests elected by the Partners, other than Northwest, exceeds the total ownership interest remaining after Northwest's election, then the ownership interest in the Partnership remaining after Northwest's election shall be apportioned among the Partners (other than Northwest) in the ratio that each Partner's Capital Account bears to the total of the Capital Accounts of all Partners other than Northwest; provided, further, however, that if the above apportionment would cause an increase in any Partner's ownership interest above that which that Partner elects, then the increase above the Partner's election shall be apportioned among the other Partners (other than Northwest) in the same ratio as described before. For the purposes of calculating the apportionment of interest to Partners (other than Northwest) pursuant to this Section if mutual agreement has not been reached, the Capital Accounts of the Partners as of the end of the most recent month next preceding the date when apportionment occurs, shall be used

4 3 2 After Northwest's election of the ownership interest in the Partnership to be held by it on and after

the Commitment Date, and after apportionment among the other Partners of the remaining ownership interest in the Partnership, each Partner shall, as provided in Section 4.3 3, contribute the capital necessary to make the Partners' Percentages reflect the division of interest so elected and apportioned

4.3 3 Subject to the terms of the Partnership Commitment Agreement, each Partner agrees to contribute to the Partnership, subsequent to the Commitment Date, an amount in cash equal to such Partner's ownership percentage (as determined under Section 4 3 2) of the Estimated Cost of the Project, as set forth in the Partnership Commitment Agreement; provided, that the amount to be so contributed shall be reduced by (a) such Partner's contributions pursuant to Sections 4 1 and 4.2; and (b) such Partner's ownership percentage (as determined under Section 4.3.2) of the amount of the Financing Commitment Agreements.

4.3 4 Notwithstanding the provisions of Sections 4 3 1, 4 3 2 and 4.3 3, however, if the Financing Commitment Agreements provide for the Corporation or the Financing Corporation to issue more than one class of equity security, or more than one class of debt instrument, the Partners may agree, in the Partnership Commitment Agreement, to such plan of capital investment in the Partnership as is reasonably necessary to effectuate the financing plan set forth in the Financing Commitment Agreements.

4 4 Payment of Capital Investment:

4.4.1 Within the budgetary limitations established by the Board of Partners, the Executive Committee shall issue a written request for payment of each capital contribution to be made in accordance with Sections 4 2 and 4.3 at such times and in such amounts as the Executive Committee shall deem appropriate in light of the cash requirements of the Partnership All amounts received by the Partnership pursuant to this Section 4.4 on or before the date specified in 4.4.2(iv) shall be credited to the respective Partner's Capital Account as of such specified date and all amounts received from a Partner after the date specified in Section 4.4 2(iv) by the Partnership pursuant to this Section 4 4

shall be credited to such Partner's Capital Account as of the date of receipt thereof.

4.4.2 Each written request issued pursuant to Section 4 4 1 shall contain the following information:

(i) The total amount of capital contributions requested from all Partners;

(ii) The amount of capital contribution requested from the Partner to whom the request is addressed;

(iii) The purpose for which the funds are to be applied in such reasonable detail as the Executive Committee shall direct; and

(iv) The date on which payments of the capital contribution shall be made (which date shall not be less than fifteen days following the date the request is given [if given under Section 4 2] and not less than thirty days following the date the request is given [if given under Section 4.3]) and the method of payment, provided that such date and method shall be the same for each of the Partners.

4.4.3 Each Partner agrees that it shall make payments of its respective capital contributions in accordance with requests issued pursuant to Section 4.4 1; provided that on and after January 1, 1980 and prior to the Commitment Date and after the sums specified in Sections 4.2 2, 4.2.3 and 4.2 4 have been contributed, a Partner shall not be obligated by this Agreement to make capital contributions so requested if, within five business days after such notice is given, such Partner shall have given to each other Partner and to the Partnership its Withdrawal Notice as defined in Section 15.2

4.4.4 Partners shall not be entitled to any return of their contributions to the capital of the Partnership except that:

(i) Upon withdrawal prior to the Commitment Date, or upon automatic withdrawal pursuant to Section 15.4, a Partner shall be entitled to receive, after the Line has become operational and at a time when the Executive Committee determines payment may be made without undue hardship to the Partnership (or if transfer of the Partnership's business and assets to the Corporation has occurred, then at a time when a similar determination has been made by the Board of Directors): (a) an amount equal to its Capital Account (as adjusted under Section 4.1.4) on the date of withdrawal, and (b) return on such amount, from date of withdrawal to date of payment, calculated at the rate permitted by the FERC to the Partnership as the Partnership's allowance for such funds used during construction. The Capital Account balance of a Withdrawing Partner shall be recorded as a contingent liability of the Partnership, and not as a Partner's Capital Account, from and after the Date of Withdrawal. This right of reimbursement shall be subordinate to the rights of any creditor of the Partnership

(ii) Subsequent to the Commitment Date, a Partner may receive funds from the Partnership only in accordance with the provisions of Section 6 or Section 15.5.

Except as herein provided in Section 4.4.4, no return shall be paid on any contribution to the capital of the Partnership to a withdrawing Partner; provided, that the foregoing shall not prohibit the use of such funds in computations for accounting purposes, including accounting for profits and losses, and computations for ratemaking purposes, including an allowance for funds used during construction.

4.4.5 In the event a Partner shall default in the performance of any of its obligations under Section 4.2, Section 4.3 or Section 11.1.1 to make a contribution to the Partnership in accordance with the terms of any request for such contribution and such default shall continue unremedied for a period of ten days after the giving of notice of such default by the Executive Committee, such default shall be deemed a withdrawal from the Partnership by such defaulting Partner Such a withdrawal shall not (a) effect a dissolution of the Partnership or (b) affect obligations previously assumed by such defaulting Partner.

5. Allocation of Profits and Losses.

5.1 Contemporaneous Joinder of Partnership: In the event all Partners execute this Partnership Agreement on or before March 17, 1978, and unless the Partnership Commitment Agreement provides otherwise, all net profits and net losses and credits of the Partnership shall be allocated to the respective Capital Accounts of the Partners in accordance with their respective Partner's Percentages. Such allocations shall be made for each calendar month based upon the weighted average of each Partner's Percentage during such month. These allocations are subject to retroactive adjustments resulting from any changes in Capital Accounts pursuant to FERC or other governmental order.

5.2 Non-Contemporaneous Joinder: In the event some Partners execute this Agreement on or before March 17, 1978, and other Partners are admitted to the Partnership after March 17, 1978, and unless the Partnership Commitment Agreement provides otherwise, an unequal allocation of all net profits and net losses and credits of the Partnership shall be made in recognition of the greater degree of financial risk, Partnership responsibility and commitment of personnel and capital assumed by those Partners who execute this Agreement on or before March 17, 1978. Allocations made under this Section 5.2 shall be made for each calendar month based upon the weighted average of each Partner's Percentage during such month. These allocations are subject to retroactive adjustments resulting from any changes in Capital Accounts pursuant to FERC or other governmental order.

5.2 1 The Capital Account of any Partner admitted to the Partnership after March 17, 1978 shall be allocated

that share of all net profits, net losses and credits of the Partnership accruing after such Partner's admission (exclusive of losses allocated under Section 5.2.3) as such Partner's Percentage would entitle that Partner to receive, less a discount as set forth below:

Admission Date	Discount
After Commitment Date	15%
11-1-78 thru Commitment Date	10%
9-1-78 thru 10-31-78	9%
8-1-78 thru 8-31-78	8%
7-1-78 thru 7-31-78	7%
6-1-78 thru 6-30-78	6%
5-1-78 thru 5-31-78	5%
4-1-78 thru 4-30-78	4%
3-18-78 thru 3-31-78	2%

5.2.2 The net profits, net losses and credits of the Partnership remaining after deducting the net profits, net losses and credits determined under Section 5.2.1 (exclusive of losses allocated under Section 5.2.3) shall be allocated to the respective Capital Account of each Partner executing this Agreement prior to March 18, 1978, in the proportion that each such Partner's Percentage bears to the total of the Partners' Percentages of all such Partners

5.2.3 Losses realized from the sale, abandonment or other disposition of Partnership assets (other than in the ordinary course of business) prior to the In-Service Date shall be allocated among all Partners in accordance with the Partners' Percentages as of the date of such disposition

6. Distributions

Distributions to the Partners shall be made only to all Partners simultaneously in such aggregate amounts and from time to time as determined by the Board of Partners. Each distribution shall be made:

(i) in the ratio in which as of the date of such distribution the cumulative net profits have been allocated and not previously distributed, but only to the extent of the amount of such undistributed cumulative net profits; and thereafter

(ii) in the ratio of the Partners' Capital Accounts, after giving effect to the distributions under (i) above.

7. Accounting and Taxation

7.1 Fiscal Year: The fiscal year of the Partnership shall be the calendar year.

7.2 Location of Records: The books of account for the Partnership shall be kept and maintained at the principal office of the Partnership or at such other place as the Executive Committee shall determine

7.3 Books of Account: The books of account for the Partnership shall be:

7.3.1 maintained on an accrual basis in accordance with Required Accounting Practice; and

7.3.2 audited by the Certified Public Accountants at the end of each fiscal year of the Partnership

7.4 Annual Financial Statements: As soon as practicable following the end of each fiscal year of the Partnership, the Executive Committee shall cause to be prepared and delivered to each Partner:

7.4.1 A profit and loss statement and a statement of changes in financial position for such fiscal year, a

balance sheet and a statement of each Partner's Capital Account as of the end of such fiscal year, together with a report thereon of the Certified Public Accountants

7.4 2 Such federal, state and local income tax returns and such other accounting and tax information and schedules as shall be necessary for the preparation by each Partner of its income tax returns for such fiscal year

7.5 Interim Financial Statements: As soon as practicable after the end of each calendar month, the Executive Committee shall cause to be prepared and delivered to each Partner, with an appropriate certificate of the person authorized to prepare the same:

7.5 1 A profit and loss statement and a statement of changes in financial position for such month (including sufficient information to permit the Partners to calculate their tax accruals), for the portion of the fiscal year then ended and for the 12 month period then ended;

7 5 2 A balance sheet and a statement of each Partner's Capital Account as of the end of such month; and

7.5.3 A statement comparing the actual financial status and results of the Partnership as of the end of or for such month and the portion of the fiscal year then ended with the budgeted or forecasted status and results as of the end of or for such respective periods

7 6 Taxation: The Parties intend that the Partnership shall be taxed as a "partnership" for federal and state tax purposes and the Partners agree to take all action, including the amendment of this Agreement and the execution of such other documents as may be required to qualify for and receive such tax treatment. The Partnership's state and federal income tax returns shall be approved by the Board of Partners and subject to review by Certified Public Accountants, counsel or other person or persons designated by the Board of Partners for such purpose All Partnership elections for state and federal income tax purposes shall be determined by the Board of Partners, except those specifically reserved by the Internal Revenue Code to be made by the individual Partners One such election which may be made by

the individual Partners is the qualified progress expenditure election related to the investment tax credit. The allocation of qualified progress expenditures for the purpose of such election shall be in accord with the provisions of Section 5. The investment tax credit not available under the qualified progress expenditure rules shall be allocated in accordance with the provisions of Section 5, based on the Partners' Percentages in effect at the time of the related expenditures, or in accordance with the provisions of Section 4.1, as applicable.

7 7 Governmental Reports: Subject to the provisions of Section 8.2 6, the Operator, on behalf of the Partnership, shall prepare and file all reports prescribed by the FERC and any other commission or governmental agency having jurisdiction

7.8 Inspection of Facilities and Records: Each Partner shall have the right at all reasonable times during usual business hours to inspect the facilities of the Partnership and to examine and make copies of the books of account and other records of the Partnership. Such right may be exercised through any agent or employee of such Partner designated in writing by it or by an independent public accountant, petroleum engineer, attorney or other consultant so designated. That Partner shall bear all costs and expenses incurred in any examination for such Partner's account.

7.9 Deposit of Funds: Funds of the Partnership shall be deposited in such banks or other depositories as shall be designated by the Board of Partners.

8. Management of the Partnership

8 1 General Management Structure:

8 1.1 The major policies of the Partnership shall be established by a Board of Partners which, except as otherwise expressly provided in this Agreement, shall have exclusive authority with respect to such affairs of the Partnership as would (if the Partnership were a corporation) be subject to control by a corporate board of directors

8.1.2 The day-to-day management of the affairs of the Partnership, including supervision of the construction

of the Project and operation of the Line, and activities reasonably related thereto, shall be the responsibility of the Operator.

8.1.3 The Partnership shall engage a Project Management Contractor to assume responsibility, to the maximum extent practicable, for Project design and engineering, scheduling and cost control, construction management and purchasing, materials and logistics.

8.2 Board of Partners:

8.2.1 The members of the Board of Partners shall be one representative of each Partner. Each Partner shall designate, by notice to each other Partner and the Partnership, its representative to serve on the Board of Partners By like notice, each Partner may designate an alternate representative who shall have authority to act in lieu of its representative. Any Partner may at any time, by written notice to all other Partners and to the Partnership, remove its representative on the Board of Partners and designate a new representative.

8.2.2 The representative of Northwest shall be the Chairman of the Board of Partners but if the total interest which Northwest holds, after its election under Section 4.3.1, in the Partnership is less than 5 percent, or if a Northwest representative is removed as Chairman as below provided, the Chairman shall be elected by the Board of Partners. If Northwest's representative is entitled to the office of Chairman, and if for any reason John G. McMillian is unavailable to serve, Northwest shall designate another representative to serve as Chairman, with the advice and consent of the Board of Partners. The Chairman may not be removed from office except upon affirmative finding by vote of Partners owning full right, title and interest to not less than two-thirds of the Partners' Percentages, that the Chairman has, through misfeasance, nonfeasance or gross negligence, acted in a manner contrary to the best interests of the Partnership. A vote on removal of the Chairman may be held only after the Chairman has been given reasonable notice of, and an opportunity to be heard on, a call for removal by one or more Partners

8.2 3 The Chairman shall preside at all meetings of the Board of Partners, which shall meet at least quarterly. Special meetings of the Board may be called at such times and places, and in such manner, as the Chairman deems necessary, and at such times as requested by written notice concurred in by a majority of the Board. Written minutes of all meetings shall be maintained.

8.2 4 The Board of Partners shall designate, from among its members, members of the following committees: Audit and Compensation.

8.2.5 Except as otherwise provided by this Agreement, the Board of Partners shall act upon the affirmative vote of a majority of --

(i) The representatives on all matters determined prior to the Commitment Date; or

(ii) The Partners' Percentages on all matters determined on or after the Commitment Date. For this purpose, each Representative shall have a number of votes equal to the Partners' Percentage of the Partner he represents, at the time any such matters are voted on; and the majority of such votes shall be the vote of a majority of the Partners' Percentages.

8.2.6 Without modification of its general authority under Section 8 1.1, the approval of the Board of Partners shall be necessary before any of the following actions can be taken on behalf of the Partnership:

Establishment of the initial design of the Line;

Establishment of the construction and operating budgets for the Project;

Execution of interim and permanent financing agreements and commitments;

Establishment of Partnership tax policies;

Selection of depositories for Partnership funds;

Selection and retention of the Project Management Contractor;

Selection and retention of a Certified Public Accountant;

Expansion of the Line;

Admission of Additional Partners;

Transfer of a Partner's interest in the Partnership;

Filing of the Partnership's Tariffs, or any amendment thereof, with the FERC;

Any change in the authority and responsibility delegated in this Agreement to any Committee, to the Project Management Contractor or to the Operator;

Selection of a successor Operator, if such becomes necessary;

Establishment of the Estimated Cost of the Project, pursuant to Section 2.12;

Identification and valuation of Qualified Expenditures, pursuant to Section 4.1.3;

Request for additional capital contributions pursuant to Section 12; and

Timing and amounts of distributions to Partners pursuant to Section 6.

In addition, the Board of Partners is hereby specifically authorized to:

If the Board of Partners, by unanimous vote, deems it appropriate to create a Financing Co: poration, approve the form and content of the Financing Corporation's charter and by-laws and cause the Financing Corporation to be organized under the laws of such state as the Board of Partners shall select; and

Cause by unanimous approval the organization of and issue of stock by the Corporation under the laws of Delaware or such other state as the Board of Partners shall select

8 3 Executive Committee:

8.3.1 The Executive Committee shall consist of a Chairman and five members. Each Partner named in Sections 1.1 through 1.6 (or any substitute Partner succeeding to its interest hereunder) shall designate a representative to serve on the Executive Committee, and the Chairman of the Board of Partners shall also be the Chairman of the Executive Committee. Any vacancy on the Executive Committee occasioned by the withdrawal of a Partner named in Sections 1 1 through 1.6 (or any substitute Partner succeeding to its interest hereunder) shall be filled by the Board of Partners.

8.3 2 Neither the Chairman nor any member of the Executive Committee may be removed from office by the Partnership, except in accordance with the procedures, and for the cause stated, in Section 8.2 2. Any Partner may, at any time, by written notice to all other Partners and to the Partnership, change its representative on the Executive Committee.

8.3.3 The Executive Committee shall meet not less often than monthly, at times and places and in a manner designated by the Chairman. Written minutes of all meetings will be maintained, and copies thereof distributed to the Board of Partners. Decisions of the Executive Committee shall be by majority vote of the members, but if the Executive Committee cannot reach agreement on any issue, such shall be referred to the Board of Partners for decision.

8 3 4 The Executive Committee shall, on behalf of the Partnership --

> Negotiate and execute the contract provided for in Section 8.6.10;
>
> Monitor and review the performance of the Operator, the Project Management Contractor and all execution contractors; and
>
> Monitor the implementation of all directives of the Board of Partners.

8.3 5 The Executive Committee shall report fully to the Board of Partners at each meeting of the Board of Partners and furnish special reports at such other times and places as the Board of Partners deems advisable.

8.4 Audit Committee:

8 4.1 The Audit Committee shall consist of five members selected to serve by the Board of Partners. No member of the Audit Committee shall be affiliated in any manner with Northwest, and no Partner may have more than one representative on the Audit Committee The Board of Partners shall designate one member of the Audit Committee to serve as Chairman of the Audit Committee. Decisions of the Audit Committee shall be by majority vote of the members The members shall serve on the Committee at the will of the Board of Partners

8.4.2 The Audit Committee shall meet not less often than quarterly, and at such other times as called by its Chairman. The Chairman shall designate the time and place, and the manner, of all Audit Committee meetings Written minutes of each meeting shall be maintained

8.4 3 The Audit Committee shall, on behalf of the Partnership --

> Consult with internal and external auditors;

Review and monitor the internal audit coverage and plans for coverage;

Analyze and approve internal audit operating philosophies and strategies;

Review the results of all financial audits; and

Review the results of all recommendations for corrective action.

8 4 4 The Audit Committee shall report fully to the Board of Partners at each meeting of the Board of Partners and at such other times and places as the Board of Partners deems advisable

8.5 Compensation Committee:

8.5 1 The Compensation Committee shall consist of five members selected by the Board of Partners No member of the Compensation Committee shall be affiliated in any manner with Northwest, and no Partner shall have more than one representative on the Compensation Committee. The Board of Partners shall designate one member to serve as Chairman of the Compensation Committee. Decisions of the Compensation Committee shall be by majority vote of the members The members shall serve on the Committee at the will of the Board of Partners

8.5.2 The Compensation Committee shall meet not less often than annually and at such other times as called by the Chairman. The Chairman shall designate the time and place, and the manner, of all Compensation Committee meetings Written minutes of each meeting shall be maintained.

8.5.3 The Compensation Committee shall, on behalf of the Partnership, provide guidance on compensation policy for the Project, and review the compensation of the Operator's senior management.

8.5.4 The Compensation Committee shall report fully to the Board of Partners at least annually and recommend

any changes in Partnership reimbursement of the Operator's costs relating to personnel as may be necessary.

8.6 Operator:

8.6.1 The Operator shall be Northwest, subject to the provisions of Section 8.6.2 and Section 8.6.10

8.6.2 Northwest may not be removed from the office of Operator except in accordance with the procedures in Section 8.2 2 for the case of the Chairman of the Board of Partners, a then only if it has, through misfeasance, nonfeasance or gross negligence, acted in a manner contrary to the best interests of the Partnership Upon removal of Northwest or its successor as Operator, a successor shall be designated by the Board of Partners.

8.6.3 The sole business of Northwest shall be the discharge of its responsibilities as set forth in this Agreement. Northwest's personnel shall devote full time to such responsibilities. The Board of Directors of Northwest shall direct all Northwest personnel to pursue, at all times and in all manners, the best interests of the Partnership and the furtherance of the policies of the Partnership as determined by the Board of Partners

8.6.4 The Operator shall utilize, to the fullest extent practicable, the services of unaffiliated independent contractors to design and construct the Project. The Operator shall negotiate contracts for such services and execute the same (other than the contract with the Project Management Contractor), and shall submit to the Board of Partners at the earliest practicable date its recommended contract with the company to serve as Project Management Contractor. Any functions which are not assigned to a contractor shall be performed by Northwest.

