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ALASKA RESOURCES LIBRARY
U.S. Department of the Interior

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SUPPLEMENT TO APPLICATION
FOR
RIGHT-OF-WAY GRANT

VOLUME II

Preamble

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APPLICABILITY

The following Stipulations set forth the general standards of environmental and construction performance, and the procedures for the submission and approval of construction plans and environmental safeguards, that are required by Section III, 1, of the Terms and Conditions set forth in the Decision and Report to Congress on the Alaska Natural Gas Transportation System which was transmitted to the Congress by the President on September 22, 1977, pursuant to the Alaska Natural Gas Transportation Act of 1976, 15 U.S.C. §§ 719, et seq.

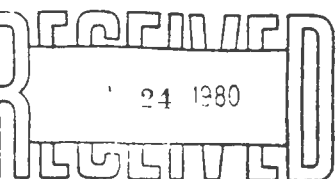
These stipulations are not intended in any way to derogate from, or be construed as being inconsistent with, applicable provisions of law.

Nothing in these Stipulations shall be construed as applying to activities of the COMPANY that have no relation to the PIPELINE SYSTEM.

PRINCIPLES

In the implementation of the authorization of which these Stipulations are a part, the following principles shall apply:

- (1) In the construction, operation, maintenance (including but not limited to a continuing and reasonable program of preventive maintenance) and termination of the PIPELINE SYSTEM, the COMPANY shall employ all practicable means and measures to preserve and protect the environment, as provided in these Stipulations.
- (2) The COMPANY and the FEDERAL INSPECTOR shall balance environmental amenities and values with economic practicalities and technical capabilities, so as to be consistent with applicable national policies. In so doing, they shall take into account, among other considerations, the following:
 - (a) The benefit or detriment to persons, property and the environment that may be anticipated to result from a proposed course of conduct;
 - (b) The particular environmental, and technical, benefits, costs or detriments reasonably expected to flow from a proposed course of conduct.
- (3) The COMPANY shall manage, supervise and implement the construction, operation, maintenance and termination of the PIPELINE SYSTEM in accordance with sound engineering practice.



STIPULATIONS
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1. GENERAL

1.1 DEFINITIONS

1.1.1. The following definitions apply to terms used in these Stipulations. They shall also apply to terms used in documents to which these Stipulations are attached unless specifically provided otherwise in such documents.*

1.1.2. "AGENCY" means a Federal agency (other than the Office of the FEDERAL INSPECTOR) which, subject to the provisions of Reorganization Plan No. 1 of 1979, has jurisdiction to issue or enforce certificates, rights-of-way, leases, permits, or other authorizations with respect to the Alaska Natural Gas Transportation System.

1.1.3. "AUTHORIZED OFFICER" means the employee of the AGENCY to whom the head of the AGENCY has delegated the authority to administer the authorization of which this Exhibit is a part. "AUTHORIZED OFFICER," where used in these Stipulations with specific references to other Federal agencies or departments with enforcement functions transferred to the FEDERAL INSPECTOR by Reorganization Plan No. 1 of 1979, means an employee so designated by such agency or department pursuant to Reorganization Plan No. 1 of 1979."

1.1.4. The "COMPANY" means Alaskan Northwest Natural Gas Transportation Company, its successors and assigns.

1.1.5. "CONSTRUCTION MODE" means the type of construction to be employed generally with regard to the PIPELINE.

1.1.6. "CONSTRUCTION SEGMENT" means a portion of the PIPELINE SYSTEM, as agreed upon by the COMPANY and the FEDERAL INSPECTOR, that constitutes a complete physical entity or stage, in and of itself, which can be constructed, independently of any other portion or stage of the PIPELINE SYSTEM in a designated area or between two given geographical points.

1.1.7. "FEDERAL INSPECTOR" means the officer appointed by the President with the advice and consent of the Senate pursuant to Section 7(a)(5) of the Alaska Natural Gas Transportation Act, 15 U.S.C. § 719e, and Reorganization Plan No. 1 of 1979.

1.1.8. "FEDERAL LANDS" means all lands owned by the United States except lands in the National Park System, lands held in trust for an Indian or Indian tribe, and lands on the Outer Continental Shelf.

*The words defined herein are in upper case throughout the body of the stipulations.

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1.1.9. "FINAL DESIGN" means completed design documents suitable for bid solicitation, including contract plans and specifications; proposed CONSTRUCTION MODES; operational requirements necessary to justify designs; design analysis (including calculations for each particular design feature); all functional and engineering criteria; summaries of engineering tests conducted and their results; and other considerations pertinent to design.

1.1.10. "GAS" means a gaseous mixture, principally of methane and other paraffinic hydrocarbons, suitably conditioned to an acceptable specification for transportation by the PIPELINE.

1.1.11. "HAZARDOUS SUBSTANCES" means OIL, toxic, or hazardous substances as defined by the Environmental Protection Agency, the Department of Transportation or as specified in writing by the FEDERAL INSPECTOR in consultation with the Environmental Protection Agency's and the Department of Transportation's AUTHORIZED OFFICERS during the review of the COMPANY'S OIL AND HAZARDOUS SUBSTANCES control cleanup and disposal plan.

1.1.12. "NOTICE TO PROCEED" means a written permission to initiate PIPELINE SYSTEM construction that is issued in accordance with Stipulation 1.7.

1.1.13. "OIL" means oil of any kind or any form, including but not limited to fuel oil, sludge, oil refuse, and oil mixed with WASTE.

1.1.14. "PIPELINE" means all parts of those physical facilities, through which the GAS moves, authorized on FEDERAL LANDS by U. S. Department of the Interior Right-of-Way Grant No._____.

1.1.15. "PIPELINE SYSTEM" means all facilities on FEDERAL LANDS which are constructed or used by the COMPANY pursuant to the Alaska Natural Gas Transportation Act in connection with the construction, operation, maintenance or termination of the PIPELINE. The term includes the PIPELINE and RELATED FACILITIES, temporary facilities, temporary use areas and material sites used by the COMPANY for the construction, operation, maintenance, or termination of the PIPELINE. It does not include facilities, such as urban administrative offices, which are only indirectly involved in the transportation of GAS; nor does it include facilities used by others in the production, gathering or conditioning of GAS.

1.1.16. "DESIGN CRITERIA" means project criteria (i.e., construction, including design, and operational concepts) necessary to delineate the project to be constructed. As a minimum, it includes the following: criteria to be used for the FINAL DESIGN and project concepts; evaluation of data used to establish the design criteria; drawings showing functional and technical requirements; reports of all test data compiled during the data collection and DESIGN CRITERIA evaluation; standard drawings (if applicable) or drawings to support structural design concepts of each typical facility or structure; proposed CONSTRUCTION MODES; outline of project specifications; sample computations to support the design; and concepts and bases for project siting.

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1.1.17. "RELATED FACILITIES" means those structures, devices, improvements and sites on FEDERAL LANDS, other than the pipe, the substantially continuous use of which is necessary for the operation and maintenance of the PIPELINE. RELATED FACILITIES includes, if applicable: supporting structures; air fields access roads; compressor stations; valves and other control devices; bridges, culverts and low-water crossings; monitoring and communication devices; retaining walls, berms, dikes, ditches, cuts and fills, including hydraulic and erosion control structures; structures and areas for storing supplies and equipment; cathodic protection devices; and other facilities of a similar nature together with related yards, fences and buildings as the FEDERAL INSPECTOR, after consultation with the company, shall determine to be RELATED FACILITIES.

1.1.18 "REVEGETATION" means the establishment of plant cover on disturbed lands through techniques including, but not limited to, seedbed preparation, seeding, planting, fertilizing, mulching, and watering.

1.1.19. "ROADS" means roads on FEDERAL LANDS, other than State or public highways, that are constructed or used by the COMPANY in connection with the construction, operation, maintenance or termination of the PIPELINE SYSTEM.

1.1.20. "TEMPORARY USE PERMIT" means a revocable, nonpossessory privilege to use specified Federal lands in connection with the preconstruction, construction, operation, maintenance and termination of the pipeline system.

1.1.21. "TRANS-ALASKA PIPELINE SYSTEM" means that pipeline system referred to in and authorized by the Trans-Alaska Pipeline Authorization Act, Title II, P.L. 93-153, 87 Stat. 584.

1.1.22 "WASTE" means all discarded matter other than construction spoil. It includes, but is not limited to, human waste, trash, garbage, refuse, OIL drums, petroleum products, ashes and equipment.

1.1.23. "WETLANDS" means those areas that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. WETLANDS generally include swamps, marshes, bogs, and similar areas.

1.2 APPLICABILITY

1.2.1. The following conditions shall apply to the design construction, operation, maintenance, and termination of the PIPELINE SYSTEM. Unless clearly inapplicable, the requirements and prohibitions imposed upon the COMPANY by these Stipulations are also imposed upon the COMPANY'S agents, employees, contractors, and subcontractors, and the employees of each of them.

- (1) The COMPANY shall ensure compliance with these Stipulations by its agents, employees, and contractors (including subcontractors at any level), and the employees of each of them.

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- (2) Failure or refusal of the COMPANY'S agents, employees contractors, subcontractors, or their employees to comply with these Stipulations shall be deemed to be the failure or refusal of the COMPANY.
- (3) Where appropriate the COMPANY shall require its agents, employees, contractors and subcontractors to include these Stipulations in all contracts and subcontracts which are entered into by any of them, together with a provision that the other contracting party, together with its agents, employees, contractors and subcontractors, and the employees of each of them, shall likewise be bound to comply with these Stipulations.

1.2.2 Nothing in these Stipulations shall be construed as applying to activities of the Company that have no relation to the PIPELINE SYSTEM.

1.2.3. Nothing in these Stipulations shall be construed to affect any right or cause of action that otherwise would be available to the COMPANY against any person. The United States and the COMPANY do not intend to create any rights under these Stipulations that may be enforced by third parties for their own benefit or for the benefit of others.

1.3. RESPONSIBILITIES

1.3.1. The COMPANY shall comply with these Stipulations and lawful orders of the FEDERAL INSPECTOR implementing these Stipulations.

1.3.2. The authority and obligations of the FEDERAL INSPECTOR, as provided in these Stipulations, shall be exercised and met by the FEDERAL INSPECTOR during the period when the Office of the FEDERAL INSPECTOR is in existence pursuant to the provisions of Reorganization Plan No. 1 of 1979.

1.3.3. Upon termination of the Office of the FEDERAL INSPECTOR, the authority and obligations of the FEDERAL INSPECTOR shall be vested in and fulfilled by the AUTHORIZED OFFICERS of the Federal agencies normally having jurisdiction over such matters.

1.3.4. The COMPANY shall designate a representative who shall be empowered on behalf of the COMPANY to communicate with, and to receive and comply with, all communications and orders of the FEDERAL INSPECTOR. The COMPANY shall also designate field representatives who shall be authorized to, and at all times be available to communicate and cooperate with field representatives of the FEDERAL INSPECTOR. The COMPANY shall keep the FEDERAL INSPECTOR informed of any change of the COMPANY'S representatives during the construction, operation, maintenance, and termination of the PIPELINE SYSTEM.

1.3.5. The FEDERAL INSPECTOR may require the COMPANY at any time to furnish any or all data related to design, construction, operation, maintenance, and termination activities undertaken in connection with the PIPELINE SYSTEM as may be reasonably relevant to the FEDERAL INSPECTOR'S responsibilities

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in connection with construction, operation, maintenance, and termination of the PIPELINE SYSTEM; provided, however, that access to such documents is not prohibited or limited by law or regulation, and provided further that any such data furnished shall be subject to the provisions of the Freedom of Information Act, 5 U.S.C. § 552. The FEDERAL INSPECTOR shall make all requests in writing.

1.3.6. Consonant with the provisions of Section 9(d) of the Alaska Natural Gas Transportation Act, 15 U.S.C. § 719(g), the FEDERAL INSPECTOR may, by written order, require the Company to make such modification of the PIPELINE SYSTEM as he deems necessary to protect or maintain stability of foundation and other earth materials; protect or maintain integrity of the PIPELINE SYSTEM; control or prevent significant damage to the environment (including but not limited to Fish and Wildlife populations and their habitats); remove hazards to public health and safety, or protect the TRANS-ALASKA PIPELINE SYSTEM from the effects of the COMPANY's activities, including the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them.

1.3.7. The absence of any comment by the FEDERAL INSPECTOR or his designated representative on any plan, design, specification, or other document which may be filed by the COMPANY with the FEDERAL INSPECTOR shall not be deemed to represent in any way whatever any assent to, approval of, or concurrence in such plan, design, specification or other document, or any action proposed therein. Any written approval or instruction by the FEDERAL INSPECTOR or the AUTHORIZED OFFICER may be relied upon by the COMPANY unless and until rescinded in writing. The FEDERAL INSPECTOR, will act in writing upon each submission to him in accordance with the agreed-upon schedules developed pursuant to Stipulations 1.6.1. and 1.7.4. Any disapproving action by the FEDERAL INSPECTOR, including any requests for additional information, shall state what additional action is necessary to gain approval.

1.3.8. The FEDERAL INSPECTOR and the Alaska State Pipeline Coordinator shall have a continuing right of access to any part of the PIPELINE SYSTEM at any time for inspection or monitoring and for any other purpose or reason that is consistent with their responsibilities. This right may be exercised by the FEDERAL INSPECTOR and the Alaska State Pipeline Coordinator and their agents and representatives designated in writing; and contractors and subcontractors of the FEDERAL INSPECTOR or the State Pipeline Coordinator who are performing work related to the PIPELINE SYSTEM and who are designated in writing. The FEDERAL INSPECTOR and the COMPANY shall agree upon procedures to implement this Stipulation, including reasonable advance notification where practicable.

1.3.9. No order or notice given to the COMPANY on behalf of the FEDERAL INSPECTOR shall be effective as to the COMPANY unless prior written notice of the delegation of authority to issue such order or notice has been given to the COMPANY by the FEDERAL INSPECTOR.

1.3.10. In the implementation of Stipulation 1.2.1., the COMPANY will furnish all supervisory-level employees with copies of these Stipulations and will explain the limitations imposed by these Stipulations.

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1.3.11. During the design, construction, operation, maintenance, and termination of the PIPELINE SYSTEM, the COMPANY shall furnish representatives of the United States including contractors and subcontractors involved in field surveillance of the pipeline system, adequate meals, living quarters and office space, reasonable use of the COMPANY'S communications systems, and reasonable surface and air transportation. Whenever possible, the FEDERAL INSPECTOR shall give the COMPANY advance written notice of the need for such services and facilities, including the number and names of persons to be accommodated. Reimbursement for such services and facilities will be in accordance with a prearranged unit-price schedule.

1.3.12. The Company shall not interfere with operations of the TRANS-ALASKA PIPELINE SYSTEM, including use of Federal lands covered by the TRANS-ALASKA PIPELINE SYSTEM right-of-way, by employees, contractors, subcontractors and agents of the TRANS-ALASKA PIPELINE SYSTEM, except as may be approved in writing by the FEDERAL INSPECTOR.

1.4. COMMUNICATIONS

1.4.1. The COMPANY shall provide a communications capability that ensures the transmission of information required for the safe construction, operation, maintenance, and termination of the PIPELINE SYSTEM.

1.4.2. During the period of preconstruction, construction and initial operation of the PIPELINE SYSTEM, all formal written communications between the COMPANY and an AGENCY, involving construction, operation, maintenance, or termination of the PIPELINE SYSTEM shall be transmitted through the FEDERAL INSPECTOR or as he may direct. However, documents required by statute or AGENCY regulation to be filed with the AGENCY shall be filed as so required, provided that a copy (or copies) thereof is concurrently filed with the FEDERAL INSPECTOR.

1.4.3. Any written notice or communication, including any telegram, relating to any subject, addressed to the FEDERAL INSPECTOR from the COMPANY, shall be deemed to have been delivered to and received by the FEDERAL INSPECTOR when the notice or communication has been delivered either by messenger during normal business hours, or by means of registered or certified United States mail, postage prepaid, return receipt requested, to the Office of the FEDERAL INSPECTOR.

1.4.4. Any written order, notice, or other written communication, including any telegram, relating to any subject, that is addressed to the COMPANY from the FEDERAL INSPECTOR shall be deemed to have been delivered to and received by the COMPANY when the order, notice or other communication has been delivered either by messenger during normal business hours, or by means of registered or certified United States mail, postage prepaid, return receipt requested to the office of the representative designated by the COMPANY pursuant to Stipulation 1.3.4.

1.4.5. All orders or approvals of the FEDERAL INSPECTOR shall be in writing, but in emergencies may be issued orally, with subsequent confirmation in writing as soon as possible thereafter, but not later than 24 hours.

1.5. SUMMARY NETWORK ANALYSIS DIAGRAMS

1.5.1. As a part of the DESIGN CRITERIA, the COMPANY shall submit a summary network analysis diagram for the project to the FEDERAL INSPECTOR for review and approval. As mutually agreed to by the COMPANY and the FEDERAL INSPECTOR, the summary network analysis diagram shall include all environmental, engineering and construction-related activities and contingencies which reasonably may be anticipated in connection with the project. The summary network analysis diagram shall include or address:

- (1) data collection activities;
- (2) submittal and approval activities;
- (3) construction and post construction activities;
- (4) schedule control techniques;
- (5) other pertinent data.

The summary network analysis diagram shall be prepared employing techniques normal to the industry in sufficient detail and scope to permit the FEDERAL INSPECTOR to determine if the management approach shown or inferred by the network analysis will facilitate the cost-effective, environmentally sound and timely construction of the project.

1.5.2. The summary network analysis diagram shall be updated to indicate current and planned activities at intervals mutually agreeable to the COMPANY and the FEDERAL INSPECTOR.

1.6. DESIGN CRITERIA, PLANS AND PROGRAMS

1.6.1. The COMPANY shall submit DESIGN CRITERIA to the FEDERAL INSPECTOR. It shall also submit comprehensive plans and/or programs (including schedules where appropriate) which shall include but not be limited to the following:

- (1) Air quality
- (2) Blasting
- (3) Camps
- (4) Clearing
- (5) Corrosion control
- (6) Cultural resource preservation
- (7) Environmental briefings
- (8) Erosion and sedimentation control
- (9) Fire control
- (10) Liquid waste management
- (11) Material exploration and extraction
- (12) OIL and HAZARDOUS SUBSTANCES control, cleanup and disposal
- (13) Overburden and excess material disposal
- (14) Pesticides, herbicides, chemicals
- (15) PIPELINE contingency
- (16) Quality assurance/quality control
- (17) Restoration
- (18) River training structures
- (19) Solid waste management

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- (20) Stream, river and floodplain crossings
- (21) Surveillance and maintenance
- (22) Visual Resources
- (23) WETLAND construction

These plans and programs may be combined as appropriate. The COMPANY and the FEDERAL INSPECTOR shall agree to the scope, content and schedule for submission of the requested plans and programs. Any aspects of these plans and programs or the DESIGN CRITERIA that are likely to have a significant impact upon other facilities (such as the TRANS-ALASKA PIPELINE SYSTEM) will be coordinated by the COMPANY with the owners of such other facilities during their development. Coordination means providing the facility owner an opportunity to review and comment upon relevant parts of the plans and programs. The COMPANY will reasonably take these comments into consideration. Coordination does not necessarily mean concurrence. Evidence of such coordination must be provided in support of any application for a notice to proceed. In determining the acceptability of the DESIGN CRITERIA and the plans, the FEDERAL INSPECTOR will consider suggestions or objections submitted by owners of affected facilities.

1.6.2. The DESIGN CRITERIA, including the plans and programs specified in Stipulation 1.6.1 shall be approved in writing by the FEDERAL INSPECTOR and shall be complied with by the COMPANY.

1.6.3. Additional or supplementary plans may be required in the event that the plans submitted in accordance with Stipulation 1.6.1 do not provide the detailed and/or site specific data required to support the FINAL DESIGN required in Stipulation 1.7, and to guide the conduct of the construction, operation maintenance and termination of the PIPELINE SYSTEM.

1.7. NOTICE TO PROCEED

1.7.1. The COMPANY shall not initiate any field activity on FEDERAL LANDS pursuant to the authorization of which these Stipulations are a part without prior specific written permission. Such permission shall be given either by a NOTICE TO PROCEED, TEMPORARY USE PERMIT or other appropriate written authorization, issued by the FEDERAL INSPECTOR or AUTHORIZED OFFICER, as appropriate. Any NOTICE TO PROCEED, TEMPORARY USE PERMIT or other authorization shall permit field activities only as therein expressly stated and only for the particular field activities therein described. A NOTICE TO PROCEED, TEMPORARY USE PERMIT or other appropriate authorization may contain such site-specific terms and conditions as the FEDERAL INSPECTOR or AUTHORIZED OFFICER deems necessary to implement these Stipulations, and the COMPANY will comply with such terms and conditions.

1.7.2. Before applying for a NOTICE TO PROCEED, the COMPANY shall, in such manner as shall be acceptable to the FEDERAL INSPECTOR, locate and clearly mark on the ground the proposed centerline of the line of pipe, the location of all relevant RELATED FACILITIES and, where applicable,

clearing limits and the location of temporary use areas in the proposed work area. When the COMPANY is engaged in activities proximate to the TRANS-ALASKA PIPELINE SYSTEM or, in any event, when such activities could pose a threat to the integrity of the TRANS-ALASKA PIPELINE SYSTEM the COMPANY shall arrange with the owners of the TRANS-ALASKA PIPELINE SYSTEM, in accordance with industry practice, for them to survey and clearly mark on the ground relevant parts of the TRANS-ALASKA PIPELINE SYSTEM, including related facilities.

1.7.3. Each application for a NOTICE TO PROCEED shall be supported by:

- (1) a FINAL DESIGN for the CONSTRUCTION SEGMENT OR SEGMENTS to be covered by the NOTICE TO PROCEED with detailed and/or site-specific plans as indicated in Stipulation 1.6.3 and computations supporting the design;
- (2) all applicable reports and results of environmental studies;
- (3) a detailed network analysis diagram for the CONSTRUCTION SEGMENT or SEGMENTS including the COMPANY'S work schedules, applicable permits required by State and Federal agencies, design and review periods, data collection activities, and construction sequencing. All requirements stated in Stipulation 1.5.1, with reference to the summary network analysis diagram, shall apply equally to the detailed network analysis diagram;
- (4) a map or maps, prepared in such manner as shall be acceptable to the FEDERAL INSPECTOR, depicting the proposed location of:
 - (a) the boundaries of all associated temporary use areas;
 - (b) all improvements, buried or aboveground, that are to be constructed;
 - (c) the relative location of any part of the TRANS-ALASKA PIPELINE SYSTEM that is proximate to the proposed improvements;
- (5) justification statements for all proposed design features or activities which may not be in conformance with these Stipulations;
- (6) an analysis which addresses the effects, if any, of PIPELINE SYSTEM design and proposed activities on the TRANS-ALASKA PIPELINE SYSTEM and other existing facilities and, where necessary, which describes systems designed to ensure protection of the TRANSALASKA PIPELINE SYSTEM and other existing facilities from damage arising from the construction, operation, maintenance and termination of the PIPELINE SYSTEM.

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1.7.4. Prior to submission of any applications for NOTICES TO PROCEED, the COMPANY and the FEDERAL INSPECTOR shall agree to a schedule for the submission, review and approval of such applications and on the scope of information to be contained therein. The schedule shall allow the FEDERAL INSPECTOR 60 days for review of each complete application for a NOTICE TO PROCEED unless the FEDERAL INSPECTOR gives written notice that more time is needed. The schedule may be revised by mutual agreement, if necessary.