8.6.5 The Operator shall, on behalf of the Partnership, manage the design and construction of the Project and the operation of the Line, and shall have all powers and authorities reasonably necessary to the discharge of these responsibilities subject, however, to the prior approval of the Board of Partners with respect to those

matters enumerated in Section 8.2 6, and the provisions of Section 8.1.1 The Operator shall prepare and submit to the Board of Partners the Operator's recommendations with respect to those matters requiring Board of Partners approval pursuant to Section 8.2.6

8.6.6 The Operator shall, on behalf of the Partnership, establish and maintain liaison with all governmental agencies and authorities, in the United States and Canada, having jurisdiction over permits, authorizations or certificates necessary to construction of the Project and operation of the Line, and shall be responsible for the preparation and presentation to the appropriate agency or office of all applications and requests for such permits, authorizations and certificates, and for the preparation and filing of all required reports subject, however, to the prior approval of the Board of Partners with respect to those matters enumerated in Section 8.2.6, and the provisions of Section 8.1.1.

8.6.7 The Operator shall, on behalf of the Partnership, supervise and audit the performance of the Project Management Contractor and all other independent contractors involved in design and construction of the Project, to achieve, to the greatest extent practicable, contract compliance, timely completion of the Project and acceptable quality and cost control.

8.6.8 The Operator shall report fully to the Board of Partners and to the Executive Committee at each meeting of such groups and shall report specially to either or both as necessary.

8.6.9 The Partnership shall reimburse the Operator for all reasonable costs, including overhead and administrative xpense, incurred in providing the services to the Partnership as set forth in Section 8.6.

8.6.10 The Partnership shall contract with the Operator for the rendition of services set forth in this Section 8.6, upon the terms and conditions set forth in Section 8.6, such contract to be binding upon the Partnership, and the Corporation if the business and assets of the Partnership are transferred to the Corporation.

8.7 Limitation of Authority: The Board of Partners, the Executive, Audit and Compensation Committees and the Operator shall not have authority to take any action inconsistent with the terms of this Agreement.

8.8 Indemnification: The Partnership shall indemnify and save harmless the members of the Board of Partners, the Executive Committee, the members of any committee appointed as provided in Section 8.2.4 and the initial Operator (in its capacity as such) against all actions, claims, demands, costs and liabilities arising out of the acts (or failure to act) of such Persons in good faith within the scope of their authority in the course of the Partnership's business and such Persons shall not be liable for any obligations, liabilities or commitments incurred by or on behalf of the Partnership as a result of any such acts (or failure to act).

8.9 Other Positions or Representatives: Any member of the Board of Partners, the Executive Committee and the Committees provided for in Section 8.2.4 may also be an officar, director or employee of a Partner or one or more Affiliates of a Partner.

9 Limitation of Liabilities.

9.1 Limitation on Liability of Partners: No Partner shall be liable to third persons for Partnership losses, deficits, liabilities or obligations, except as otherwise expressly agreed to in writing by such Partner, unless the assets of the Partnership shall first be exhausted.

9.2 Contracts to Limit Partner's Liability: Without written consent of all Partners, no contract, lease, sublease, note, deed of trust or other obligation on behalf of the Partnership shall be entered into unless there is contained therein an appropriate provision limiting the claims of all parties to such instruments and other beneficiaries thereunder to the assets of the Partnership and expressly waiving any rights of such parties and other beneficiaries to proceed against the Partners individually.

10. Transfer or Pledge of Partnership Interests.

10.1 Limitation on Right to Transfer Partner's Interest: Except with the consent of the Board of Partners or as

permitted by Section 10.3, a Partner may not sell, assign, pledge, hypothecate or otherwise transfer in any manner all or any part of its right, title or interest in, or any evidence of indebtedness of, the Partnership or in this Agreement.

10 2 Legend on Evidences of Indebtedness Held By Partners: As long as this Agreement shall remain in effect, all evidences of indebtedness of the Partnership to any of the Partners or their Affiliates shall bear an appropriate legend to indicate that it is held subject to, and may be assigned or transferred only in accordance with, the terms and conditions of this Agreement.

10 3 Permitted Transfers by Partners: Nothing herein shall prevent:

10.3.1 The transfer by any Partner of all of its right, title and interest in the Partnership (including indebtedness thereof) and in this Agreement if all of such right, title and interest is transferred to another corporation which is an Affiliate of the transferor pursuant to (i) a statutory merger or consolidation or (ii) a sale of all, or substantially all, of the assets of the transferor, provided that such Affiliate assumes by operation of law or express agreement with the Partnership (in form and substance satisfactory to the Board of Partners) all of the obligations of the transferor under this Agreement and that no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the Partner are assumed by the successor corporation by operation of law) shall relieve the transferor of its obligations under this Agreement without the approval of the Board of Partners, and provided, further, that upon any transfer permitted by this Section 10.3.1, the transferee Affiliate shall be admitted as a Partner in substitution of the Partner which was the transferor; or

10 3.2 An assignment, pledge or other transfer creating a security interest (and any transfer made in foreclosure or other enforcement of such security interest) in all or any portion of a Partner's right, title or interest in the profits and surplus of the Partnership, or in any indebtedness of the Partnership, under any mortgage,

indenture or deed of trust created by any Partner, provided that the assignee, pledgee, mortgagee, trustee or secured party shall hold the same subject to all of the terms of this Agreement, and provided, further, that such assignee, pledgee, mortgagee, trustee or secured party shall not have any voice in the management of the Partnership as a result of any such transfer.

10.4 Effect of Permitted Transfers: No assignment, pledge or other transfer pursuant to Section 10 shall give rise to a right in any Partner or Partners to dissolve the Partnership. Except as provided in Section 10.3.1, no assignment, pledge or other transfer shall give rise to a right in any transferee to become a Partner in the Partnership, unless admitted pursuant to Section 11 or agreed to by all the Partners.

11. Admission of New Partners

11.1 Execution of Agreement: Additional Persons may become parties to this Agreement and general Partners of this Partnership upon execution of a counterpart of this Agreement and the satisfaction of the following conditions:

11.1.1 Approval of such admission by the Board of Partners upon such terms, and the payment of such amount to the Partnership and the credit thereof to the Capital Account of the additional Partner, as the Board of Partners shall determine.

11.1.2 Compliance with any agreements with security holders of the Partnership or others that may require the approval of such security holders or other parties to the admission of Additional Partners.

11.1.3 Compliance with all applicable requirements of law, including the Natural Gas Act and the Public Utility Holding Company Act of 1935, if applicable, and the applicable rules and regulations of the FERC and SEC, respectively, thereunder.

11.1.4 Such admission will not result in the Partnership becoming subject to the jurisdiction of the SEC under the Public Utility Holding Company Act of 1935. This

condition may be waived or modified only by unanimous consent of the Partners

11.2 Policy Concerning Admission of New Partners: The intent of the foregoing provisions is to permit the addition of Additional Partners on a non-discriminatory basis, as freely as possible, with only such restrictions on admissions and capital contributions as are necessary to maintain the financial and operating integrity of the Partnership and to treat the existing Partners as equitably as possible in view of their previous capital contributions and their participation in the preliminary technical, engineering, environmental, feasibility, legal and financial studies and planning necessary to design, construct and finance the Project and operate the Line and to obtain regulatory approval therefor

12 Additional Capital

12 1 Prior to January 1, 1980, the Board of Partners may request additional capital contributions to the Partnership in excess of those required to be made pursuant to Sections 4 2.2, 4.2.3, 4.2.4 or 11.1.1 (or in excess of those obtained pursuant to such Sections if one or more Partners should default in making required contributions) and offer each of the Partners the opportunity to make such contributions; provided that, each Partner shall have the right, but not the obligation, to contribute an amount which is equal to the total amount of the additional capital contributions divided by the number of Partners Additional contributions made hereunder shall be added to each contributing Partner's Capital Account.

12.2 In the event the Board of Partners, pursuant to Section 12.1, makes one or more requests for additional cash contributions for any of the cash requirement periods designated in Sections 4.2.2, 4.2.3 and 4.2.4 (any such request being herein called a "Section 12.1 request") and all Partners do not contribute fully in response thereto, each Partner which did not contribute fully in response thereto shall, unless it elects to withdraw from the Partnership at the end of such cash requirement period, contribute to the Partnership, prior to the end of such cash requirement period, that amount which is necessary to bring the aggregate amount contributed by it to the Partnership during such cash requirement period in response to Section 12.1 requests to a sum equal to the highest amount contributed by any Partner

to the Partnership during such cash requirement period in response to Section 12.1 requests Failure of any such Partner to make such contribution shall be deemed a withdrawal from the Partnership as of the end of such cash requirement period.

12.3 Subsequent to the Commitment Date, the Board of Partners may request additional capital contributions to the Partnership in excess of those required to be made pursuant to Sections 4.3 and 11.1.1 and offer each of the Partners the opportunity to make such contributions; provided that, each Partner shall have the right, but not the obligation, to contribute an amount which is the same percentage of the total amount of the additional capital contributions as such Partner's Percentage; and provided, further, that failure to make an additional capital contribution hereunder shall not be deemad an act of withdrawal from the Partnership

12.4 The Board of Partners shall issue a written request for payment of each capital contribution to be made in accordance with Section 12, at such times and in such amounts as the Board of Partners shall deem appropriate in light of the additional cash requirements of the Partnership

12.5 Each written request issued pursuant to Section 12.4 shall contain the following information:

(i) The total amount of additional capital contributions requested from all Partners;

(ii) The amount of additional capital contribution requested from the Partner to whom the request is addressed;

(iii) The purpose for which the funds are to be applied in such reasonable detail as the Board of Partners shall direct; and

(iv) The date on which payments of the additional capital contribution shall be made (which date shall not be less than five days following the date the request is issued) and the method of payment, provided that such date and method shall be the same for each of the Partners.

13. Expansion of the Line.

The Board of Partners may, from time to time, authorize the construction of facilities to expand the Line's capacity and increase the Partnership's authority to transport Gas and may authorize the filing of all necessary applications to the FERC for a certificate of public convenience and necessity relating to such facilities and transportation authority and to such other regulatory and governmental agencies as may have jurisdiction with respect thereto; provided that, if such expansion of capacity or increase in authority to transport Gas requires additional capital contributions to the Partnership, such capital shall be obtained only in accordance with the provisions of Section 12.3. Decisions to expand the Line's capacity shall be made in light of the policy of the Partnership expressed in Section 3.4.

14. Transfer of Partnership Assets to the Corporation

14.1 Required Transfers: The business and assets of the Partnership shall be transferred to the Corporation and the Corporation shall assume all of the obligations (whether absolute or contingent, known or unknown) of the Partnership:

14.1.1 At any time after the Commitment Date upon the written request of Partners owning full right, title and interest to not less than two-thirds of the Partners' Percentages; or

14.1.2 At any time after the end of the first full fiscal year following the In-Service Date upon the approval of the Board of Partners; or

14.1.3 At any time after the end of the fourth full fiscal year following the In-Service Date upon the written request of Partners owning full right, title and interest to not less than one-third of the Partners' Percentages; or

14.1.4 In the event of a dissolution pursuant to Sections 15.3.2 or 15.3.3, if the Partnership then holds an effective certificate of public convenience and necessity from the FERC under the Natural Gas Act

14 2 Consideration for Transfer:

14.2.1 Except as provided in Section 14 2.2, the Corporation shall issue a number of shares of its common stock to each Partner in consideration for the transfer of the Partnership's business and assets which is the same percentage of the total number of such shares so issued as each such Partner's respective Partner's Percentage as of the date of the transfer, giving effect, however, to the special allocation provisions of Section 5.2 in such a manner as to preserve the discounts provided therein for Partners admitted to the Partnership after March 17, 1978.

14 2.2 If the Partners have agreed to modify the capital structure of the Partnership as provided in Section 4 3.4, and such modification is effective on the date of transfer, the Corporation shall issue its stock, common or preferred, voting or nonvoting, and other of its securities, to each Partner in the manner and to the degree specified in the Partnership Commitment Agreement

14.3 Timing of Transfer: Any transfer made pursuant to this Section 14 shall be made as soon as possible after the request therefor, except that if the transfer is made pursuant to Section 14.1 4, it shall be made at the time of the consummation of the dissolution of the Partnership; and each Partner agrees to cooperate, and to cause each of its Affiliates to cooperate, in the consummation of such transfer and the assumption of all liabilities and obligations of the Partnership by the Corporation, including the obligations under all transportation agreements with Shippers.

14.4 Amendments of Charter and By-Laws The Certificate of Incorporation and By-Laws of the Corporation in the form approved by each Partner are attached as Appendix I and II hereto, and neither shall be amended prior to any transfer of the business and assets of the Partnership to the Corporation except by consent of all Partners.

15. Termination and Right of Withdrawal.

15.1 Term of Partnership: The Partnership shall continue from the Formation Date until dissolved pursuant to the terms of this Agreement

15 2 Right to Withdraw: A Partner (herein called a "Withdrawing Partner") shall have the right to withdraw from the Partnership at any time prior to the Commitment Date upon written notice pursuant to Section 16.2 to the other Partners and to the Partnership (the "Withdrawal Notice") so stating. A Withdrawing Partner shall have those rights stated in Section 4 4.4, but no others Withdrawal by one or more Partners shall not (a) effect a dissolution of the Partnership; or (b) affect obligations previously assumed by the Withdrawing Partner. Withdrawal shall, ipso facto, terminate the Withdrawing Partner's status as a Partner, forfeit all voting rights in Partnership affairs and terminate all representation on Partnership Committees and the Board of Partners Rights of withdrawal on and after the Commitment Date shall be as specified in the Partnership Commitment Agreement.

15 3 Automatic Dissolution: The Partnership shall be automatically and without notice dissolved upon the happening of any of the following events:

15 3.1 The transfer of the business and assets of the Partnership to the Corporation in accordance with the provisions of Section 14;

15.3.2 The sale or abandonment of all or substantially all of the Partnership's business and assets; provided, however, that any such sale or abandonment may be made only pursuant to unanimous written consent of all Partners; or

15.3.3 Any event which shall make it unlawful for the business of the Partnership to be carried on.

15 4 Automatic Withdrawal: In addition to those instances where withdrawal is deemed to occur under Section 4 4.5 and Section 12, a Partner shall be deemed to have withdrawn from the Partnership and be entitled to receive payment as specified in Section 4 4.4 upon the happening of any of the following events:

15.4.1 Any of the following:

(i) the entry by a court of competent jurisdiction of a decree or order, unstayed on

appeal or otherwise and in effect for 90 days, adjudicating the Partner a bankrupt or insolvent;

(ii) the entry by a court of competent jurisdiction of a decree or order appointing a receiver, assignee, trustee, liquidator, sequestrator or other similar official of the Partner or of any substantial part of the property of the Partner, or ordering the winding up or liquidation of its affairs, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of the Partner under the Bankruptcy Act or any similar statute; but only if and when such decree or order shall have continued unstayed on appeal or otherwise and in effect for 90 days; or

(iii) the filing by the Partner of a petition in voluntary bankruptcy under any of the provisions of any bankruptcy law; or the consenting by the Partner to the filing of any bankruptcy or reorganization petition against it under any such law; or (without limitation of the generality of the foregoing) the filing by the Partner of a petition or answer or consent to reorganize the Partner pursuant to or seek relief under the Bankruptcy Act or any other similar statute; or the making by the Partner of an assignment for the benefit of creditors; or the admitting in writing by the Partner of its inability to pay its debts generally as they become due; or the consenting by the Partner to the appointment of a receiver, assignee, trustee, liquidator, sequestrator or other similar official of it or of any substantial part of its property, or the taking of corporate action by the Partner in furtherance of any such action.

15.4.2 The filing of a certification of dissolution of that Partner under the laws of the state of its incorporation or the entering of a final order dissolving that Partner by any court of competent jurisdiction; or

15.4.3 Any event which shall make it unlawful for that Partner to carry on such business in partnership

15.5 Winding up and Liquidation: After the Partnership shall be dissolved pursuant to the provisions of Section 15.3.3 or Section 15.7, the Board of Partners and each of the Committees and the Operator shall continue to exercise the powers vested in each of them by this Agreement and continue to operate in the normal course to the extent appropriate for the purpose of winding up any business of the Partnership and liquidating any assets thereof (which have not been transferred to the Corporation pursuant to the provisions of Section 14) in an orderly manner and, subject to Section 5, distributing any net assets of the Partnership not so transferred to the Partners in accordance with their respective Partner's Percentages as of the date of dissolution, except as provided in Section 15.7.1. The Partnership shall engage in no new business during the period of such winding up; provided that, no dissolution of the Partnership, pursuant to this Section 15 or otherwise, shall relieve any Partner (or any Person which has withdrawn as a Partner) from any obligation accruing or accrued to the date of such dissolution or deprive any Partner not in default hereunder of any remedy otherwise available to it.

15.6 Termination Subject to Natural Gas Act: The right and power to dissolve the Partnership shall at all times be subject to the obligations and duties of the Partnership as a "natural gas company" under the Natural Gas Act and the jurisdiction of the FERC under that Act, and no dissolution shall be effected unless all provisions of that Act shall have been complied with and any transfer of the Partnership's business and assets, including any certificate of public convenience and necessity issued under that Act, shall have been validly consummated under the provisions of that Act and other applicable law.

15.7 IRS Ruling Letter: The Partners agree to cooperate in the immediate preparation, submission and prosecution of a request for a ruling from the Internal Revenue Service to the effect that (i) the Partnership shall be treated as a partnership for federal income tax purposes, (ii) any net losses of the Partnership shall be deductible by the Partners, (iii) the basis of the Partners for their interest in the Partnership includes the indebtedness of the Partnership, and (iv) the investment tax

credits of the Partnership shall be allowed to each Partner at its election during the construction period. In the event the Partnership fails to receive a ruling from the Internal Revenue Service to the effect stated above or which is otherwise in form and substance satisfactory to the Partnership as determined by the Board of Partners, and no corrective amendments to this Agreement or other documents can be executed sufficient to obtain such satisfactory ruling, the Partnership shall be forthwith dissolved, subject to the provisions of Section 15 6

15 7.1 In the event of dissolution, pursuant to Section 15.7, without a transfer of assets to the Corporation, the assignment by Northwest to the Partnership of Northwest's rights under the Presidential Report and related FERC proceedings and orders shall be without force and effect, and Northwest shall have and hold such rights as though this Agreement had never been executed.

15 7.2 If after dissolution pursuant to this Section 15 7 Northwest determines to proceed with the Project, then those other Partners at the time of dissolution shall be entitled to join with Northwest in such other entity or entities as may be used to construct the Project and operate the Line, to the same extent and on a similar basis as provided in this Agreement, taking full account of the respective capital contributions theretofore made by such Partners to the Partnership and their respective percentages as of the date of dissolution.

15.8 Continuance of Partnership: Except as provided in Section 15.3, it is understood and agreed by each of the Partners that the relationship of partnership among them as provided in this Agreement is intended to continue without interruption until such relationship is either specifically terminated by consent or by one of the events specified in Section 15.3 or Section 15 7. If, notwithstanding such understanding and agreement, the Partnership may be deemed terminated or dissolved by operation of law, each of the Partners hereby covenants and agrees that:

15.8 1 The business and affairs of the Partnership shall continue without interruption and be carried out by a new partnership (the "Successor Partnership");

15.8.2 The Partners of the Successor Partnership shall be the Persons who were Partners hereunder at the time of such termination or dissolution, and the Successor Partnership and the Partners thereof shall be governed by the terms of this Agreement as if the Successor Partnership were the Partnership;

15.8.3 Each of the Partners covenants and agrees to execute such further agreements including notes, novations and accommodations as may be necessary to continue the business of the Partnership and to protect and perfect any lien or security interest granted by the Partnership; and

15.8.4 Each of the Partners waives and releases all rights to a winding up or liquidation of the business or Partnership.

16. General.

16.1 Effect of Agreement: From and after the Formation Date of the Partnership as set forth in Section 3.1, this Agreement reflects the whole and entire agreement among the Partners, and this Agreement can be amended, restated, or supplemented only by the written agreement of all Partners; provided, however, that this Agreement shall become effective only if all parties named in Section 1.1 through Section 1.6 execute the same on or before March 17, 1978.

16.2 Notices: Any written notice or other communication shall be sufficiently given or shall be deemed given on the third business day following the date on which the same is mailed by registered or certified mail, postage prepaid, addressed:

16.2.1 to each of the Partners at the address set forth in Section 1 of this Agreement or at such other address as may be designated from time to time by any Partner by written notice to each other Partner and the Partnership; and

16.2.2 to the Partnership at its principal office specified by the Executive Committee in accordance with Section 3.7 or such other address as may be designated from time to time by written notice to each of the Partners. Any

Partner may request that copies of notices be given to any Affiliate at such address designated by such Partner by written notice to each other Partner and to the Partnership provided that any failure to give such notice shall not affect the validity of any notice given to any Partner or the Partnership in accordance with this Section 16 2 Each of the Partners agrees to give such notice to any such Affiliate

16 3 Further Assurances Each of the Partners agrees to execute and deliver all such other and additional instruments and documents and to do such other acts and things as may be reasonably necessary more fully to effectuate this Partnership and carry on the Partnership business in accordance with this Agreement.

16.4 Applicable Law: This Agreement shall be governed by and interpreted in accordance with the laws of New York.

16.5 Counterparts: This Agreement may be executed in counterparts (including counterparts providing for the execution by an Additional Partner), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument

16 6 Headings: The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement

16 7 Waiver: No waiver by any Partner of any default by any other Partner or Partners in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the other Partner or Partners from performance of any other provision, condition or requirement herein; nor deemed to be a waiver of, or in any manner a release of the other Partner or Partners from future performance of the same provision, condition or requirement. Any delay or omission of any Partner to exercise any right hereunder shall not impair the exercise of any such right, or any like right, accruing to it thereafter. No waiver of a right created by this Agreement by one or more Partners shall constitute a waiver of such right by the other Partners except as may otherwise be required by law with respect to persons not parties hereto. The failure of one

or more Partners to perform its or their obligations hereunder shall not release the other Partners from the performance of such obligations.