1.7.5. The FEDERAL INSPECTOR shall review each application for a NOTICE TO PROCEED and all data submitted in connection therewith in accordance with schedules as agreed upon pursuant to Stipulation 1.7.4.

1.7.6. The FEDERAL INSPECTOR shall issue a NOTICE TO PROCEED only when, in his judgment, applicable FINAL DESIGNS and other submissions required by Stipulations 1.6.1, 1.6.3, and 1.7.3 conform to these Stipulations.

1.7.7. By written order, following appropriate consultation with the COMPANY, and when other enforcement actions are inadequate or have not been successful the FEDERAL INSPECTOR may revoke or suspend in whole or in part any NOTICE TO PROCEED which has been issued when in his judgment unforeseen conditions later arising require alterations in the NOTICE TO PROCEED in order to: (1) protect or maintain stability of foundation and earth materials; (2) protect or maintain integrity of the PIPELINE SYSTEM; (3) control or prevent significant damage to the environment, including but not limited to fish and wildlife populations and their habitats; (4) remove hazards to public health and safety.

The FEDERAL INSPECTOR shall expeditiously follow his revocation or suspension order with a more detailed written statement of the reason for the action.

1.8. QUALITY ASSURANCE AND CONTROL

1.8.1. The quality assurance and quality control programs shall be comprehensive and designed to assure that the applicable requirements of 49 CFR, Part 192 and environmental and technical Stipulations will be incorporated in the FINAL DESIGN and complied with throughout all phases of construction, operation, maintenance and termination of the PIPELINE SYSTEM. The COMPANY shall provide for continuous inspection of PIPELINE construction to ensure compliance with the approved design specifications and these Stipulations. The term "continuous inspection" as used in this Stipulation means that at least one inspector is observing each PIPELINE construction operation where PIPELINE integrity is involved (e.g., the pipe gang, backend welders, weld nondestructive testing, coating and wrapping, bedding, lowering-in, padding and backfill) at all times while that construction is being performed or where PIPELINE construction operations are proximate to the TRANS-ALASKA PIPELINE SYSTEM.

1.8.2. At a minimum, the following shall be included in the quality assurance program:

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- (1) Procedures for the detection and prompt abatement of any actual or potential procedure, activity, event or condition, of a serious nature, that:
 - (a) is susceptible to abatement by the COMPANY;
 - (b) could reasonably be expected to arise out of, or affect adversely, design, construction, operation, maintenance, or termination of all or any part of the PIPELINE SYSTEM; and
 - (c) that at any time may cause or threaten to cause:
 - (1) a hazard to the safety of workers or to public health or safety, including but not limited to personal injury or loss of life of any person;
 - (2) significant damage to the environment, including but not limited to areas of vegetation or timber, fish or other wildlife populations or their habitats, or any other natural resource; or
 - (3) significant damage to existing private improvements on or in the general vicinity of the right-of-way permit area;
- (2) Procedures for the relocation, repair or replacement of improved or tangible property and the rehabilitation of natural resources (including but not limited to REVEGETATION, restocking fish or other wildlife populations, and reestablishing their habitats) seriously damaged or destroyed if the immediate cause of the damage or destruction results from, construction, operation, maintenance, or termination of all or any part of the PIPELINE SYSTEM;
- (3) Methods and procedures for achieving component and subsystems quality through proper design and specification;
- (4) Methods for applying quality assurance and quality control criteria in the selection of the COMPANY'S contractors and subcontractors, and contract purchases of materials and services;
- (5) A plan for collecting, recording, storing, retrieving and reviewing data to assure that quality has been attained, including procedures for initiating and maintaining adequate records of inspections, identification of deviations and completion of corrective actions;
- (6) Specific methods of detecting deviations from designs, plans, regulations, specifications, stipulations and permits, as the

basis for initiating corrective action to preclude or rectify the hazards, harm or damage referenced in Sections 1.8.2(1) and 1.8.2(2) of these Stipulations;

- (7) Inspection, test and acceptance of components, sub-systems and sub-assemblies;
- (8) A plan for conducting surveys and field inspections of all facilities, processes and procedures of the COMPANY, its contractors, subcontractors, vendors and suppliers critical to the achievement of quality.

1.8.3. The COMPANY (including its agents, employees, contractors and subcontractors and the employees of each of them) shall comply with the quality assurance and control program as approved and shall submit reports to the FEDERAL INSPECTOR to demonstrate such compliance. Such reports shall be submitted quarterly unless otherwise requested by the FEDERAL INSPECTOR.

1.9. CONDUCT OF OPERATIONS

1.9.1. The COMPANY shall perform PIPELINE SYSTEM operations in a safe and workmanlike manner so as to ensure protection of the environment and the safety and integrity of the PIPELINE and shall at all times employ qualified personnel and maintain equipment sufficient for that purpose. The COMPANY shall immediately notify the FEDERAL INSPECTOR of any condition, problem, malfunction, or other occurrence which in any way threatens the safety or integrity of the PIPELINE, or significant harm to the environment. In addition, the COMPANY shall take all reasonable precautions to protect the TRANS-ALASKA PIPELINE SYSTEM from damage caused by the COMPANY during construction, operation, maintenance and termination of the PIPELINE SYSTEM. The COMPANY shall notify the FEDERAL INSPECTOR and the owners of the TRANS-ALASKA PIPELINE SYSTEM of any such condition, problem, malfunction or other occurrence which in any way threatens the integrity of the TRANS-ALASKA PIPELINE SYSTEM.

1.10. SURVEILLANCE AND MAINTENANCE

1.10.1. During the construction, operation, maintenance and termination phases of the PIPELINE SYSTEM, the COMPANY shall conduct a surveillance and maintenance program applicable to the subarctic and arctic environment. At minimum, this program shall, with respect to the COMPANY'S activities, be designed to:

- (1) provide for public health and safety;
- (2) control damage to natural resources;
- (3) control erosion;
- (4) maintain PIPELINE integrity;

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(5) control damage to public and private property;

(6) prevent damage to the TRANS-ALASKA PIPELINE SYSTEM from the COMPANY'S activities including the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them, in connection with the pipeline.

1.10.2. The COMPANY shall maintain complete and up-to-date records on construction, operation, maintenance, and termination activities performed in connection with the PIPELINE SYSTEM. Such records shall include surveillance data, leak and failure records, necessary operational data, modification records, and such other data as may be required by 49 CFR, Parts 191 and 192 and other applicable Federal laws and regulations.

1.11. HEALTH AND SAFETY

1.11.1 The COMPANY shall take measures necessary to protect the health and safety of all persons directly affected by activities performed by the COMPANY in the general vicinity of the right-of-way or permit area in connection with construction, operation, maintenance or termination of the PIPELINE SYSTEM, and shall immediately abate any health or safety hazards. The COMPANY shall notify the FEDERAL INSPECTOR of accidents which occur in connection with such activities in frequency and detail identical to Occupational Safety and Health Administration reporting requirements.

1.12. PUBLIC AND PRIVATE IMPROVEMENTS

1.12.1. The COMPANY shall provide reasonable protection to existing public or private improvements including the TRANS-ALASKA PIPELINE SYSTEM on FEDERAL LANDS, and including the proposed realignment of the Alaska Highway between Delta Junction and the Canadian Border as shown in the State of Alaska reconnaissance report or segmented project design, whichever is the latest document, and the environmental impact statement prepared for the project and approved by the Federal government, which may be adversely affected by its activities including the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them during construction, operation, maintenance, and termination of the PIPELINE SYSTEM. If it is determined that the COMPANY has caused damage to such public and private improvements, and if the owner so requires, then the COMPANY shall promptly repair, or reimburse the owner for reasonable costs in repairing, the property to a condition which is satisfactory to the owner but need not exceed its condition prior to damage.

1.13. SURVEY MONUMENTS

1.13.1. The COMPANY shall mark and protect all survey monuments encountered during construction, operation, maintenance, and termination of the PIPELINE SYSTEM. These monuments are not to be disturbed; however, if disturbance of a monument or any of its accessories becomes necessary, the COMPANY will notify the FEDERAL INSPECTOR in writing before such disturbance occurs, and the FEDERAL INSPECTOR will provide instructions. A written report to

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the FEDERAL INSPECTOR will also be made immediately by the COMPANY in the event that any monuments or accessories are inadvertently damaged.

1.13.2. If any public land survey monuments, corners, or accessories (excluding geodetic survey monuments) of the United States or survey monuments of others, are destroyed or damaged during the construction, operation, maintenance, or termination of the PIPELINE SYSTEM, the COMPANY shall employ a qualified land surveyor to reestablish or restore same in accordance with the "Manual of Instructions for the Survey of Public Lands" of the Bureau of Land Management and shall record such survey in the appropriate records. Additional requirements for the protection of monuments, corners, and bearing trees on FEDERAL LANDS may be prescribed by the FEDERAL INSPECTOR.

1.14. FIRE PREVENTION AND SUPPRESSION

1.14.1. The COMPANY shall promptly notify the FEDERAL INSPECTOR of any fires on, or which may threaten any portion of, the PIPELINE SYSTEM and shall take all measures necessary or appropriate for the prevention and suppression of fires in accordance with applicable law. The COMPANY shall comply with the instructions and directions of the FEDERAL INSPECTOR concerning the use, prevention and suppression of fires on FEDERAL LANDS. Use of open fires in connection with construction, operation, maintenance and termination of the PIPELINE SYSTEM is prohibited on FEDERAL LANDS unless authorized in writing by the FEDERAL INSPECTOR. The COMPANY shall also promptly notify the owners of the TRANS-ALASKA PIPELINE SYSTEM of any fires on, or which may threaten any portion of, the PIPELINE SYSTEM or the TRANS-ALASKA PIPELINE SYSTEM between Prudhoe Bay and Delta Junction.

1.15. ELECTRONICALLY OPERATED DEVICES

1.15.1. The COMPANY shall, as necessary, screen, filter, or otherwise suppress any electronically operated devices installed as part of the PIPELINE SYSTEM which are capable of producing electromagnetic interference radiations so that such devices will not adversely affect the functioning of existing communications systems, including supervisory control systems used in connection with the operation of the TRANS-ALASKA PIPELINE SYSTEM, or navigational aids. In the event that structures such as towers or buildings are to be erected as parts of the PIPELINE SYSTEM, their positioning shall be such that they will not obstruct radiation patterns of existing line-of-sight communications systems, navigational aids, or similar systems. The COMPANY shall furnish a report and calculations showing the expected signal levels to the FEDERAL INSPECTOR who shall, after consultation with the owners of the TRANS-ALASKA PIPELINE SYSTEM, review and, if appropriate, approve the installation and operation of such devices.

1.16. TERMINATION OF AUTHORIZATION

1.16.1 Upon revocation or termination of the authorization of which these Stipulations are a part, the COMPANY shall remove all improvements and equipment from the FEDERAL LANDS, unless otherwise approved in writing by the FEDERAL INSPECTOR, and provided that restoration which appropriately can be performed prior to such removal has been completed to the satisfaction

of the FEDERAL INSPECTOR as required by applicable stipulations. Procedures to abandon a buried PIPELINE shall be in accordance with the requirements specified in 49 CFR, Part 192.727.

1.17. STOP ORDERS

1.17.1. With respect to construction activities conducted under a NOTICE TO PROCEED, field representatives expressly designated in writing by the FEDERAL INSPECTOR may issue a stop order at the site of an activity to a field representative of the COMPANY designated pursuant to Stipulation 1.3.4. The COMPANY shall cease that particular activity immediately. Except in emergencies, all stop orders shall be in writing and when issued orally, they shall be confirmed in writing within 24 hours. The stop order or a written confirmation of the order shall specify:

- (1) the specific construction activity or activities which must be stopped;
- (2) the reason for issuance of the order, including a description of the serious and immediate problem which requires the cessation of a particular construction activity;
- (3) the name of the designated field representative of the FEDERAL INSPECTOR issuing the order;
- (4) the name of the designated field representative of the COMPANY to whom the order is issued;
- (5) the time and date of the order, and the site of construction activity at which it is issued.

1.17.2 The FEDERAL INSPECTOR shall maintain a record of all such stop orders which also includes this same information. Resumption of any construction activity suspended under a stop order shall be immediately authorized by the FEDERAL INSPECTOR or a designated field representative in writing once mitigating, corrective, or alternative measures have been implemented by the COMPANY.

1.17.3 Subject to the provisions of Section 9(d) of the Alaska Natural Gas Transportation Act, 15 U.S.C. §719(g), stop orders may be issued only when:

- (1) an issue arises with respect to compliance with these Stipulations or the NOTICE TO PROCEED which authorized the construction activity in question;
- (2) the FEDERAL INSPECTOR or his field representative determines that such issue presents problems or conflicts of a serious and immediate nature; and
- (3) mitigating or corrective measures cannot be identified or agreed upon by the FEDERAL INSPECTOR or his field representative and a designated representative of the COMPANY and immediately imple-

1.18. REGULATION OF ACCESS

1.18.1 The COMPANY shall provide, as necessary, and maintain ROADS and airstrips, the number, location and standards of which shall be approved by the FEDERAL INSPECTOR, to provide for continuing maintenance and surveillance of the PIPELINE SYSTEM.

1.18.2. During construction or termination activities, the COMPANY may regulate or prohibit public access to or upon any ROAD being used for such activity. At all other times the COMPANY shall permit free and unrestricted public access to and upon ROADS; except that with the written consent of the FEDERAL INSPECTOR, the COMPANY may regulate or prohibit public access and vehicular traffic on ROADS as required to facilitate operations or to protect the public, wildlife and livestock from hazards associated with operation and maintenance of the PIPELINE. The COMPANY shall provide appropriate warnings, flagmen, barricades, and other safety measures when the COMPANY is using ROADS or regulating public access to or upon ROADS.

1.18.3. During construction of the PIPELINE, the COMPANY shall provide alternative routes for existing roads and trails at locations and to standards as determined by the FEDERAL INSPECTOR whether or not these roads or trails are recorded.

1.18.4. The COMPANY shall make provisions for suitable permanent crossings for the public at locations and to standards approved in writing by the FEDERAL INSPECTOR where the right-of-way crosses existing roads, foot-trails, winter trails, or other rights-of-way.

1.19. USE OF EXISTING FACILITIES

1.19.1. Subject to existing rights vested in other parties, the COMPANY shall use existing facilities to the maximum extent feasible in all construction, operation, maintenance, and termination activities associated with the PIPELINE SYSTEM.

2. ENVIRONMENTAL

2.1. ENVIRONMENTAL BRIEFINGS

2.1.1. The COMPANY shall develop and provide environmental briefings for supervisory and field personnel directly related to the project and for Federal field representatives in accordance with the approved environmental briefings plan required by Stipulation 1.6.1.

2.2. POLLUTION CONTROL

2.2.1. GENERAL

2.2.1.1. The COMPANY shall construct, operate, maintain, and terminate the PIPELINE SYSTEM in a manner that will avoid or minimize degradation of

air, land and water quality. The COMPANY shall comply with applicable air and water quality standards and Federal laws, and regulations, relating to pollution control or prevention.

2.2.2. WATER AND LAND POLLUTION

2.2.2.1. The COMPANY shall comply with applicable State of Alaska "Water Quality Standards" as approved by the Environmental Protection Agency and with requirements of the Environmental Protection Agency's National Pollutant Discharge Elimination System discharge permit program.

2.2.2.2. Mobile ground equipment shall not be operated in lakes, WETLANDS, streams or rivers unless such operation is approved in writing by the FEDERAL INSPECTOR.

2.2.2.3. The temperature of natural surface or ground waters shall not be changed significantly by the PIPELINE SYSTEM or by any construction-related activities unless approved in writing by the FEDERAL INSPECTOR.

2.2.2.4. The COMPANY shall comply with the standards for thermal pollution in the State of Alaska "Water Quality Standards," as approved by the Environmental Protection Agency.

2.2.3. PESTICIDES, HERBICIDES AND OTHER CHEMICALS

2.2.3.1. Where possible the COMPANY shall use non-persistent and immobile types of pesticides, herbicides and other chemicals. Only those pesticides and herbicides currently registered by the Environmental Protection Agency pursuant to the Federal Insecticide, Fungicide and Rodenticide Act shall be applied. Applications of pesticides and herbicides shall be in accordance with label directions approved by the U.S. Environmental Protection Agency. Each chemical to be used and its application constraints shall be approved in writing by the FEDERAL INSPECTOR prior to use.

2.2.4. SANITATION AND WASTE DISPOSAL

2.2.4.1. All HAZARDOUS SUBSTANCES and WASTE generated in construction, operation, maintenance and termination of the PIPELINE SYSTEM shall be removed or otherwise disposed of in a manner acceptable to the FEDERAL INSPECTOR. All applicable Federal and State requirements will be incorporated in the plans required in Stipulation 1.6.1.

2.2.5. ICE FOG

2.2.5.1. The COMPANY shall utilize and operate all facilities and devices used in connection with the PIPELINE SYSTEM so as to avoid or minimize ice fog. Facilities and devices which cannot be prevented from producing ice fog shall be located so as not to interfere with airfields, communities or roads.

2.3. BUFFER STRIPS

2.3.1. Where the PIPELINE right-of-way crosses highways, and other roads designated by the FEDERAL INSPECTOR, the PIPELINE shall be clearly marked as required in 49CFR 192.707 and a screen of vegetation native to the adjacent areas shall be established over disturbed areas unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.3.2. The PIPELINE SYSTEM shall be located so as to provide buffer strips of undisturbed land at least 500 feet wide between the PIPELINE SYSTEM and streams, lakes, and WETLANDS unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.3.3. Undisturbed buffer strips at least 500 feet wide will be maintained between material sites and state highways unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.4. EROSION AND SEDIMENTATION CONTROL

2.4.1. GENERAL

2.4.1.1. The COMPANY shall perform all PIPELINE SYSTEM activities so as to minimize disturbance to all surface areas.

2.4.1.2. The design of the PIPELINE SYSTEM shall provide for the control of erosion, and sediment production, transport and deposit.

2.4.1.3. Erosion control measures, including the use of erosion control structures, if necessary, shall be implemented on FEDERAL LANDS in accordance with the plans approved under Stipulation 1.6.1. to limit induced and accelerated erosion, limit sediment production and transport and lessen the possibility of forming new drainage channels. The design of such measures shall be based on the maximum rainfall rate and snowmelt combination reasonably characteristic of the region, the effects of thawing produced by flowing or ponded water on permafrost and the effects of ice. Permanent erosion control structures shall be designed to accommodate a 50-year flood.

2.4.1.4. Surface materials suitable for use in restoration that are taken from disturbed areas shall be stockpiled and utilized during restoration unless otherwise approved in writing by the FEDERAL INSPECTOR. Erosion and sediment control practices to be utilized shall be determined by the needs of specific sites and, as appropriate, shall include but not be limited to REVEGETATION, mulching, and placement of mat binders, soil binders, rock or gravel blankets or structures.

2.4.2. CROSSING OF STREAMS, RIVERS, FLOODPLAINS AND WETLANDS

2.4.2.1. The COMPANY shall minimize erosion and sedimentation at stream, river and WETLANDS crossings and those parts of the PIPELINE SYSTEM within floodplains as provided in Stipulation 3.4.

2.4.2.2. Temporary access over streambanks prior to and following trenching shall be made through use of fill ramps rather than by cutting through streambanks, unless otherwise approved in writing by the FEDERAL INSPECTOR. The COMPANY shall remove such ramps upon termination of seasonal or final use. Ramp materials shall be disposed of in a manner approved in writing by the FEDERAL INSPECTOR.

2.4.3. EXCAVATED MATERIAL

2.4.3.1. Excavated material in excess of that required to backfill around any structure, including the pipe, shall be disposed of in accordance with the approved overburden and excess material disposal plan required in Stipulation 1.6.1.

2.4.3.2. Excavated materials shall not be stockpiled in rivers, streams or floodplains, or on ice unless approved in writing by the FEDERAL INSPECTOR. In WETLANDS, stockpiling shall be in accordance with the plan required by Stipulation 1.6.1.

2.5. FISH AND WILDLIFE PROTECTION

2.5.1. The COMPANY shall design, construct, operate, maintain and terminate the PIPELINE SYSTEM so as to assure free passage and movement of fish in streams designated by the FEDERAL INSPECTOR. Temporary blockages of Fish necessitated by instream activities may be approved. The proposed designs and construction plans shall include the time and place that such temporary blockages may occur.

2.5.2. Pump intakes shall be screened to prevent harm to fish. Screening specifications shall be approved by the FEDERAL INSPECTOR.

2.5.3 When abandoned, water diversion structures shall be removed or plugged and stabilized unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.5.4. FISH SPAWNING BEDS, FISH REARING AREAS, AND OVERWINTERING AREAS

2.5.4.1. "FISH SPAWNING BEDS" means those areas where anadromous and resident fish deposit their eggs.

2.5.4.2. "FISH REARING AREAS" means those areas inhabited by fish during any life stage.

2.5.4.3. "OVERWINTERING AREAS" means those areas inhabited by fish between freezeup and breakup.

2.5.4.4. The COMPANY shall avoid disturbances to those FISH SPAWNING BEDS, FISH REARING AREAS and OVERWINTERING AREAS designated by the FEDERAL INSPECTOR. However, where disturbances cannot be avoided, proposed modifications and appropriate mitigation measures shall be designed by the COMPANY and approved in writing by the FEDERAL INSPECTOR.

2.5.4.5. The COMPANY shall protect FISH SPAWNING BEDS, FISH REARING AREAS and OVERWINTERING AREAS from sediment where soil material is expected to be suspended in water as a result of construction activities. Settling basins or other sediment control structures shall be constructed and maintained to intercept such sediment before it reaches rivers, streams, lakes or WETLANDS.

2.5.4.6. The COMPANY shall comply with any site-specific terms and conditions imposed by the FEDERAL INSPECTOR to protect FISH SPAWNING BEDS, FISH REARING AREAS and OVERWINTERING AREAS from the effects of the COMPANY's activities. If material sites are approved adjacent to or in lakes, rivers, streams, WETLANDS, or floodplains the FEDERAL INSPECTOR may require the COMPANY to construct levees or berms or employ other suitable means to protect fish and fish passage and to prevent or minimize sedimentation. The COMPANY shall repair damage to such areas caused by construction, operation, maintenance or termination of the PIPELINE SYSTEM to the satisfaction of the FEDERAL INSPECTOR as stated in writing.

2.5.4.7. The COMPANY shall not take water from FISH SPAWNING BEDS, FISH REARING AREAS AND OVERWINTERING AREAS or waters that directly replenish those areas during critical periods that will be defined by the FEDERAL INSPECTOR, unless otherwise approved by the FEDERAL INSPECTOR.

2.5.5 ZONES OF RESTRICTED ACTIVITIES

2.5.5.1. Activities of the COMPANY in connection with construction, operation, maintenance and termination of the PIPELINE SYSTEM in key fish and wildlife areas and in specific areas where threatened or endangered species of animals are found may be restricted by the FEDERAL INSPECTOR during periods of fish and wildlife breeding, nesting, spawning, lambing and calving activity, overwintering, and during major migrations of fish and wildlife. The FEDERAL INSPECTOR shall provide the COMPANY written notice of such restrictive action. At least annually, and as far in advance of such restrictions as is possible, the FEDERAL INSPECTOR shall furnish the Company an updated list of those areas where such actions may be required, together with anticipated dates of restriction.

2.5.6. BIG GAME MOVEMENTS

2.5.6.1. The COMPANY shall design, construct and maintain both the buried and above ground sections of the PIPELINE so as to assure free passage and movement of big game animals.

2.6. PURCHASE OF MATERIALS AND TIMBER

2.6.1. If the COMPANY requires mineral materials from public lands of the United States, it shall make application to purchase such materials in accordance with 43 CFR, Part 3610 and shall submit a mining plan in accordance with 43 CFR, Part 23. No materials may be removed by the COMPANY without written approval. Application to purchase merchantable timber shall be made in accordance with 43 CFR, part 5400.

2.6.2. LAYOUT OF MATERIAL SITES

2.6.2.1. Materials site boundaries shall be shaped in such a manner as to blend with surrounding natural land patterns. Regardless of the layout of material sites, primary emphasis shall be placed on prevention of soil erosion, damage to vegetation, and destruction of fish and wildlife habitat.

2.7. CLEARING

2.7.1. BOUNDARIES

2.7.1.1. The COMPANY shall identify clearing boundaries on the ground which shall be approved by the FEDERAL INSPECTOR prior to beginning clearing operations. All timber and other vegetative material outside clearing boundaries and all blazed, painted or posted trees which are on or mark clearing boundaries are reserved from cutting and removal with the exception of danger trees or snags designated by the COMPANY and approved by the FEDERAL INSPECTOR.

2.7.2. CLEARING PROCEDURES

2.7.2.1. All trees, snags, and other wood material cut in connection with clearing operations shall be cut so that the resulting stumps shall not be higher than six (6) inches measured from the ground on the uphill side.

2.7.2.2. All trees, snags and other wood material cut in connection with clearing operations shall be felled into the area within the clearing boundaries and away from watercourses.

2.7.2.3. Hand clearing shall be used in areas where the FEDERAL INSPECTOR determines that use of heavy equipment would be detrimental to existing conditions.

2.7.2.4. All debris resulting from clearing operations and construction that may block streamflow, delay fish passage, contribute to flood damage, or result in streambed scour or erosion shall be removed within 48 hours unless otherwise approved or directed by the FEDERAL INSPECTOR.

2.7.3. DISPOSAL OF CLEARING DEBRIS

2.7.3.1. All slash shall be disposed of in construction pads or ROADS unless otherwise approved in writing by the FEDERAL INSPECTOR. Slash shall be disposed of prior to the end of the first winter after cutting.

2.7.3.2. Disposal of vegetation, nonmerchantable timber, overburden and other materials removed during clearing operations shall be addressed in the plans required in Stipulation 1.6.1 and approved in writing by the FEDERAL INSPECTOR.

2.8. DISTURBANCE OR USE OF NATURAL WATERS

2.8.1. All activities of the COMPANY in connection with the PIPELINE SYSTEM that may create new lakes, drain existing lakes, significantly divert natural drainages and surface runoff, permanently alter stream or ground water hydrology, or disturb significant areas of streambeds are prohibited unless such activities along with necessary mitigation measures are approved in writing by the FEDERAL INSPECTOR.

2.8.2. The COMPANY shall not develop or utilize any wells or surface water sources on FEDERAL LANDS for the construction, operation, maintenance and termination of the PIPELINE SYSTEM without the prior written approval of the FEDERAL INSPECTOR.

2.9. OFF RIGHT-OF-WAY TRAFFIC

2.9.1. The COMPANY shall not operate mobile ground equipment on FEDERAL LANDS off the right-of-way, any roads, or authorized areas unless approved in writing by the FEDERAL INSPECTOR or when necessary to prevent immediate harm to any person or property.

2.10. VISUAL RESOURCES

2.10.1. The COMPANY shall consider visual resources in planning, construction, operation and termination of the PIPELINE SYSTEM. The COMPANY shall prepare a visual resource plan for the PIPELINE SYSTEM in accordance with Stipulation 1.6.1.

2.11. USE OF EXPLOSIVES

2.11.1. The COMPANY shall submit a plan for storage and use of explosives, including but not limited to blasting techniques, to the FEDERAL INSPECTOR for approval in accordance with Stipulation 1.6.1.

2.11.2. No blasting shall be done under water or within one quarter (1/4) mile of streams or lakes with identified fisheries or wildlife resources without written approval of the FEDERAL INSPECTOR.

2.11.3. Timing and location of blasting shall be approved by the FEDERAL INSPECTOR.

2.12. RESTORATION

2.12.1. Upon completion of use, the COMPANY shall restore all areas of FEDERAL LANDS disturbed by it, in accordance with schedules approved by the FEDERAL INSPECTOR and approved plans required under Stipulation 1.6.1. Restoration performed by the COMPANY shall be approved in writing by the FEDERAL INSPECTOR.

2.12.2. Restoration includes, where appropriate, erosion and sediment control, REVEGETATION, reestablishment of native species, visual amelioration and stabilization. Unless otherwise directed by the FEDERAL INSPECTOR,

all disturbed areas of FEDERAL LANDS shall be left in such stabilized condition that erosion will be minimized through such means as adequately designed and constructed waterbars, REVEGETATION and chemical surface control; culverts and bridges shall be removed; and slopes shall be restored by the COMPANY in a manner satisfactory to the FEDERAL INSPECTOR.

2.12.3. REVEGETATION of disturbed areas of FEDERAL LANDS shall be accomplished as soon as practicable in accordance with plans and schedules required under Stipulation 1.6.1. The results of REVEGETATION must be satisfactory to the FEDERAL INSPECTOR as stated in writing.

2.12.4. The COMPANY shall dispose of all materials from ROADS, haul ramps, berms, dikes, and other earthen structures it has placed on FEDERAL LANDS, in accordance with approved restoration plans unless otherwise directed by the FEDERAL INSPECTOR.

2.12.5. Pending restoration of a disturbed area of FEDERAL LANDS, the COMPANY shall maintain the area in a stabilized condition satisfactory to the FEDERAL INSPECTOR.

2.12.6. Upon completion of restoration of an area of FEDERAL LANDS, the COMPANY shall remove all equipment and supplies from that area in accordance with approved restoration plans unless otherwise directed by the FEDERAL INSPECTOR.

2.12.7. The COMPANY shall maintain all restored areas of FEDERAL LANDS in accordance with approved plans required under Stipulation 1.6.1.

2.13. REPORTING, PREVENTION, CONTROL, CLEANUP AND DISPOSAL OF OIL AND HAZARDOUS SUBSTANCES DISCHARGES

2.13.1. The COMPANY shall give notice in accordance with applicable law of any spill, leakage, or discharge of OIL or other HAZARDOUS SUBSTANCES in connection with the construction, operation, maintenance or termination of the PIPELINE SYSTEM to:

- (1) the FEDERAL INSPECTOR and
- (2) such other Federal and State officials as are required by law to be given such notice.

Any oral notice shall be confirmed in writing as soon as possible.

2.13.2. The COMPANY shall submit an OIL and HAZARDOUS SUBSTANCE control, cleanup and disposal plan to the FEDERAL INSPECTOR in accordance with Stipulation 1.6.1., and where applicable, in accordance with 40 CFR, part 112. The plan shall conform to this Stipulation and shall outline all areas where OIL and/or HAZARDOUS SUBSTANCES are stored, utilized, transported or distributed. The plan shall include fuel distribution systems, storage and containment, containerized products, leak detection systems, handling procedures, training programs, provisions for collection, storage and

ultimate disposal of waste OIL, cleanup methods, and disposal sites. The plan shall be approved in writing by the FEDERAL INSPECTOR and the COMPANY shall demonstrate its capability and readiness to execute the plan.

2.14. PIPELINE CONTINGENCY PLAN

2.14.1. The COMPANY shall submit a PIPELINE contingency plan to the FEDERAL INSPECTOR in accordance with Stipulation 1.6.1. The plan shall conform to the requirements of 49 CFR, 192.605 and 192.615 and shall outline the steps to be taken in the event of a failure, leak or explosion in the PIPELINE. The plan shall be approved in writing by the FEDERAL INSPECTOR prior to PIPELINE startup and the COMPANY shall demonstrate its capability and readiness to execute the plan.

2.14.2. The COMPANY shall, as appropriate, update the plan and methods of implementation thereof, which shall be submitted annually to the FEDERAL INSPECTOR.

2.15. CULTURAL RESOURCES

2.15.1. The COMPANY shall undertake the affirmative responsibility to identify, protect and preserve cultural, historic, prehistoric and archeological resources that may be impacted by the PIPELINE SYSTEM consistent with the National Historic Preservation Act of 1966, as amended 16 U.S.C. § 470, et seq. and the Archaeological and Historic Preservation Act, of 1974, 16 U.S.C. § 469, et seq., and the implementing procedures of the Advisory Council on Historic Preservation, 36 CFR Part 800. This responsibility will be discharged in a manner consistent with the terms of a Memorandum of Agreement, under Section 106 of the National Historic Preservation Act of 1966, 16 U.S.C. § 470f, 80 Stat. 915, between the Advisory Council on Historic Preservation, the State Historic Preservation Officer, and appropriate Federal and State officials. The agreement will include a plan for complying with these and other statutes and regulations applicable to historic and prehistoric resources protection.

2.16. HUNTING, FISHING AND TRAPPING

2.16.1. The COMPANY shall inform its employees, agents, contractors, subcontractors and their employees of applicable laws and regulations relating to hunting, fishing, and trapping.

2.17. SMALL CRAFT PASSAGE

2.17.1. The creation of any permanent obstruction to the passage of small craft in streams is prohibited.

3. TECHNICAL

3.1. PIPELINE SYSTEM STANDARDS

3.1.1. GENERAL STANDARDS

3.1.1.1. All design, including selection of material, and construction, operation, maintenance and termination practices employed with respect to the PIPELINE SYSTEM shall be in accordance with sound engineering practice and, with regard to the PIPELINE, shall meet or exceed the Department of Transportation Regulations, 49 CFR, Parts 191, "Reports of Leaks," and 192, "Transportation of Natural and Other Gas by Pipelines: Minimum Federal Safety Standards."

3.1.1.2. Requirements in addition to those set forth in the above minimum standards may be imposed by the FEDERAL INSPECTOR as necessary to reflect the impact of subarctic and arctic environments. The FEDERAL INSPECTOR will make every effort to identify such additional requirements during the design phase.

3.1.2. SPECIFIC STANDARDS

3.1.2.1. The PIPELINE design shall provide for sectionalizing block valves, protective devices to prevent overpressuring, and other safety devices installed at locations required by 49 CFR Part 192, or as may be designated by the FEDERAL INSPECTOR during the DESIGN CRITERIA reviews to accommodate potentially hazardous areas, other facilities and environmental values.

3.1.2.2. The COMPANY shall inspect 100 percent where practicable but not less than 90 percent of the main line girth welds using radiographic or other nondestructive inspection techniques to assure compliance with defect acceptability standards approved by the FEDERAL INSPECTOR. Where radiography is used, x-ray radiography will be used, unless otherwise approved by the FEDERAL INSPECTOR.

3.1.2.3. The PIPELINE design in environmentally sensitive areas designated by the FEDERAL INSPECTOR shall provide for minimum maintenance needs to reduce re-entry requirements.

3.1.2.4. All practicable means shall be utilized to minimize injury to the ground organic layer.

3.1.2.5. Welder qualification tests shall be by destructive means, in accordance with Section 3 of API 1104, except that operators of automatic welding equipment may be qualified by radiography. Welder qualification tests for station piping facilities may alternately be in accordance with ASME Boiler and Pressure Vessel Code, Section 9.

3.1.2.6. All construction, operation, maintenance and termination activities in connection with the PIPELINE SYSTEM shall be conducted so as to avoid

surface modifications shall be planned and executed in such a way that any resulting alteration of permafrost will not jeopardize PIPELINE integrity and the surrounding environment.

3.1.2.7. A monitoring program shall be developed by the COMPANY as part of the surveillance and maintenance plan required by Stipulation 1.6.1. which shall identify any PIPELINE movement, that may affect PIPELINE integrity, resulting from frost heave, settlement or seismic forces. This program, including baseline data, shall be finalized and operational prior to transmission of GAS through the PIPELINE.

3.1.3. STANDARDS FOR ROADS

3.1.3.1. The COMPANY shall submit a layout of each proposed ROAD for approval by the FEDERAL INSPECTOR in accordance with Stipulation 1.7.

3.1.3.2. ROADS shall be constructed to standards suitable for safe operation of equipment at the travel speeds proposed by the COMPANY in accordance with Stipulation 3.1.3.3.

3.1.3.3. Design, materials and construction practices employed for ROADS shall be in accordance with safe and proven engineering practice. ROADS intended for permanent use shall be constructed in accordance with the principles of construction for secondary roads for the subarctic and arctic environments. Existing roads approved for use by the COMPANY that do not meet these standards need not be upgraded, subject to approval of the FEDERAL INSPECTOR, provided that the basic access requirements imposed by Stipulation 1.18. are satisfied.

3.1.3.4. The maximum allowable grade shall be 12 percent unless otherwise approved in writing by the FEDERAL INSPECTOR.

3.2. EARTHQUAKES AND FAULT DISPLACEMENTS

3.2.1. EARTHQUAKES

3.2.1.1. The PIPELINE shall be designed by appropriate application of modern, state-of-the-art seismic design procedures to protect the PIPELINE from the effects (including seismic shaking, ground deformation and earthquake-induced mass movements) of earthquakes distributed along the route as follows:

ZONE	Richter Magnitude
Canadian/Alaska Border to Big Delta	6.5
Big Delta to 67 deg. N.	7.5
67 deg. N. to Prudhoe Bay	5.5

3.2.1.2. The COMPANY shall provide a seismic monitoring system, to be approved by the FEDERAL INSPECTOR, and shall ensure there are adequate

procedures for the safe shutdown of the PIPELINE under seismic conditions that may affect PIPELINE integrity. Such procedures, to be considered adequate, shall include but not necessarily be limited to:

- (1) communication capability with all key operating control points on the PIPELINE SYSTEM, the GAS processing plant, and other parties with seismic monitoring capabilities as appropriate;
- (2) a control center and alternate for the PIPELINE SYSTEM;
- (3) operating procedures establishing the actions to be taken in the event of seismic conditions that may affect PIPELINE integrity;
- (4) seismic sensors as necessary to supplement existing monitoring capabilities.

3.2.2. FAULT DISPLACEMENTS

3.2.2.1. Prior to applying for a NOTICE TO PROCEED for any CONSTRUCTION SEGMENT, the COMPANY shall satisfy the FEDERAL INSPECTOR that all recognizable or reasonably inferred faults or fault zones along the alignment within that segment have been identified and delineated and any risk of major PIPELINE damage resulting from fault movement and ground deformation has been adequately assessed and provided for in the design of the PIPELINE SYSTEM for that segment. Evaluation of said risk shall be based on geologic, geomorphic, geodetic, seismic, and other appropriate scientific evidence of past or present fault behavior and shall be compatible with the design earthquakes tabulated in Stipulation 3.2.1.1. and with observed relationships between earthquake magnitude and extent and amount of deformation and fault slip within the fault zone.

3.2.2.2. Minimum design criteria for a segment of the PIPELINE SYSTEM traversing a fault zone that is interpreted by the FEDERAL INSPECTOR as active shall be: (1) that the PIPELINE resist failure resulting in line rupture from maximum anticipated horizontal and/or vertical displacement in the foundation material anywhere within the fault zone during the life of the PIPELINE; and (2) that no storage tank or compressor station be located within the fault zone unless otherwise approved by the FEDERAL INSPECTOR.

3.3. SLOPE STABILITY

3.3.1. Areas subject to mudflows, landslides, avalanches, rock falls and other types of mass movements shall be avoided where practicable in locating the PIPELINE SYSTEM. Where such avoidance is not practicable, the PIPELINE SYSTEM design, based upon detailed field investigations and analyses, shall provide measures to prevent the occurrence of, or protect the PIPELINE SYSTEM from, the effects of mass movement. The PIPELINE SYSTEM shall be designed to protect existing facilities, including the TRANS-ALASKA PIPELINE SYSTEM, from the effects of mass movement caused by the COMPANY's activities or the activities of its agents, employees, contractors (including

subcontractors) and the employees of each of them and not shall not adversely affect slope stability protection measures of existing structures.

3.4. STREAM AND FLOODPLAIN CROSSINGS

3.4.1. GENERAL

3.4.1.1. The PIPELINE SYSTEM shall be designed so as to both minimize the number of stream and WETLAND crossings and to include, but not be limited to, consideration of aufeis development, erosion and sedimentation, restriction of natural meander, or alteration of the physical or chemical nature of the water body, and the effect of any alteration in these factors caused by the COMPANY's activities or the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them upon existing facilities including the TRANS-ALASKA PIPELINE SYSTEM.

3.4.1.2. The PIPELINE SYSTEM shall be designed to withstand or accommodate the effects (including runoff, stream and floodplain erosion, meander cut-offs, lateral migration, ice jams, and icings) of those meteorologic and hydrologic (including surface and subsurface) conditions considered characteristic for each hydrologic region. For stream crossings and portions of the PIPELINE within the floodplain, the following standards shall apply to such PIPELINE design:

3.4.1.2.1. The design flood shall be based on the concept of the "Standard Project Flood" as defined in Corps of Engineers Bulletin 52-8, Part 1, unless otherwise approved by the FEDERAL INSPECTOR.

3.4.1.2.2. The depth of channel scour shall be established by appropriate field investigations and theoretical calculations using those combinations of water velocity and depth that yield the maximum value. At the point of maximum scour, the cover over the top of the pipe shall be at least twenty (20) percent of the computed scour, but not less than four (4) feet.

3.4.1.2.3. For overhead crossings, analysis shall be made to ensure that support structures are adequately protected from the effects of scour, channel migration, undercutting, ice forces and degradation of permafrost and other external and internal loads.

3.4.1.2.4. To avoid channelization along the pipe, appropriate design and construction procedures will be included in the plans required in Stipulation 1.6.1 and shall be used wherever there is potential for such channelization.

3.4.1.2.5. Methods of constructing stream crossings, including excavation and backfill of pipe trench near and through streambanks and existing river-training structures, shall be approved in writing by the FEDERAL INSPECTOR prior to initiation of field activities.

3.4.1.3. Low water crossings (fords across streams or rivers where any mobile ground equipment is moved on the streambed) shall be designed, constructed, maintained, and restored to standards approved in writing by the FEDERAL INSPECTOR.

3.4.2. EROSION

3.4.2.1 To prevent erosion, the culvert inlet and outlet areas shall be stabilized by appropriate methods, e.g., by the use of stilling basins or riprap.

3.4.2.2. Slopes of cuts through stream banks shall be designed and constructed to minimize erosion and prevent slides.

3.4.2.3. Erosion control procedures shall accommodate and be based on the runoff produced by the maximum rainfall rate and snow melt combination reasonably characteristic of the region. The procedures shall also accommodate effects that result from thawing produced by flowing or ponded water or permafrost terrain and the effects of ice.

3.4.3. CULVERTS AND BRIDGES

3.4.3.1. Culverts and bridges necessary for maintenance of the PIPELINE shall be designed at a minimum to accommodate a fifty (50) year flood in accordance with criteria established by the American Association of State Highway Officials and the Federal Highway Administration and endorsed by the State of Alaska Department of Transportation.

3.4.3.2. Culverts necessary for construction or operation of the PIPELINE SYSTEM shall be installed a minimum of six (6) inches below the thalweg in fish streams which shall be identified by the FEDERAL INSPECTOR.

3.5. PIPELINE CORROSION

3.5.1. The COMPANY shall provide plans, as required by Stipulation 1.6, for corrosion resistant design and methods for early detection of corrosion in accordance with 49 CFR part 192. This shall include consideration of:

- (1) pipeline material to be used and information on its particular suitability for the environment involved;
- (2) details on the external pipe protection to be provided (coating, wrapping, etc.), including information on variations of the coating process to cope with variations in environmental factors along the PIPELINE route;
- (3) plans for cathodic protection including details of impressed current sources and controls to ensure continuous maintenance of adequate protection over the entire surface of the pipe;
- (4) details of plans for monitoring cathodic protection current including spacing of current monitors;

- (5) provision for periodic intensive surveys of trouble spots, regular preventive maintenance surveys, and special provisions for abnormal potential patterns especially those resulting from other pipelines or cables;
- (6) information on any precautions that may be required to prevent internal corrosion of the PIPELINE.

3.6. CONSTRUCTION MODE REQUIREMENTS

3.6.1. The selection of the CONSTRUCTION MODE shall be governed by the results of adequate geotechnical field exploration and testing programs.

Comprehensive analyses shall be made to assure that PIPELINE integrity will be maintained and that construction or operation of the PIPELINE will not cause or exacerbate major terrain disturbances. Analysis shall consider stresses and strains on the PIPELINE by internal and external loading and shall include, but not be limited to, total and differential heaving, permafrost (especially liquefaction and differential settlement after thawing), frost action, seismic loading, slope stability, active faults, swelling soils, subsidence, erosion, flooding, icings and differential temperature stress. The final design for the CONSTRUCTION MODE shall be submitted to the FEDERAL INSPECTOR for approval prior to pipe installation, in accordance with Stipulation 1.7.

Preamble

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APPLICABILITY

The following Stipulations set forth the general standards of environmental and construction performance, and the procedures for the submission and approval of construction plans and environmental safeguards, that are required by Section III, 1, of the Terms and Conditions set forth in the Decision and Report to Congress on the Alaska Natural Gas Transportation System which was transmitted to the Congress by the President on September 22, 1977, pursuant to the Alaska Natural Gas Transportation Act of 1976, 15 U.S.C. §§ 719, et seq.

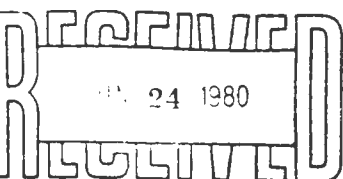
These stipulations are not intended in any way to derogate from, or be construed as being inconsistent with, applicable provisions of law.

Nothing in these Stipulations shall be construed as applying to activities of the COMPANY that have no relation to the PIPELINE SYSTEM.

PRINICIPLES

In the implementation of the authorization of which these Stipulations are a part, the following principles shall apply:

- (1) In the construction, operation, maintenance (including but not limited to a continuing and reasonable program of preventive maintenance) and termination of the PIPELINE SYSTEM, the COMPANY shall employ all practicable means and measures to preserve and protect the environment, as provided in these Stipulations.
- (2) The COMPANY and the FEDERAL INSPECTOR shall balance environmental amenities and values with economic practicalities and technical capabilities, so as to be consistent with applicable national policies. In so doing, they shall take into account, among other considerations, the following:
 - (a) The benefit or detriment to persons, property and the environment that may be anticipated to result from a proposed course of conduct;
 - (b) The particular environmental, and technical, benefits, costs or detriments reasonably expected to flow from a proposed course of conduct.
- (3) The COMPANY shall manage, supervise and implement the construction, operation, maintenance and termination of the PIPELINE SYSTEM in accordance with sound engineering practice.



STIPULATIONS
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1. GENERAL

1.1 DEFINITIONS

1.1.1. The following definitions apply to terms used in these Stipulations. They shall also apply to terms used in documents to which these Stipulations are attached unless specifically provided otherwise in such documents.*

1.1.2. "AGENCY" means a Federal agency (other than the Office of the FEDERAL INSPECTOR) which, subject to the provisions of Reorganization Plan No. 1 of 1979, has jurisdiction to issue or enforce certificates, rights-of-way, leases, permits, or other authorizations with respect to the Alaska Natural Gas Transportation System.