16.8 Partition: The Partners expressly waive and release any right to have their interest, individually or collectively, in the Project and the Line partitioned or sold for the purpose of dividing the proceeds of such sale for the period during which the Partnership or any Successor Partnership shall remain in existence.

16 9 Applicable Laws: This Agreement and the obligations of the Partners hereunder are subject to all applicable laws, rules, orders and regulations of governmental authorities having jurisdiction and, in the event of conflict, such laws, rules, orders and regulations of governmental authorities having jurisdiction shall control

16.10 Voluntary Contributions: No Partner shall make any capital contributions to the Partnership except pursuant to Sections 4, 11 and/or 12 of this Agreement

16.11 Voting Rights: For purposes of determining voting rights in any instance where voting is based on Partners' Percentages, the latest monthly statement of Capital Accounts delivered to the Partners shall be controlling.

16 12 Section Numbers: Unless otherwise indicated, reference to section numbers are to sections of this Agreement

16 13 FERC Order: The Partners agree to cooperate in the immediate preparation, submission and prosecution of an appropriate filing seeking an order from the FERC to the effect that the Partnership's succession to the rights, titles and interests of Northwest, as provided in Sections 3.3 and 4.1.1, has been validly consummated under the Natural Gas Act and other applicable law pursuant to which the FERC has jurisdiction. In the event the FERC fails to issue an order or orders to the effect stated above or which is otherwise in form and substance satisfactory to the Partnership as determined by the Board of Partners, and no corrective amendments to this Agreement or other documents satisfactory to the Partnership as determined by the Board of Partners can be executed sufficient to obtain such satisfactory order, the event specified in Section 15.3.3 shall forthwith be deemed to have occurred.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers.

GENERAL PARTNERS:

ATTEST:

Asst Secretary

NORTHERN ARCTIC GAS COMPANY

By _____
Title

ATTEST:

Secretary

NORTHWEST ALASKAN PIPELINE COMPANY

By _____
Title

ATTEST:

Assistant Secretary

PAN ALASKAN GAS COMPANY

By _____
Title

ATTEST:

Secretary

NATURAL GAS CORPORATION OF CALIFORNIA

By _____
Title

ATTEST:

Secretary

PACIFIC INTERSTATE TRANSMISSION COMPANY (ARCTIC)

By

Title

ATTEST:

Assistant Secretary

UNITED ALASKA FUELS CORPORATION

By

Title

AMENDMENT NO. 1

(Effective May 19, 1978)

TO

ALASKAN NORTHWEST NATURAL GAS

TRANSPORTATION COMPANY

GENERAL PARTNERSHIP AGREEMENT

The General Partnership Agreement (effective as of January 31, 1978) is hereby amended in the following respects:

1. Section 5, Allocation of Profits and Losses, is deleted.

2. In lieu thereof, the following shall be inserted:

5. Allocation of Profits and Losses.

5.1 Contemporaneous Joinder of Partnership: In the event all Partners execute this Partnership Agreement on or before March 17, 1978, and unless the Partnership Commitment Agreement provides otherwise, all net profits and net losses and credits of the Partnership shall be allocated to the respective Capital Accounts of the Partners in accordance with their respective Partner's Percentages. Such allocations shall be made for each calendar month based upon the weighted average of each Partner's Percentage during such month. These allocations are subject to retroactive adjustments resulting from any changes in Capital Accounts pursuant to FERC or other governmental order.

5.2 Non-Contemporaneous Joinder: In the event some Partners execute this Agreement on or before March 17, 1978, and other Partners are admitted to the Partnership after March 17, 1978, and unless the Partnership Commitment Agreement provides otherwise, unequal allocation of all net profits and net losses and credits of the Partnership shall be made in recognition of the greater degree of financial risk, Partnership responsibility and commitment of personnel and capital assumed by those Partners who execute this Agreement on or before March 17, 1978. Allocations made under this Section 5.2 shall be made for each calendar month based upon the weighted average of each Partner's Percentage during such month. These allocations are subject to retroactive adjustments resulting from any changes in Capital Accounts pursuant to FERC or other governmental order.

5.2.1 The Capital Account of any Partner admitted to Partnership after March 17, 1978, shall be allocated that share of all net profits, net losses and credits of the Partnership

accruing after such Partner's admission (exclusive of losses allocated under Section 5.2.3) as such Partner's Percentage would entitle that Partner to receive, less a discount as set forth below:

Admission Date	Discount
After Commitment Date	15%
1-1-80 thru Commitment Date	10%
7-1-79 thru 12-31-79	6%
1-1-79 thru 6-30-79	4%
7-1-78 thru 12-31-78	2%
3-18-78 thru 6-30-78	1%

5.2.2 The net profits, net losses and credits of the Partnership remaining after deducting the net profits, net losses and credits determined under Section 5.2.1 (exclusive of losses allocated under Section 5.2.3) shall be allocated to the respective Capital Account of each Partner executing this Agreement prior to March 18, 1978, in the proportion that each such Partner's Percentage bears to the total of the Partners' Percentages of all such Partners.

5.2.3 Losses realized from the sale, abandonment or other disposition of Partnership assets (other than in the ordinary course of business) prior to the In-Service Date shall be allocated among all Partners in accordance with the Partners' Percentages as of the date of such disposition.

This Amendment No. 1 shall be effective as of May 19, 1978, and is consented to and agreed upon by all Partners.

IN WITNESS WHEREOF, the Parties named below (being all of the Partners as of May 19, 1978) have caused this Amendment to be executed by their respective duly authorized officers on the date shown.

GENERAL PARTNERS:

ATTEST:

NORTHERN ARCTIC GAS COMPANY

/s/ Dan B. O'Brien, Jr.
General Counsel

By /s/ Gordon L. Severa
Title President
May 19, 1978

ATTEST:

/s/ Barbara Moreno
Asst. Secretary

NORTHWEST ALASKAN PIPELINE COMPANY

By /s/ John G. McMillian
Title Chairman of the Board
May 19, 1978

ATTEST:

/s/ Wendell Doggett
Asst. Secretary

PAN ALASKAN GAS COMPANY

By /s/ K. E. Kalen
Title President
May 19, 1978

ATTEST:

/s/ D. E. Gibson
Counsel

NATURAL GAS CORPORATION OF CALIFORNIA

By /s/ John A. Sproul
Title Chairman of the Board
May 19, 1978

ATTEST:

/s/ Helen M. Farneman
Asst. Secretary

PACIFIC INTERSTATE TRANSMISSION COMPANY (ARCTIC)

By /s/ Harry Lenape
Title President
May 19, 1978

ATTEST:

/s/ W. O. Crain, Jr.
Asst. Secretary

UNITED ALASKA FUELS CORPORATION

By /s/ D. Lamar Smith
Title Vice President
May 19, 1978

AMENDMENT NO. 2
AGREEMENT DATED AS OF JANUARY 1, 1980
BETWEEN
ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY
AND
AMERICAN NATURAL ALASKAN COMPANY

THIS AGREEMENT dated as of January 1, 1980 (Amendment No. 2) by and among ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY, a New York general partnership, ("Partnership") formed pursuant to the Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement effective as of January 31, 1978 ("Partnership Agreement"), and American Natural Alaskan Company, a Delaware corporation ("American Natural Alaskan") and a a wholly owned subsidiary of American Natural Resources Company, a Michigan corporation,

WITNESSETH THAT:

WHEREAS, American Natural Alaskan has requested the Partnership to admit American Natural Alaskan as a Partner on the terms and conditions set forth in this Amendment No. 2, and the Partnership is willing to admit American Natural Alaskan as a Partner on such terms and conditions; and

WHEREAS, the terms of the admission of American Natural Alaskan to the Partnership, as set forth in Amendment No. 2, require the amendment or waiver of certain terms, conditions, or provisions in the Partnership Agreement, and the Partnership

is willing to agree to such amendments or waivers; and

WHEREAS, American Natural Alaskan is ready, willing and able to abide by and comply with all the terms, conditions, and provisions of the Partnership Agreement, as amended hereby; and

WHEREAS, the Partnership and American Natural Alaskan agree that Amendment No. 2 will be subject to the approval of the Federal Energy Regulatory Commission;

NOW, THEREFORE, the Partnership and American Natural Alaskan, intending to be legally bound hereby, agree as follows:

I

In accordance with the provisions of this Amendment No. 2, and the Partnership Agreement as amended hereby, American Natural Alaskan shall become a Partner in the Partnership as of January 1, 1980 (hereinafter called the "Admission Date"). In consideration of becoming a Partner, American Natural Alaskan shall make capital contributions to the Partnership on the terms and subject to the conditions of Section 4 of the Partnership Agreement, as amended by this Amendment No. 2.

II

Section 1 of the Partnership Agreement is amended, effective as of the Admission Date, to add a new section 1.7 to read as follows:

> "1.7 AMERICAN NATURAL ALASKAN COMPANY, (hereinafter called 'American Natural Alaskan'), a corporation organized under the laws of the State of Delaware, with its principal corporate offices at One Woodward Avenue, Detroit, Michigan 48226. American Natural Alaskan represents that: (a) all of its capital stock is owned by American Natural Resources Company, a Michigan corporation; and (b) American Natural Alaskan or an Affiliate intends to become a Shipper."

III

Section 3.6 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

> "3.6 Representations and Warranties Concerning Formation of Partnership: Each Partner represents and warrants that, subject to the receipt of all necessary regulatory approvals relating to this Agreement and the investment of the Partners in this Partnership, the execution and delivery of this Agreement, the formation of the Partnership and the performance hereof will not contravene any provision of, or constitute a default under, any indenture, mortgage or other agreement of such Partner or any Affiliate of such Partner or any order of any court, commission or governmental agency having jurisdiction, and this Agreement is a valid and enforceable Agreement against such Partner except insofar as enforcement hereof may be limited by bankruptcy, insolvency or other similar laws related to or affecting the enforcement of creditors' rights. Each of the Parties to this Agreement set forth in Sections 1.1 through 1.7 represents that it is not subject to or is

exempt from the jurisdiction of the SEC as a public utility holding company within the meaning of the of the Public Utility Holding Company Act of 1935."

IV

Section 4.1.3 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

"4.1.3 Subject to such change as may be necessary by Section 4.1.4, the identification and value to the Project of the Qualified Expenditures of any Partner or any Affiliate of a Partner (other than Northwest) shall be determined by the Board of Partners. Upon review and determination of the value of the Qualified Expenditures of such Partners or Affiliates (other than Northwest), as herein provided (such review and determination to be made as soon as practicable after the Formation Date and, in any event, prior to November 30, 1978), the Capital Account of each Partner (other than Northwest) shall be credited with the amount so determined. Each Partner claiming a Qualified Expenditure shall permit the Partners reasonable access to it books and records to verify such expenditures

A Partner admitted to the Partnership after November 30, 1978, hereinafter referred to as an Additional Partner, shall have a reasonable time after the date of admission to submit to the Partnership the amount of Qualified Expenditures that the Additional Partner proposes to have included in its Capital Account. The Board of Partners shall review and determine the value of such Qualified Expenditures to the Project on the same basis as the Qualified Expenditures of other Partners (other than Northwest) and the Capital Account of such Additional Partner shall be credited with the amount so determined, subject to such change as may be necessary by Section 4.1.4. A Partner claiming Qualified Expenditures under this paragraph shall permit the Partners reasonable access to its books and records to verify such expenditure."

V

Section 4.1.4 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

> "4.1.4 Qualified Expenditures, and the value of assets generated thereby, shall be subject to review and verification by the FERC, and only those expenditures, and the values ascribed to such assets, found by the FERC to reflect reasonable and necessary expenditures, prudently incurred, shall be retained in the Capital Accounts, and then only to the extent that FERC authorizes the inclusion thereof as a capital expenditure appropriately made on behalf of the Partnership for inclusion in rate base. Any disallowance by the FERC of an amount included in any Capital Account under Section 4.1 shall be reflected forthwith in a retroactive adjustment of (i) the Capital Account from which such amount was so disallowed and (ii) all other Capital Accounts affected by such disallowance in accordance with this Agreement.
>
> In the event such disallowance occurs after the ownership interest of each Partner has been determined in accordance with Section 4.3.1, the retroactive adjustment required by this Section 4.1.4 shall not affect the division of interests determined in accordance with Section 4.3.1, but shall instead be reflected in the amount of capital required to be contributed by the Partners pursuant to Section 4.3.2."

VI

Section 4.2 of the Partnership Agreement is amended by changing Section 4.2.5 and by including a new section 4.2.6, effective as of the Admission Date, to read as follows:

"4.2.5 On or before December 1, 1979, and on or before each succeeding December 1 in the event the Commitment Date is estimated to occur after such succeeding December 1, the Board of Partners shall determine, taking into account budgeted costs and contractual commitments which will accrue if the Project is suspended, the anticipated cash requirements of the Partnership for the period from January 1, 1980 (or from any succeeding January 1) through the date then estimated to be the Commitment Date. Immediate notice of each such determination shall be given to all Partners. Each Partner agrees, subject to the withdrawal rights specified in Section 4.4.3, to contribute to the Partnership, for the period commencing January 1, 1980 and ending with the Commitment Date, an amount equal to (i) the amount by which the anticipated cash requirements of the Partnership during such period exceeds the amount contributed by American Natural Alaskan pursuant to Section 4.2.6, divided by (ii) the number of Partners.

4.2.6 American Natural Alaskan agrees, notwithstanding anything to the contrary in Section 4.4.3, which Section shall not be applicable to this Section 4.2.6, to contribute to the Partnership that amount which is equal to the amount contributed by any Partner pursuant to Section 4.2 from the Formation Date through January 7, 1980. Until American Natural Alaskan shall have contributed to the Partnership the entire amount required to be contributed by it pursuant to this Section 4.2.6, it shall, notwithstanding anything to the contrary in Section 4.4, contribute to the Partnership pursuant to this Section 4.2.6, on each date on which a capital contribution pursuant to Section 4.2.5 shall become due and payable, an amount equal to the lesser of (i) the highest amount contributed by any Partner pursuant to Section 4.2.5 on such date or (ii) the balance remaining to be contributed by American Natural Alaskan pursuant to this Section 4.2.6. The contributions made by American Natural Alaskan pursuant to this Section 4.2.6 shall be in addition to American Natural Alaskan's contributions pursuant to Section 4.2.5."

VII

Notwithstanding anything in Amendment No. 2 to the contrary, each Partner agrees that solely for purposes of Section 5 of the Partnership Agreement, American Natural Alaskan shall be treated as if it had executed the Partnership Agreement on or before March 17, 1978.

VIII

Section 8.3.1 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

> "8.3.1 The Executive Committee shall consist of a Chairman and six members. Each Partner named in Sections 1.1 through 1.7 (or any substitute Partner succeeding to its interest hereunder) shall designate a representative to serve on the Executive Committee, and the Chairman of the Board of Partners shall also be the Chairman of the Executive Committee. Any vacancy on the Executive Committee occasioned by the withdrawal of a Partner named in Sections 1.1 through 1.7 (or any substitute Partner succeeding to its interest hereunder) shall be filled by the Board of Partners."

IX

Section 8.4.1 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

> "8.4.1 The Audit Committee shall consist of six members selected to serve by the Board of Partners. No member of the Audit Committee shall be affiliated in any manner with Northwest, and no Partner may have more than one representative on the Audit Committee. The Board of Partners shall designate one member of the Audit Committee to serve as Chairman of the Audit Committee. Decisions of the Audit Committee shall be by a majority vote of the members. The members shall serve on the Committee at the will of the Board of Partners."

X

Section 8.5.1 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

> "8.5.1 The Compensation Committee shall consist of six members selected by the Board of Partners. No member of the Compensation Committee shall be affiliated in any manner with Northwest, and no Partner shall have more than one representative on the Compensation Committee. The Board of Partners shall designate one member to serve as Chairman of the Compensation Committee. Decisions of the Compensation Committee shall be by majority vote of the members. The members shall serve on the Committee at the will of the Board of Partners."

XI

For the purposes of Section 11.1 of the Partnership Agreement, execution of this Amendment No. 2 shall (a) satisfy the requirement that a new Partner execute a counterpart of the Partnership Agreement, and (b) constitute American Natural Alaskan's warranty and representation that it has satisfied the conditions for admission to the Partnership set forth in Sections 11.1.2 through 11.1.4.

XII

Section 14.2.1 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

"14.2.1 Except as provided in Section 14.2.2, the Corporation shall issue a number of shares of its common stock to each Partner in consideration for the transfer of the Partnership's business and assets which is the same percentage of the total number of such shares so issued as each such Partner's respective Partner's Percentage as of the date of the transfer, giving effect, however, to the special allocation provisions of Section 5.2, to the extent such provisions are applicable, in such a manner as to preserve the discounts provided therein for Partners admitted to the Partnership after March 17, 1978."

XIII

Sections 15.2 and 15.8 of the Partnership Agreement are amended, and a new Section 15.9 is added, effective as of the Admission Date, to read as follows:

"15.2 Right to Withdraw: Any Partner shall have the right to withdraw from the Partnership at any time prior to the Commitment Date upon written notice pursuant to Section 16.2 to the other Partners and to the Partnership (the 'Withdrawal Notice') so stating. Rights of Withdrawal on and after the Commitment Date shall be as specified in the Partnership Commitment Agreement."

"15.8 Continuation of Partnership: Except as provided in Sections 15.3 and 15.7, it is understood and agreed by each of the Partners that the relationship of partnership among them is intended to continue without interruption until such relationship is either specifically dissolved by unanimous consent of all the Partners or by the occurrence of one of the events specified in Sections 15.3 and 15.7 as an event of dissolution, and each Partner waives and releases its right to dissolve or obtain dissolution of the Partnership in any other manner or for any other

reason. In this connection, the Partners agree and intend that the Partnership shall not be dissolved by the admission of a new Partner pursuant to Section 11.1.1 or by the withdrawal of a Partner from the Partnership. If, notwithstanding the foregoing understanding, agreements and intentions of the Partners, the Partnership may at any time or from time to time be deemed by operation of law and otherwise than pursuant to Section 15.3 or 15.7 to be dissolved and subject to winding up, each of the Partners hereby covenants and agrees with the other Partners as follows:

"15.8.1 The business affairs of the Partnership shall continue without interruption and be carried out by a new partnership (the 'Successor Partnership');

"15.8.2 The Partners of the Successor Partnership shall be the Persons who were Partners hereunder at the time of such dissolution, and the Successor Partnership and the Partners thereof shall be governed by the terms of this Agreement as if the Successor Partnership were the Partnership;

"15.8.3 Each of the Partners covenants and agrees to execute such further agreements, including (without limitation) notes, novations and accommodations as may be necessary to continue the business of the Partnership by the Successor Partnership and to protect and perfect any lien or security interest granted by the Partnership;

"15.8.4 Each Partner waives and releases, to the full extent it may lawfully do so, all rights to a winding up or liquidation of the business of the Partnership, notwithstanding that the dissolution of the Partnership may be caused wrongfully or otherwise in contravention of this Agreement by such Partner or any other Partner and further notwithstanding that, at the time of such dissolution such Partner shall be, or be deemed to be or thereby become, a Withdrawing Partner pursuant to this Agreement; and

"15.8.5 As used in this Section 15.8, the term 'Partnership,' at any point in time, shall mean the Partnership originally formed pursuant to this Agreement or the Successor Partnership which at such time is continuing the business and affairs of the Partnership originally so formed."

"15.9 Effect of Withdrawal: Any Partner which shall exercise its right to withdraw from the Partnership prior to the Commitment Date pursuant to Section 15.2 or shall be deemed to have withdrawn from the Partnership by operation of Section 4.4.5 or 15.4 (herein called a 'Withdrawing Partner') shall have those rights stated in Section 4.4.4 and no others. Withdrawal by one or more Partners pursuant to Section 15.2 or by operation of Sections 4.4 or 15.4 shall not (i) effect a dissolution of the Partnership or (ii) affect obligations previously incurred by the Withdrawing Partner. Withdrawal pursuant to Section 4.4.5, 15.2 or 15.4 shall, ipso facto, terminate the Withdrawing Partner's status as a Partner, forfeit all voting rights in Partnership affairs and terminate all representation on Partnership committees and the Board of Partners."

XIV

Section 16.13 of the Partnership Agreement is amended to add a new section 16.13.1, effective as of the Admission Date, to read as follows:

"16.13.1 Upon the admission of an Additional Partner subsequent to the issuance by the FERC of the order in response to the filing required by section 16.13, the Partners agree to cooperate in the immediate preparation, submission and prosecution of a filing seeking an order from FERC approving the admission of the Additional Partner under the terms and conditions agreed to for admission. In the event the FERC fails to issue an order or orders to the effect stated above or which is otherwise in form or substance

satisfactory to the Partnership, as determined by the Board of Partners, and no corrective amendments to this Amendment or other documents satisfactory to the Partnership, as determined by the Board of Partners, can be executed sufficient to obtain such satisfactory order, the agreement to admit the Additional Partner shall be null and void, and the Additional Partner shall promptly receive a full refund of its cash contributions, and all capital contributions pursuant to Section 4.1 shall be rescinded in full, with any tangible assets represented thereby which have been previously delivered by such Additional Partner to the Partnership returned to such Additional Partner.