1.1.3. "AUTHORIZED OFFICER" means the employee of the AGENCY to whom the head of the AGENCY has delegated the authority to administer the authorization of which this Exhibit is a part. "AUTHORIZED OFFICER," where used in these Stipulations with specific references to other Federal agencies or departments with enforcement functions transferred to the FEDERAL INSPECTOR by Reorganization Plan No. 1 of 1979, means an employee so designated by such agency or department pursuant to Reorganization Plan No. 1 of 1979."

1.1.4. The "COMPANY" means Alaskan Northwest Natural Gas Transportation Company, its successors and assigns.

1.1.5. "CONSTRUCTION MODE" means the type of construction to be employed generally with regard to the PIPELINE.

1.1.6. "CONSTRUCTION SEGMENT" means a portion of the PIPELINE SYSTEM, as agreed upon by the COMPANY and the FEDERAL INSPECTOR, that constitutes a complete physical entity or stage, in and of itself, which can be constructed, independently of any other portion or stage of the PIPELINE SYSTEM in a designated area or between two given geographical points.

1.1.7. "FEDERAL INSPECTOR" means the officer appointed by the President with the advice and consent of the Senate pursuant to Section 7(a)(5) of the Alaska Natural Gas Transportation Act, 15 U.S.C. § 719e, and Reorganization Plan No. 1 of 1979.

1.1.8. "FEDERAL LANDS" means all lands owned by the United States except lands in the National Park System, lands held in trust for an Indian or Indian tribe, and lands on the Outer Continental Shelf.

*The words defined herein are in upper case throughout the body of the stipulations.

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1.1.9. "FINAL DESIGN" means completed design documents suitable for bid solicitation, including contract plans and specifications; proposed CONSTRUCTION MODES; operational requirements necessary to justify designs; design analysis (including calculations for each particular design feature); all functional and engineering criteria; summaries of engineering tests conducted and their results; and other considerations pertinent to design.

1.1.10. "GAS" means a gaseous mixture, principally of methane and other paraffinic hydrocarbons, suitably conditioned to an acceptable specification for transportation by the PIPELINE.

1.1.11. "HAZARDOUS SUBSTANCES" means OIL, toxic, or hazardous substances as defined by the Environmental Protection Agency, the Department of Transportation or as specified in writing by the FEDERAL INSPECTOR in consultation with the Environmental Protection Agency's and the Department of Transportation's AUTHORIZED OFFICERS during the review of the COMPANY'S OIL AND HAZARDOUS SUBSTANCES control cleanup and disposal plan.

1.1.12. "NOTICE TO PROCEED" means a written permission to initiate PIPELINE SYSTEM construction that is issued in accordance with Stipulation 1.7.

1.1.13. "OIL" means oil of any kind or any form, including but not limited to fuel oil, sludge, oil refuse, and oil mixed with WASTE.

1.1.14. "PIPELINE" means all parts of those physical facilities, through which the GAS moves, authorized on FEDERAL LANDS by U. S. Department of the Interior Right-of-Way Grant No. _____.

1.1.15. "PIPELINE SYSTEM" means all facilities on FEDERAL LANDS which are constructed or used by the COMPANY pursuant to the Alaska Natural Gas Transportation Act in connection with the construction, operation, maintenance or termination of the PIPELINE. The term includes the PIPELINE and RELATED FACILITIES, temporary facilities, temporary use areas and material sites used by the COMPANY for the construction, operation, maintenance, or termination of the PIPELINE. It does not include facilities, such as urban administrative offices, which are only indirectly involved in the transportation of GAS; nor does it include facilities used by others in the production, gathering or conditioning of GAS.

1.1.16. "DESIGN CRITERIA" means project criteria (i.e., construction, including design, and operational concepts) necessary to delineate the project to be constructed. As a minimum, it includes the following: criteria to be used for the FINAL DESIGN and project concepts; evaluation of data used to establish the design criteria; drawings showing functional and technical requirements; reports of all test data compiled during the data collection and DESIGN CRITERIA evaluation; standard drawings (if applicable) or drawings to support structural design concepts of each typical facility or structure; proposed CONSTRUCTION MODES; outline of project specifications; sample computations to support the design; and concepts and bases for project siting.

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1.1.17. "RELATED FACILITIES" means those structures, devices, improvements and sites on FEDERAL LANDS, other than the pipe, the substantially continuous use of which is necessary for the operation and maintenance of the PIPELINE. RELATED FACILITIES includes, if applicable: supporting structures; air fields access roads; compressor stations; valves and other control devices; bridges, culverts and low-water crossings; monitoring and communication devices; retaining walls, berms, dikes, ditches, cuts and fills, including hydraulic and erosion control structures; structures and areas for storing supplies and equipment; cathodic protection devices; and other facilities of a similar nature together with related yards, fences and buildings as the FEDERAL INSPECTOR, after consultation with the company, shall determine to be RELATED FACILITIES.

1.1.18 "REVEGETATION" means the establishment of plant cover on disturbed lands through techniques including, but not limited to, seedbed preparation, seeding, planting, fertilizing, mulching, and watering.

1.1.19. "ROADS" means roads on FEDERAL LANDS, other than State or public highways, that are constructed or used by the COMPANY in connection with the construction, operation, maintenance or termination of the PIPELINE SYSTEM.

1.1.20. "TEMPORARY USE PERMIT" means a revocable, nonpossessory privilege to use specified Federal lands in connection with the preconstruction, construction, operation, maintenance and termination of the pipeline system.

1.1.21. "TRANS-ALASKA PIPELINE SYSTEM" means that pipeline system referred to in and authorized by the Trans-Alaska Pipeline Authorization Act, Title II, P.L. 93-153, 87 Stat. 584.

1.1.22 "WASTE" means all discarded matter other than construction spoil. It includes, but is not limited to, human waste, trash, garbage, refuse, OIL drums, petroleum products, ashes and equipment.

1.1.23. "WETLANDS" means those areas that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. WETLANDS generally include swamps, marshes, bogs, and similar areas.

1.2 APPLICABILITY

1.2.1. The following conditions shall apply to the design construction, operation, maintenance, and termination of the PIPELINE SYSTEM. Unless clearly inapplicable, the requirements and prohibitions imposed upon the COMPANY by these Stipulations are also imposed upon the COMPANY'S agents, employees, contractors, and subcontractors, and the employees of each of them.

- (1) The COMPANY shall ensure compliance with these Stipulations by its agents, employees, and contractors (including subcontractors at any level), and the employees of each of them.

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- (2) Failure or refusal of the COMPANY'S agents, employees contractors, subcontractors, or their employees to comply with these Stipulations shall be deemed to be the failure or refusal of the COMPANY.
- (3) Where appropriate the COMPANY shall require its agents, employees, contractors and subcontractors to include these Stipulations in all contracts and subcontracts which are entered into by any of them, together with a provision that the other contracting party, together with its agents, employees, contractors and subcontractors, and the employees of each of them, shall likewise be bound to comply with these Stipulations.

1.2.2 Nothing in these Stipulations shall be construed as applying to activities of the Company that have no relation to the PIPELINE SYSTEM.

1.2.3. Nothing in these Stipulations shall be construed to affect any right or cause of action that otherwise would be available to the COMPANY against any person. The United States and the COMPANY do not intend to create any rights under these Stipulations that may be enforced by third parties for their own benefit or for the benefit of others.

1.3. RESPONSIBILITIES

1.3.1. The COMPANY shall comply with these Stipulations and lawful orders of the FEDERAL INSPECTOR implementing these Stipulations.

1.3.2. The authority and obligations of the FEDERAL INSPECTOR, as provided in these Stipulations, shall be exercised and met by the FEDERAL INSPECTOR during the period when the Office of the FEDERAL INSPECTOR is in existence pursuant to the provisions of Reorganization Plan No. 1 of 1979.

1.3.3. Upon termination of the Office of the FEDERAL INSPECTOR, the authority and obligations of the FEDERAL INSPECTOR shall be vested in and fulfilled by the AUTHORIZED OFFICERS of the Federal agencies normally having jurisdiction over such matters.

1.3.4. The COMPANY shall designate a representative who shall be empowered on behalf of the COMPANY to communicate with, and to receive and comply with, all communications and orders of the FEDERAL INSPECTOR. The COMPANY shall also designate field representatives who shall be authorized to, and at all times be available to communicate and cooperate with field representatives of the FEDERAL INSPECTOR. The COMPANY shall keep the FEDERAL INSPECTOR informed of any change of the COMPANY'S representatives during the construction, operation, maintenance, and termination of the PIPELINE SYSTEM.

1.3.5. The FEDERAL INSPECTOR may require the COMPANY at any time to furnish any or all data related to design, construction, operation, maintenance, and termination activities undertaken in connection with the PIPELINE SYSTEM as may be reasonably relevant to the FEDERAL INSPECTOR'S responsibilities

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in connection with construction, operation, maintenance, and termination of the PIPELINE SYSTEM; provided, however, that access to such documents is not prohibited or limited by law or regulation, and provided further that any such data furnished shall be subject to the provisions of the Freedom of Information Act, 5 U.S.C. § 552. The FEDERAL INSPECTOR shall shall make all requests in writing.

1.3.6. Consonant with the provisions of Section 9(d) of the Alaska Natural Gas Transportation Act, 15 U.S.C. § 719(g), the FEDERAL INSPECTOR may, by written order, require the Company to make such modification of the PIPELINE SYSTEM as he deems necessary to protect or maintain stability of foundation and other earth materials; protect or maintain integrity of the PIPELINE SYSTEM; control or prevent significant damage to the environment (including but not limited to Fish and Wildlife populations and their habitats); remove hazards to public health and safety, or protect the TRANS-ALASKA PIPELINE SYSTEM from the effects of the COMPANY's activities, including the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them.

1.3.7. The absence of any comment by the FEDERAL INSPECTOR or his designated representative on any plan, design, specification, or other document which may be filed by the COMPANY with the FEDERAL INSPECTOR shall not be deemed to represent in any way whatever any assent to, approval of, or concurrence in such plan, design, specification or other document, or any action proposed therein. Any written approval or instruction by the FEDERAL INSPECTOR or the AUTHORIZED OFFICER may be relied upon by the COMPANY unless and until rescinded in writing. The FEDERAL INSPECTOR, will act in writing upon each submission to him in accordance with the agreed-upon schedules developed pursuant to Stipulations 1.6.1. and 1.7.4. Any disapproving action by the FEDERAL INSPECTOR, including any requests for additional information, shall state what additional action is necessary to gain approval.

1.3.8. The FEDERAL INSPECTOR and the Alaska State Pipeline Coordinator shall have a continuing right of access to any part of the PIPELINE SYSTEM at any time for inspection or monitoring and for any other purpose or reason that is consistent with their responsibilities. This right may be exercised by the FEDERAL INSPECTOR and the Alaska State Pipeline Coordinator and their agents and representatives designated in writing; and contractors and subcontractors of the FEDERAL INSPECTOR or the State Pipeline Coordinator who are performing work related to the PIPELINE SYSTEM and who are designated in writing. The FEDERAL INSPECTOR and the COMPANY shall agree upon procedures to implement this Stipulation, including reasonable advance notification where practicable.

1.3.9. No order or notice given to the COMPANY on behalf of the FEDERAL INSPECTOR shall be effective as to the COMPANY unless prior written notice of the delegation of authority to issue such order or notice has been given to the COMPANY by the FEDERAL INSPECTOR.

1.3.10. In the implementation of Stipulation 1.2.1., the COMPANY will furnish all supervisory-level employees with copies of these Stipulations and will explain the limitations imposed by these Stipulations.

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1.3.11. During the design, construction, operation, maintenance, and termination of the PIPELINE SYSTEM, the COMPANY shall furnish representatives of the United States including contractors and subcontractors involved in field surveillance of the pipeline system, adequate meals, living quarters and office space, reasonable use of the COMPANY'S communications systems, and reasonable surface and air transportation. Whenever possible, the FEDERAL INSPECTOR shall give the COMPANY advance written notice of the need for such services and facilities, including the number and names of persons to be accommodated. Reimbursement for such services and facilities will be in accordance with a prearranged unit-price schedule.

1.3.12. The Company shall not interfere with operations of the TRANS-ALASKA PIPELINE SYSTEM, including use of Federal lands covered by the TRANS-ALASKA PIPELINE SYSTEM right-of-way, by employees, contractors, subcontractors and agents of the TRANS-ALASKA PIPELINE SYSTEM, except as may be approved in writing by the FEDERAL INSPECTOR.

1.4. COMMUNICATIONS

1.4.1. The COMPANY shall provide a communications capability that ensures the transmission of information required for the safe construction, operation, maintenance, and termination of the PIPELINE SYSTEM.

1.4.2. During the period of preconstruction, construction and initial operation of the PIPELINE SYSTEM, all formal written communications between the COMPANY and an AGENCY, involving construction, operation, maintenance, or termination of the PIPELINE SYSTEM shall be transmitted through the FEDERAL INSPECTOR or as he may direct. However, documents required by statute or AGENCY regulation to be filed with the AGENCY shall be filed as so required, provided that a copy (or copies) thereof is concurrently filed with the FEDERAL INSPECTOR.

1.4.3. Any written notice or communication, including any telegram, relating to any subject, addressed to the FEDERAL INSPECTOR from the COMPANY, shall be deemed to have been delivered to and received by the FEDERAL INSPECTOR when the notice or communication has been delivered either by messenger during normal business hours, or by means of registered or certified United States mail, postage prepaid, return receipt requested, to the Office of the FEDERAL INSPECTOR.

1.4.4. Any written order, notice, or other written communication, including any telegram, relating to any subject, that is addressed to the COMPANY from the FEDERAL INSPECTOR shall be deemed to have been delivered to and received by the COMPANY when the order, notice or other communication has been delivered either by messenger during normal business hours, or by means of registered or certified United States mail, postage prepaid, return receipt requested to the office of the representative designated by the COMPANY pursuant to Stipulation 1.3.4.

1.4.5. All orders or approvals of the FEDERAL INSPECTOR shall be in writing, but in emergencies may be issued orally, with subsequent confirmation in writing as soon as possible thereafter, but not later than 24 hours.

1.5. SUMMARY NETWORK ANALYSIS DIAGRAMS

1.5.1. As a part of the DESIGN CRITERIA, the COMPANY shall submit a summary network analysis diagram for the project to the FEDERAL INSPECTOR for review and approval. As mutually agreed to by the COMPANY and the FEDERAL INSPECTOR, the summary network analysis diagram shall include all environmental, engineering and construction-related activities and contingencies which reasonably may be anticipated in connection with the project. The summary network analysis diagram shall include or address:

- (1) data collection activities;
- (2) submittal and approval activities;
- (3) construction and post construction activities;
- (4) schedule control techniques;
- (5) other pertinent data.

The summary network analysis diagram shall be prepared employing techniques normal to the industry in sufficient detail and scope to permit the FEDERAL INSPECTOR to determine if the management approach shown or inferred by the network analysis will facilitate the cost-effective, environmentally sound and timely construction of the project.

1.5.2. The summary network analysis diagram shall be updated to indicate current and planned activities at intervals mutually agreeable to the COMPANY and the FEDERAL INSPECTOR.

1.6. DESIGN CRITERIA, PLANS AND PROGRAMS

1.6.1. The COMPANY shall submit DESIGN CRITERIA to the FEDERAL INSPECTOR. It shall also submit comprehensive plans and/or programs (including schedules where appropriate) which shall include but not be limited to the following:

- (1) Air quality
- (2) Blasting
- (3) Camps
- (4) Clearing
- (5) Corrosion control
- (6) Cultural resource preservation
- (7) Environmental briefings
- (8) Erosion and sedimentation control
- (9) Fire control
- (10) Liquid waste management
- (11) Material exploration and extraction
- (12) OIL and HAZARDOUS SUBSTANCES control, cleanup and disposal
- (13) Overburden and excess material disposal
- (14) Pesticides, herbicides, chemicals
- (15) PIPELINE contingency
- (16) Quality assurance/quality control
- (17) Restoration
- (18) River training structures
- (19) Solid waste management

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- (20) Stream, river and floodplain crossings
- (21) Surveillance and maintenance
- (22) Visual Resources
- (23) WETLAND construction

These plans and programs may be combined as appropriate. The COMPANY and the FEDERAL INSPECTOR shall agree to the scope, content and schedule for submission of the requested plans and programs. Any aspects of these plans and programs or the DESIGN CRITERIA that are likely to have a significant impact upon other facilities (such as the TRANS-ALASKA PIPELINE SYSTEM) will be coordinated by the COMPANY with the owners of such other facilities during their development. Coordination means providing the facility owner an opportunity to review and comment upon relevant parts of the plans and programs. The COMPANY will reasonably take these comments into consideration. Coordination does not necessarily mean concurrence. Evidence of such coordination must be provided in support of any application for a notice to proceed. In determining the acceptability of the DESIGN CRITERIA and the plans, the FEDERAL INSPECTOR will consider suggestions or objections submitted by owners of affected facilities.

1.6.2. The DESIGN CRITERIA, including the plans and programs specified in Stipulation 1.6.1 shall be approved in writing by the FEDERAL INSPECTOR and shall be complied with by the COMPANY.

1.6.3. Additional or supplementary plans may be required in the event that the plans submitted in accordance with Stipulation 1.6.1 do not provide the detailed and/or site specific data required to support the FINAL DESIGN required in Stipulation 1.7, and to guide the conduct of the construction, operation maintenance and termination of the PIPELINE SYSTEM.

1.7. NOTICE TO PROCEED

1.7.1. The COMPANY shall not initiate any field activity on FEDERAL LANDS pursuant to the authorization of which these Stipulations are a part without prior specific written permission. Such permission shall be given either by a NOTICE TO PROCEED, TEMPORARY USE PERMIT or other appropriate written authorization, issued by the FEDERAL INSPECTOR or AUTHORIZED OFFICER, as appropriate. Any NOTICE TO PROCEED, TEMPORARY USE PERMIT or other authorization shall permit field activities only as therein expressly stated and only for the particular field activities therein described. A NOTICE TO PROCEED, TEMPORARY USE PERMIT or other appropriate authorization may contain such site-specific terms and conditions as the FEDERAL INSPECTOR or AUTHORIZED OFFICER deems necessary to implement these Stipulations, and the COMPANY will comply with such terms and conditions.

1.7.2. Before applying for a NOTICE TO PROCEED, the COMPANY shall, in such manner as shall be acceptable to the FEDERAL INSPECTOR, locate and clearly mark on the ground the proposed centerline of the line of pipe, the location of all relevant RELATED FACILITIES and, where applicable,

clearing limits and the location of temporary use areas in the proposed work area. When the COMPANY is engaged in activities proximate to the TRANS-ALASKA PIPELINE SYSTEM or, in any event, when such activities could pose a threat to the integrity of the TRANS-ALASKA PIPELINE SYSTEM the COMPANY shall arrange with the owners of the TRANS-ALASKA PIPELINE SYSTEM, in accordance with industry practice, for them to survey and clearly mark on the ground relevant parts of the TRANS-ALASKA PIPELINE SYSTEM, including related facilities.

1.7.3. Each application for a NOTICE TO PROCEED shall be supported by:

- (1) a FINAL DESIGN for the CONSTRUCTION SEGMENT OR SEGMENTS to be covered by the NOTICE TO PROCEED with detailed and/or site-specific plans as indicated in Stipulation 1.6.3 and computations supporting the design;
- (2) all applicable reports and results of environmental studies;
- (3) a detailed network analysis diagram for the CONSTRUCTION SEGMENT or SEGMENTS including the COMPANY'S work schedules, applicable permits required by State and Federal agencies, design and review periods, data collection activities, and construction sequencing. All requirements stated in Stipulation 1.5.1, with reference to the summary network analysis diagram, shall apply equally to the detailed network analysis diagram;
- (4) a map or maps, prepared in such manner as shall be acceptable to the FEDERAL INSPECTOR, depicting the proposed location of:
 - (a) the boundaries of all associated temporary use areas;
 - (b) all improvements, buried or aboveground, that are to be constructed;
 - (c) the relative location of any part of the TRANS-ALASKA PIPELINE SYSTEM that is proximate to the proposed improvements;
- (5) justification statements for all proposed design features or activities which may not be in conformance with these Stipulations;
- (6) an analysis which addresses the effects, if any, of PIPELINE SYSTEM design and proposed activities on the TRANS-ALASKA PIPELINE SYSTEM and other existing facilities and, where necessary, which describes systems designed to ensure protection of the TRANSALASKA PIPELINE SYSTEM and other existing facilities from damage arising from the construction, operation, maintenance and termination of the PIPELINE SYSTEM.

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1.7.4. Prior to submission of any applications for NOTICES TO PROCEED, the COMPANY and the FEDERAL INSPECTOR shall agree to a schedule for the submission, review and approval of such applications and on the scope of information to be contained therein. The schedule shall allow the FEDERAL INSPECTOR 60 days for review of each complete application for a NOTICE TO PROCEED unless the FEDERAL INSPECTOR gives written notice that more time is needed. The schedule may be revised by mutual agreement, if necessary.

1.7.5. The FEDERAL INSPECTOR shall review each application for a NOTICE TO PROCEED and all data submitted in connection therewith in accordance with schedules as agreed upon pursuant to Stipulation 1.7.4.

1.7.6. The FEDERAL INSPECTOR shall issue a NOTICE TO PROCEED only when, in his judgment, applicable FINAL DESIGNS and other submissions required by Stipulations 1.6.1, 1.6.3, and 1.7.3 conform to these Stipulations.

1.7.7. By written order, following appropriate consultation with the COMPANY, and when other enforcement actions are inadequate or have not been successful the FEDERAL INSPECTOR may revoke or suspend in whole or in part any NOTICE TO PROCEED which has been issued when in his judgment unforeseen conditions later arising require alterations in the NOTICE TO PROCEED in order to: (1) protect or maintain stability of foundation and earth materials; (2) protect or maintain integrity of the PIPELINE SYSTEM; (3) control or prevent significant damage to the environment, including but not limited to fish and wildlife populations and their habitats; (4) remove hazards to public health and safety.

The FEDERAL INSPECTOR shall expeditiously follow his revocation or suspension order with a more detailed written statement of the reason for the action.

1.8. QUALITY ASSURANCE AND CONTROL

1.8.1. The quality assurance and quality control programs shall be comprehensive and designed to assure that the applicable requirements of 49 CFR, Part 192 and environmental and technical Stipulations will be incorporated in the FINAL DESIGN and complied with throughout all phases of construction, operation, maintenance and termination of the PIPELINE SYSTEM. The COMPANY shall provide for continuous inspection of PIPELINE construction to ensure compliance with the approved design specifications and these Stipulations. The term "continuous inspection" as used in this Stipulation means that at least one inspector is observing each PIPELINE construction operation where PIPELINE integrity is involved (e.g., the pipe gang, backend welders, weld nondestructive testing, coating and wrapping, bedding, lowering-in, padding and backfill) at all times while that construction is being performed or where PIPELINE construction operations are proximate to the TRANS-ALASKA PIPELINE SYSTEM.