XV

This Amendment No. 2 shall be governed by and interpreted in accordance with the laws of New York. Terms used in this Amendment No. 2 which are defined in the Partnership Agreement are, unless the context otherwise requires, used herein as therein defined.

XVI

This Amendment No. 2 may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

XVII

This Amendment No. 2 embodies the entire agreement and understanding between the Partnership and American Natural Alaskan and supersedes all prior agreements and understandings relating to the terms and conditions of the admission of American Natural Alaskan

as a Partner and any other matters which are the subject of this Amendment No. 2.

XVIII

This Amendment No. 2 and the obligations of the Partnership and American Natural Alaskan hereunder are subject to all applicable laws, rules, orders and regulations of United States federal, state or local governmental authorities having jurisdiction and, in the event of conflict, such laws, rules, orders and regulations of governmental authorities having jurisdiction shall control.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 as of the day and year first written.

ATTEST:

AMERICAN NATURAL ALASKAN COMPANY

By

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

By

ATTEST:

NORTHERN ARTIC GAS COMPANY

By

ATTEST:

PAN ALASKAN GAS COMPANY

By

ATTEST:

CALASKA ENERGY COMPANY

By
Chairman of the Board

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 as of the day and year first written.

ATTEST:

AMERICAN NATURAL ALASKAN COMPANY

_____ _____

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

_____ By _____

ATTEST:

NORTHERN ARTIC GAS COMPANY

_____ By _____

Assistant Secretary President

ATTEST:

PAN ALASKAN GAS COMPANY

_____ By _____

ATTEST:

CALASKA ENERGY COMPANY

_____ By _____

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 as of the day and year first written.

ATTEST:

AMERICAN NATURAL ALASKAN COMPANY

_____

_____

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

_____

By _____

ATTEST:

NORTHERN ARTIC GAS COMPANY

_____

By _____

ATTEST:

PAN ALASKAN GAS COMPANY

_____
Assistant Secretary

By _____
K. E. Kalen, President

ATTEST:

CALASKA ENERGY COMPANY

_____

By _____

ATTEST:

PACIFIC INTERSTATE TRANSMISSION COMPANY (ARCTIC)

Assistant Secretary

By _____
President

ATTEST:

UNITED ALASKA FUELS CORPORATION

_____

By _____

ATTEST:

PACIFIC INTERSTATE TRANSMISSION COMPANY (ARCTIC)

_____

By _____

ATTEST:

UNITED ALASKA FUELS CORPORATION

W. O. Emerson
Assistant Secretary

By _____

AMENDMENT NO. 3
AGREEMENT DATED AS OF AUGUST 1, 1980
BETWEEN
ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY
AND
COLUMBIA ALASKAN GAS TRANSMISSION CORPORATION,
TETCO FOUR, INC., TEXAS GAS ALASKA CORPORATION,
AND TRANSCANADA PIPELINE ALASKA LTD.

THIS AGREEMENT dated as of August 1, 1980 (Amendment No. 3) by and among ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY, a New York general partnership, ("Partnership") formed pursuant to the Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement effective as of January 31, 1978 ("Partnership Agreement"), and Columbia Alaskan Gas Transmission Corporation, a Delaware corporation ("Columbia Alaska") and a wholly-owned subsidiary of Columbia Gas System, Inc., a Delaware corporation; Tetco Four, Inc., a Delaware corporation ("Tetco Four") the capital stock of which is owned fifty percent by Texas Eastern Transmission Corporation and fifty percent by Transwestern Pipeline Company, Delaware corporations; Texas Gas Alaska Corporation, a Delaware corporation ("Texas Gas Alaska") and a wholly owned subsidiary of Texas Gas Transmission Corporation, a Delaware corporation; and TransCanada PipeLine Alaska Ltd., a Nevada corporation ("TransCanada-Alaska") all of whose capital stock is owned indirectly by TransCanada PipeLines Limited, a Canadian corporation.

WITNESSETH THAT:

WHEREAS, on February 6, 1980 by a filing in Docket No. CP78-123, et al., the Partnership gave notice to the Federal Energy Regulatory Commission ("Commission") of Amendment No. 2 to the Partnership Agreement, which set forth the terms and conditions agreed to for the admission into the Partnership of American Natural Alaskan Company ("American Natural Alaskan"), and the Partnership further notified the Commission that for a period of thirty days ("grace period") following the issuance by the Commission of a notice of the filing of Amendment No. 2 that membership in the Partnership would be available to other eligible, interested persons on the same terms and conditions agreed to with American Natural Alaskan; and

WHEREAS, on August 1, 1980 the Commission issued its Notice Of The Filing Of A Notice Of Amendment To Partnership Agreement, And Order Inviting Comments setting forth the terms of Amendment No. 2 and the offer of a grace period for additional membership, and requesting comments; and

WHEREAS, in response to the Partnership offer of a grace period, Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska have separately requested to be admitted as a Partner on the terms and conditions set forth in this Amendment No. 3, and the Partnership is willing to admit each one as a Partner on such terms and conditions; and

WHEREAS, the terms of the admission of Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska to the Partnership, as set forth in Amendment No. 3, require the amendment or waiver of certain terms, conditions, or provisions in the Partnership Agreement, and the Partnership is willing to agree to such amendments or waivers;

WHEREAS, Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska are ready, willing and able to abide by and comply with all the terms, conditions, and provisions of the Partnership Agreement, as amended hereby; and

NOW, THEREFORE, the Partnership and Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska, intending to be legally bound hereby, agree as follows:

I

In accordance with the provisions of this Amendment No. 3, and the Partnership Agreement as amended hereby, Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska shall each become a Partner in the Partnership as of August 1, 1980 (hereinafter called the "Admission Date"). In consideration of becoming a Partner, Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska shall each make capital contributions to the Partnership on the terms and subject to the conditions of Section 4 of the Partnership Agreement, as amended by Amendment No. 2, and as further amended by this Amendment No. 3.

II

Section 1 of the Partnership Agreement is amended, effective as of the Admission Date, to add new sections 1.8 through 1.11 to read as follows:

"1.8 COLUMBIA ALASKAN GAS TRANSMISSION CORPORATION, (hereinafter called 'Columbia Alaskan'), a corporation organized under the laws of the State of Delaware, with its principal corporate offices at 20 Montchanin Road, Wilmington, Delaware 19807. Columbia Alaskan

represents that: (a) all of its capital stock is owned by Columbia Gas System, Inc., a Delaware corporation; and (b) Columbia Alaskan or an Affiliate intends to become a Shipper."

"1.9 TETCO FOUR, INC. (hereinafter called ('Tetco Four'), a corporation organized under the laws of the State of Delaware with its principal corporate offices at One Houston Center Houston, Texas 77002. Tetco Four represents that: (a) fifty percent of its capital stock is owned by Texas Eastern Transmission Corporation and fifty percent by Transwestern Pipeline Company, Delaware corporations; and (b) Tetco Four or its Affiliates intend to become Shippers."

"1.10 TEXAS GAS ALASKA CORPORATION, (hereinafter called 'Texas Gas Alaska'), a corporation organized under the laws of the State of Delaware, with its principal corporate offices at 3800 Frederica Street, Owensboro, Kentucky 42301. Texas Gas Alaska represents that: (a) all of its capital stock is owned by Texas Gas Transmission Corporation, a Delaware corporation; and (b) Texas Gas Alaska or an Affiliate intends to become a Shipper."

"1.11 TRANSCANADA PIPELINE ALASKA LTD., (hereinafter called 'TransCanada-Alaska'), a corporation organized under the laws of Nevada, with its principal corporate offices at 54 Commerce Court, Toronto, Ontario, Canada M5L 1C2. TransCanada-Alaska represents that: (a) all of its capital stock is owned indirectly by TransCanada PipeLines Limited, a Canadian corporation; and (b) TransCanada-Alaska or an Affiliate may become a Shipper."

III

Section 3.6 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

"3.6 Representations and Warranties Concerning Formation of Partnership: Each Partner represents and warrants that, subject to the receipt of all necessary regulatory approvals relating to this Agreement and the investment of the Partners in this Partnership, the execution and delivery of this Agreement, the formation of the Partnership and the performance hereof will not contravene

any provision of, or constitute a default under, any indenture, mortgage or other agreement of such Partner or any Affiliate of such Partner or any order of any court, commission or governmental agency having jurisdiction, and this Agreement is a valid and enforceable Agreement against such Partner except insofar as enforcement hereof may be limited by bankruptcy, insolvency or other similar laws related to or affecting the enforcement of creditors' rights. Each of the Parties to this Agreement, other than Columbia Alaskan, represents that it is not subject to or is exempt from the jurisdiction of the SEC as a public utility holding company within the meaning of the Public Utility Holding Company Act of 1935."

IV

Section 4.2 of the Partnership Agreement is amended by changing Section 4.2.5 and by including new sections 4.2.7 and 4.2.8, effective as of the Admission Date, to read as follows:

"4.2.5 On or before December 1, 1979, and on or before each succeeding December 1 in the event the Commitment Date is estimated to occur after such succeeding December 1, the Board of Partners shall determine, taking into account budgeted costs and contractual commitments which will accrue if the Project is suspended, the anticipated cash requirements of the Partnership for the period from January 1, 1980 (or from any succeeding January 1) through the date then estimated to be the Commitment Date. Immediate notice of each such determination shall be given to all Partners. Each Partner agrees, subject to the withdrawal rights specified in Section 4.4.3, to contribute to the Partnership, for the period commencing January 1, 1980 and ending with the Commitment Date, an amount equal to (i) the amount by which the anticipated cash requirements of the Partnership during such period exceeds the total of the amount contributed by American Natural Alaskan pursuant to Section 4.2.6, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska pursuant to Section 4.2.7, and Columbia Alaskan pursuant to Section 4.2.8, divided by (ii) the number of Partners.

4.2.7 Tetco Four, Texas Gas Alaska, and TransCanada-Alaska severally agree, notwithstanding anything to the contrary in Section 4.4.3, which Section shall not be applicable to this Section 4.2.7, to contribute to the Partnership that amount which is equal to the amount contributed by any Partner named in Sections 1.1 through 1.6 pursuant to Section 4.2 from the Formation Date through August 12, 1980. Until Tetco Four, Texas Gas Alaska, and TransCanada-Alaska shall have each contributed to the Partnership the entire amount required to be contributed by it pursuant to this Section 4.2.7, each shall, notwithstanding anything to the contrary in Section 4.4, contribute to the Partnership pursuant to this Section 4.2.7, on each date on which a capital contribution pursuant to Section 4.2.5 shall become due and payable, an amount equal to the lesser of (i) the highest amount contributed by any Partner named in Sections 1.1 through 1.6 pursuant to Section 4.2.5 on such date or (ii) the balance remaining to be contributed separately by Tetco Four, Texas Gas Alaska, and TransCanada-Alaska pursuant to this Section 4.2.7. The contributions made by Tetco Four, Texas Gas Alaska, and TransCanada-Alaska pursuant to this Section 4.2.7 shall be in addition to the contributions of Tetco Four, Texas Gas Alaska, and TransCanada-Alaska pursuant to Section 4.2.5.

4.2.8 Upon the receipt by Columbia Alaskan of authorization from the SEC to participate in the Partnership pursuant to the Public Utility Holding Company Act of 1935, which shall occur after the Admission Date and subsequent to one or more requests for cash contributions pursuant to Section 4.2.5, as of the next such request for a cash contribution, Columbia Alaskan shall contribute an amount equal to the sum of (i) the amount previously paid by a Partner subject to both Sections 4.2.5 and 4.2.7 plus (ii) the cash contribution then requested, computed as if Columbia Alaskan were subject to the provisions of Section 4.2.7. Thereafter, for the purposes of cash contributions under Section 4.2.5, the contribution of Columbia Alaskan shall be calculated according to the provisions of Section 4.2.7 as if Columbia Alaskan were included therein on an equal basis with Tetco Four, Texas Gas Alaska, and TransCanada-Alaska."

V

Notwithstanding anything in the Partnership Agreement, as amended, that may be to the contrary, the Partnership and Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska agree that Section 4.3.1 of the Partnership Agreement is not intended to require, and will not be construed to require, any Partner to assume a Partnership interest greater than that interest which such Partner has elected pursuant to Section 4.3.1.

VI

Notwithstanding anything in the Partnership Agreement, as amended, to the contrary, each Partner agrees that solely for purposes of Section 5 of the Partnership Agreement, Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska shall be treated as if they had executed the Partnership Agreement on or before March 17, 1978.

VII

Section 8.3.1 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

> "8.3.1 The Executive Committee shall consist of a Chairman and ten members. Each Partner named in Sections 1.1 through 1.11 (or any substitute Partner succeeding to its interest hereunder) shall designate a representative to serve on the Executive Committee, and the Chairman of the Board of Partners shall also be the Chairman of the Executive Committee. Any vacancy on the Executive Committee occasioned by the withdrawal of a Partner named in Sections 1.1 through 1.11 (or any substitute Partner succeeding to its interest hereunder) shall be filled by the Board of Partners."

VIII

Section 8.4.1 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

> "8.4.1 The Audit Committee shall consist of ten members. No member of the Audit Committee shall be affiliated in any manner with Northwest, and each Partner (other than Northwest) admitted

to the Partnership prior to September 1, 1980 shall have one representative on the Audit Committee. The Board of Partners shall designate one member of the Audit Committee to serve as Chairman of the Audit Committee. Decisions of the Audit Committee shall be by a majority vote of the members. The members shall serve on the Committee at the will of the Board of Partners."

IX

Section 8.5.1 of the Partnership Agreement is amended, effective as of the Admission Date, to read as follows:

"8.5.1 The Compensation Committee shall consist of ten members. No member of the Compensation Committee shall be affiliated in any manner with Northwest, and each Partner (other than Northwest) admitted to the Partnership prior to September 1, 1980 shall have one representative on the Compensation Committee. The Board of Partners shall designate one member to serve as Chairman of the Compensation Committee. Decisions of the Compensation Committee shall be by majority vote of the members. The members shall serve on the Committee at the will of the Board of Partners."

X

For the purposes of Section 11.1 of the Partnership Agreement, execution of this Amendment No. 3 shall (a) satisfy the requirement that a new Partner execute a counterpart of the Partnership Agreement, and (b) except for Columbia Alaskan with respect to Section 11.1.4, constitute a warranty and representation by Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska that each has satisfied the conditions for admission to the Partnership set forth in Sections 11.1.2 through 11.1.4, and (c) constitute satisfaction of the requirements of Section 11.1.1.

XI

This Amendment No. 3 shall be governed by and interpreted in accordance with the laws of New York. Terms used in this Amendment No. 3 which are defined in the Partnership Agreement are, unless the context otherwise requires, used herein as therein defined.

XII

This Amendment No. 3 may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

XIII

This Amendment No. 3 embodies the entire agreement and understanding between the Partnership and Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska and supersedes all prior agreements and understandings relating to the terms and conditions of the admission of Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska as Partners and any other matters which are the subject of this Amendment No. 3.

XIV

This Amendment No. 3 and the obligations of the Partnership and Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska hereunder are subject to all applicable laws, rules, orders and regulations of United States federal, state or local governmental authorities having jurisdiction and, in the event of conflict, such laws, rules, orders and regulations of governmental authorities having jurisdiction shall control.

The Partnership and Columbia Alaskan, Tetco Four, Texas Gas Alaska, and TransCanada-Alaska agree that admission to the Partnership is subject to a condition subsequent of Commission approval of the thirty-day grace period as tendered in the February 6, 1980 Partnership filing and Commission approval of this Amendment No. 3.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 3 as of the day and year first written.

ATTEST:

Assistant Secretary

COLUMBIA ALASKAN GAS TRANSMISSION CORPORATION

By: John H. Croom

President

ATTEST:

TETCO FOUR, INC.

By: H. Wayne Huizenga

ATTEST:

TEXAS GAS ALASKA CORPORATION

By:

ATTEST:

TRANSCANADA PIPELINE ALASKA LTD.

By:

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

By:

ATTEST:

NORTHERN ARCTIC GAS COMPANY

By:

ATTEST:

PAN ALASKAN GAS COMPANY

By:

ATTEST:

CALASKA ENERGY COMPANY

By:

ATTEST:

TETCO FOUR, INC.

_____ By: _____

ATTEST:

TEXAS GAS ALASKA CORPORATION

_____ By: _____

ATTEST:

TRANSCANADA PIPELINE ALASKA LTD.

_____ By: _____

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

_____ By: _____

ATTEST:

NORTHERN ARCTIC GAS COMPANY

_____ By: _____

Assistant Secretary — President

ATTEST:

PAN ALASKAN GAS COMPANY

_____ By: _____

ATTEST:

CALASKA ENERGY COMPANY

_____ By: _____

ATTEST:

TETCO FOUR, INC.

_____ By: _____

ATTEST:

TEXAS GAS ALASKA CORPORATION

_____ By: _____

ATTEST:

TRANSCANADA PIPELINE ALASKA LTD.

_____ By: _____

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

_____ By: _____

ATTEST:

NORTHERN ARCTIC GAS COMPANY

_____ By: _____

ATTEST:

PAN ALASKAN GAS COMPANY

Robert W. Reed By: K E Kelen

ATTEST:

CALASKA ENERGY COMPANY

_____ By: _____

ATTEST:

TETCO POOR, INC.

_____ By: _____

ATTEST:

TEXAS GAS ALASKA CORPORATION

_____ By: _____

ATTEST:

TRANSCANADA PIPELINE ALASKA LTD.

_____ By: _____

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

_____ By: _____

ATTEST:

NORTHERN ARCTIC GAS COMPANY

_____ By: _____

ATTEST:

PAN ALASKAN GAS COMPANY

_____ By: _____

ATTEST:

CALASKA ENERGY COMPANY

Secretary

By: John A. Sproul

Chairman of the Board

ATTEST:

PACIFIC INTERSTATE TRANSMISSION COMPANY (ARCTIC)

_____
Assistant Secretary

By: _____
President

ATTEST:

UNITED ALASKA FUELS CORPORATION

_____

By: _____

ATTEST:

AMERICAN NATURAL ALASKAN COMPANY

_____

By: _____

ATTEST:

PACIFIC INTERSTATE TRANSMISSION COMPANY (ARCTIC)

_____ By: _____

ATTEST:

UNITED ALASKA FUELS CORPORATION

_____ By: _____

ATTEST:

AMERICAN NATURAL ALASKAN COMPANY

_____ By: James J. Chebikoff

AMENDMENT NO. 4
(EFFECTIVE JANUARY 1, 1995)
TO
ALASKAN NORTHWEST NATURAL GAS
TRANSPORTATION COMPANY
GENERAL PARTNERSHIP AGREEMENT

WHEREAS, Northwest Alaskan Pipeline Company ("Northwest Alaskan") has notified Alaskan Northwest Natural Gas Transportation Company (the "Partnership") of its withdrawal from the Partnership effective December 31, 1994;

WHEREAS, the Partners to the Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement ("Partnership Agreement"), as the term Partner is defined in the Partnership Agreement, hereby amend the Partnership Agreement with the intent of continuing the Partnership and with the Amendments being made only to the extent necessary to effectuate the withdrawal of Northwest Alaskan from the Partnership and the termination of the Operating Agreement

Therefore, the Partnership Agreement (effective as of January 31, 1978) is hereby amended in the following respects:

- Section 4.3 1 is amended to state as follows:

"4.3.1 Prior to the Commitment Date, the ownership interest in the Partnership shall be apportioned among the Partners by mutual agreement; provided, however, that if the ownership interests elected by the Partners exceeds the total ownership interest, then the ownership interest in the Partnership shall be apportioned among the Partners in the ratio that each Partner's Capital Account bears to the total of the Capital Accounts of all Partners; provided, further, however, that if the above apportionment would cause an increase in any Partner's ownership interest above that which that Partner elects, then the increase above the Partner's election shall be apportioned among the other Partners in the same ratio as described before. For the purposes of calculating the apportionment of interest to Partners pursuant to this Section if mutual agreement has not been reached, the Capital Accounts of the Partners as of the end of the most recent month next preceding the date when apportionment occurs, shall be used."

- Section 4 3 2 is amended to state as follows:

"4 3.2 After the Commitment Date, and after apportionment among the Partners of the ownership interest in the Partnership, each Partner shall, as provided in Section 4 3 3, contribute the capital necessary to make the Partners'

Percentages reflect the division of interest so elected and apportioned."

- A new Section 7.10 is included to state as follows:

"Section 7.10 Technical Information, Copyrights and Patents

7.10.1 Technical Information and Copyrights: During the term of this Agreement, each Partner shall have access to all proprietary technical information and copyrightable material generated or received by the Operator under this Agreement or by any Partner, Person, contractor or agent performing work under this Agreement. Proprietary technical information and copyrightable material relating to the Project shall be owned by the Partners in undivided interest equivalent to such Partner's percentage interest in the Partnership. A Partner shall have the right to use and dispose of said proprietary technical information and copyrightable material in any manner, it, in its sole discretion, deems appropriate, provided however, that each Partner agrees as follows:

(i) to maintain said proprietary technical information and copyrightable material in confidence so long as it is not part of the public knowledge or not otherwise available to a Partner and to exercise the same degree of care regarding said proprietary technical information and copyrightable material as such Partner exercises with regard to its own proprietary technical information and copyrightable material;

(ii) to disclose said proprietary technical information and copyrightable material referred to herein only to those Affiliates which are obliged to exercise the aforesaid degree of care;

(iii) to disclose said proprietary technical information and copyrightable material referred to herein only to those third Persons who are participants in a joint operation (which is directly related to the Project) with said Partners or their Affiliates and who are obligated to exercise the aforesaid degree of care; and

(iv) to disclose said proprietary technical information and copyrightable material to a representative of the government, as required by statute, regulation, rule or order.