1.8.2. At a minimum, the following shall be included in the quality assurance program:

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- (1) Procedures for the detection and prompt abatement of any actual or potential procedure, activity, event or condition, of a serious nature, that:
 - (a) is susceptible to abatement by the COMPANY;
 - (b) could reasonably be expected to arise out of, or affect adversely, design, construction, operation, maintenance, or termination of all or any part of the PIPELINE SYSTEM; and
 - (c) that at any time may cause or threaten to cause:
 - (1) a hazard to the safety of workers or to public health or safety, including but not limited to personal injury or loss of life of any person;
 - (2) significant damage to the environment, including but not limited to areas of vegetation or timber, fish or other wildlife populations or their habitats, or any other natural resource; or
 - (3) significant damage to existing private improvements on or in the general vicinity of the right-of-way permit area;
- (2) Procedures for the relocation, repair or replacement of improved or tangible property and the rehabilitation of natural resources (including but not limited to REVEGETATION, restocking fish or other wildlife populations, and reestablishing their habitats) seriously damaged or destroyed if the immediate cause of the damage or destruction results from; construction, operation, maintenance, or termination of all or any part of the PIPELINE SYSTEM;
- (3) Methods and procedures for achieving component and subsystems quality through proper design and specification;
- (4) Methods for applying quality assurance and quality control criteria in the selection of the COMPANY'S contractors and subcontractors, and contract purchases of materials and services;
- (5) A plan for collecting, recording, storing, retrieving and reviewing data to assure that quality has been attained, including procedures for initiating and maintaining adequate records of inspections, identification of deviations and completion of corrective actions;
- (6) Specific methods of detecting deviations from designs, plans, regulations, specifications, stipulations and permits, as the

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basis for initiating corrective action to preclude or rectify the hazards, harm or damage referenced in Sections 1.8.2(1) and 1.8.2(2) of these Stipulations;

- (7) Inspection, test and acceptance of components, sub-systems and sub-assemblies;
- (8) A plan for conducting surveys and field inspections of all facilities, processes and procedures of the COMPANY, its contractors, subcontractors, vendors and suppliers critical to the achievement of quality.

1.8.3. The COMPANY (including its agents, employees, contractors and subcontractors and the employees of each of them) shall comply with the quality assurance and control program as approved and shall submit reports to the FEDERAL INSPECTOR to demonstrate such compliance. Such reports shall be submitted quarterly unless otherwise requested by the FEDERAL INSPECTOR.

1.9. CONDUCT OF OPERATIONS

1.9.1. The COMPANY shall perform PIPELINE SYSTEM operations in a safe and workmanlike manner so as to ensure protection of the environment and the safety and integrity of the PIPELINE and shall at all times employ qualified personnel and maintain equipment sufficient for that purpose. The COMPANY shall immediately notify the FEDERAL INSPECTOR of any condition, problem, malfunction, or other occurrence which in any way threatens the safety or integrity of the PIPELINE, or significant harm to the environment. In addition, the COMPANY shall take all reasonable precautions to protect the TRANS-ALASKA PIPELINE SYSTEM from damage caused by the COMPANY during construction, operation, maintenance and termination of the PIPELINE SYSTEM. The COMPANY shall notify the FEDERAL INSPECTOR and the owners of the TRANS-ALASKA PIPELINE SYSTEM of any such condition, problem, malfunction or other occurrence which in any way threatens the integrity of the TRANS-ALASKA PIPELINE SYSTEM.

1.10. SURVEILLANCE AND MAINTENANCE

1.10.1. During the construction, operation, maintenance and termination phases of the PIPELINE SYSTEM, the COMPANY shall conduct a surveillance and maintenance program applicable to the subarctic and arctic environment. At minimum, this program shall, with respect to the COMPANY'S activities, be designed to:

- (1) provide for public health and safety;
- (2) control damage to natural resources;
- (3) control erosion;
- (4) maintain PIPELINE integrity;

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- (5) control damage to public and private property;
- (6) prevent damage to the TRANS-ALASKA PIPELINE SYSTEM from the COMPANY'S activities including the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them, in connection with the pipeline.

1.10.2. The COMPANY shall maintain complete and up-to-date records on construction, operation, maintenance, and termination activities performed in connection with the PIPELINE SYSTEM. Such records shall include surveillance data, leak and failure records, necessary operational data, modification records, and such other data as may be required by 49 CFR, Parts 191 and 192 and other applicable Federal laws and regulations.

1.11. HEALTH AND SAFETY

1.11.1 The COMPANY shall take measures necessary to protect the health and safety of all persons directly affected by activities performed by the COMPANY in the general vicinity of the right-of-way or permit area in connection with construction, operation, maintenance or termination of the PIPELINE SYSTEM, and shall immediately abate any health or safety hazards. The COMPANY shall notify the FEDERAL INSPECTOR of accidents which occur in connection with such activities in frequency and detail identical to Occupational Safety and Health Administration reporting requirements.

1.12. PUBLIC AND PRIVATE IMPROVEMENTS

1.12.1. The COMPANY shall provide reasonable protection to existing public or private improvements including the TRANS-ALASKA PIPELINE SYSTEM on FEDERAL LANDS, and including the proposed realignment of the Alaska Highway between Delta Junction and the Canadian Border as shown in the State of Alaska reconnaissance report or segmented project design, whichever is the latest document, and the environmental impact statement prepared for the project and approved by the Federal government, which may be adversely affected by its activities including the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them during construction, operation, maintenance, and termination of the PIPELINE SYSTEM. If it is determined that the COMPANY has caused damage to such public and private improvements, and if the owner so requires, then the COMPANY shall promptly repair, or reimburse the owner for reasonable costs in repairing, the property to a condition which is satisfactory to the owner but need not exceed its condition prior to damage.

1.13. SURVEY MONUMENTS

1.13.1. The COMPANY shall mark and protect all survey monuments encountered during construction, operation, maintenance, and termination of the PIPELINE SYSTEM. These monuments are not to be disturbed; however, if disturbance of a monument or any of its accessories becomes necessary, the COMPANY will notify the FEDERAL INSPECTOR in writing before such disturbance occurs, and the FEDERAL INSPECTOR will provide instructions. A written report to

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the FEDERAL INSPECTOR will also be made immediately by the COMPANY in the event that any monuments or accessories are inadvertently damaged.

1.13.2. If any public land survey monuments, corners, or accessories (excluding geodetic survey monuments) of the United States or survey monuments of others, are destroyed or damaged during the construction, operation, maintenance, or termination of the PIPELINE SYSTEM, the COMPANY shall employ a qualified land surveyor to reestablish or restore same in accordance with the "Manual of Instructions for the Survey of Public Lands" of the Bureau of Land Management and shall record such survey in the appropriate records. Additional requirements for the protection of monuments, corners, and bearing trees on FEDERAL LANDS may be prescribed by the FEDERAL INSPECTOR.

1.14. FIRE PREVENTION AND SUPPRESSION

1.14.1. The COMPANY shall promptly notify the FEDERAL INSPECTOR of any fires on, or which may threaten any portion of, the PIPELINE SYSTEM and shall take all measures necessary or appropriate for the prevention and suppression of fires in accordance with applicable law. The COMPANY shall comply with the instructions and directions of the FEDERAL INSPECTOR concerning the use, prevention and suppression of fires on FEDERAL LANDS. Use of open fires in connection with construction, operation, maintenance and termination of the PIPELINE SYSTEM is prohibited on FEDERAL LANDS unless authorized in writing by the FEDERAL INSPECTOR. The COMPANY shall also promptly notify the owners of the TRANS-ALASKA PIPELINE SYSTEM of any fires on, or which may threaten any portion of, the PIPELINE SYSTEM or the TRANS-ALASKA PIPELINE SYSTEM between Prudhoe Bay and Delta Junction.

1.15. ELECTRONICALLY OPERATED DEVICES

1.15.1. The COMPANY shall, as necessary, screen, filter, or otherwise suppress any electronically operated devices installed as part of the PIPELINE SYSTEM which are capable of producing electromagnetic interference radiations so that such devices will not adversely affect the functioning of existing communications systems, including supervisory control systems used in connection with the operation of the TRANS-ALASKA PIPELINE SYSTEM, or navigational aids. In the event that structures such as towers or buildings are to be erected as parts of the PIPELINE SYSTEM, their positioning shall be such that they will not obstruct radiation patterns of existing line-of-sight communications systems, navigational aids, or similar systems. The COMPANY shall furnish a report and calculations showing the expected signal levels to the FEDERAL INSPECTOR who shall, after consultation with the owners of the TRANS-ALASKA PIPELINE SYSTEM, review and, if appropriate, approve the installation and operation of such devices.

1.16. TERMINATION OF AUTHORIZATION

1.16.1 Upon revocation or termination of the authorization of which these Stipulations are a part, the COMPANY shall remove all improvements and equipment from the FEDERAL LANDS, unless otherwise approved in writing by the FEDERAL INSPECTOR, and provided that restoration which appropriately can be performed prior to such removal has been completed to the satisfaction

of the FEDERAL INSPECTOR as required by applicable stipulations. Procedures to abandon a buried PIPELINE shall be in accordance with the requirements specified in 49 CFR, Part 192.727.

1.17. STOP ORDERS

1.17.1. With respect to construction activities conducted under a NOTICE TO PROCEED, field representatives expressly designated in writing by the FEDERAL INSPECTOR may issue a stop order at the site of an activity to a field representative of the COMPANY designated pursuant to Stipulation 1.3.4. The COMPANY shall cease that particular activity immediately. Except in emergencies, all stop orders shall be in writing and when issued orally, they shall be confirmed in writing within 24 hours. The stop order or a written confirmation of the order shall specify:

- (1) the specific construction activity or activities which must be stopped;
- (2) the reason for issuance of the order, including a description of the serious and immediate problem which requires the cessation of a particular construction activity;
- (3) the name of the designated field representative of the FEDERAL INSPECTOR issuing the order;
- (4) the name of the designated field representative of the COMPANY to whom the order is issued;
- (5) the time and date of the order, and the site of construction activity at which it is issued.

1.17.2 The FEDERAL INSPECTOR shall maintain a record of all such stop orders which also includes this same information. Resumption of any construction activity suspended under a stop order shall be immediately authorized by the FEDERAL INSPECTOR or a designated field representative in writing once mitigating, corrective, or alternative measures have been implemented by the COMPANY.

1.17.3 Subject to the provisions of Section 9(d) of the Alaska Natural Gas Transportation Act, 15 U.S.C. §719(g), stop orders may be issued only when:

- (1) an issue arises with respect to compliance with these Stipulations or the NOTICE TO PROCEED which authorized the construction activity in question;
- (2) the FEDERAL INSPECTOR or his field representative determines that such issue presents problems or conflicts of a serious and immediate nature; and
- (3) mitigating or corrective measures cannot be identified or agreed upon by the FEDERAL INSPECTOR or his field representative and a designated representative of the COMPANY and immediately imple-

1.18. REGULATION OF ACCESS

1.18.1 The COMPANY shall provide, as necessary, and maintain ROADS and airstrips, the number, location and standards of which shall be approved by the FEDERAL INSPECTOR, to provide for continuing maintenance and surveillance of the PIPELINE SYSTEM.

1.18.2. During construction or termination activities, the COMPANY may regulate or prohibit public access to or upon any ROAD being used for such activity. At all other times the COMPANY shall permit free and unrestricted public access to and upon ROADS; except that with the written consent of the FEDERAL INSPECTOR, the COMPANY may regulate or prohibit public access and vehicular traffic on ROADS as required to facilitate operations or to protect the public, wildlife and livestock from hazards associated with operation and maintenance of the PIPELINE. The COMPANY shall provide appropriate warnings, flagmen, barricades, and other safety measures when the COMPANY is using ROADS or regulating public access to or upon ROADS.

1.18.3. During construction of the PIPELINE, the COMPANY shall provide alternative routes for existing roads and trails at locations and to standards as determined by the FEDERAL INSPECTOR whether or not these roads or trails are recorded.

1.18.4. The COMPANY shall make provisions for suitable permanent crossings for the public at locations and to standards approved in writing by the FEDERAL INSPECTOR where the right-of-way crosses existing roads, foot-trails, winter trails, or other rights-of-way.

1.19. USE OF EXISTING FACILITIES

1.19.1. Subject to existing rights vested in other parties, the COMPANY shall use existing facilities to the maximum extent feasible in all construction, operation, maintenance, and termination activities associated with the PIPELINE SYSTEM.

2. ENVIRONMENTAL

2.1. ENVIRONMENTAL BRIEFINGS

2.1.1. The COMPANY shall develop and provide environmental briefings for supervisory and field personnel directly related to the project and for Federal field representatives in accordance with the approved environmental briefings plan required by Stipulation 1.6.1.

2.2. POLLUTION CONTROL

2.2.1. GENERAL

2.2.1.1. The COMPANY shall construct, operate, maintain, and terminate the PIPELINE SYSTEM in a manner that will avoid or minimize degradation of

air, land and water quality. The COMPANY shall comply with applicable air and water quality standards and Federal laws, and regulations, relating to pollution control or prevention.

2.2.2. WATER AND LAND POLLUTION

2.2.2.1. The COMPANY shall comply with applicable State of Alaska "Water Quality Standards" as approved by the Environmental Protection Agency and with requirements of the Environmental Protection Agency's National Pollutant Discharge Elimination System discharge permit program.

2.2.2.2. Mobile ground equipment shall not be operated in lakes, WETLANDS, streams or rivers unless such operation is approved in writing by the FEDERAL INSPECTOR.

2.2.2.3. The temperature of natural surface or ground waters shall not be changed significantly by the PIPELINE SYSTEM or by any construction-related activities unless approved in writing by the FEDERAL INSPECTOR.

2.2.2.4. The COMPANY shall comply with the standards for thermal pollution in the State of Alaska "Water Quality Standards," as approved by the Environmental Protection Agency.

2.2.3. PESTICIDES, HERBICIDES AND OTHER CHEMICALS

2.2.3.1. Where possible the COMPANY shall use non-persistent and immobile types of pesticides, herbicides and other chemicals. Only those pesticides and herbicides currently registered by the Environmental Protection Agency pursuant to the Federal Insecticide, Fungicide and Rodenticide Act shall be applied. Applications of pesticides and herbicides shall be in accordance with label directions approved by the U.S. Environmental Protection Agency. Each chemical to be used and its application constraints shall be approved in writing by the FEDERAL INSPECTOR prior to use.

2.2.4. SANITATION AND WASTE DISPOSAL

2.2.4.1. All HAZARDOUS SUBSTANCES and WASTE generated in construction, operation, maintenance and termination of the PIPELINE SYSTEM shall be removed or otherwise disposed of in a manner acceptable to the FEDERAL INSPECTOR. All applicable Federal and State requirements will be incorporated in the plans required in Stipulation 1.6.1.

2.2.5. ICE FOG

2.2.5.1. The COMPANY shall utilize and operate all facilities and devices used in connection with the PIPELINE SYSTEM so as to avoid or minimize ice fog. Facilities and devices which cannot be prevented from producing ice fog shall be located so as not to interfere with airfields, communities or roads.

2.3. BUFFER STRIPS

2.3.1. Where the PIPELINE right-of-way crosses highways, and other roads designated by the FEDERAL INSPECTOR, the PIPELINE shall be clearly marked as required in 49CFR 192.707 and a screen of vegetation native to the adjacent areas shall be established over disturbed areas unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.3.2. The PIPELINE SYSTEM shall be located so as to provide buffer strips of undisturbed land at least 500 feet wide between the PIPELINE SYSTEM and streams, lakes, and WETLANDS unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.3.3. Undisturbed buffer strips at least 500 feet wide will be maintained between material sites and state highways unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.4. EROSION AND SEDIMENTATION CONTROL

2.4.1. GENERAL

2.4.1.1. The COMPANY shall perform all PIPELINE SYSTEM activities so as to minimize disturbance to all surface areas.

2.4.1.2. The design of the PIPELINE SYSTEM shall provide for the control of erosion, and sediment production, transport and deposit.

2.4.1.3. Erosion control measures, including the use of erosion control structures, if necessary, shall be implemented on FEDERAL LANDS in accordance with the plans approved under Stipulation 1.6.1. to limit induced and accelerated erosion, limit sediment production and transport and lessen the possibility of forming new drainage channels. The design of such measures shall be based on the maximum rainfall rate and snowmelt combination reasonably characteristic of the region, the effects of thawing produced by flowing or ponded water on permafrost and the effects of ice. Permanent erosion control structures shall be designed to accommodate a 50-year flood.

2.4.1.4. Surface materials suitable for use in restoration that are taken from disturbed areas shall be stockpiled and utilized during restoration unless otherwise approved in writing by the FEDERAL INSPECTOR. Erosion and sediment control practices to be utilized shall be determined by the needs of specific sites and, as appropriate, shall include but not be limited to REVEGETATION, mulching, and placement of mat binders, soil binders, rock or gravel blankets or structures.

2.4.2. CROSSING OF STREAMS, RIVERS, FLOODPLAINS AND WETLANDS

2.4.2.1. The COMPANY shall minimize erosion and sedimentation at stream, river and WETLANDS crossings and those parts of the PIPELINE SYSTEM within floodplains as provided in Stipulation 3.4.

2.4.2.2. Temporary access over streambanks prior to and following trenching shall be made through use of fill ramps rather than by cutting through streambanks, unless otherwise approved in writing by the FEDERAL INSPECTOR. The COMPANY shall remove such ramps upon termination of seasonal or final use. Ramp materials shall be disposed of in a manner approved in writing by the FEDERAL INSPECTOR.

2.4.3. EXCAVATED MATERIAL

2.4.3.1. Excavated material in excess of that required to backfill around any structure, including the pipe, shall be disposed of in accordance with the approved overburden and excess material disposal plan required in Stipulation 1.6.1.

2.4.3.2. Excavated materials shall not be stockpiled in rivers, streams or floodplains, or on ice unless approved in writing by the FEDERAL INSPECTOR. In WETLANDS, stockpiling shall be in accordance with the plan required by Stipulation 1.6.1.

2.5. FISH AND WILDLIFE PROTECTION

2.5.1. The COMPANY shall design, construct, operate, maintain and terminate the PIPELINE SYSTEM so as to assure free passage and movement of fish in streams designated by the FEDERAL INSPECTOR. Temporary blockages of Fish necessitated by instream activities may be approved. The proposed designs and construction plans shall include the time and place that such temporary blockages may occur.

2.5.2. Pump intakes shall be screened to prevent harm to fish. Screening specifications shall be approved by the FEDERAL INSPECTOR.

2.5.3 When abandoned, water diversion structures shall be removed or plugged and stabilized unless otherwise approved in writing by the FEDERAL INSPECTOR.

2.5.4. FISH SPAWNING BEDS, FISH REARING AREAS, AND OVERWINTERING AREAS

2.5.4.1. "FISH SPAWNING BEDS" means those areas where anadromous and resident fish deposit their eggs.

2.5.4.2. "FISH REARING AREAS" means those areas inhabited by fish during any life stage.

2.5.4.3. "OVERWINTERING AREAS" means those areas inhabited by fish between freezeup and breakup.

2.5.4.4. The COMPANY shall avoid disturbances to those FISH SPAWNING BEDS, FISH REARING AREAS and OVERWINTERING AREAS designated by the FEDERAL INSPECTOR. However, where disturbances cannot be avoided, proposed modifications and appropriate mitigation measures shall be designed by the COMPANY and approved in writing by the FEDERAL INSPECTOR.

2.5.4.5. The COMPANY shall protect FISH SPAWNING BEDS, FISH REARING AREAS and OVERWINTERING AREAS from sediment where soil material is expected to be suspended in water as a result of construction activities. Settling basins or other sediment control structures shall be constructed and maintained to intercept such sediment before it reaches rivers, streams, lakes or WETLANDS.

2.5.4.6. The COMPANY shall comply with any site-specific terms and conditions imposed by the FEDERAL INSPECTOR to protect FISH SPAWNING BEDS, FISH REARING AREAS and OVERWINTERING AREAS from the effects of the COMPANY's activities. If material sites are approved adjacent to or in lakes, rivers, streams, WETLANDS, or floodplains the FEDERAL INSPECTOR may require the COMPANY to construct levees or berms or employ other suitable means to protect fish and fish passage and to prevent or minimize sedimentation. The COMPANY shall repair damage to such areas caused by construction, operation, maintenance or termination of the PIPELINE SYSTEM to the satisfaction of the FEDERAL INSPECTOR as stated in writing.

2.5.4.7. The COMPANY shall not take water from FISH SPAWNING BEDS, FISH REARING AREAS AND OVERWINTERING AREAS or waters that directly replenish those areas during critical periods that will be defined by the FEDERAL INSPECTOR, unless otherwise approved by the FEDERAL INSPECTOR.

2.5.5 ZONES OF RESTRICTED ACTIVITIES

2.5.5.1. Activities of the COMPANY in connection with construction, operation, maintenance and termination of the PIPELINE SYSTEM in key fish and wildlife areas and in specific areas where threatened or endangered species of animals are found may be restricted by the FEDERAL INSPECTOR during periods of fish and wildlife breeding, nesting, spawning, lambing and calving activity, overwintering, and during major migrations of fish and wildlife. The FEDERAL INSPECTOR shall provide the COMPANY written notice of such restrictive action. At least annually, and as far in advance of such restrictions as is possible, the FEDERAL INSPECTOR shall furnish the Company an updated list of those areas where such actions may be required, together with anticipated dates of restriction.

2.5.6. BIG GAME MOVEMENTS

2.5.6.1. The COMPANY shall design, construct and maintain both the buried and above ground sections of the PIPELINE so as to assure free passage and movement of big game animals.

2.6. PURCHASE OF MATERIALS AND TIMBER

2.6.1. If the COMPANY requires mineral materials from public lands of the United States, it shall make application to purchase such materials in accordance with 43 CFR, Part 3610 and shall submit a mining plan in accordance with 43 CFR, Part 23. No materials may be removed by the COMPANY without written approval. Application to purchase merchantable timber shall be made in accordance with 43 CFR, part 5400.

2.6.2. LAYOUT OF MATERIAL SITES

2.6.2.1. Materials site boundaries shall be shaped in such a manner as to blend with surrounding natural land patterns. Regardless of the layout of material sites, primary emphasis shall be placed on prevention of soil erosion, damage to vegetation, and destruction of fish and wildlife habitat.

2.7. CLEARING

2.7.1. BOUNDARIES

2.7.1.1. The COMPANY shall identify clearing boundaries on the ground which shall be approved by the FEDERAL INSPECTOR prior to beginning clearing operations. All timber and other vegetative material outside clearing boundaries and all blazed, painted or posted trees which are on or mark clearing boundaries are reserved from cutting and removal with the exception of danger trees or snags designated by the COMPANY and approved by the FEDERAL INSPECTOR.

2.7.2. CLEARING PROCEDURES

2.7.2.1. All trees, snags, and other wood material cut in connection with clearing operations shall be cut so that the resulting stumps shall not be higher than six (6) inches measured from the ground on the uphill side.

2.7.2.2. All trees, snags and other wood material cut in connection with clearing operations shall be felled into the area within the clearing boundaries and away from watercourses.

2.7.2.3. Hand clearing shall be used in areas where the FEDERAL INSPECTOR determines that use of heavy equipment would be detrimental to existing conditions.

2.7.2.4. All debris resulting from clearing operations and construction that may block streamflow, delay fish passage, contribute to flood damage, or result in streambed scour or erosion shall be removed within 48 hours unless otherwise approved or directed by the FEDERAL INSPECTOR.

2.7.3. DISPOSAL OF CLEARING DEBRIS

2.7.3.1. All slash shall be disposed of in construction pads or ROADS unless otherwise approved in writing by the FEDERAL INSPECTOR. Slash shall be disposed of prior to the end of the first winter after cutting.

2.7.3.2. Disposal of vegetation, nonmerchantable timber, overburden and other materials removed during clearing operations shall be addressed in the plans required in Stipulation 1.6.1 and approved in writing by the FEDERAL INSPECTOR.