Nothing in this Section 7.10.1 shall grant or convey or be deemed to grant or convey any right whatsoever under any patent

Any Partner that intends to use the Partnership's proprietary technical information and copyrightable material, as

described above, shall bear all costs and expenses incurred to access such proprietary technical information and copyrightable material from the Partnership on a time and material basis

A Partner forfeits its undivided ownership interest in such proprietary technical information and copyrightable material upon withdrawal from the Partnership pursuant to Section 15 of the Partnership Agreement

Section 7.10 2 Patents: Each Partner agrees that any patent or patent application covering an invention, discovery or improvement which arises out of any research or development program carried out for the Partnership and paid for by the Partnership by any contractor or other agent for the Project shall belong jointly to the Partners, and each Partner shall have an undivided interest in each such patent and patent application equivalent to such Partner's percentage in the Partnership Agreement. The Partners agree that title to any such patent or patent application may be held in the name of one Partner for the benefit of all Partners and the Partnership A Partner forfeits its undivided ownership interest in any patent or patent application upon withdrawal from the Partnership "

- Section 8.1 2 is amended to state as follows:

"8.1.2 The day-to-day management of the affairs of the Partnership, including supervision of the construction of the Project and the operation of the Line, and activities reasonably related thereto, shall be the responsibility of the Operator, as the term Operator is defined in Section 8 6 1 "

- Section 8.2.2 is amended by deleting the first eleven lines of that Section that state: "The representative of Northwest shall be the Chairman of the Board of Partners but if the total interest which Northwest holds, after its election under Section 4.3 1, in the Partnership is less than 5 percent, or if a Northwest representative is removed as Chairman as below provided, the Chairman shall be elected by the Board of Partners. If Northwest's representative is entitled to the office of Chairman, and if for any reason John G. McMillian is unavailable to serve, Northwest shall designate another representative to serve as Chairman, with the advice and consent of the Board of Partners," and substituting the following:

"8.2 2 The Chairman of the Board of Partners shall be elected by the Board of Partners from its membership. The Chairman may not (the rest of the Section remains) "

- Section 8 3 1 is amended to read as follows:

"8.3 1 The Executive Committee shall consist of a Chairman and Partner members Subject to Article 15 regarding withdrawing Partners, each Partner shall designate a representative to serve on the Executive Committee, except that in the case of the Partner whose member representative is the Chairman of the Board of Partners such Partner's representative shall also be the Chairman of the Executive Committee Any vacancy on the Executive Committee occasioned by the withdrawal of a Partner may be filled by the Board of Partners "

- Section 8.4.1 is amended to state as follows:

"8 4.1 The Audit Committee shall consist of Partner members. No member of the Audit Committee shall be affiliated in any manner with the Operator, if the Operator is a Partner company or an Affiliate thereof Each Partner (other than a Partner that is also the Operator) shall have one representative on the Audit Committee The Board of Partners shall designate one member of the Audit Committee to serve as Chairman of the Audit Committee. Decisions of the Audit Committee shall be by a majority vote of the members The members shall serve on the Committee at the will of the Board of Partners "

- Section 8 5 1 is amended to state as follows:

"8 5 1 The Compensation Committee shall consist of Partner members No member of the Compensation Committee shall be affiliated in any manner with the Operator, if the Operator is a Partner company or an Affiliate thereof. Each Partner (other than a Partner that is also the Operator) shall have one representative on the Compensation Committee. The Board of Partners shall designate one member of the Compensation Committee to serve as Chairman of the Compensation Committee. Decisions of the Compensation Committee shall be by majority vote of the members. The members shall serve on the Committee at the will of the Board of Partners "

- Section 8 6 1 is amended to state as follows:

"8.6.1 The term Operator shall mean a Partner member designated by the Board of Partners as the Operator, or a third-party entity designated by the Board of Partners, or authorized representatives of the Board of Partners acting as its own Operator, or any other operating structure deemed appropriate and approved by the Board of Partners "

- Section 8 6 2 is amended to state as follows:

"8 6 2 The Operator may be removed by a two-thirds majority vote of the Board of Partners Upon removal of the Operator, a successor shall be designated by the Board of Partners "

- Section 8.6 3 is amended to state as follows:

"8 6.3 The Operator shall direct Operator personnel to pursue, at all times and in all manners, the best interests of the Partnership and the furtherance of the policies of the Partnership as determined by the Board of Partners "

- Section 8.6 4 is amended by deleting the word "Northwest" at the end of the provision, line 10, and replacing it with the word "Operator" so that the provision now states as follows:

"8.6.4 The Operator shall utilize, to the fullest extent practicable, the services of unaffiliated independent contractors to design and construct the Project The Operator shall negotiate contracts for such services and execute the same (other than the contract with the Project Management Contractor), and shall submit to the Boerd of Partners at the earliest practicable date its recommended contract with the company to serve as Project Management Contractor. Any functions which are not assigned to a contractor shall be performed by Operator "

- Section 8 8 is amended to delete the word "initial" in front of the word "Operator" in the fourth line, so that the provision now stetes as follows:

"8.8 Indemnification: The Partnership shall indemnify and save harmless the members of the Board of Partners, the Executive Committee, the members of any committee appointed as provided in Section 8.2.4 and the Operator (in its capacity as such) against all actions, claims, demands, costs and liabilities arising out of the acts (or failure to act) of such Persons in good faith within the scope of their authority in the course of the Partnership's business and such Persons shall not be liable for any obligations, liabilities or commitments incurred by or on behalf of the Partnership as a result of any such acts (or failure to act)."

- Section 15 5 is amended to state as follows:

"15.5 Winding up and Liquidation: After the Partnership shall be dissolved pursuant to the provisions of Section 15 3 3 or Section 15 7, the Board of Partners and each of

the Committees and the Operator shall continue to exercise the powers vested in each of them by this Agreement and continue to operate in the normal course to the extent appropriate for the purpose of winding up any business of the Partnership and liquidating any assets thereof (which have not been transferred to the Corporation pursuant to the provisions of Section 14) in an orderly manner and, subject to Section 6, distributing any net assets of the Partnership not so transferred to the Partners in accordance with their respective Partner's Percentages as of the date of dissolution The Partnership shall engage in no new business during the period of such winding up; provided that, no dissolution of the Partnership, pursuant to this Section 15 or otherwise, shall relieve any Partner (or any Person which has withdrawn as a Partner) from any obligation accruing or accrued to the date of such dissolution or deprive any Partner not in default hereunder of any remedy otherwise available to it "

Sections 15 7 1 and 15 7.2 are hereby deleted in there entirety.

This Amendment No 4 shall be effective as of January 1, 1995, and is consented to and agreed upon by all Partners

This Amendment No. 4 shall be governed by and interpreted in accordance with the laws of New York. Terms used in this Amendment No. 4 which are defined in the Partnership Agreement are, unless the context otherwise requires, used herein as therein defined.

This Amendment No. 4 may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties named below (being all of the Partners as of January 1, 1995) have caused this Amendment to be executed by their respective duly-authorized officers on the date shown.

GENERAL PARTNERS:

DATED: _____

UNITED ALASKA FUELS CORPORATION

_____

ATTEST:

_____

DATED: Dec. 29/94

TRANSCANADA PIPELINE USA LTD.

_____

ATTEST:

_____

LEGAL
CONTENT

GENERAL PARTNERS:

DATED:

January 22 1994

UNITED ALASKA FUELS CORPORATION

ATTEST:

DATED:

TRANSCANADA PIPELINE USA LTD.

ATTEST:

EXHIBIT 1-B

WITHDRAWAL NOTICES RECEIVED FROM WITHDRAWN PARTNERS OF ANNGTC

TEXAS GAS TRANSMISSION CORPORATION
Gas Transmission Services Division
3100 Frederica Street
P.O. Box 1160
Owensboro, Kentucky 42301
Phone: 502/926-8111

RECEIVED
JUN 19 1981
JOHN MASON

RECEIVED
JUN 23 1981
NWA LEGAL

RECEIVED
JUN 24 1981
NWA LEGAL

June 19, 1981

C.P. Moreton
President

CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID

Northwest Alaskan Pipeline Company
315 East 200 South Street
Salt Lake City, Utah 84111

Attention: Mr. John G. McMillian

Gentlemen:

Please refer to the General Partnership Agreement effective as of January 31, 1978 pursuant to which Alaskan Northwest Natural Gas Transportation Company (the "Partnership") was formed and all amendments thereto (collectively, the "Partnership Agreement") and to the Cooperative Agreement for Design and Engineering of Alaska Gas Pipeline and Conditioning Plant which became effective on June 20, 1980 and all amendments thereto (collectively, the "Cooperative Agreement").

Effective as of the date hereof, Texas Gas Alaska Corporation ("TG Alaska") hereby withdraws from (i) the Partnership pursuant to the applicable provisions of the Partnership Agreement and (ii) the Cooperative Agreement pursuant to the applicable provision thereof, and hereby gives this Withdrawal Notice to the Partnership and each of the Partners thereof and to the parties to the Cooperative Agreement.

TG Alaska recognizes its obligations to make payments pursuant to Section 4.2.7 of the Partnership Agreement are not affected by its withdrawal from the Partnership; however, all such payments made heretofore and hereafter were and shall be made on the understanding and condition that all such payments by TG Alaska, whenever made, will be deemed for the purposes of Section 4.4.4 of the Partnership Agreement to have been made prior to withdrawal of TG Alaska from the Partnership and, therefore, will be included in TG Alaska's Capital Account as of and on the date of such withdrawal.

Very truly yours,

TEXAS GAS ALASKA CORPORATION

By _____
Charles P. Moreton, President

cc: Northern Arctic Gas Company
2223 Dodge Street

AMERICAN NATURAL ALASKAN COMPANY
MEMBER OF THE AMERICAN NATURAL RESOURCES SYSTEM
ONE WOODWARD AVENUE DETROIT, MICHIGAN 48226

JAMES J TRESILCOTT
PRESIDENT

May 5, 1982

Alaskan Northwest Natural Gas
Transportation Company
P. O. Box 1526
Salt Lake City, Utah 84110-1526

Attention: Mr. John G. McMillian

Gentlemen:

American Natural Alaskan Company wishes to notify its partners in Alaskan Northwest Natural Gas Transportation Company that it will not make further equity investments in the Partnership in response to Requests for Capital Contributions.

As you know, our requirements for Alaskan gas have been very substanti reduced, and our participation in the Great Plains coal gasification proje has placed significant capital demands on our System. These and other factors have imposed practical limitations on our participation in the Alas gas pipeline project.

In our letter of January 21, 1982, we indicated the limits of our tota commitment of debt and equity to the project. Our financial contributions to date approximate the equity portion of that commitment. Since that is the case, and we have now reached the level we would nominate on the Commitment Date, it is our position that we should be permitted to remain in the Partnership without meeting further Requests for Capital Contributi

If this position is agreeable to the Partnership, it may be desirable to modify the Partnership Agreement to cover the situation outlined above. We would anticipate, and agree, that American Natural's voting rights would be limited.

If our position is not acceptable to the Partnership, this letter should be considered to be American Natural Alaskan Company's formal notice of withdrawal from the Partnership, effective as of the fifth business day following the delivery of the call for contributions based on the budget approved at the Management Committee Meeting on May 4, 1982. We would appreciate your early advice as to the Partnership's position on this matte

Very truly yours,

James J. Tresilcott

JJT:js
cc: Messrs. John H. Croom
H. Wayne Hodge
Kenneth E. Kalen
R. R. Latimer
Harry L. Lepape
Charles P. Moreton
Gordon L. Severa
D. Lamar Smith
John A. Sproul

RECEIVED
MAY 5 1982
JOHN MASON

NORTHWEST ALASKAN PIPELINE COMPANY

JOHN G. McMILLIAN
CHAIRMAN
AND
CHIEF EXECUTIVE OFFICER

P. O. BOX 1232
SALT LAKE CITY, UTAH 84110-1232
801-584-7200

May 12, 1982

Mr. James J. Trebilcott
President
American Natural Alaskan Company
One Woodward Avenue
Detroit, Michigan 48226

Dear Jim:

Thank you for your letter of May 5th. Representatives of the Partnership discussed your request in a conference call held on May 11, 1982.

We all deeply regret your decision, but understand fully the circumstances which led your Company to give its notice of withdrawal from the Partnership.

The Partners have asked me to advise you of their decision that the Partnership Agreement should not be amended.

We will look to an orderly wind down of our mutual affairs, in accordance with the provisions of the Partnership Agreement.

I want you to know how much all of us appreciate American Natural's support of the project, and how indebted we are for your personal contributions to our deliberations.

I will call personally to visit with you and Art Seder.

Best regards,

John G. McMillian

bcc: Harry L. Lepape
John H. Croom
Robert P. Raasch
John A. Sproul
H Wayne Hodge
D. Lamar Smith
R. R. Latimer
Kenneth E. Kalen
E. M Benson, Jr.
S. J. Reso
F. E. Mosier
Rush Moody
Darrell MacKay
T. W. diZerega
A. N. Porter
Howard Butner
RDM-WDC

AMERICAN NATURAL ALASKAN COMPANY
MEMBER OF THE AMERICAN NATURAL RESOURCES SYSTEM
ONE WOODWARD AVENUE DETROIT, MICHIGAN 48226

JAMES J TREBILCOTT
PRESIDENT

May 19, 1982

RECEIVED
May 24, 1982
CONTROLLER

Mr. John G. McMillian
Chairman
Northwest Alaskan Pipeline Company
P. O. Box 1526
Salt Lake City, Utah 84110-1526

Dear John:

Your letter of May 12, 1982 advising us of the action taken by the Partnership with respect to our letter of May 5, 1982 has been received. We are sorry to learn that the Partnership representatives decided not to approve the amendment that would have permitted American Natural to remain in the Partnership.

This matter was again considered by ANR's Board of Directors in light of this action by the Partnership. We have concluded that there is no alternative other than to reaffirm our intention to withdraw as set forth in our letter of May 5, 1982.

The relationships developed with you and the other partner representatives have been most enjoyable and we sincerely hope that the project will eventually be successfully completed.

Very truly yours,

James J Trebilcott

JJT:js
cc: Messrs. John H. Croom
H. Wayne Hodge
Kenneth E. Kalen
R. R. Latimer
Harry L. Lepape
Charles P. Moreton
Gordon L. Severe
D. Lamar Smith
John A. Sproul
R. Moody, Jr.

RECEIVED
MAY 24 1982
J. G. McMILLIAN

NORTHERN ARCTIC GAS COMPANY

Retyped for legibility

May 3, 1984

Alaskan Northwest Natural Gas Transportation Company
P. O. Box 1526
Salt Lake City, UT 84110-1526

Attention: Mr. Vernon T. Jones

Gentlemen:

This is to inform you that Northern Arctic Gas Company (Northern Arctic) hereby withdraws from Alaskan Northwest Natural Gas Transportation Company (ANNGTC). In so doing, Northern Arctic is also abandoning all of its rights and interest, of whatsoever nature, in the ANNGTC General Partnership.

Northern Arctic recognizes that under Section 15.9 of the ANNGTC General Partnership Agreement, as amended, its withdrawal and abandonment does not affect its obligations as a partner for those obligations incurred by the partnership prior to the withdrawal date. A representative of Northern Arctic will soon be in touch with you to begin determining the nature and extent of such previously incurred obligations.

Very truly yours,

/S/ R P. Raasch

en

cc: Messrs: John M. Croom
H. Wayne Hodge
Vernon T. Jones
Kenneth E. Kalen
H. L lepape
D. Lamar Smith
John A. Sproul
George E. Woods
Frank E. Moster
Stuart C. Mut
Sidney J. Reso

[redacted]

Northern Arctic Gas Company

[redacted]

May 3, 1984

Alaskan Northwest Natural Gas Transportation Company
P. O. Box 1526
Salt Lake City, UT 84110-1526

Attention: Mr. Vernon T. Jones

Gentlemen:

This is to inform you that Northern Arctic Gas Company (Northern Arctic) hereby withdraws from Alaskan Northwest Natural Gas Transportation Company (ANNGTC). In so doing, Northern Arctic is also abandoning all of i rights and interest, of whatsoever nature, in the ANNGTC General Partnership

Northern Arctic recognizes that under Section 15.9 of the ANNGTC General Partnership Agreement, as amended, its withdrawal and abandonment d not affect its obligations as a partner for those obligations incurred by t partnership prior to the withdrawal date. A representative of Northern Arc will soon be in touch with you to begin determining the nature and extent o such previously incurred obligations.

Very truly yours,

R. P. Rauch

R. P. Rauch

eb

CC: Messrs: John M. Crowe
H. Wayne Hodge
Vernon T. Jones

Kenneth E. Eales
E. L. Legaje
D. Lamar Smith

John A. Sproul
George E. Woods

Frank E. Hunter
Stuart C. Nye
Sidney J. Rose

COLUMBIA GAS
System

John H Croom
Chairman and President

REGISTERED MAIL

December 4, 1984

Alaskan Northwest Natural Gas
Transportation Company
P O Box 1526
Salt Lake City, Utah 84110-1526

Attention: Mr. Vernon T. Jones

Gentlemen:

Pursuant to Sections 15 2 and 16 2 of the Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement, as amended, Columbia Alaskan Gas Transmission Corporation hereby gives notice of its withdrawal from the Partnership effective immediately

Very truly yours,

J H Croom

Copy by Registered Mail: H. Wayne Hodge, Vernon T Jones, Kenneth E Kalen, H L Lepape, James R Templeton, John A Sproul, George W Woods

Information Copy: Frank E Mosier, Stuart C Mut, Sidney J Reso

PAN ALASKAN GAS COMPANY
P O BOX 1343
KANSAS CITY, MISSOURI 64141

December 14, 1984

CERTIFIED MAIL

Alaskan Northwest Natural Gas
Transportation Company
P. O. Box 1528
Salt Lake City, Utah 84110-1526

Attention: Mr. Vernon T. Jones

Re: Withdrawal Notice

Gentlemen:

Pan Alaskan Gas Company hereby gives notice, pursuant to Sections 15.2 and 16.2 of the Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement, as amended, of Pan Alaskan's withdrawal from the Partnership effective immediately.

Very truly yours,

K. E. Kalen
President

Copy by Certified Mail mailed this day to each of the following:

H. Wayne Hodge
Vernon T. Jones
H. L. Lepape
James R. Templeton
John Sproul
George W. Woods

PACIFIC INTERSTATE COMPANY

720 WEST EIGHTH STREET
LOS ANGELES CALIFORNIA 90017

FEB 20 1985
VERNON T. JONES

HARRY L LEPAPE
President and
Chief Executive Officer

February 15, 1985

Rec'd by VLJ 2/21/85

Alaskan Northwest Natural Gas
Transportation Company
Post Office Box 1526
Salt Lake City, Utah 84110-1526

Attention: Mr. Vernon T Jones

Re: Withdrawal Notice

Gentlemen:

Pacific Interstate Transmission Company (Arctic) hereby gives notice, pursuant to Sections 15 2 and 16 2 of the Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement, as amended, of Arctic's withdrawal from the Partnership effective as of the close of business on February 26, 1985

Concurrent with Arctic's withdrawal, I will be resigning as chairman of the Compensation Committee and as a member of the Audit Committee.

Sincerely,

H. L. Lepape
President

Copy sent by Certified Mail this
day to each of the following:

H Wayne Hodge
James R. Templeton
John Sproul
George W. Woods

APR 17 1989

TETCO Four, Inc.
P.O. Box 2521
Houston, Texas 77252

By Certified Mail

April 12, 1989

Alaskan Northwest Natural Gas
Transportation Company
P.O. Box 1526
Salt Lake City, UT 84110-1526

Attention: Mr. Vernon T. Jones

Re: Withdrawal Notice

Gentlemen:

TETCO Four, Inc. ("Tetco") hereby gives notice, pursuant to Sections 15.2 and 16.2 of the Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement, as amended, of Tetco's withdrawal from the Partnership effective as of the close of business on April 13, 1989.

We understand that the partnership has received payment from the United States pursuant to the settlement of the partnership's fees paid to by it to the Federal Power Commission and its successor, the Federal Energy Regulatory Commission. As the partnership is aware, Tetco fully participated in the filing, prosecution, and settlement of this action and it is Tetco's position that, regardless of its withdrawal from the partnership, it is entitled to receive its prorata share of the settlement.

Sincerely,

H. Wayne Hodge
Vice President

Copy sent by Certified Mail this
day to each of the following:

Mr. James M. Cameron - TransCanada PipeLine Alaska, Ltd.
Mr. Vernon T. Jones - Northwest Alaskan Pipeline Company
Mr. James R. Templeton - United Alaska Fuels Corporation
Mr. John A. Sproul - Calaska Energy Company

Pacific Gas and Electric Company

January 11, 1993

VIA FACSIMILE, FEDERAL EXPRESS, AND CERTIFIED MAIL

Mr. Robert Pierce (403) 290-6739
United Alaska Fuels Corporation
3100-707 8th Avenue S.W.
Calgary, Alberta, Canada
T2P 3W8

Mr. George Hugh (403) 267-8502
TransCanada Pipaline Alaska, Ltd.
P.O. Box 1000
Station M
Calgary, Alberta, Canada
T2P 4K5
111 5th Avenue, S.W.
Calgary, Alberta, Canada
T2P 3Y6

Mr. Randy Randolph (918) 588-4512
Northwest Alaskan Pipeline Company
P.O. Box 3102
One Williams Center
Tulsa, OK 74101

Alaskan Northwest Natural (918) 588 4512
Gas Transportation Company
One Williams Center, Maildrop 46-5, P.O. Box 3102
Tulsa, OK 74101

TO THE ANNGTC PARTNERSHIP:

Effective immediately, pursuant to Sections 15.2, 16.2, and 4.4.3 of the General Partnership Agreement, Calaska Energy Company hereby gives its Withdrawal Notice from Alaskan Northwest Natural Gas Transportation Company. Pursuant to Section 4.4.3 of the Agreement, this Notice relieves Calaska Energy Company of any obligation to make further capital contributions.

DANIEL E. GIBSON
President and Chief Executive Officer
Calaska Energy Company

cc Jamis
Jake
Bill

NORTHWEST ALASKAN PIPELINE COMPANY

December 20, 1994

Mr. Michael Durnin
TransCanada PipeLine USA Ltd.
801-7th Avenue, S. W.
Calgary, Alberta, Canada T2P 3P7

Mr. R. L. Pierce
United Alaska Fuels Corporation
111-Fifth Avenue, S.W.
Calgary, Alberta, Canada T2P 3Y6

RE: Withdrawal Notice

Gentlemen:

Northwest Alaskan Pipeline Company (NWA) hereby withdraws, pursuant to Section 15.2 of the Alaskan Northwest Natural Gas Transportation Company ("ANNGTC") General Partnership Agreement, as amended from the ANNGTC Partnership effective as of the close of business on December 31, 1994.

Inasmuch as the ANNGTC Partnership believes that NWA, as an original member and Operator of the Partnership, has acquired extensive knowledge of the Partnership, including knowledge of the assets and documents that have been created during the Partnership's existence, Northwest Alaskan hereby agrees to cooperate in good faith to attempt to provide, when requested by the Partnership, any information it may have concerning the documents, assets, or other relevant matters which relate to the Partnership. The Partnership agrees to reimburse NWA for any and all reasonable administrative costs it incurs in providing such cooperation.

Additionally, to the extent any information about the Partnership is needed by NWA subsequent to its withdrawal, the Partnership agrees to provide such information in good faith except to the extent such information (a) is confidential or otherwise commercially sensitive and (b) had not been previously made available to, or known by, NWA. NWA agrees to reimburse the

One Williams Center • P.O. Box 3102 • Tulsa, Oklahoma 74101
(918) 588-4882

Partnership for any and all reasonable administrative costs it incurs in providing such assistance to NWA.

Sincerely,

Brian E. O'Neill
Title: President

Accepted and agreed this ___ day of December, 1994 by TransCanada PipeLine USA Ltd.

By_____
Title:

Accepted and agreed this 22 day of December, 1994 by United Alaska Fuels Corporation.

By_____
Title:

G:\OGEL\1NWA

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

February 6, 2008

Anthony (Tony) M. Palmer
Vice-President Alaska Development
TransCanada PipeLines Limited
450 – 1st Street S.W.
Calgary, AB, T2P 5H1
Canada

Dear Mr. Palmer:

This letter requests additional clarifying information related to your January 24 response to the State's Data Request dated January 16.

In accordance with Section 1.17 of the RFA, the Commissioners request that Co-Applicants (TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly) provide the information addressed in the attachment to this letter to assist the Commissioners in obtaining a clear and complete understanding of all aspects of the Co-Applicants' Application.

Please submit the additional clarifying information, in writing and signed by an official with authority to bind the Co-Applicants, at the address below by 5:00 PM AST on February 13, 2008.

Paper copies must be submitted to:
AGIA License Office
State of Alaska, Dept of Revenue
550 West 7th Ave. Suite 1820
Anchorage, AK 99501

E-mails or Fax copies must be submitted to:
Mr. Chris Rutz
E-mail: crutz@aidea.org
Facsimile: 907-771-3930

Please submit your response by e-mail or facsimile and mail or deliver the original paper copy to the address above. Please contact me at 907-771-3015, to confirm timely receipt of the information or if you have other questions concerning this request.

Sincerely,

Christopher Rutz, C.P.M.
Procurement Manager

WRITTEN REQUESTS FOR ADDITIONAL DATA OR FOR CLARIFICATION
RFA Section 1.17

Confidentiality:

Co-Applicants may request that Proprietary or Trade Secret information submitted in response to this request for additional information be kept confidential. As set out in RFA Section 1.13.6, Co-Applicants must mark each page containing information that they request to be kept confidential, include a copy of the page with the Proprietary or Trade Secret information redacted, and provide a brief non-confidential summary for each section for which the Co-Applicants seek confidentiality (AS 43.90.160(b)).

In the January 24 response to the State's Data Request dated January 16 TransCanada states that its "AGIA application does not contemplate the use of any assets owned by the Partnership (such as the certificate ANNGTC obtained from FERC under ANGTA or proprietary intellectual property licensed to or developed by the Partnership)." In addition, TransCanada's AGIA application (at 2-2-84) states that:

> The acquisition of ROW crossing lands under federal authority will be the subject of an application for a Federal ROW Grant by TransCanada to the Bureau of Land Management.
>
> The acquisition of ROW crossing land under State authority will be the subject of a ROW application by TransCanada to the State of Alaska.

Inasmuch as Alaskan Northwest Natural Gas Transportation Company ("ANNGTC") presently holds a Federal ROW Grant ("existing federal right-of-way") and inasmuch as ANNGTC and TransCanada Alaska Company, LLC (one of the AGIA Co-Applicants) have made application for a ROW lease across State lands (which application is still pending) ("pending State right-of-way application"):

1. What plans do the Co-Applicants have with respect to the existing federal right-of-way?

   (a) Do the Co-Applicants intend to utilize the existing federal right-of-way grant that is held by ANNGTC?

   (b) Is it intended to let that right-of-way expire or in some other manner abandon that existing federal right-of-way authorization?

   (c) If "abandoning" the existing federal right-of-way authorization by some means is planned, please provide a discussion of those plans, including the timing for any such actions.

   (d) Do the Co-Applicants intend to submit a new application for a right-of-way grant from the Bureau of Land Management?

   (e) Do the Co-Applicants plan to acquire the existing federal right-of-way from ANNGTC?

(i) If so, please state the means by which that transfer will be made, the legal authority under which such transfer will be made, and what rights, if any, ANNGTC will have to such right-of-way following such transfer.

(ii) What obligations (if any) will ANNGTC have if the existing federal right-of-way is transferred to the Co-Applicants?

(iii) What guarantees, bonding and/or insurance, if any, will be provided by the Co-Applicants in the event that the existing federal right-of-way is transferred to the Co-Applicants?

2. Please state whether the Co-Applicants intend to submit a new application for a right-of-way lease across State lands or intend to utilize the pending State right-of-way application.

   (a) If the Co-Applicants plan to acquire any State right-of-way that may result from the pending State right-of-way application please state the means by which that transfer will be made, the planned timing of such transfer, and the legal authority under which such transfer will be proposed.

   (b) If the Co-Applicants intend to submit a new application for a right-of-way across State lands please indicate when it is planned that such application will be filed.

   (c) Please state how the Co-Applicants intend to deal with the intellectual property and data acquired or prepared by ANNGTC that forms part of the basis for the pending State right-of-way application (*e.g.*, alignment sheets, engineering work, geotechnical work, etc.).

      (i) If the Co-Applicants intent to purchase the intellectual property and data, please state whether the costs of acquisition are included in the AGIA application and specify where that cost is identified in the application.

      (ii) Do any withdrawn ANNGTC partners have any rights that could delay acquisition of intellectual property and data from the partnership?

      (iii) Will the acquisition of any intellectual property or data from the partnership trigger any potential liability to withdrawn ANNGTC partners?

3. To the extent not otherwise provided, please state what role, if any, ANNGTC will have with respect to the existing federal right-of-way and any State right-of-way that may be granted based on the pending application.

4. Please set forth the Co-Applicants' view as to whether, assuming new Federal and State rights-of-way are obtained, any crossing of or use of the route covered by the existing Federal right-of-way or any State right-of-way granted based on the pending State right-of-way application will trigger any rights by the withdrawn partners in ANNGTC following the actions that are planned by the Co-Applicants.

5. The ANNGTC Partnership Agreement refers to a "Partnership Commitment Agreement." Please provide a copy of that Agreement and all amendments thereto.

6. There has been public discussion of the risk of potential liabilities to withdrawn partners on: (A) Potential shippers on a TransCanada project; (B) Potential new associates advancing a project with TransCanada; (C) Potential financiers of a TransCanada project; and (D) The State of Alaska.

   (a) Please reply to and comment on these issues and specify how the Co-Applicants will assure that there are no risks of exposure to liability from withdrawn partners of ANNGTC with respect to potential shippers, potential new associates, potential financiers and the State of Alaska.

   (b) What guarantees, indemnifications or other assurances can TransCanada PipeLines Limited, TransCanada Corporation or the Co-Applicants provide that the potential liability of ANNGTC to withdrawn partners:

      (i) Will not impact rates for service on any AGIA Licensed pipeline project;

      (ii) Will not affect potential new associates advancing an AGIA Licensed project;

      (iii) Will not affect the financing of any project that TransCanada may pursue pursuant to any AGIA License that might be issued by the State; and

      (iv) Will not otherwise affect the State of Alaska.

   (c) Assuming TransCanada PipeLines Limited, TransCanada Corporation, or the Co-Applicants has or have any liabilities to withdrawn partners; would those liabilities extend to companies that co-venture with any of the TransCanada entities in an Alaska gas pipeline project? Please explain your answer in detail, and identify all of the withdrawn partner liability risks that exist, if any.

   (d) To the extent not otherwise provided, what guarantees, indemnifications or commitments will TransCanada PipeLines Limited, TransCanada Corporation and/or the Co-Applicants make to assure potential co-venturers that potential co-venturers will not be exposed to liability to withdrawn partners of ANNGTC?

   (e) To the extent not otherwise provided, please specify the assurances that TransCanada PipeLines Limited, TransCanada Corporation and/or the Co-Applicants are willing to provide to the State and to potential co-venturers to assure that TransCanada will be a viable co-venturer notwithstanding the potential liability to withdrawn partners.

      (i) What, if any, steps will the TransCanada-owned partners in ANNGTC take to remove or settle the claims of withdrawn partners; and

      (ii) When will such steps be undertaken.

(f) To the extent that any potential liability to withdrawn ANNGTC partners exists, do the Co-Applicants commit that there will be no impact on rates to potential shippers from such liability in the event that an AGIA-Licensed project is built by the Co-Applicants?

(g) To the extent not otherwise provided, please describe the extent, if any, of TransCanada's liabilities to withdrawn partners as well as the liabilities (if any) of the Co-Applicants to the withdrawn partners.

TransCanada
In business to deliver

February 13, 2008

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.2035
fax 403.920.2318
email tony_palmer@transcanada.com
web www.transcanada.com

AGIA License Office
State of Alaska, Dept of Revenue
550 West 7th Ave. Suite 1820
Anchorage, AK 99501

Attention: Mr. Christopher Rutz
AGIA License Office

Subject: Alaska Gasline Inducement Act
TransCanada Application for License
Additional Clarifying Information

Dear Mr. Rutz:

TransCanada acknowledges receipt of your correspondence dated February 6, 2008 in which TransCanada is asked to provide additional clarifying information to its November 30, 2007 Application for License. In that regard, please find attached our responses to the six requests you forwarded.

We are submitting this reply document to the State by two means:

- we are today e-mailing an electronic copy to the attention of Mr Chris Rutz at crutz@aidea.org; and
- we are today forwarding the originally signed document by courier to the AGIA License Office, attention Chris Rutz.

Thank you for your ongoing consideration of our Application and I remain available to provide further information or participate in discussions that the State may wish to initiate.

Sincerely,

A. M. (Tony) Palmer
Vice President, Alaska Development

State of Alaska Preface

In the January 24 response to the State's Data Request dated January 16 TransCanada states that its "AGIA application does not contemplate the use of any assets owned by the Partnership (such as the certificate ANNGTC obtained from FERC under ANGTA or proprietary intellectual property licensed to or developed by the Partnership)." In addition, TransCanada's AGIA application (at 2-2-84) states that:

> The acquisition of ROW crossing lands under federal authority will be the subject of an application for a Federal ROW Grant by TransCanada to the Bureau of Land Management.
>
> The acquisition of ROW crossing land under State authority will be the subject of a ROW application by TransCanada to the State of Alaska.

Inasmuch as Alaskan Northwest Natural Gas Transportation Company ("ANNGTC") presently holds a Federal ROW Grant ("existing federal right-of-way") and inasmuch as ANNGTC and TransCanada Alaska Company, LLC (one of the AGIA Co-Applicants) have made application for a ROW lease across State lands (which application is still pending) ("pending State right-of-way application"):

State of Alaska Request #1

What plans do the Co-Applicants have with respect to the existing federal right-of-way?

(a) Do the Co-Applicants intend to utilize the existing federal right-of-way grant that is held by ANNGTC?

(b) Is it intended to let that right-of-way expire or in some other manner abandon that existing federal right-of-way authorization?

(c) If "abandoning" the existing federal right-of-way authorization by some means is planned, please provide a discussion of those plans, including the timing for any such actions.

(d) Do the Co-Applicants intend to submit a new application for a right-of-way grant from the Bureau of Land Management?

(e) Do the Co-Applicants plan to acquire the existing federal right-of-way from ANNGTC?

(i) If so, please state the means by which that transfer will be made, the legal authority under which such transfer will be made, and what rights, if any, ANNGTC will have to such right-of-way following such transfer.

(ii) What obligations (if any) will ANNGTC have if the existing federal right-of-way is transferred to the Co-Applicants?

(iii) What guarantees, bonding and/or insurance, if any, will be provided by the Co-Applicants in the event that the existing federal right-of-way is transferred to the Co-Applicants?

TransCanada Response

(a) No. The Co-Applicants do not intend to utilize the existing Federal right-of-way grant that is held by ANNGTC. (In fact, as we explained in our response to the State's January 16, 2008 request for information, ANNGTC is not a participant in our AGIA application and none of its assets have been, or will be, used in bidding for, designing or constructing the pipeline project that the Co-Applicants are pursuing.) The existing Federal right-of-way grant is an asset of ANNGTC, and it does not belong to either of the Co-Applicants. ANNGTC is an entirely separate and distinct legal entity. Accordingly, the Co-Applicants have no rights in or to the existing Federal right-of-way grant.

(b) ANNGTC's Federal right-of-way grant expires, by its terms, in December 2010. ANNGTC has not yet decided what other action, if any, it might take with respect to the grant.

(c) As explained in our response to question 1(b), no decision has been made at this time as to what action, if any, ANNGTC will take with respect to its existing Federal right-of-way grant.

(d) Yes. The Co-Applicants intend to submit a new application at the appropriate time to the Bureau of Land Management to obtain their own Federal right-of-way grant for the pipeline project proposed in their AGIA application.

(e) No. The Co-Applicants do not plan to acquire the existing Federal right-of-way grant from ANNGTC.

(i) Not applicable.

(ii) Not applicable.

(iii) Not applicable.

State of Alaska Request #2

Please state whether the Co-Applicants intend to submit a new application for a right-of-way lease across State lands or intend to utilize the pending State right-of-way application.

(a) If the Co-Applicants plan to acquire any State right-of-way that may result from the pending State right-of-way application please state the means by which that transfer will be made, the planned timing of such transfer, and the legal authority under which such transfer will be proposed.

(b) If the Co-Applicants intend to submit a new application for a right-of-way across State lands please indicate when it is planned that such application will be filed.

(c) Please state how the Co-Applicants intend to deal with the intellectual property and data acquired or prepared by ANNGTC that forms part of the basis for the pending State right-of-way application (*e.g.*, alignment sheets, engineering work, geotechnical work, etc.).

(i) If the Co-Applicants intent to purchase the intellectual property and data, please state whether the costs of acquisition are included in the AGIA application and specify where that cost is identified in the application.

(ii) Do any withdrawn ANNGTC partners have any rights that could delay acquisition of intellectual property and data from the partnership?

(iii) Will the acquisition of any intellectual property or data from the partnership trigger any potential liability to withdrawn ANNGTC partners?

TransCanada Response

The Co-Applicants intend to submit a new application to obtain their own right-of-way lease across State lands for the project that the Co-Applicants are pursuing. In light of ANNGTC's determination that its contingent liabilities to Withdrawn Partners make it impossible for it to complete the pipeline project it was formed to pursue, and the fact that the existing State right-of-way lease application has been pending since 2004, the pending application will be withdrawn.

(a) Not applicable.

(b) The Co-Applicants intend to file a new application for a State right-of-way lease for the project proposed in their AGIA application. The AGIA application we submitted in November 2007 anticipates that the new application will be filed in late 2011, during the project phase described in the AGIA application as the "Definition Sub-Phase."

(c) The Co-Applicants do not intend to utilize any confidential intellectual property or data owned by ANNGTC (such as alignment sheets, engineering work or geotechnical work) that was used in generating the pending State right-of-way lease application. ANNGTC's confidential intellectual property and data are assets owned by the Partnership, and they do not belong to either of the Co-Applicants.

(i) The Co-Applicants do not intend to purchase any of ANNGTC's intellectual property or data. The estimated costs to the Co-Applicants of developing their own intellectual property and data to support their proposed pipeline project are included in the Co-Applicants' pending AGIA application.

(ii) Not applicable. But we believe that if (hypothetically) the Co-Applicants had elected to acquire any of ANNGTC's intellectual property or data from the Partnership after it concluded that it could not build the pipeline it was formed to pursue, ANNGTC's Withdrawn Partners would not have had any right to object to that acquisition. Section 7.10 of the ANNGTC Partnership Agreement expressly provides in several places that, upon withdrawal, a Withdrawn Partner forfeits any ownership rights the Withdrawn Partner might have had in the Partnership's proprietary intellectual property prior to withdrawal.

(iii) Not applicable.

State of Alaska Request #3

To the extent not otherwise provided, please state what role, if any, ANNGTC will have with respect to the existing federal right-of-way and any State right-of-way that may be granted based on the pending application.

TransCanada Response

The Co-Applicants do not intend to utilize either the existing Federal right-of-way grant held by ANNGTC or any State right-of-way that may be granted based on the pending State right-of-way lease application. The existing Federal right-of-way grant is an asset of the Partnership, and neither of the Co-Applicants has any rights in or to it. For the reasons outlined above, the pending State right-of-way lease application is being withdrawn.

As we have explained, the Co-Applicants intend to submit new applications to obtain their own Federal and State rights-of-way for the project proposed in their AGIA application. ANNGTC will not be involved in any way in pursuing the new right-of-way applications that will be filed by the Co-Applicants, and it will have no rights in or to any rights-of-way that may be granted to the Co-Applicants based on those applications.

State of Alaska Request #4

Please set forth the Co-Applicants' view as to whether, assuming new Federal and State rights-of-way are obtained, any crossing of or use of the route covered by the existing Federal right-of-way or any State right-of-way granted based on the pending State right-of-way application will trigger any rights by the withdrawn partners in ANNGTC following the actions that are planned by the Co-Applicants.

TransCanada Response

The fact that the Co-Applicants obtain new Federal and State rights-of-way will not trigger any obligations to, or rights of, ANNGTC's Withdrawn Partners. The Withdrawn Partners have no rights with respect to the project being proposed by the Co-Applicants.

Request #4 also seems to seek our view as to whether there is any potential "overlap" between the new Federal and State rights-of-way that the Co-Applicants intend to apply for and either the existing Federal right-of-way grant held by ANNGTC or the pending State right-of-way lease application that could conceivably trigger a claim by the Withdrawn Partners. The answer to that question is also "no."

As explained above, there is no possibility of any "overlap" with any State right-of-way that may be granted based on the pending State right-of-way lease application because the pending application is being withdrawn. There is also not likely to be any overlap with the existing Federal right-of-way grant held by ANNGTC. By its terms, that right-of-way grant is scheduled to expire in December 2010, which is before the Co-Applicants expect even to file an application seeking their own Federal right-of-way grant.

For argument's sake, if (hypothetically) the existing Federal right-of-way grant were still in effect at the time a new Federal right-of-way were granted to the Co-Applicants, there would be an overlap. But that overlap would not trigger any obligations to the Withdrawn Partners. ANNGTC's Federal right-of-way grant is not exclusive; by its terms, it grants ANNGTC a "nonpossessory, nonexclusive right" to use certain Federal lands for ANNGTC's pipeline project. If both Federal right-of-way grants were to be in existence at the same time, the Co-Applicants might be required to make certain accommodations to ensure that ANNGTC's right to use its Federal right-of-way grant was not adversely affected. But the issuance of a subsequent Federal right-of-way grant would not give ANNGTC any right to preclude the Co-Applicants from proceeding or give the Partnership the right to seek damages from the Co-Applicants.