2.8. DISTURBANCE OR USE OF NATURAL WATERS

2.8.1. All activities of the COMPANY in connection with the PIPELINE SYSTEM that may create new lakes, drain existing lakes, significantly divert natural drainages and surface runoff, permanently alter stream or ground water hydrology, or disturb significant areas of streambeds are prohibited unless such activities along with necessary mitigation measures are approved in writing by the FEDERAL INSPECTOR.

2.8.2. The COMPANY shall not develop or utilize any wells or surface water sources on FEDERAL LANDS for the construction, operation, maintenance and termination of the PIPELINE SYSTEM without the prior written approval of the FEDERAL INSPECTOR.

2.9. OFF RIGHT-OF-WAY TRAFFIC

2.9.1. The COMPANY shall not operate mobile ground equipment on FEDERAL LANDS off the right-of-way, any roads, or authorized areas unless approved in writing by the FEDERAL INSPECTOR or when necessary to prevent immediate harm to any person or property.

2.10. VISUAL RESOURCES

2.10.1. The COMPANY shall consider visual resources in planning, construction, operation and termination of the PIPELINE SYSTEM. The COMPANY shall prepare a visual resource plan for the PIPELINE SYSTEM in accordance with Stipulation 1.6.1.

2.11. USE OF EXPLOSIVES

2.11.1. The COMPANY shall submit a plan for storage and use of explosives, including but not limited to blasting techniques, to the FEDERAL INSPECTOR for approval in accordance with Stipulation 1.6.1.

2.11.2. No blasting shall be done under water or within one quarter (1/4) mile of streams or lakes with identified fisheries or wildlife resources without written approval of the FEDERAL INSPECTOR.

2.11.3. Timing and location of blasting shall be approved by the FEDERAL INSPECTOR.

2.12. RESTORATION

2.12.1. Upon completion of use, the COMPANY shall restore all areas of FEDERAL LANDS disturbed by it, in accordance with schedules approved by the FEDERAL INSPECTOR and approved plans required under Stipulation 1.6.1. Restoration performed by the COMPANY shall be approved in writing by the FEDERAL INSPECTOR.

2.12.2. Restoration includes, where appropriate, erosion and sediment control, REVEGETATION, reestablishment of native species, visual amelioration and stabilization. Unless otherwise directed by the FEDERAL INSPECTOR,

all disturbed areas of FEDERAL LANDS shall be left in such stabilized condition that erosion will be minimized through such means as adequately designed and constructed waterbars, REVEGETATION and chemical surface control; culverts and bridges shall be removed; and slopes shall be restored by the COMPANY in a manner satisfactory to the FEDERAL INSPECTOR.

2.12.3. REVEGETATION of disturbed areas of FEDERAL LANDS shall be accomplished as soon as practicable in accordance with plans and schedules required under Stipulation 1.6.1. The results of REVEGETATION must be satisfactory to the FEDERAL INSPECTOR as stated in writing.

2.12.4. The COMPANY shall dispose of all materials from ROADS, haul ramps, berms, dikes, and other earthen structures it has placed on FEDERAL LANDS, in accordance with approved restoration plans unless otherwise directed by the FEDERAL INSPECTOR.

2.12.5. Pending restoration of a disturbed area of FEDERAL LANDS, the COMPANY shall maintain the area in a stabilized condition satisfactory to the FEDERAL INSPECTOR.

2.12.6. Upon completion of restoration of an area of FEDERAL LANDS, the COMPANY shall remove all equipment and supplies from that area in accordance with approved restoration plans unless otherwise directed by the FEDERAL INSPECTOR.

2.12.7. The COMPANY shall maintain all restored areas of FEDERAL LANDS in accordance with approved plans required under Stipulation 1.6.1.

2.13. REPORTING, PREVENTION, CONTROL, CLEANUP AND DISPOSAL OF OIL AND HAZARDOUS SUBSTANCES DISCHARGES

2.13.1. The COMPANY shall give notice in accordance with applicable law of any spill, leakage, or discharge of OIL or other HAZARDOUS SUBSTANCES in connection with the construction, operation, maintenance or termination of the PIPELINE SYSTEM to:

- (1) the FEDERAL INSPECTOR and
- (2) such other Federal and State officials as are required by law to be given such notice.

Any oral notice shall be confirmed in writing as soon as possible.

2.13.2. The COMPANY shall submit an OIL and HAZARDOUS SUBSTANCE control, cleanup and disposal plan to the FEDERAL INSPECTOR in accordance with Stipulation 1.6.1., and where applicable, in accordance with 40 CFR, part 112. The plan shall conform to this Stipulation and shall outline all areas where OIL and/or HAZARDOUS SUBSTANCES are stored, utilized, transported or distributed. The plan shall include fuel distribution systems, storage and containment, containerized products, leak detection systems, handling procedures, training programs, provisions for collection, storage and

ultimate disposal of waste OIL, cleanup methods, and disposal sites. The plan shall be approved in writing by the FEDERAL INSPECTOR and the COMPANY shall demonstrate its capability and readiness to execute the plan.

2.14. PIPELINE CONTINGENCY PLAN

2.14.1. The COMPANY shall submit a PIPELINE contingency plan to the FEDERAL INSPECTOR in accordance with Stipulation 1.6.1. The plan shall conform to the requirements of 49 CFR, 192.605 and 192.615 and shall outline the steps to be taken in the event of a failure, leak or explosion in the PIPELINE. The plan shall be approved in writing by the FEDERAL INSPECTOR prior to PIPELINE startup and the COMPANY shall demonstrate its capability and readiness to execute the plan.

2.14.2. The COMPANY shall, as appropriate, update the plan and methods of implementation thereof, which shall be submitted annually to the FEDERAL INSPECTOR.

2.15. CULTURAL RESOURCES

2.15.1. The COMPANY shall undertake the affirmative responsibility to identify, protect and preserve cultural, historic, prehistoric and archeological resources that may be impacted by the PIPELINE SYSTEM consistent with the National Historic Preservation Act of 1966, as amended 16 U.S.C. § 470, et seq. and the Archaeological and Historic Preservation Act, of 1974, 16 U.S.C. § 469, et seq., and the implementing procedures of the Advisory Council on Historic Preservation, 36 CFR Part 800. This responsibility will be discharged in a manner consistent with the terms of a Memorandum of Agreement, under Section 106 of the National Historic Preservation Act of 1966, 16 U.S.C. § 470f, 80 Stat. 915, between the Advisory Council on Historic Preservation, the State Historic Preservation Officer, and appropriate Federal and State officials. The agreement will include a plan for complying with these and other statutes and regulations applicable to historic and prehistoric resources protection.

2.16. HUNTING, FISHING AND TRAPPING

2.16.1. The COMPANY shall inform its employees, agents, contractors, subcontractors and their employees of applicable laws and regulations relating to hunting, fishing, and trapping.

2.17. SMALL CRAFT PASSAGE

2.17.1. The creation of any permanent obstruction to the passage of small craft in streams is prohibited.

3. TECHNICAL

3.1. PIPELINE SYSTEM STANDARDS

3.1.1. GENERAL STANDARDS

3.1.1.1. All design, including selection of material, and construction, operation, maintenance and termination practices employed with respect to the PIPELINE SYSTEM shall be in accordance with sound engineering practice and, with regard to the PIPELINE, shall meet or exceed the Department of Transportation Regulations, 49 CFR, Parts 191, "Reports of Leaks," and 192, "Transportation of Natural and Other Gas by Pipelines: Minimum Federal Safety Standards."

3.1.1.2. Requirements in addition to those set forth in the above minimum standards may be imposed by the FEDERAL INSPECTOR as necessary to reflect the impact of subarctic and arctic environments. The FEDERAL INSPECTOR will make every effort to identify such additional requirements during the design phase.

3.1.2. SPECIFIC STANDARDS

3.1.2.1. The PIPELINE design shall provide for sectionalizing block valves, protective devices to prevent overpressuring, and other safety devices installed at locations required by 49 CFR Part 192, or as may be designated by the FEDERAL INSPECTOR during the DESIGN CRITERIA reviews to accommodate potentially hazardous areas, other facilities and environmental values.

3.1.2.2. The COMPANY shall inspect 100 percent where practicable but not less than 90 percent of the main line girth welds using radiographic or other nondestructive inspection techniques to assure compliance with defect acceptability standards approved by the FEDERAL INSPECTOR. Where radiography is used, x-ray radiography will be used, unless otherwise approved by the FEDERAL INSPECTOR.

3.1.2.3. The PIPELINE design in environmentally sensitive areas designated by the FEDERAL INSPECTOR shall provide for minimum maintenance needs to reduce re-entry requirements.

3.1.2.4. All practicable means shall be utilized to minimize injury to the ground organic layer.

3.1.2.5. Welder qualification tests shall be by destructive means, in accordance with Section 3 of API 1104, except that operators of automatic welding equipment may be qualified by radiography. Welder qualification tests for station piping facilities may alternately be in accordance with ASME Boiler and Pressure Vessel Code, Section 9.

3.1.2.6. All construction, operation, maintenance and termination activities in connection with the PIPELINE SYSTEM shall be conducted so as to avoid

surface modifications shall be planned and executed in such a way that any resulting alteration of permafrost will not jeopardize PIPELINE integrity and the surrounding environment.

3.1.2.7. A monitoring program shall be developed by the COMPANY as part of the surveillance and maintenance plan required by Stipulation 1.6.1. which shall identify any PIPELINE movement, that may affect PIPELINE integrity, resulting from frost heave, settlement or seismic forces. This program, including baseline data, shall be finalized and operational prior to transmission of GAS through the PIPELINE.

3.1.3. STANDARDS FOR ROADS

3.1.3.1. The COMPANY shall submit a layout of each proposed ROAD for approval by the FEDERAL INSPECTOR in accordance with Stipulation 1.7.

3.1.3.2. ROADS shall be constructed to standards suitable for safe operation of equipment at the travel speeds proposed by the COMPANY in accordance with Stipulation 3.1.3.3.

3.1.3.3. Design, materials and construction practices employed for ROADS shall be in accordance with safe and proven engineering practice. ROADS intended for permanent use shall be constructed in accordance with the principles of construction for secondary roads for the subarctic and arctic environments. Existing roads approved for use by the COMPANY that do not meet these standards need not be upgraded, subject to approval of the FEDERAL INSPECTOR, provided that the basic access requirements imposed by Stipulation 1.18. are satisfied.

3.1.3.4. The maximum allowable grade shall be 12 percent unless otherwise approved in writing by the FEDERAL INSPECTOR.

3.2. EARTHQUAKES AND FAULT DISPLACEMENTS

3.2.1. EARTHQUAKES

3.2.1.1. The PIPELINE shall be designed by appropriate application of modern, state-of-the-art seismic design procedures to protect the PIPELINE from the effects (including seismic shaking, ground deformation and earthquake-induced mass movements) of earthquakes distributed along the route as follows:

ZONE	Richter Magnitude
Canadian/Alaska Border to Big Delta	6.5
Big Delta to 67 deg. N.	7.5
67 deg. N. to Prudhoe Bay	5.5

3.2.1.2. The COMPANY shall provide a seismic monitoring system, to be approved by the FEDERAL INSPECTOR, and shall ensure there are adequate

procedures for the safe shutdown of the PIPELINE under seismic conditions that may affect PIPELINE integrity. Such procedures, to be considered adequate, shall include but not necessarily be limited to:

- (1) communication capability with all key operating control points on the PIPELINE SYSTEM, the GAS processing plant, and other parties with seismic monitoring capabilities as appropriate;
- (2) a control center and alternate for the PIPELINE SYSTEM;
- (3) operating procedures establishing the actions to be taken in the event of seismic conditions that may affect PIPELINE integrity;
- (4) seismic sensors as necessary to supplement existing monitoring capabilities.

3.2.2. FAULT DISPLACEMENTS

3.2.2.1. Prior to applying for a NOTICE TO PROCEED for any CONSTRUCTION SEGMENT, the COMPANY shall satisfy the FEDERAL INSPECTOR that all recognizable or reasonably inferred faults or fault zones along the alignment within that segment have been identified and delineated and any risk of major PIPELINE damage resulting from fault movement and ground deformation has been adequately assessed and provided for in the design of the PIPELINE SYSTEM for that segment. Evaluation of said risk shall be based on geologic, geomorphic, geodetic, seismic, and other appropriate scientific evidence of past or present fault behavior and shall be compatible with the design earthquakes tabulated in Stipulation 3.2.1.1. and with observed relationships between earthquake magnitude and extent and amount of deformation and fault slip within the fault zone.

3.2.2.2. Minimum design criteria for a segment of the PIPELINE SYSTEM traversing a fault zone that is interpreted by the FEDERAL INSPECTOR as active shall be: (1) that the PIPELINE resist failure resulting in line rupture from maximum anticipated horizontal and/or vertical displacement in the foundation material anywhere within the fault zone during the life of the PIPELINE; and (2) that no storage tank or compressor station be located within the fault zone unless otherwise approved by the FEDERAL INSPECTOR.

3.3. SLOPE STABILITY

3.3.1. Areas subject to mudflows, landslides, avalanches, rock falls and other types of mass movements shall be avoided where practicable in locating the PIPELINE SYSTEM. Where such avoidance is not practicable, the PIPELINE SYSTEM design, based upon detailed field investigations and analyses, shall provide measures to prevent the occurrence of, or protect the PIPELINE SYSTEM from, the effects of mass movement. The PIPELINE SYSTEM shall be designed to protect existing facilities, including the TRANS-ALASKA PIPELINE SYSTEM, from the effects of mass movement caused by the COMPANY's activities or the activities of its agents, employees, contractors (including

subcontractors) and the employees of each of them and not shall not adversely affect slope stability protection measures of existing structures.

3.4. STREAM AND FLOODPLAIN CROSSINGS

3.4.1. GENERAL

3.4.1.1. The PIPELINE SYSTEM shall be designed so as to both minimize the number of stream and WETLAND crossings and to include, but not be limited to, consideration of aufeis development, erosion and sedimentation, restriction of natural meander, or alteration of the physical or chemical nature of the water body, and the effect of any alteration in these factors caused by the COMPANY's activities or the activities of its agents, employees, contractors (including subcontractors) and the employees of each of them upon existing facilities including the TRANS-ALASKA PIPELINE SYSTEM.

3.4.1.2. The PIPELINE SYSTEM shall be designed to withstand or accommodate the effects (including runoff, stream and floodplain erosion, meander cut-offs, lateral migration, ice jams, and icings) of those meteorologic and hydrologic (including surface and subsurface) conditions considered characteristic for each hydrologic region. For stream crossings and portions of the PIPELINE within the floodplain, the following standards shall apply to such PIPELINE design:

3.4.1.2.1. The design flood shall be based on the concept of the "Standard Project Flood" as defined in Corps of Engineers Bulletin 52-8, Part 1, unless otherwise approved by the FEDERAL INSPECTOR.

3.4.1.2.2. The depth of channel scour shall be established by appropriate field investigations and theoretical calculations using those combinations of water velocity and depth that yield the maximum value. At the point of maximum scour, the cover over the top of the pipe shall be at least twenty (20) percent of the computed scour, but not less than four (4) feet.

3.4.1.2.3. For overhead crossings, analysis shall be made to ensure that support structures are adequately protected from the effects of scour, channel migration, undercutting, ice forces and degradation of permafrost and other external and internal loads.

3.4.1.2.4. To avoid channelization along the pipe, appropriate design and construction procedures will be included in the plans required in Stipulation 1.6.1 and shall be used wherever there is potential for such channelization.

3.4.1.2.5. Methods of constructing stream crossings, including excavation and backfill of pipe trench near and through streambanks and existing river-training structures, shall be approved in writing by the FEDERAL INSPECTOR prior to initiation of field activities.

3.4.1.3. Low water crossings (fords across streams or rivers where any mobile ground equipment is moved on the streambed) shall be designed, constructed, maintained, and restored to standards approved in writing by the FEDERAL INSPECTOR.

3.4.2. EROSION

3.4.2.1 To prevent erosion, the culvert inlet and outlet areas shall be stabilized by appropriate methods, e.g., by the use of stilling basins or riprap.

3.4.2.2. Slopes of cuts through stream banks shall be designed and constructed to minimize erosion and prevent slides.

3.4.2.3. Erosion control procedures shall accommodate and be based on the runoff produced by the maximum rainfall rate and snow melt combination reasonably characteristic of the region. The procedures shall also accommodate effects that result from thawing produced by flowing or ponded water or permafrost terrain and the effects of ice.

3.4.3. CULVERTS AND BRIDGES

3.4.3.1. Culverts and bridges necessary for maintenance of the PIPELINE shall be designed at a minimum to accommodate a fifty (50) year flood in accordance with criteria established by the American Association of State Highway Officials and the Federal Highway Administration and endorsed by the State of Alaska Department of Transportation.

3.4.3.2. Culverts necessary for construction or operation of the PIPELINE SYSTEM shall be installed a minimum of six (6) inches below the thalweg in fish streams which shall be identified by the FEDERAL INSPECTOR.

3.5. PIPELINE CORROSION

3.5.1. The COMPANY shall provide plans, as required by Stipulation 1.6, for corrosion resistant design and methods for early detection of corrosion in accordance with 49 CFR part 192. This shall include consideration of:

- (1) pipeline material to be used and information on its particular suitability for the environment involved;
- (2) details on the external pipe protection to be provided (coating, wrapping, etc.), including information on variations of the coating process to cope with variations in environmental factors along the PIPELINE route;
- (3) plans for cathodic protection including details of impressed current sources and controls to ensure continuous maintenance of adequate protection over the entire surface of the pipe;
- (4) details of plans for monitoring cathodic protection current including spacing of current monitors;

- (5) provision for periodic intensive surveys of trouble spots, regular preventive maintenance surveys, and special provisions for abnormal potential patterns especially those resulting from other pipelines or cables;
- (6) information on any precautions that may be required to prevent internal corrosion of the PIPELINE.

3.6. CONSTRUCTION MODE REQUIREMENTS

3.6.1. The selection of the CONSTRUCTION MODE shall be governed by the results of adequate geotechnical field exploration and testing programs.

Comprehensive analyses shall be made to assure that PIPELINE integrity will be maintained and that construction or operation of the PIPELINE will not cause or exacerbate major terrain disturbances. Analysis shall consider stresses and strains on the PIPELINE by internal and external loading and shall include, but not be limited to, total and differential heaving, permafrost (especially liquefaction and differential settlement after thawing), frost action, seismic loading, slope stability, active faults, swelling soils, subsidence, erosion, flooding, icings and differential temperature stress. The final design for the CONSTRUCTION MODE shall be submitted to the FEDERAL INSPECTOR for approval prior to pipe installation, in accordance with Stipulation 1.7.

Enclosure C

LIST OF ALIGNMENT MAPS IDENTIFYING
THE GENERAL ROUTE OF THE
PIPELINE 1/

A. The general route of the Pipeline is shown in the alignment sheets contained in Enclosure B, Exhibit Z-6.1. 2/ Federal lands on the route, as currently identified, include lands shown on the following alignment sheets:

(1) Alignment of the Centerline of the Line Pipe: 3

Sheets:	001-010	Inclusive <u>4/</u>
	011-081	Inclusive
	082 <u>5/</u>	
	083-093	Inclusive
	094 <u>5/</u>	
	095	
	096 <u>5/</u>	
	097	
	098-114	Inclusive
	115 <u>5/</u>	
	116-131	Inclusive

1/ The terms "Pipeline" and "Related Facility" are used herein as defined in 43 C.F.R., Section 2880.0-5. This list covers both the pipeline and related facilities. Where two or more related facilities are colocated, they are not separately identified in this Enclosure. Heliports, for example, will be colocated with compressor stations #4, 9, and 13. Applicant's intention also is to colocate basic communication support facilities (e.g., earth stations, antennas, and/or towers and other associated equipment) at compressor and meter stations. Access roads between the Pipeline and Related Facilities, on the one hand, and existing public roads, on the other, will be the subject of separate requests for temporary use permits or additional right-of-way grants, as appropriate.

2/ Exhibit Z-6.1 is further identified as: "Alaska Natural Gas Transportation System, Alaskan Segment--48" Natural Gas Pipeline (Prudhoe Bay to Canadian Border), Ownership, Volume I, Alignment Sheets 1 thru 131, Revision 1, March 1980."

3/ The lands identified include Federal lands in the process of transfer of title to the State of Alaska or other parties.

4/ These sheets are included solely because of potential Federal interests in "inland submerged lands."

5/ Although the centerline of the line pipe on the sheets indicated does not appear to cross Federal lands, these sheets are included to cover any currently unperceived Federal interests in the land while providing the requisite latitude for alignment adjustments, within the context of the "general route of the pipeline," during the process of final design approval.

(2) <u>Compressor Stations</u>	<u>Sheets</u>	<u>Mile Post</u>
#2	014	80
#4	025	141
#7	048	274
#9	067	381
#11 <u>6</u>	087	494
#13 <u>3</u>	103	579.5
#15	121	685

(3) <u>Meter Stations</u> <u>7</u>	<u>Sheets</u>	<u>Mile Post</u>
#2	131	743

(4) <u>Airfields</u> <u>8</u>	<u>Sheets</u>	<u>Mile Post</u>
Happy Valley	014	80

E. The identification of Federal lands in subsection A above for which a right-of-way grant is requested, is subject to the following understanding:

All alignments, boundaries, sites and proposed improvements that may be described or depicted in any of the alignment maps referred to above are subject to the written approval of the Federal Inspector in accordance with the Department's Stipulations in Enclosure A, and the request for a right-of-way grant does not presume approval by the Federal Inspector of any particular concept, mode or design with respect to the Pipeline and Related Facilities.

C. Any conflict, either express or implied between any provision of this Enclosure (or of any application, alignment sheet, drawing, or other document filed with or in support of the application, alignment sheet, or drawing), on the one hand, and, on the other hand, any provision found in Section 4 of this Supplemental Application (page 4) shall be resolved in favor of the provision in Section 4.

6/ Although there appears to be no Federal ownership interest in lands for Compressor Station #11, it is included to provide the requisite latitude for adjustments as in footnote 5, supra.

7/ Meter Station No. 1 is shown on Alignment Sheet 001, Mile Post 0; however, there currently appears to be no Federal ownership interest in the lands at that site.

8/ To the maximum extent practicable, Applicant will use existing public airfields both during and subsequent to construction and will obtain temporary use permits for any other airfields that will be used solely during construction. There is a long-term need for the Happy Valley airfield to support operations and maintenance.

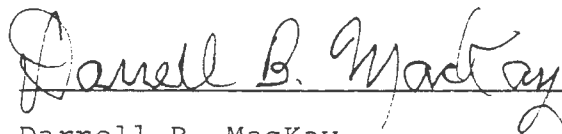
NORTHWEST ALASKAN PIPELINE COMPANY

3333 Michelson Dr.
Irvine, California 92730
(714) 975-6007

CERTIFICATION

I, Darrell B. MacKay, Vice President, Regulatory and Governmental Affairs, Northwest Alaskan Pipeline Company, a General Partner in, and Operator for the Alaskan Northwest Natural Gas Transportation Company, a Partnership, do hereby certify that the attached documents, Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement, effective January 31, 1978, as amended, effective May 26, 1978, and January 1, 1980, are true and correct copies of the original documents.

Dated this 20th day of June, 1980.

A handwritten signature in dark ink, reading "Darrell B. MacKay". The signature is written in a cursive style with a horizontal line underneath the name.

Darrell B. MacKay
Vice President

ALASKAN NORTHWEST NATURAL GAS
TRANSPORTATION COMPANY

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

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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 pipeline 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:

<u>Admission Date</u>	<u>Discount</u>
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 Corporation, 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, and 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 expense, 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 officer, 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 deemed 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 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, 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.

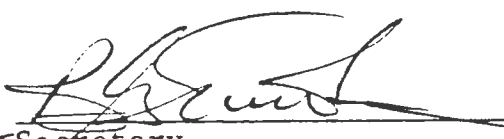
16.13 FERC Order: The Partners agree to cooperate in the immediate preparation, submission and prosecution of an appropriate filing seeking an order from the FERC to the effect that the Partnership's succession to the rights, titles and interests of Northwest, as provided in Sections 3.3 and 4.1.1, has 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.

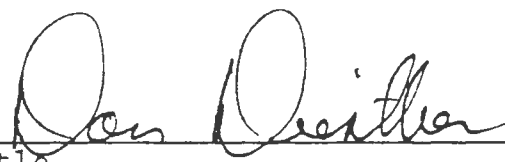
IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers.

GENERAL PARTNERS:

ATTEST:

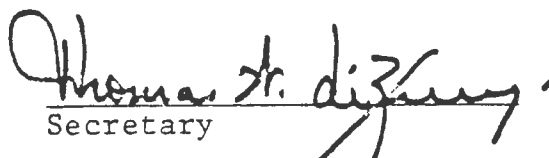
NORTHERN ARCTIC GAS COMPANY

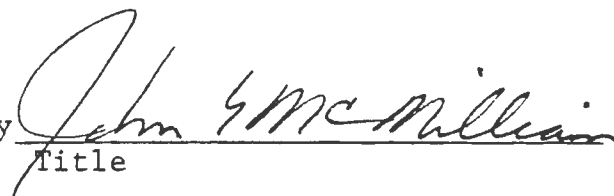

Assistant Secretary

By 
Title

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY


Secretary

By 
Title

ATTEST:

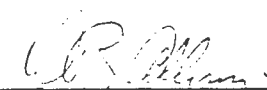
PAN ALASKAN GAS COMPANY

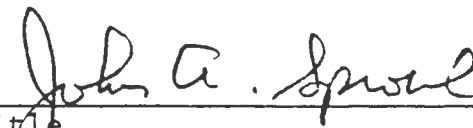

Assistant Secretary

By 
Title

ATTEST:

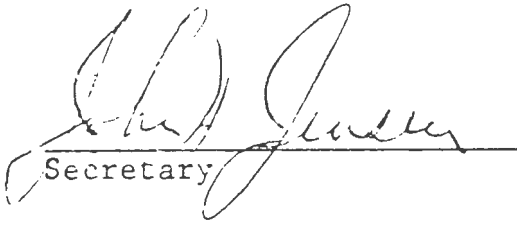
NATURAL GAS CORPORATION OF
CALIFORNIA


Secretary

By 
Title

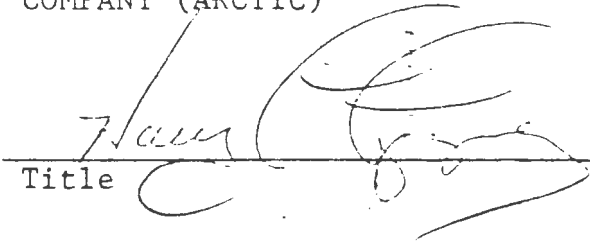
ATTEST:

PACIFIC INTERSTATE TRANSMISSION
COMPANY (ARCTIC)


Secretary

By

Title



ATTEST:

UNITED ALASKA FUELS CORPORATION


Assistant Secretary

By

Title

 Dic

Partnership Agreement of
Alaskan Northwest Natural Gas
Transportation Company

CERTIFICATE OF INCORPORATION

OF

ALASKAN NORTHWEST GAS TRANSMISSION CORPORATION

The undersigned, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the provisions of the General Corporation Law of the State of Delaware, hereby certifies as follows:

FIRST: The name of the Corporation is ALASKAN NORTHWEST GAS TRANSMISSION CORPORATION.

SECOND: The registered office of the corporation in the State of Delaware is to be located at 100 West Tenth Street, in the City of Wilmington, in the County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is one thousand (1,000), all of which shall be Common Stock, par value \$1.00 per share.

FIFTH: The name and mailing address of the incorporator is Thomas W. diZerega, 315 East 2nd Street South, Salt Lake City, Utah 84111.

SIXTY: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the

By-Laws of the Corporation, subject to any specific limitation on such power provided by By-Laws adopted by the stockholders.

SEVENTH: At all elections of directors of the Corporation, each holder of stock of the Corporation who is entitled to vote or of any class or classes or of a series or series thereof so entitled to vote shall be entitled to as many votes as shall equal the number of votes which (except for this provision for cumulative voting) he would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected by him, and that he may cast all of such votes for a single director or may distribute them among the number to be voted for, or for any two or more of them as he may see fit. So long as the capital stock of the Corporation shall be owned by less than 15 persons, the terms of office of each director shall cease upon the occurrence of any vacancy in the board of directors, and the entire board shall thereupon be elected at a special meeting of stockholders as provided in the By-Laws of the Corporation. Elections of directors need not be by ballot unless the By-Laws of the Corporation so provide.

EIGHTH: New or additional shares of capital stock of any class or series of any class of the Corporation or any securities convertible into shares of such capital stock shall first be offered, if such shares or securities are to be sold for cash, to all of the then holders of outstanding shares of such class or series to be sold in proportion to the number of such shares then held by them respectively.

NINTH: The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines

and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the full extent permitted by the General Corporation Law of the State of Delaware from time to time in effect. The indemnification provided by this Article Ninth shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

The undersigned, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, does make this Certificate, hereby declaring and certifying under penalties of perjury, that this Certificate is his act and deed and that the facts herein stated are true, and accordingly has hereunto set his hand and seal this ____ day of _____, 1978.

Thomas W. diZerega

Appendix II
Partnership Agreement of
Alaskan Northwest Natural Gas
Transportation Company

BY-LAWS

OF

ALASKAN NORTHWEST GAS TRANSMISSION CORPORATION

ARTICLE I

Offices

SECTION 1.1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle, and the name of the resident agent in charge thereof is The Corporation Trust Company.

SECTION 1.2 Other Offices. The corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

Meetings of Stockholders

SECTION 2.1. Annual Meeting. The annual meeting of the stockholders shall be held on the third Tuesday of the month of March in each year, if not a legal holiday, or, if a legal holiday, then on the next succeeding business day, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors shall not be held on the day herein designated for the annual meeting, or at any adjournment thereof, the Board of Directors shall cause such election to be held at a special meeting of the stockholders as soon thereafter as convenient.

SECTION 2.2. Special Meetings. Except as otherwise prescribed by statute, special meetings of the stockholders for any purpose or purposes, may be called and the location thereof designated by the Secretary at the request in writing of a majority of the Board of Directors or of stockholders owning capital stock of the corporation having not less than 10% of the total voting power. Such request shall state the purpose of the proposed meeting. Special

meetings of stockholders shall be called by the President, or in his absence, by the Secretary for the purpose of electing directors upon the occurrence of any vacancy in the board of directors as required by Article SEVENTH of the Certificate of Incorporation of the corporation. Any such special meeting to elect directors shall be held not less than 10 nor more than 20 days after the date such vacancy occurs and otherwise as provided in these by-laws for special meetings and the election of directors.

SECTION 2.3. Place of Meetings. Each meeting of the stockholders for the election of directors shall be held at the principal office of the corporation in the City of Wilmington, Delaware, unless the Board of Directors shall by resolution designate any other place, within or without the State of Delaware, as the place of such meeting. Meetings of stockholders for any other purpose may be held at such place, within or without the State of Delaware, and at such time as shall be determined by the President, or in his absence, by the Secretary, and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

SECTION 2.4. Notice of Meetings. Written or printed notice stating the place, date and hour of each annual or special meeting of the stockholders, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than 10 nor more than 60 days before the date of the meeting. (See also Article IV of these by-laws.)

SECTION 2.5. Stockholder List. At least 10 days before every meeting of stockholders, the Secretary shall prepare a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each such stockholder and the number of shares having the right to vote registered in the name of each such stockholder. Such list shall be open to examination by any stockholder of the corporation during ordinary business hours, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of the meeting during the whole time thereof, and subject to the inspection of any such stockholder who may be present.

SECTION 2.6. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite for, and shall constitute, a quorum at all meetings of the stockholders of the corporation for the transaction of business, except as otherwise provided by statute or these by-laws. If a quorum shall not be present or represented at any meeting of the stockholders, the

stockholders entitled to vote thereat present in person or represented by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting if the adjournment is for thirty days or less or unless after the adjournment a new record date is fixed, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

SECTION 2.7. Proxies. At every meeting of the stockholders, each stockholder having the right to vote thereat shall be entitled to vote in person or by proxy. Such proxy shall be appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to such meeting, unless such proxy provides for a longer period, and shall be filed with the Secretary of the corporation before or at the time of, the meeting.

SECTION 2.8. Voting. At every meeting of the stockholders, each stockholder shall be entitled to one vote for each share of stock entitled to vote thereat which is registered in the name of such stockholder on the books of the corporation. At all elections of directors of the corporation, the holders of shares of stock of the corporation shall be entitled to cumulative voting, as provided in Article SEVENTH of the Certificate of Incorporation of the corporation. When a quorum is present at any meeting of the stockholders, the vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting shall be sufficient for the transaction of any business, unless otherwise provided by statute, the Certificate of Incorporation or these by-laws.

SECTION 2.9. Voting of Certain Shares. Shares standing in the name of another corporation, domestic or foreign, and entitled to vote may be voted by such officer, agent, or proxy as the by-laws of such corporation may prescribe or, in the absence of such provision, as the Board of Directors of such corporation may determine. Shares standing in the name of a deceased person, a minor, or an incompetent and entitled to vote may be voted by his administrator, executor, guardian or conservator, as the case may be, either in person or by proxy to the full extent provided by Delaware Law. Shares standing in the name of a receiver and entitled to vote may be voted by such receiver. A stockholder some or all of whose shares, otherwise entitled to both, are pledged shall be entitled to vote such shares unless, in the transfer of such pledged shares, on the books of the corporation, such stockholder as pledgor has expressly empowered the pledgee to vote thereon, in which case only

the pledgee, or the pledgee's proxy, may represent such stock and vote thereon. Shares standing in the name of two or more persons and shares with two or more persons having the same fiduciary relationship respecting such shares shall be voted in accordance with the provisions of the Delaware General Corporation Law.

SECTION 2.10. Treasury Stock. Shares of its own stock belonging to this corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such corporation is held by this corporation, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares.

SECTION 2.11. Action Without Meeting. Any action required to be taken at any annual or special meeting of stockholders of the corporation or any action which may be taken at any such meeting, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or to take such action at a meeting at which all shares entitled to vote thereon were present and voted. Notice of any corporate action so authorized or taken shall be given within 24 hours to any stockholder who did not so consent in writing, and such action or authorization shall not be effective until such notice is given.

ARTICLE III

Directors

SECTION 3.1. Number and Election. At any time the corporation has only one stockholder, the number of directors which shall constitute the board shall be one. At any time the corporation has more than one stockholder but not more than eleven, the number of directors which shall constitute the whole board shall be eleven. At any time the corporation has more than eleven but not more than fifteen stockholders, the number of directors that shall constitute the whole board shall be the same as the

number of stockholders. At any time the Corporation has more than fifteen stockholders, the number of directors that shall constitute the whole board shall be fifteen. Elections of directors need not be by ballot. The directors shall be elected annually by the stockholders as provided in Section 2.1, or at special meetings of stockholders held in accordance with Article SEVENTH of the Certificate of Incorporation of the corporation and as provided in Section 2.2 of these by-laws, and each director elected shall hold office until his successor shall be duly elected and shall qualify. Directors need not be residents of the State of Delaware or stockholders of this corporation.

SECTION 3.2. Resignations and Vacancies. Any director may resign at any time by giving written notice to the Board of Directors or to the President. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.3. Management of Affairs of Corporation. The property and business of the corporation shall be managed by its Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these by-laws directed or required to be exercised or done by the stockholders. In case the corporation shall transact any business or enter into any contract or transaction with a director, or with any firm of which one or more of its directors are members, or with any trust, firm, corporation or association in which any director is a stockholder, director or officer or otherwise interested, such directors shall be severally under the duty of disclosing all material facts as to their relationship or interest and as to the contract or transaction to the remaining directors promptly if and when such interested directors shall become advised of the circumstances; and no such contract or transaction shall be void or voidable solely by reason of such disclosed interest or solely because such interested director was present at or participated in the meeting of the board or committee thereof which authorized the contract or transaction, or solely because his or their votes are counted for such purpose, if the board or committee thereof in good faith authorized such contract or transaction by a vote sufficient for such purpose without counting the vote of such interested director or directors. In the case of continuing relationships in the normal course of business, such disclosure shall be deemed effective, when once given, as to all transactions and contracts subsequently entered into.

SECTION 3.4. Regular Meeting. An annual meeting of the Board of Directors shall be held, without other notice than this by-law, immediately after, and at the same place as, the annual meeting of the stockholders. The Board of

Directors may provide, by resolution, the time and place, either within or without the State of Delaware, for the holding of additional regular meetings without other notice than such resolution.

SECTION 3.5. Special Meetings. Special meetings of the Board of Directors may be called by the President or any director to be held at the principal office of the Corporation at such time during business hours, as shall be designated by the call and specified in the notice of such meeting; and notice thereof shall be given as provided in Section 3.6 of these by-laws.

SECTION 3.6. Notice of Special Meetings. Except as otherwise prescribed by statute, written notice of the time and place of each special meeting of the Board of Directors shall be given at least five days prior to the time of holding the meeting. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A brief description of the business to be transacted at, or the purpose of, any special meeting of the Board of Directors shall be set forth in any notice, or waiver of notice, of such meeting. (See also Article IV of these by-laws.)

SECTION 3.7. Quorum. At each meeting of the Board of Directors, the presence of not less than a majority of the total number of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute. If a quorum shall not be present at any meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. In determining the presence of a quorum at a meeting of the directors or a committee thereof for the purpose of authorizing a contract or transaction between the corporation and one or more of its directors, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors are directors or officers, or have a financial interest, such interested directors may be counted in determining a quorum.

Unless otherwise restricted by the Certificate of Incorporation, any member of the Board of Directors or of any Committee authorized by the Board of Directors pursuant to Section 3.11 of these by-laws may participate in a meeting of the Directors or committee by means of conference telephone or similar communications equipment, by

disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

SECTION 3.12. Fees and Compensation of Directors. Directors shall not receive any stated salary for their services as such; but, by resolution of the Board of Directors, a fixed fee, with or without expenses of attendance may be allowed for attendance at each regular or special meeting of the board. Members of the board shall be allowed their reasonable traveling expenses when actually engaged in the business of the corporation, to be audited and allowed as in other cases of demands against the corporation. Members of standing or special committees may be allowed like fees and expenses for attending committee meetings. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

SECTION 3.13. Reliance Upon Records. Every director of the corporation, or member of any committee designated by the Board of Directors pursuant to authority conferred by Section 3.11 of these by-laws, shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or reports made to the corporation by any of its officials, or by an independent certified public accountant, or by an appraiser selected with reasonable care by the Board of Directors or by any such committee, or in relying in good faith upon other records of the corporation including, without limiting the generality of the foregoing, those as to the value and amount of assets, liabilities or net profits of the corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared or paid, or with which the corporation's stock might properly be purchased or redeemed.

ARTICLE IV

Notices

SECTION 4.1 Manner of Notice. Whenever under the provisions of the statutes, the Certificate of Incorporation, or these by-laws notice is required to be given to any director, member of any committee designated by the Board of Directors pursuant to authority conferred by Section 3.11 of these by-laws, or stockholder, it shall not be construed to require personal delivery, and such notice may be given in writing by depositing it, in a sealed envelope, in the United States mails, air mail or

first class, postage prepaid, addressed to (or by delivering it to a telegraph company, charges prepaid, for transmission to) such director, committee member or stockholder either at the address of such director, committee member or stockholder as it appears on the books of the corporation or, in the case of such a director or committee member, at his business address; and such notice shall be deemed to be given at the time when it is thus deposited in the United States mails (or delivered to the telegraph company).

SECTION 4.2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the statutes, the Certificate of Incorporation, or these by-laws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

Officers

SECTION 5.1. Offices and Official Positions. The officers of the corporation shall be a Chairman of the Board of Directors who shall be the Chief Executive Officer of the corporation, a President, one or more Vice Presidents, a Secretary, a Treasurer, and such Assistant Secretaries, Assistant Treasurers, and other officers as the Board of Directors may determine. Any two or more offices may be held by the same person, except the offices of Chairman, President and Secretary. None of the officers need be a director, a stockholder of the corporation or a resident of the State of Delaware.

SECTION 5.2. Election and Term of Office. The officers of the corporation shall be elected annually by the Board of Directors at their first meeting held after each regular annual meeting of the stockholders. If the election of officers shall not be held at such meeting of the board, such election shall be held at a regular or special meeting of the Board of Directors as soon thereafter as may be convenient. Each officer shall hold office for such term or during the pleasure of the Board of Directors as the Board of Directors shall specify, or until his death, or until he shall resign, or shall have been removed in the manner hereinafter provided.

SECTION 5.3. Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the whole board, at any regular or special meeting of the board; but such removal shall be without prejudice to the contract rights, if any, of such person so removed. Any officer may resign at any time by giving written notice to the Board of Directors, to the Chairman, the President

or to the Secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 5.4. Vacancies. A vacancy in any office because of death, resignation, removal, or any other cause may be filled for the unexpired portion of the term by the Board of Directors.

SECTION 5.5. The Chairman. The Chairman shall be the Chief Executive Officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the corporation. He shall have authority to designate the duties and powers of officers and delegate special powers and duties to specified officers, so long as such designation shall not be inconsistent with the statutes, the Certificate of Incorporation, these by-laws or action of the Board of Directors. He shall preside at all meetings of the stockholders, of the Board of Directors and of committees or directors of the corporation of which he is a member. He shall execute any deeds, mortgages, bonds, contracts or other instruments of the corporation, and except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors or the Chairman to some other officer or agent of the corporation. He may sign, with the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certificates for shares of stock of the corporation the issuance of which shall have been authorized by the Board of Directors, shall vote, or give a proxy to any other person to vote, all shares of the stock of any other corporation standing in the name of the corporation, shall have the general powers and duties of management usually vested in the office of a Chairman of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these by-laws.

SECTION 5.6. President. The President shall be the Chief operating officer of the corporation and shall, subject to the direction of the Chairman and the Board of Directors, have general charge and supervision of the day to day business of the corporation. He shall execute such deeds, mortgages, bonds, contracts or other instruments of the corporation as designated by the Chairman or Board of Directors. In general, the President shall perform all duties incident to the office of a chief operating officer and not inconsistent with the statutes, the Certificate of Incorporation, these by-laws, or the action of the Board of Directors, as may from time to time be proscribed for them by the Chairman.

SECTION 5.7. Vice Presidents. In the absence or inability of the President, the Vice Presidents in order of their rank by the Board of Directors or, if not ranked, the Vice President designated by the Board of Directors or the President, shall perform all duties of the President and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties, not inconsistent with the statutes, the Certificate of Incorporation, these by-laws, or action of the Board of Directors, as from time to time may be prescribed for them, respectively, by the Chairman. Any Vice President may sign, with the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certificates for shares of stock of the corporation the issuance of which shall have been authorized by the Board of Directors.

SECTION 5.8. Secretary. The Secretary shall: (a) keep the minutes of the meetings of the stockholders, the Board of Directors and committees of directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) have charge of the corporate records and of the seal of the corporation; (d) affix the seal of the corporation, or cause it to be affixed, to all certificates for shares prior to the issue thereof and to all documents the execution of which on behalf of the corporation under its seal is duly authorized by the Board of Directors or otherwise in accordance with the provisions of these by-laws; (e) keep a register of the post office address of each stockholder, director and committee member, which shall from time to time be furnished to the Secretary by such stockholder, director or committee member; (f) sign with the President, or a Vice President, certificates for shares of stock of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the corporation; and (h) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. He may delegate such details of the performance of duties of his office as may be appropriate in the exercise of reasonable care to one or more persons in his stead.

SECTION 5.9 Treasurer. The Treasurer shall: (a) be responsible to the Board of Directors for the receipt, custody and disbursement of all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall from time to time be selected in accordance with the provisions of Section 7.4 of these by-laws; (c) disburse the funds of the corporation as ordered by the Board of Directors or President or as required in the ordinary conduct of the business of the corporation; (d) render to the President or Board of Directors, upon request, an account of all his transactions as Treasurer and on the financial condition of the corporation; (e) in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President, by the Board of Directors or these by-laws; and (f) sign with the President, or a Vice President, certificates for shares of stock of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors. He may delegate such details of the performance of duties of his office as may be appropriate in the exercise of reasonable care to one or more persons in his stead. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum, and with such surety or sureties, as the Board of Directors shall determine.

SECTION 5.10. Assistant Treasurers and Assistant Secretaries. The Assistant Treasurers and Assistant Secretaries shall, in the absence of the Treasurer or Secretary, respectively, perform all functions and duties which such absent officer may delegate; but such delegation shall in nowise relieve the absent officer from the responsibilities and liabilities of his office. In addition, an Assistant Secretary or an Assistant Treasurer, as thereto authorized by the Board of Directors, may sign with the President, or a Vice President, certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the Board of Directors; and the Assistant Secretaries and Assistant Treasurers shall, in general, perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors. The Assistant Treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums, and with such surety or sureties, as the Board of Directors shall determine.

SECTION 5.11. Compensation. The compensation of the officers shall be fixed from time to time as may be authorized by the Board of Directors. No officer shall be prevented from receiving such compensation by reason of the fact that he is also a director of the corporation.

ARTICLE VI

Contracts, Loans, Checks and Deposits

SECTION 6.1. Contracts and Other Instruments. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 6.2. Loans. No loans shall be contracted on behalf of the corporation, and no evidence of indebtedness shall be issued in the name of the corporation, unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 6.3. Checks, Drafts, etc.. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation, and in such manner as shall from time to time be determined by the Board of Directors.

SECTION 6.4. Deposits. All funds of the corporation, or any division thereof, not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII

Certificates of Stock and Their Transfer

SECTION 7.1. Certificates of Stock. The certificates of stock of the corporation shall be in such form as may be determined by the Board of Directors, shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. All certificates properly surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued to evidence transferred shares until the former certificate for at least a like number of shares shall have been surrendered and cancelled and the corporation reimbursed for any applicable taxes on the transfer, except that in the case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms, and with such indemnity

(if any) to the corporation, as the Board of Directors may prescribe specifically or in general terms.

SECTION 7.2. Lost or Destroyed Certificates.

The Board of Directors in individual cases, or by general resolution, may direct a new certificate or certificates to be issued by the corporation as a replacement for a certificate or certificates for a like number of shares alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate or certificates of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate or certificates alleged to have been lost or destroyed.

SECTION 7.3. Transfer of Stock. Upon surrender to the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and upon payment of applicable taxes with respect to such transfer, it shall be the duty of the corporation, subject to such rules and regulations as the Board of Directors may from time to time deem advisable concerning the transfer and registration of certificates for shares of capital stock of the corporation, to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Transfers of shares shall be made only on the books of the corporation by the registered holder thereof or by his attorney or successor duly authorized as evidenced by documents filed with the Secretary of the corporation.