In any event, even if ANNGTC somehow had some rights against the Co-Applicants as a result of an "overlap" in Federal right-of-way grants, that would not provide the Withdrawn Partners with any claims against the Co-Applicants or against ANNGTC. As we explained in our response to the State's January 16 request for information, each Withdrawn Partner forfeited all rights (if any) it may have had in any of ANNGTC's assets when the Withdrawn Partner chose to withdraw from the Partnership. The Withdrawn Partners' only remaining right *vis-à-vis* ANNGTC is a contingent payment obligation that cannot be triggered unless (among other things) ANNGTC itself builds the pipeline it was formed to pursue.

State of Alaska Request #5

The ANNGTC Partnership Agreement refers to a "Partnership Commitment Agreement." Please provide a copy of that Agreement and all amendments thereto.

TransCanada Response

The "Partnership Commitment Agreement" referred to in the ANNGTC Partnership Agreement does not exist. It was an agreement that the original Partners in ANNGTC intended to enter into subsequent to the formation of the Partnership to memorialize their understanding as to each "Partner's Percentage" for the period commencing on the "Commitment Date" and to document their commitment after such Commitment Date to make additional equity infusions into the Partnership sufficient to fund estimated costs of completing the Partnership's pipeline project (See Section 2.26 of the ANNGTC Partnership Agreement)

In effect, the Partnership Commitment Agreement represented a "third step" in the development phase of ANNGTC's pipeline project that the Partners who formed ANNGTC thought would occur within a few years (late '70s to early '80s) of forming the Partnership. The first step was forming the Partnership; the second step was for ANNGTC to issue debt pursuant to "Financing Commitment Agreements" (a term that is defined in Section 2.14 of the Partnership Agreement and used in the definition of "Partnership Commitment Agreement"); and the third step was for the Partners to confirm their commitment to fund ANNGTC with whatever additional capital the Partnership would need (in excess of the debt financing) to complete its pipeline project.

But ANNGTC never got to the second or third steps of its evolution. The Partnership's project never advanced to the stage of entering into Financing Commitment Agreements and, accordingly, the circumstances that would have warranted the ANNGTC Partners taking the next step and entering into a Partnership Commitment Agreement never occurred. The Partnership Commitment Agreement (like the Financing Commitment Agreements) became irrelevant and was never executed.

State of Alaska Request #6

There has been public discussion of the risk of potential liabilities to withdrawn partners on: (A) Potential shippers on a TransCanada project; (B) Potential new associates advancing a project with TransCanada; (C) Potential financiers of a TransCanada project; and (D) The State of Alaska.

(a) Please reply to and comment on these issues and specify how the Co-Applicants will assure that there are no risks of exposure to liability from withdrawn partners of ANNGTC with respect to potential shippers, potential new associates, potential financiers and the State of Alaska.

(b) What guarantees, indemnifications or other assurances can TransCanada PipeLines Limited, TransCanada Corporation or the Co-Applicants provide that the potential liability of ANNGTC to withdrawn partners:

  (i) Will not impact rates for service on any AGIA Licensed pipeline project;

  (ii) Will not affect potential new associates advancing an AGIA Licensed project;

  (iii) Will not affect the financing of any project that TransCanada may pursue pursuant to any AGIA License that might be issued by the State; and

  (iv) Will not otherwise affect the State of Alaska.

(c) Assuming TransCanada PipeLines Limited, TransCanada Corporation, or the Co-Applicants has or have any liabilities to withdrawn partners; would those liabilities extend to companies that co-venture with any of the TransCanada entities in an Alaska gas pipeline project? Please explain your answer in detail, and identify all of the withdrawn partner liability risks that exist, if any.

(d) To the extent not otherwise provided, what guarantees, indemnifications or commitments will TransCanada PipeLines Limited, TransCanada Corporation and/or the Co-Applicants make to assure potential co-venturers that potential co-venturers will not be exposed to liability to withdrawn partners of ANNGTC?

(e) To the extent not otherwise provided, please specify the assurances that TransCanada PipeLines Limited, TransCanada Corporation and/or the Co-Applicants are willing to provide to the State and to potential co-venturers to assure that TransCanada will be a viable coventurer notwithstanding the potential liability to withdrawn partners.

  (i) What, if any, steps will the TransCanada-owned partners in ANNGTC take to remove or settle the claims of withdrawn partners; and

  (ii) When will such steps be undertaken.

(f) To the extent that any potential liability to withdrawn ANNGTC partners exists, do the Co-Applicants commit that there will be no impact on rates to potential shippers from such liability in the event that an AGIA-Licensed project is built by the Co-Applicants?

(g) To the extent not otherwise provided, please describe the extent, if any, of TransCanada's liabilities to withdrawn partners as well as the liabilities (if any) of the Co-Applicants to the withdrawn partners.

TransCanada Response

(a) We acknowledge that there has been some public discussion of ANNGTC's contingent obligations to Withdrawn Partners, including vague references by third parties to "risks" that those contingent obligations supposedly pose to the success of the Co-Applicants' proposed project. Given that public discourse, we understand the State's desire to seek clarification and further comment from the Co-Applicants on the subject, and we welcome this opportunity to publicly dispel a few myths and correct some inaccurate statements and half-truths that unfortunately seem to have surfaced.

The fact is that the AGIA license application submitted by the Co-Applicants on November 30, 2007 has absolutely nothing to do with ANNGTC, its long history or its contingent obligations to Withdrawn Partners of the Partnership. ANNGTC is neither an applicant for the AGIA license nor in any way involved in the Co-Applicants' bid. We do not want simply to repeat in this response what we said in our response to the State's January 16 request for information, but we do think that several points are worth repeating and expanding on in this response:

- The Co-Applicants are not now, and never have been, partners in ANNGTC. They are entirely separate and distinct legal entities, and their AGIA application does not contemplate the use of any assets owned by the Partnership.

- The notion that ANNGTC's contingent obligations will result in any liability to the Co-Applicants – let alone any other TransCanada entity – is simply not supported by the facts or the law. We certainly are not aware of any Withdrawn Partner who has expressed that view. And we know of no one else who has even attempted to explain why or how the contingent obligations of a Partnership that has no future and will never be able to build the ANGTA pipeline it was created 30 years ago to pursue is in any way relevant to the pipeline project that the Co-Applicants are pursuing.

- Under the terms of the ANNGTC Partnership Agreement, contingent obligations to Withdrawn Partners are only triggered if (among other things) the Partnership itself builds the pipeline it was created to pursue—namely, the pipeline authorized under the Alaska Natural Gas Transportation Act of 1976. There is no plausible explanation as to why or how ANNGTC's contingent obligations could somehow attach to a pipeline project being pursued decades later, under an entirely different statutory regime, by an entirely separate and distinct project proponent that is not in any way using the Partnership or any of the Partnership's assets to advance its project.

- The notion that ANNGTC's contingent obligations represent some sort of "risk" to the State of Alaska, potential shippers on the Co-Applicants' project, potential new associates advancing the project with the Co-Applicants or potential financiers of the project is even more perplexing. As a preliminary matter, if there is no liability to the Co-Applicants or any other TransCanada entity, then it logically (and legally) follows that there cannot possibly be any liability to the State or to a completely unrelated third party who might hereafter join the Co-Applicants' efforts to pursue an AGIA-licensed project.

- Even assuming for argument's sake that there were a "risk" to the Co-Applicants or another TransCanada entity, we do not know of any credible theory under which the State or any third party could be held liable for the contingent obligations of ANNGTC to the Withdrawn Partners.

We do not dispute that the potential amount of ANNGTC's contingent obligations to Withdrawn Partners is staggering at first blush; as we stated in our response to the State's January 16 request for information, the Partnership's contingent obligations had grown to approximately $8.9 billion as of December 31, 2006. But the potential size of ANNGTC's contingent obligations is just a red herring that detractors seem to be using to obfuscate a very important question—under what circumstances could ANNGTC's contingent obligations be triggered? We believe that there is absolutely no credible contractual or other basis to support a claim that the Co-Applicants—or any other TransCanada entity, the State of Alaska or any potential shipper, co-venturer or financier, for that matter—should be required to pay ANNGTC's contingent obligations if the pipeline project proposed in our AGIA application is placed into service.

(b) (i) The Co-Applicants have already unconditionally and unequivocally committed (in our response to the State's January 16 request for information) not to include in the rates for an AGIA-licensed project any amounts that the Co-Applicants or any other TransCanada entity might somehow be required to pay as a result of ANNGTC's contingent obligations to Withdrawn Partners. We believe that commitment is full assurance that any such payment (however unlikely) will not impact rates to potential shippers for services on an AGIA-licensed project.

(ii)(iii) We are fully committed to advancing the project contemplated by the Co-Applicants' pending AGIA application, and we are prepared to use all commercially reasonable efforts to obtain any debt or equity financing required to complete that project. However, at this point we do not know whether any concerns relating to the Withdrawn Partners will be raised by potential sources of financing or equity capital or, if so, what those concerns might be. TransCanada cannot answer this question with any greater degree of specificity in the abstract.

(iv) As we have explained, it is not clear to us how the State of Alaska could ever be affected by the contingent obligations ANNGTC has to Withdrawn Partners. Even assuming for argument's sake that the Withdrawn Partners

were to make a claim against the State, we believe that the State has sovereign immunity in this context.

(c) Please see our response to question 6(a).

(d) Please see our response to questions 6(b)(ii) and (iii).

(e) (i)(ii) As we have explained, we do not believe that there is any credible contractual or other basis to support a claim that the Co-Applicants or any other TransCanada entity would be required to pay ANNGTC's contingent obligations to Withdrawn Partners if the pipeline project proposed in the Co-Applicants' AGIA application is placed into service.

To the best of our knowledge, no such claim has ever been made or even threatened by a Withdrawn Partner. For that reason, the TransCanada entities that are the two remaining Partners in ANNGTC have no intention of taking any action to "remove" or "settle" ANNGTC's contingent obligations. But we can assure the State that, in the unlikely event a Withdrawn Partner ever did assert a claim against the Co-Applicants, we would defend ourselves vigorously. We are confident that any such claim could be dealt with expeditiously in litigation—in the unlikely event it ever came to that—and that our position would prevail.

(f) Please see our response to question 6(b)(i).

(g) Please see our response to question 6(a) and our response to the State's January 16 request for information regarding ANNGTC.

LEGAL SERVICES

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Juneau, Alaska 99801-1182
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MEMORANDUM February 22, 2008

SUBJECT: Questions regarding piercing the corporate veil and subsidiaries (Work Order No. 25-LS1542)

TO: Senator Hollis French

FROM: Theresa Bannister
Legislative Counsel

You have asked two questions regarding piercing the corporate veil.

1. Explain the phrase, "piercing the corporate veil." Corporate law allows incorporation to create a "veil" (a barrier) between a corporation and its shareholders. This veil protects shareholders (whether individuals, corporations, partnerships, or other types of persons) from being liable for the acts (and liabilities) of the corporation. However, in certain circumstances a court may allow this veil to be pierced so that corporate liabilities become shareholder liabilities.

Although the test to be applied in a particular case varies from state to state, reviewing what this state has said may provide you with guidance of what would happen if the corporation were incorporated here[1] and will give you some idea of what may happen in other jurisdictions.

In this state, mere control of a corporation's activities by an individual is not sufficient to justify piercing the corporate veil.[2] Under one test it can be pierced if the corporate form is used to defeat public convenience, justify wrong, commit fraud, or defend crimes.[3] However, in several cases involving the potential liability of a parent corporation for the conduct of its subsidiary, the court has held that the corporate status of the subsidiary can be disregarded when the subsidiary is a mere instrument of the parent:

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[1] I have found some indication that the law of the state of incorporation may be the law to be applied when determining whether to pierce the corporate veil, but I have not researched this.

[2] Uchitel Co. v. Telephone Co., 646 P.2d 229, 234 (Alaska 1982).

[3] See Uchitel at 234.

> The parent corporation may also be liable for the wrongful conduct of its subsidiary when the subsidiary is the mere instrumentality of the parent. Liability is imposed in such instances simply because the two corporations are so closely intertwined that they do not merit treatment as separate entities.[4]

When piercing the veil of a subsidiary, the court stated that the following criteria should be considered in determining whether the subsidiary should be treated as a mere instrument of the parent:

> (a) The parent corporation owns all or most of the capital stock of the subsidiary. (b) The parent and subsidiary corporations have common directors or officers. (c) The parent corporation finances the subsidiary. (d) The parent corporation subscribes to all the capital stock of the subsidiary or otherwise causes its incorporation. (e) The subsidiary has grossly inadequate capital. (f) The parent corporation pays the salaries and other expenses or losses of the subsidiary. (g) The subsidiary has substantially no business except with the parent corporation or no assets except those conveyed to it by the parent corporation. (h) In the papers of the parent corporation or in the statements of its officers, the subsidiary is described as a department or division of the parent corporation, or its business or financial responsibility is referred to as the parent corporation's own. (i) The parent corporation uses the property of the subsidiary as its own. (j) The directors or executives of the subsidiary do not act independently in the interest of the subsidiary but take their orders from the parent corporation in the latter's interest. (k) The formal legal requirements of the subsidiary are not observed.[5]

Where the dominant shareholder is an individual, the court has used a similar approach. The piercing of the corporate veil is appropriate if the corporation functions as a "mere instrumentality" of the dominant shareholder:

> When . . . the corporation is so operated that it is a mere instrumentality or alter ego of the sole or dominant shareholder and a shield for his activities in violation of the declared public policy or statute of the State, the corporate entity will be disregarded and the corporation and the shareholder treated as one and the same person. . . .[6]

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[4] See Uchitel at 234.

[5] See Uchitel at 235, quoting from Jackson v. General Electric Co., 514 P.2d 1170, 1173 (Alaska 1973).

[6] Uchitel at 235.

Then the court applied a somewhat shorter test for piercing the corporate veil when through to a dominant shareholder who is an individual:

> (a) whether the shareholder sought to be charged owns all or most of the stock of the corporation; (b) whether the shareholder has subscribed to all of the capital stock of the corporation or otherwise caused its incorporation; (c) whether the incorporation has grossly inadequate capital; (d) whether the shareholder uses the property of the corporation as his own; (e) whether the directors or executives of the corporation act independently in the interest of the corporation or simply take their orders from the shareholder in the latter's interest; (f) whether the formal legal requirements of the corporation are observed.[7]

It is not altogether clear that the court would continue to apply the longer subsidiary test when dealing with subsidiaries, but the language seems to suggest this.[8]

2. In general, under what circumstances might a subsidiary of a corporation be liable for the obligations of another subsidiary of the corporation? I will address the corporate veil issue here first on the assumption that you are jumping off to some extent from the previous question.

Generally, the corporate veil approach does not appear to apply to the situation you propose. The nature of a corporate subsidiary is that it is controlled (usually by ownership of a majority of shares) by another corporation (the "parent" corporation--the majority shareholder). When two corporations are subsidiaries of the same corporation, each is owned by the same parent corporation. That generally means that the two subsidiaries do not control each other. Therefore, if you pierce the corporate veil of either one, it will lead back to the majority shareholder, the parent corporation. That parent corporation, not the other subsidiary, will be held liable for the obligations of the subsidiary.

However, under a different arrangement of the subsidiaries, if one subsidiary is a subsidiary of a subsidiary (therefore, a sub-subsidiary) of the corporation (not a direct subsidiary of the corporation itself), the corporate veil of the sub-subsidiary could be pierced through to the subsidiary that is the parent of the sub-subsidiary.

Taking another approach to liability, one subsidiary of a corporation may be liable to another subsidiary of the corporation if the subsidiary assumes by contract the liabilities of the other subsidiary or guarantees a liability of the other subsidiary.

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[7] Uchitel at 235.

[8] See Uchitel at 235; and Casciola v. F.S. Air Service, Inc., 120 P.3d 1059, 1063 fn. 12 (Alaska 2005).

Using another approach, there may be liability between subsidiaries of the same corporation under AS 10.06.378 (in the state's for-profit corporations code). If one subsidiary has a minority shareholder who is another subsidiary of the corporation, and if the first subsidiary makes an improper distribution of its assets to the minority shareholder subsidiary, the subsidiary receiving the improper distribution may be liable to the creditors and other shareholders of the distributing corporation if it received the distribution knowing that it was prohibited. The creditors and other shareholders of the distributing corporation may, if they satisfy the conditions of AS 10.06.378, bring a court action to recover an amount allowed by AS 10.06.378.

There may be other circumstances under which one subsidiary may be liable for the obligations of another subsidiary of the same corporation, but these are all I could determine at this time.

If I may be of further assistance, please advise.

TLB:ljw
08-106.ljw

TransCanada Obligations to Withdrawn Partners

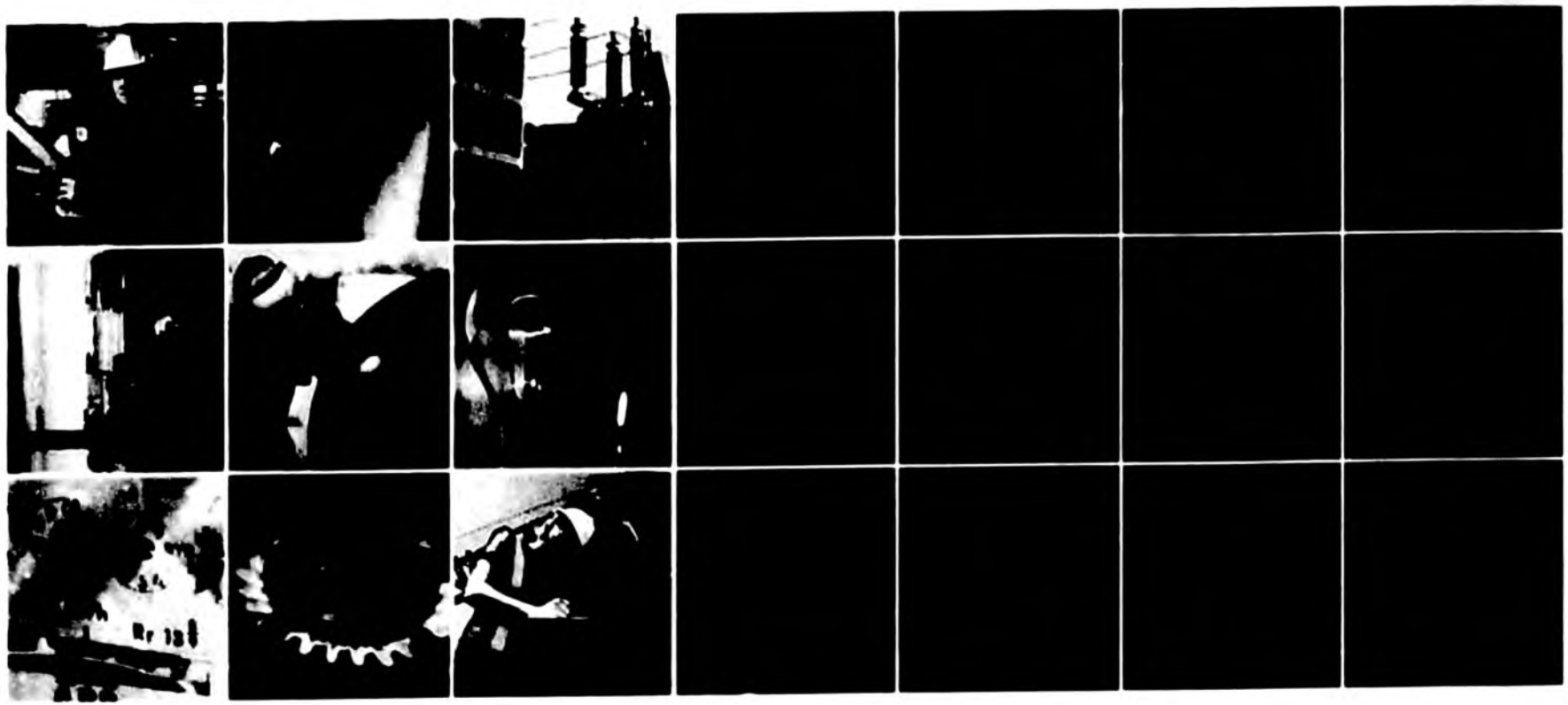
FERC Financial Reports

1995-2006

USD

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Payments Claimed to be Owed to Withdrawn Partners	1,931,533,828	2,219,969,479	2,561,812,566	2,932,706,219	3,370,650,233	3,874,139,597	4,452,884,081	5,122,545,383	5,887,968,119	6,767,338,718	7,777,933,296	8,939,455,938
Interest Expense on Payments	250,841,462	288,326,651	331,410,087	380,934,853	437,842,014	503,255,364	578,450,484	665,047,057	764,912,214	879,195,589	1,010,812,078	1,161,437,142
Net Income	46,069,417	55,293,631	63,875,163	73,099,928	84,034,514	96,608,564	111,073,776	127,799,653	147,440,924	169,508,910	194,836,938	223,946,948

Prepared by Bill Mogel, Saul Ewing



TransCanada's AGIA Application – ANNGTC Issues Presentation to Senate Judiciary Committee

February 25, 2008

TransCanada
In business to deliver

Background

- ANNGTC is a partnership certificated some thirty years ago under ANGTA to construct the Alaskan section of the project
- Prior to the AGIA deadline for submitting applications, the ANNGTC partnership considered whether it could, or should, submit an application for the AGIA License
- ANNGTC concluded that the uncertainties created by its historical contingent liabilities would preclude it from making a viable proposal
- Accordingly, ANNGTC has not made any application, and has played no role in the AGIA application filed by the TransCanada AGIA co-applicants

TransCanada

ANNGTC

- Formed in 1970s to construct Alaska Section
  - 11 original partners
  - All have withdrawn except two TransCanada subsidiaries
    - Non-TransCanada partners began withdrawing in 1981, last withdrawal in 1994
    - Withdrawn partners forfeited rights to be treated as a partner
      - They have no right to anything unless ANNGTC builds the pipeline
      - Entitled only to contractual right to payment
        - If and when ANNGTC builds the pipeline, and
        - If payment would not pose undue hardship on ANNGTC

TransCanada

ANNGTC (cont'd)

- Remaining TransCanada partners in ANNGTC are not AGIA applicants
  - They have no current or future duties to Withdrawn Partners
    - Neither the two remaining TransCanada partners, nor any other TransCanada entity, owes any duty to the Withdrawn Partners
  - No duty to pursue the project on behalf of Withdrawn Partners
  - No non-compete clause in ANNGTC agreement
- No TransCanada entity is prohibited from pursuing a different project

TransCanada

TransCanada's AGIA Applicants

- Two separate entities to pursue the project in each country
  - Foothills Pipe Lines Ltd. in Canada under the Northern Pipeline Act
  - TransCanada Alaska Company, LLC in Alaska under ANGPA
- The co-applicants are not now, and never have been, partners in ANNGTC
  - Entirely separate and distinct legal entities
  - AGIA Application does not contemplate the use of any assets owned by ANNGTC

TransCanada

Canada - Foothills Pipe Lines Ltd.

- Foothills Pipe Lines Ltd. was certificated under Canada's Northern Pipeline Act for the section of pipeline in Canada
- Foothills is an entirely separate entity from ANNGTC
- No Withdrawn Partner issues in Canada
- Foothills has no potential future contingent liability
- ANNGTC does not hold any authorizations under the Northern Pipeline Act or otherwise for any facilities in Canada
- Foothills Pipe Lines Ltd. does not hold any authorizations for facilities in the U.S. under ANGTA

TransCanada

Alaska – TransCanada Alaska Company, LLC

- No liability to ANNGTC or Withdrawn Partners
- New start in Alaska, TransCanada Alaska Company, LLC will develop entirely new assets for the project – no utilization of any ANNGTC assets (certificate, Right-of Way, permits, engineering, geotechnical, etc.)
- Additional safeguard - TransCanada's AGIA application commits to never including any potential ANNGTC liability in AGIA project tolls.

TransCanada

State / Federal ROW in Alaska

- State ROW
  - The 2004 application has been withdrawn
- Federal ROW
  - ANNGTC holds an existing Federal ROW which will expire in December 20.)
  - TransCanada's AGIA co-applicants have no rights in ANNGTC's Federal ROW, nor was it used for their AGIA Application
- TransCanada Alaska Company, LLC intends to submit new applications in late 2011 for both Federal and State ROWs for the pipeline project proposed in the AGIA Application

TransCanada

Potential for ANNGTC Claims Against Third Parties

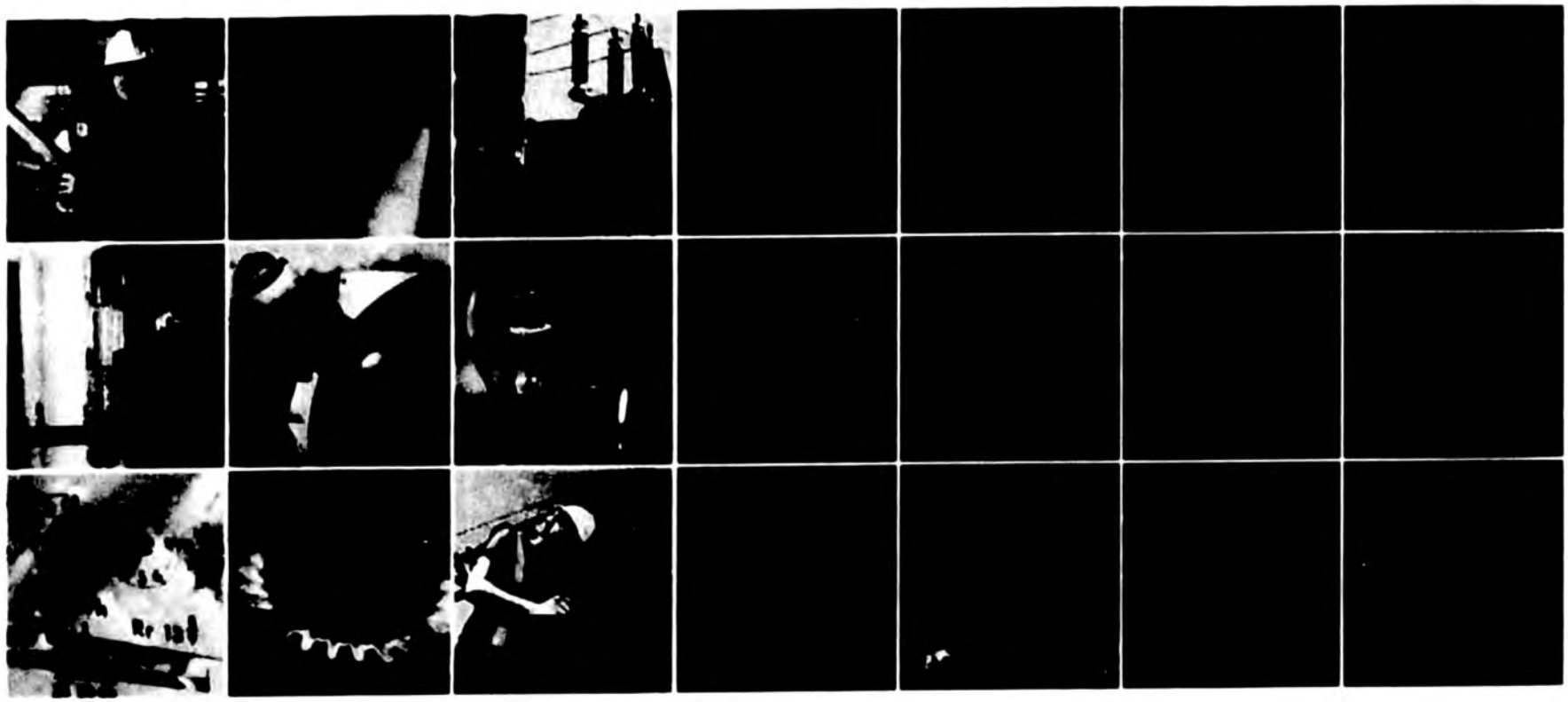
- TransCanada does not believe there would be any merit in a claim that any TransCanada entity would be required to pay ANNGTC's contingent obligations to Withdrawn Partners if the pipeline project proposed in our AGIA Application is placed in service
- Since the TransCanada entities have no liability, it necessarily follows that other parties involved with the project would not either
- TransCanada's AGIA co-applicants have already unconditionally and unequivocally committed not to include in the project rates any amounts that any TransCanada entity might somehow be required to pay as the result of ANNGTC's contingent obligations to Withdrawn Partners
- No claim has ever been made or even threatened by Withdrawn Partners

TransCanada

Summary

- TransCanada's AGIA Application has nothing to do with ANNGTC, its long history or its contingent obligations to Withdrawn Partners
- No claim has ever been made or threatened by Withdrawn Partners
- Additional safeguard – TransCanada's AGIA Application commits to never including any potential ANNGTC liability in AGIA project tolls

TransCanada



Thank You

TransCanada
In business to deliver

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PRIVILEGED AND CONFIDENTIAL
ATTORNEY CLIENT PRIVILEGE

MEMORANDUM

VIA E-MAIL

To: Ms. Cheryl Sutton
Staff to Rep. Ralph Samuels, Chair LB&A Committee

From: William A. Mogel

Date: January 25, 2008

Subject: The $8.9 Billion Obligation to Withdrawn Partners

ANNGT made a filing at FERC on April 12, 2007 which showed $8.9 billion as "Obligations to Withdrawn Partners". It must be assumed that the filing is accurate.

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PRIVILEGED AND CONFIDENTIAL
ATTORNEY CLIENT PRIVILEGE

MEMORANDUM

VIA E-MAIL

To: Rep. Ralph Samuels
Ms. Cheryl Sutton

From: William A. Mogel
Shuchi Batra

Date: January 15, 2008

Subject: Payment Obligations of Alaskan Northwest Natural Gas Transportation Co. (ANNGT) to Withdrawn Partners

I. SUMMARY

Despite representations made on behalf of TransCanada Alaska Co., LLC (TC Alaska), and Foothills Pipelines Ltd. (Foothills),[1] both subsidiaries of TransCanada Corporation, a question has been raised whether TC Alaska and/or Foothills[2] can recover those payments in the rates of their proposed "AGIA" pipeline.

[1] As to the obligation of withdrawn partners, it was reported that an attorney for Foothills stated on September 7, 2007 that the original investment of the partners was approximately $250 million and the "current [unnamed] partners ... are in negotiations with withdrawn partners over the sunk cost [which is not] a $4 billion issue." Kristen Nelson, *Former Alaska Highway Gasline Partners Could Be Owed $4 Billion*, Petroleum News, Vol. 6, No. 9. In a letter dated January 9, 2008 transmitting the ANNGT Partnership Agreement to the undersigned, TransCanada stated that TC Alaska does not "propose to rely upon any of the ANNGT assets."

[2] In an April 12, 2007 filing at FERC, ANNGT has asserted that it *inter alia* has an approximately $9 billion obligation to withdrawn partner.

The 37-page ANNGT Partnership Agreement ("Agreement") provides that withdrawn partners may be entitled to a return of their investment "after the line becomes operational and ... when the payment may be made without undue hardship to the partnership" (Para. 4.4.4). Given the broad definition of "Line,"[3] withdrawn partners could make a claim for return of their capital once the Alaskan segment becomes "operational."[4]

Notwithstanding the *in futuro* the obligation to withdrawn partners created by the ANNGT Partnership Agreement, TransCanada would not be allowed to recover those payments because they occurred in connection with another entity more than 30 years prior to the AGIA pipeline's operation and would not be considered "used or useful" in providing service to ratepayers.

II. FACTS

President Carter chose ANNGT in 1979 and his decision was ratified by the Congress to construct and operate an Alaskan pipeline.[5] It has two general partners: 1) TransCanada

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[3] "Line" is defined in Para. 2.22 of the Agreement as:

> The gas pipeline and related facilities to be owned and operated by the Partnership, which shall initially extend from the Prudhoe Bay area to an interconnection with the Canada Pipeline on the Alaska-Canada border ...

[4] TransCanada's License Application states:

> Initial rate base of the pipeline will include, among other things, Actual Capital Cost, allowance for funds used during construction ("AFUDC") , property tax paid during construction, and initial working capital but excluding the Alaska portion of the $500 million State reimbursement. (p. 2.2-65)

As to AFUDC, it has been observed:

> The AFUDC is not included in the rate base until the time the facility is completed and placed into service. This allowance, ... is recovered through the useful life of the property in the form of depreciation and the rate of return on investment. Regulation of the Gas Industry § 29.04[3]

[5] ANNGT is the successor to the Alcan Pipeline Co. project (Alcan). Alcan changed its name to Northwest Alaskan Pipeline Co., which consisted of Northwest Energy and Foothill Pipeline, Ltd. *Midwestern Gas Transmission Co. v. F.E.R.C.*, 589 F.2d 603, 610 (D.C. Cir. 1978). The Canadian portion of the pipeline was approved in 1978 by the Northern Pipeline Act Bill C-25 passed April 4, 1978 3rd Session, 30 Parl. ment, S.C. 1977-1978, C-20.

Pipelines USA Ltd., a subsidiary of TransCanada, and 2) United Alaska Corp., a subsidiary of Foothills, also a subsidiary of TransCanada.

In *Alcan Pipeline Co.*, 1 F.E.R.C. ¶ 61,248 (1977), FERC, pursuant to the Alaska Natural Pipeline Gas Transportation Act, 15 U.S.C. § 719 *et seq* (ANGTA), issued a "conditional" certificate of public convenience and necessity to Alcan Pipeline Co., Northern Border Pipeline Co. and Pacific Gas Transmission Co. ("Alcan Pipeline Project"). FERC stated:

> the Alcan Pipeline Project is at too incipient a stage to warrant Commission acceptance of applications for permanent certificates. 1 F.E.R.C. at 61,641.

By subsequent Order issued in *Alaskan Northwest Natural Gas Transportation Co.*, 3 F.E.R.C. ¶ 61,290 (1978), FERC authorized the transfer of the conditional certificate to ANNGT. In its Order, FERC observed regarding the Partnership Agreement:

> Subsection 4.1.4 recognizes the Commission's authority to rule on these Qualified Expenditures and to possibly disallow them from rate base of [ANNGT] ... if found to be unreasonable, unnecessary, or imprudent. 3 F.E.R.C. at 61,754-55.

In 2004, ANGTA was amended by the Alaska Pipeline Act, 15 U.S.C. §§ 720 *et seq.* which sought to expedite the development of an Alaskan gas pipeline. 15 U.S.C. § 720b(d). The Alaska Pipeline Act authorizes *inter alia* that the Secretary of Energy to issue a federal loan guarantee of up to $18 billion to the developer of the pipeline. Significantly, the Alaska Pipeline Act did not affect any decision (i.e. the conditional FERC certificate held by ANNGT), authorization or Presidential action relating to ANGTA. It further stated that if no application for a certificate was filed by April 2006, the Secretary of Energy should study alternate approaches.

III. DISCUSSION

A. Partnership Agreement

ANNGT, a corporation, succeeded as of January 31, 1978[6] to the Agreement entered into between United Fuels Corporation and TransCanada Pipelines USA Ltd. In addition to the foregoing, eleven other companies, including TC Alaska, were partners to the Agreement.[7] It was contemplated by the Agreement that a natural gas pipeline would be designed and constructed "from the Prudhoe Bay area ... to an interconnection with the Canadian Pipeline on the Alaska-Canada border." (Para. 2.31). The Agreement specifically stated:

> The Partnership is the successor to all of the rights, titles and interests of Alcan Pipeline Company ... to construct and operate a natural gas pipeline system in Alaska pursuant to ... the Alaska Natural Gas Transportation Act of 1976. The Partnership shall plan, design, obtain financing for and construct the Project, own and operate the Line and place the Line in service on January 1, 1983 or as soon thereafter as practicable. (Para. 3.3)

Each partner was required by the Agreement to fund "Qualified Expenditures" which were defined by Para. 2.32 as:

> Expenditures to acquire information, knowledge, studies, tests, computer programs or governmental authorizations by any Partner or corporate Affiliate of a Partner, in the course of activities reasonably related to the selection of a transportation system for the delivery of Alaskan natural gas, if such

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[6] The Agreement has been amended four times. Curiously, Amendment No. 4 is "dated January 1, 1995, proposed December 19, 2000."

[7] The partners are: Northern Arctic Co.; Northwest Alaskan Pipeline Co.; Pan Alaskan Gas Co.; Natural Gas Corporation of California; Pacific Interstate Transmission Co. (Arctic); United Alaska Fuels Corp.; American Natural Alaskan Co.; Columbia Alaskan Gas Transmission Co.; Tetco Four, Inc.; Texas Gas Alaska Corp.; and TC Alaska.

> expenditures were made by such Partner or corporate Affiliate prior the Formation Date [January 31, 1978].

The Agreement also required that each partner make a capital investment prior to July 31, 1978 of its *per capita* share of $24 million (Para. 4.2.2). [8]

As to whether a qualified expenditure could be included in the proposed Alaskan pipeline's rate base, Para. 4.1.4 provides:

> Qualified Expenditures, and the value of assets generated thereby, shall be subject to review and verification by the FERC, and only those expenditures, and the values ascribed to such assets, found by the FERC to reflect reasonable and necessary expenditures, prudently incurred, shall be retained in the Capital Accounts, and then only to the extent that FERC authorizes the inclusion thereof as a capital expenditure appropriately made on behalf of the Partnership for inclusion in rate base. Any disallowance by the FERC of an amount included in any Capital Account ... shall be reflected forthwith in a retroactive adjustment of (i) the Capital Account from which such amount was so disallowed and (ii) all other Capital Accounts affected by such disallowance in accordance with this Agreement.

Significantly, Para 4.4.4 provides that no partner shall be "entitled to any return of their expenditures ... except":

> after the line becomes operational and .. when [the] payment may be made without undue hardship to the partnership.[9]

B. Ratemaking Principles

A natural gas pipeline, subject to FERC's jurisdiction, may recover in rates its costs and a return of items properly included in its rate base.

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[8] Para 4.4.4 (ii) states that:

> No return shall be paid on any contribution to the capital of the Partnership to a withdrawing partner.

[9] Under certain circumstances, a partner was permitted to transfer its interest. (Para. 10)

For ratemaking purposes, the primary cost components are operation and maintenance (O+M) expenses, depreciation and amortization, taxes other than income taxes, return on rate base, federal and state income taxes, and revenue credits. Generally, O+M expenses are not allowed to be recovered if shown to be unrepresentative, non-recurring, non-qualifying or imprudent. Energy Law and Transactions Ch. 80.[10] To be included in a pipeline's rate base:

> [The] utility's plant and property ... [must] provide service to the public .... [and] be "used and useful" to the consumer before the ratepayer will be required to pay a return on the capital invested by the utility's investors. Regulation of the Gas Industry §29.01 (citations omitted).[11]

As part of the ratemaking process, FERC, in determining the value of a rate base, utilizes a "test period" to define the time period in which data covering operations is compiled.

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[10] Rate base treatment of a prudent investment also has been denied if a project is later abandoned. *Natural Gas Pipeline Company of America v. F.E.R..C.*, 765 F.2d 1155, 1163 (1985), *cert denied* 474 U.S. 1056 (1986). *See also Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989) (Cost of cancelled plant denied inclusion in rate base because it was not used and useful in service to the public).

[11] *See, e.g., Tarpon Transmission Co.*, 59 F.E.R.C. ¶ 61,241, at 61,820-21 (1992) which denied rate base treatment for carrying charges on extraordinary, non-recurring regulatory costs because "they are not an investment that is used and useful in providing utility services to the public and are no benefit to the pipeline's customers." FERC further stated:

> the regulatory cost component of a pipeline's operating and maintenance expenses ordinarily does not include any authorization of *past* regulatory costs. Rather, normal Commission practice is to recover only those prudent costs which the pipeline projects it will occur in the *future*. 59 F.E.R.C. at 61,820 (emphasis added).

In *The Detroit Edison Co.*, 54 F.P.C. 3012 (1975) (DTE) FERC's predecessor denied the inclusion of $8 million in rate base. That sum was a loan to a coal company intended to assure DTE a coal supply for 25 years. The Commission concluded that the loan "was made merely to assist the coal company with its initial investment ... not to promulgate exploration efforts." 54 F.P.C. at 3016. FERC also denied rate base treatment for an "acquisition premium" expended in separate transactions for facilities acquired to form a new pipeline. *Enbridge Pipelines (KPC)*, 100 F.E.R.C. ¶ 61,260 (2002).

A test period either may be historical or based upon future projections.[12] FERC's Regulations at 18 C.F.R. § 154.303(a)(1) provide that if a pipeline company has been in operation for 12 months as of the filing date, the test period "consists of 12 consecutive months of the most recently available actual expenses." If the pipeline has not been in operation for 12 months as of the filing date, a future test period using projections of costs of property devoted to public service is to be used. Pursuant to 18 C.F.R. § 154.303(b), the test period "must consist of 12 consecutive months ending not more than one year after the filing date."

In *Federal Power Commission v. Natural Gas Pipeline Co. of America*, 315 U.S. 575 (1942), the Supreme Court held that FERC's predecessor was correct in disallowing $8.5 million from inclusion in a pipeline's rate base. The pipeline had argued:

> [T]here are items of cost or expense incurred in the establishment and *development of the business during the seven-year period prior to regulation* ... [and] should be capitalized and added to the rate base to the extent of $8,500,000 for going concern value. They include ... expenditures for securing new business; interest on money invested in non-productive plant capacity; taxes paid on non-productive capacity; fixed operating expenses attributable to non-productive capacity, and depreciation on non-productive capacity. 315 U.S. at 588 (footnote omitted; emphasis added).

This argument was rejected by the Supreme Court because it involved the pipeline company 's financial history *preceding regulation* and because "the elements relied upon for that purpose could rightly be rejected as capital investment in the case of a regulated company..." 315 U.S. at 591.

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[12] Advance payments made by a pipeline to participate in gas exploration and development projects have been included, as an exception, in rate base. In this regard, FERC explained:

> their departure from the usual rule that current rates should reflect only the costs of supplying service to current rate payers was justified by the public interest in enlarging the field supply of natural gas. Regulation of the Gas Industry § 29.06 [3]

IV. CONCLUSION

Based on the foregoing, including the language in the ANNGT Partnership Agreement recognizing FERC's jurisdiction to disallow expenditures, TransCanada would not be allowed to recover in its rates any payments to withdrawn partners. This expense would be for period significantly preceding operations of the Alaskan segment by a different entity and would be neither construed as used or useful to ratepayers.

940624.1