SECTION 7.4. Restrictions on Transfer. Any stockholder may enter into an agreement with other stockholders or with the corporation providing for reasonable limitation or restriction on the right of such stockholder to transfer shares of stock of the corporation held by him, including, without limiting the generality of the foregoing, agreements granting to such other stockholders or to the corporation the right to purchase for a given period of time any of such shares on terms equal to terms offered such stockholders by any third party. Any such limitation or restriction on the transfer of shares of this corporation

may be set forth on certificates representing shares of capital stock or notice thereof may be otherwise given to the corporation or the transfer agent, in which case the corporation shall not transfer such shares upon the books of the corporation without receipt of satisfactory evidence of compliance with the terms of such limitation or restriction; provided, however, no such restriction, unless noted conspicuously on the security, shall be effective against anyone found by a court of competent jurisdiction to be other than a person with actual knowledge of the restriction.

SECTION 7.5. No Fractional Share Certificates. Certificates shall not be issued representing fractional shares of stock.

SECTION 7.6. Closing Transfer Books or Fixing Record Date. The Board of Directors may close the stock transfer books of the corporation for a period not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding sixty days preceding the meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and adjournment thereof or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

SECTION 7.7. Stockholders of Record. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or

other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

General Provisions

SECTION 8.1. Fiscal Year. The fiscal year of the corporation shall begin on January 1 of each year and end on December 31 of such year.

SECTION 8.2. Seal. The corporate seal shall have inscribed thereon the name of the corporation and the words "CORPORATE SEAL" and "DELAWARE"; and it shall otherwise be in the form approved by the Board of Directors. Such seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or reproduced, or otherwise.

ARTICLE IX

Amendments

SECTION 9.1. In General. Any provision of these by-laws, including the provisions of this Article IX, may be altered, amended or repealed from time to time by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote at any annual meeting of stockholders at which a quorum is present, or at any special meeting of stockholders at which a quorum is present, if notice of the proposed alteration, amendment or repeal be contained in the notice of such meeting, provided that no reduction in the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

NORTHWEST ALASKAN PIPELINE COMPANY

DARRELL B. MACKAY
VICE PRESIDENT

1730 PENNSYLVANIA AVENUE, N.W., SUITE 230
WASHINGTON, D.C. 20006
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May 26, 1978

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FEDERAL
POWER COMMISSION

Honorable Kenneth F. Plumb
Secretary
Federal Energy Regulatory Commission
825 North Capitol Street, N.E.
Washington, D.C. 20426

Re: Northwest Alaskan Pipeline Company
Docket No. CP78-123

Dear Mr. Plumb:

Northwest Alaskan Pipeline Company and Alaskan Northwest Natural Gas Transportation Company submit herewith, for filing, pursuant to the Alaska Natural Gas Transportation Act of 1976 and the Natural Gas Act, an original and 19 copies of Notice of Amendment to Partnership Agreement notifying the Commission of a minor amendment to the partnership agreement presently pending Commission approval. Along with the said Notice there is filed:

1. A copy of Amendment No. 1 (Effective May 19, 1978) Alaskan Northwest Natural Gas Transportation Company General Partnership Agreement.
2. Proposed Notice of Filing of Notice of Amendment to Partnership Agreement.
3. A Certificate of Service.

Copies are being served to parties designated by the Commission on the service list for the Docket No. CP78-123.

Very truly yours,

Darrell B. MacKay
Darrell B. MacKay

DBM/dm

Enclosures

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

NORTHWEST ALASKAN PIPELINE COMPANY) Docket No. CP78-123

NOTICE OF
AMENDMENT TO PARTNERSHIP AGREEMENT

This Notice is filed by and on behalf of Northwest Alaskan Pipeline Company and Alaskan Northwest Natural Gas Transportation Company, a partnership formed under the laws of the State of New York, (hereinafter jointly referred to as Applicants), pursuant to the provisions of the Alaskan Natural Gas Transportation Act of 1976 (ANGTA), 15 USC §719, et seq., The Natural Gas Act, 15 USC §717, and the Rules and Regulations of the Federal Energy Regulatory Commission. The purpose of the instant filing is to advise the Commission of a minor modification, effective May 19, 1978, in the terms of the Alaskan Northwest General Partnership Agreement.

I.

On April 19, 1978, Applicants filed in the above-captioned proceeding a document entitled "Notice Of The Succession In Interest And Application For Transfer Of Certificate Of Public Convenience And Necessity." In that document Applicants advised the Commission of the succession by Alaskan Northwest Natural Gas Transportation Company to all interests of Northwest Alaskan Pipeline Company (formerly Alcan Pipeline Company), which were conferred by issuance of a conditional certificate of public convenience and necessity in Docket No. CP78-123. Applicants requested from the Commission an order effectuating formal transfer of the conditional certificate and approving the Partnership as properly constituted under applicable law.

II.

By Notice issued April 24, 1978, the Secretary established May 15, 1978 as the deadline for petitions to intervene and protests concerning Applicants' April 19, 1978 filing. Several petitions to intervene have since been submitted, none of which, to Applicants' knowledge, challenges the relief requested or requests a hearing on the matter. The Commission has as yet taken no action on the April 19, 1978 filing.

III.

As evidenced in the Alaskan Northwest General Partnership Agreement which Applicants included in the April 19, 1978 filing, the composition of the Partnership is not fixed, but is, instead, subject to addition or deletion of Partners upon specified terms and conditions. Section 5 of the Partnership Agreement is labelled "Allocation of Profits and Losses." Subsection 5.1 thereof is labelled "Contemporaneous Joinder of Partnership" and sets forth the method by which Partnership profits and losses will be allocated in the event all Partners have entered into the Partnership Agreement on or before March 17, 1978. Subsection 5.2, by contrast, is entitled "Non-Contemporaneous Joinder", and deals with the allocation of profits and losses where one or more Partners is added after that date. It is to this Subsection 5.2 of the Partnership Agreement that the scope of the May 19, 1978 Amendment is exclusively limited. A conformed copy of this Amendment, designated "Amendment No. 1", is appended hereto.

IV.

The purpose of Subsection 5.2 is to give recognition to the greater degree of financial risk and responsibility assumed by Partners who joined the Partnership at its inception (i.e., on or before March 17, 1978). To effectuate this purpose, Subsection 5.2, specifically Paragraph 5.2.1 thereof, prescribes a "Discount Schedule" whereunder any Partner admitted to Partnership after March 17, 1978 would have its allocable share of the net profits, losses and credits accruing to the Partnership after such Partner's admission date discounted by a fixed percentage, the level of which increases with the lateness of entry into the Partnership.

V.

The May 19, 1978 Amendment revises the schedule of Paragraph 5.2.1 to lessen the discounts applicable to Partners entering the Partnership in the near term. Other than the revision to the Discount Schedule in Paragraph 5.2.1, the Partnership Agreement is unchanged.

VI.

The purpose of this change is to encourage additional membership in the Partnership during the period preceding the commencement of construction on the Alaskan Gas Project. The effect of this change should be to facilitate private financing of the Alaskan Gas Project. In this respect, the May 19, 1978 Amendment

is wholly consistent with the terms and conditions of the President's Decision.

VII.

There has as yet been no change in Partnership composition as it existed on March 17, 1978. Accordingly, the May 19, 1978 Amendment does not necessitate any bookkeeping adjustment for past periods. The May 19, 1978 Amendment has been subscribed to by each of the Partners currently comprising the Partnership, thus evidencing its acceptability by all interested parties.

* * *

It is anticipated that consideration of the instant filing will neither delay the Commission's review of the Partnership Agreement nor cause the Commission to reach a different result concerning the overall legality and sufficiency of that Agreement.

Respectfully submitted,



DARRELL B. MACKAY

ALASKAN NORTHWEST NATURAL GAS
TRANSPORTATION COMPANY, A
PARTNERSHIP

NORTHWEST ALASKAN PIPELINE COMPANY

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, 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:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

Asst. Barbara Moreno
Secretary

By John H McMillan
Title
May 19, 1978

ATTEST:

PAN ALASKAN GAS COMPANY

Wendell J. Duggett
Asst. Secretary

By K.E. Kalen
Title
May 19, 1978

ATTEST:

NATURAL GAS CORPORATION OF
CALIFORNIA

W.B. Allen
Assistant Secretary

By John A. Spraul
Title Chairman of the Board
May 19, 1978

ATTEST:

PACIFIC INTERSTATE TRANSMISSION
COMPANY (ARCTIC)

asst. Helen M. Farniman
Secretary

By James E. ...
Title President
May 19, 1978

ATTEST:

UNITED ALASKA FUELS CORPORATION

W.O. ...
Asst. Secretary

By J. Laman Smith
Title Vice President
May 19, 1978

<u>Admission Date</u>	<u>Discount</u>
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.

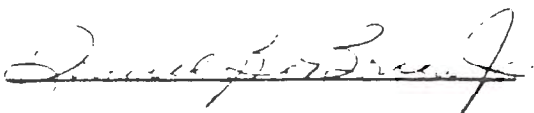
This Amendment No. 1 shall be effective as of May 19, 1978, and is consented to and agreed upon by all Partners.

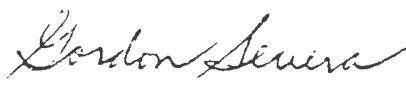
IN WITNESS WHEREOF, the Parties named below (being all of the Partners as of May 19, 1978) have caused this Amendment to be executed by their respective duly authorized officers on the date shown.

GENERAL PARTNERS:

ATTEST:

NORTHERN ARCTIC GAS COMPANY



By 
Title President
May 19, 1978

process to proceed as expeditiously as possible with matters affecting this Project, it is deemed appropriate, for purposes of Commission review, to incorporate this Amendment into the previously-filed Partnership Agreement and to dispense with the solicitation of public comment on this filing. However, should any party in fact wish to file a petition or protest directed specifically to the instant filing, such petition or protest will not be rejected as untimely.

Kenneth F. Plumb
Secretary

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

NORTHWEST ALASKAN PIPELINE COMPANY) Docket No. CP78-123

NOTICE OF FILING OF
NOTICE OF AMENDMENT TO
PARTNERSHIP AGREEMENT

Take notice that on May 26, 1978, Northwest Alaskan Pipeline Company and Alaskan Northwest Natural Gas Transportation Company, a partnership formed under the laws of the State of New York (hereinafter jointly referred to as Applicants), together filed a document entitled "Notice of Amendment to Partnership Agreement," in which they advised the Commission of a change in the terms of the Alaskan Northwest General Partnership Agreement. A copy of that Partnership Agreement had been tendered to the Commission on April 19, 1978 in conjunction with the filing by these Applicants of a document entitled "Notice of Succession In Interest and Application for Transfer of Certificate of Public Convenience and Necessity." In that filing, Applicants explained that the Alaskan Northwest Partnership had succeeded to the interests of Alcan Pipeline Company, including any and all interests conferred upon Alcan by issuance of a conditional certificate of public convenience and necessity in this Docket on December 16, 1977. Applicants accordingly requested, inter alia, Commission approval of the Partnership Agreement as properly constituted under applicable law.

The instant filing refers to an Amendment, effective May 19, 1978, to the Alaskan Northwest General Partnership Agreement, specifically Section 5 thereof, "Allocation of Profits and Losses." Under the Amendment, the variance in profit and loss allocation for any Partner entering the Partnership between March 17, 1978 (the date of initial formation of the Partnership) and January 1, 1980 will be reduced. According to Applicants, the purpose of such reduction is to encourage early participation in the Alaskan Gas Project. A copy of the May 19, 1978 Amendment is available for inspection in the Commission's Office of Public Information.

By reason of the assertedly minor nature of the change manifested in the Amendment of May 19, 1978, the fact that no protests to the originally-filed Alaskan Northwest General Partnership Agreement have been received by the Secretary (the deadline for such filings was May 15, 1978), and the need for the regulatory

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in Docket No. CP78-123 in accordance with the requirements of §1.17 of the Rules of Practice and Procedure.

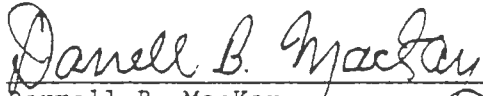
Dated at Washington, D. C., this 26th day of May, 1978.


DARRELL B. MACKAY

VERIFICATION

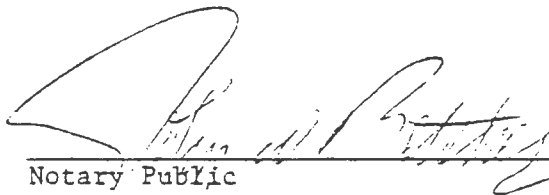
DISTRICT OF COLUMBIA) ss.

DARRELL B. MACKAY, being duly sworn, on oath, says that he is a Vice President for Northwest Alaskan Pipeline Company; that he has read the foregoing application of Northwest Alaskan Pipeline Company and the Alaskan Northwest Natural Gas Transportation Company and that he is familiar with the contents thereof; that as Vice President, he has executed the same for and on behalf of said Companies with full power and authority to do so; and that the matters set forth therein are true to the best of his information, knowledge and belief.



Darrell B. MacKay
Vice President

SUBSCRIBED AND SWORN TO before me this 28th day of May 1978



Notary Public

My Commission Expires:

My Commission Expires July 31, 1980

AKIN, GUMP, HAUER & FELD

ATTORNEYS AT LAW
1333 NEW HAMPSHIRE AVENUE, N.W.
SUITE 400

WASHINGTON, D.C. 20036

(202) 457-7700

TELEX 89-665

WRITERS DIRECT DIAL NUMBER 457-7633

AUSTIN OFFICE
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AUSTIN, TEXAS 78701
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1700 SOUTH TOWER
PENNZON PLACE
HOUSTON, TEXAS 77002
(713) 227-0356

DALLAS OFFICE
REPUBLIC NATIONAL BANK BUILDING
DALLAS, TEXAS 75201
(214) 655-2800

February 6, 1980

Honorable Kenneth F. Plumb
Secretary
Federal Energy Regulatory Commission
825 North Capitol Street, N.E.
Washington, D. C. 20426

Re: Northwest Alaskan Pipeline Company
Docket No. CP78-123

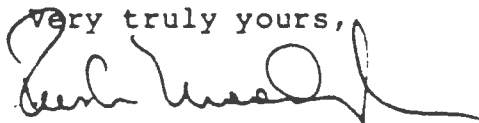
Dear Mr. Plumb:

Northwest Alaskan Pipeline Company and Alaskan Northwest Natural Gas Transportation Company submit herewith, for filing, pursuant to the Alaska Natural Gas Transportation Act and the Natural Gas Act, an original and 19 copies of Notice of Amendment to Partnership Agreement notifying the Commission of an amendment to the Partnership Agreement for the purpose of admitting American Natural Alaskan Company to the Partnership, advising the Commission of the willingness of the Partners to accept new Partners for thirty days on the same terms as those offered to American Natural Alaskan Company, and relating to the Commission that after the thirty day period the Partnership intends to enforce the discount schedule contained in Section 5.2 of the Partnership Agreement, as amended. Together with said Notice, there is also submitted:

1. A copy of Amendment No. 2 (effective January 1, 1980) to the Alaskan Northwest Natural Gas Transportation Company Partnership Agreement.
2. A proposed Notice of Filing of Notice of Amendment to Partnership Agreement.
3. A certificate of service.

Copies are being served on parties designated by the Commission on the service list for Docket No. CP78-123.

Very truly yours,



Rush Moody, Jr.

Enclosures

Alaskan Northwest Natural Gas)
Transportation Company) Docket No. CP78-123, et al.
)
)

3/ Amendment No. 1 pertained to the discount schedule set forth in section 5.2 of the Partnership Agreement. The amendment was noted at mimeo p. 7, fn. 6 of the Commission order issued in the captioned docket on June 30, 1978. This Amendment No. 2 is the second amendment to the Partnership Agreement, and is attached hereto as Appendix A.

(Michigan-Wisconsin), which operates an extensive network of pipeline transportation facilities pursuant to certificates of public convenience and necessity issued by the Federal Power Commission and its successor the Federal Energy Regulatory Commission (Commission). Michigan-Wisconsin has contracted with Exxon Corporation (Exxon) for the purchase of one-third of Exxon's production from the Prudhoe Bay Unit, North Slope, Alaska. American Natural Alaskan's entry into the Alaskan Northwest Partnership will provide additional benefits and strength to the ANGTS.

II

On January 31, 1978 the Alaskan Northwest Partners entered into a general partnership agreement for the purposes of constructing and operating the Alaskan segment of the ANGTS. The terms of this agreement were accepted by the Commission in an order issued June 30, 1978. Section 11 of the Partnership Agreement provides for the admission of additional partners after the formation of the Partnership upon terms and conditions of admission determined by the Partnership.

Pursuant to section 11, the Partnership agreed to the following terms for the admission of American Natural Alaskan:

1. American Natural Alaskan agrees to abide by all conditions and obligations of the Partnership Agreement, unless specifically waived. (Introduction, p. 2)

2. American Natural Alaskan will make a cash contribution to the capital account of the Partnership in an amount equal to that contributed by any individual Partner for the period between the formation of the Partnership and January 7, 1980. (Part VI, pp. 5-6) This contribution will be paid-off in increments with each future cash call so that the total paid by American Natural Alaskan will be twice that of any other Partner until the full amount has been equalized.

3. American Natural Alaskan will have the right to submit to the Board of Partners for inclusion in the American Natural Alaskan Capital Account certain sums, called Qualified Expenditures, expended prior to admission that the Partners determine to be of value to the project. (Part IV, p. 4)

4. American Natural Alaskan will be entitled to a representative on the following committees of the Partnership: Executive, Audit, and Compensation. (Parts VIII, IX, X, pp. 7-8)

5. For purposes of the admission of American Natural Alaskan, the Partnership agrees that solely for purposes of Section 5 of the Partnership Agreement, American Natural Alaskan will be deemed to have been a Partner on or before March 17, 1978. (Part VII, p. 7) This acts to waive the requirement of section 5.2 that a Partner admitted after that date is subject to a special allocation of profits, losses and credits.

6. The admission of American Natural Alaskan is conditioned upon the approval by the Commission of the terms and conditions of admission. (Part XIV, pp. 11-12)

III

As the Commission noted in its June 30, 1978 order, the Partnership has undertaken extensive efforts to obtain the participation of additional interstate pipelines as Partners. The admission of American Natural Alaskan is a positive step toward the financing, certification, and construction of the ANGTS. The addition of other Partners would be equally desirable. Accordingly, the Partnership has agreed to a thirty (30) day period following the Commission notice of this amendment in which any qualified entity (other than a producer of Alaskan natural gas)^{4/} may obtain full Partnership status on the same terms and conditions agreed to by the Partners and American Natural Alaskan.

One of the essential terms of Amendment No. 2 is the effective waiver, solely for purposes of the admission of American Natural Alaskan, of the discount provision of section 5.2 of the Partnership Agreement. That provision recognizes that the early participation of the original Partners constituted a greater risk than would be taken by any additional Partner. Accordingly, a Partner admitted under section 11 of the Partnership was subject to a discount in

^{4/} Such producers are barred from ownership participation in the Partnership. See Sections 1 and 5, Decision and Report to Congress on the Alaskan Natural Gas Transportation System, approved H.J.Res. 621, Pub. L. No. 95-108, 95th Cong., 1st Sess., November 2, 1977.

profits, losses, and credits. The size of the discount depended on the date of admission. The later a partner joined, the greater the discount. This section of the Partnership Agreement was accepted by the Commission in its June 30, 1978 order, but with respect to the specific numerical values of the discount, the Commission requested further support for the schedule of discounts and its relationship to the risks of participation and the motivation of others to join the Partnership. Absent this further information, the Commission directed that the discount remain at two per cent pending further order of the Commission.^{5/}

While the Partnership has not removed the discount formula from the Partnership Agreement, the Partnership is willing for a limited time to offer admission to others interested in joining the Project on the same terms as those agreed to by American Natural Alaskan.

IV

As previously noted, while the Commission in its June 30th Order accepted the principle of the discount schedule proposed by the Partnership, it permitted the actual operation of only a 2% discount. If the Partnership intended to implement a higher discount rate, it was requested to address the following concerns: how the specific values were developed, how the schedule reflects the risk of early membership and motivates potential partners to join, and how the discount provision affects risk perception and membership motivation, including the operation of the discount throughout the life of the Alaskan segment of the ANGTS and the distribution of the deducted discounts among the partners to which the discount is applicable.

The specific values in the discount schedule were not computed on a precise mathematical formula. Rather, the Partners established the values based upon their perception of the timing of expenditures by the initial Partners, the timing of the numerous regulatory approvals that must be obtained prior to construction of the Alaskan segment of the ANGTS, and the risks that would be initially assumed by the original Partners vis-a-vis those who joined at a time when the success of the Project was much more assured. The discount schedule reflects the Partners' belief that a commitment at the inception of the Project of substantial

^{5/} Under the Partnership proposed discount schedule, a Partner admitted on or after January 1, 1980 and before the Commitment Date would be subject to a 10 percent discount.

funds, time, personnel, and other resources should be fairly recompensed when the Project is completed. In short, those who have borne the risk of failure the longest deserve a greater reward from success than those with less foresight.

The agreement to add American Natural Alaskan without a discount, and the extension of a similar offer to others for a short period of time, exemplifies the Partnership's continued commitment to broad participation in the Project. However, at the close of the 30-day period, the Partnership believes that the extent of the financial commitment already made by the Partners does not allow continued relaxation of the terms of the Partnership Agreement. Reinstitution of the discount schedule, which would impose a 10% discount value after this 30-day period, is justified. The existing Partners have spent over \$118 million to date, have borne all the risks associated with this project, and have worked vigorously to satisfy the multitude of regulatory requirements that necessarily precede final certification and commencement of construction of this Project. If additional partners were now admitted without recognition of this assumption of risk, it would be patently inequitable to those who have borne all the risks and incurred all the costs to date. This is especially true now that the Commission has decided many of the most vexing problems facing ANGTS, problems that in themselves deterred some from joining the Partnership. For example, since the Commission's June 30, 1978 order, the incentive rate of return rulemaking has been completed and the project tariff has been approved; the Commission has issued final orders approving the design specifications for pipe size and pressure; preliminary planning, and a great majority of the other engineering and design work are substantially advanced; conditional import authorizations have been issued for the pre-build project; additional authorizations for the remaining portions of the pre-build project should be in place in the near future; and the Partnership plans to file for final Commission certification of the Alaskan segment in mid-1980. The financial outlay thus far has been approximately \$118 million, and the budgeted cash outlay approved for the Partnership for 1980 is approximately \$127 million. The more the present Partners spend to ensure the success of the Project, the greater their risk, and the closer the Project is to completion. Partners who would be admitted later will have taken none of that risk, and should not recoup all of the benefits. The discount schedule serves to even that disparity.

Thus, the point has been reached where a hopeful participant cannot get a "free-ride" by simply making up past payments. The Commission has long recognized the considerable risks taken on by the Partners in constructing the Alaskan portion of the

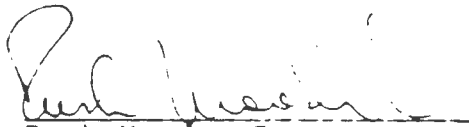
ANGTS. The Commission is also well aware of the remaining hurdles facing the Partnership before construction can begin, and that the final certification of the ANGTS is not an endeavor that is easy or risk-free. The Commission itself has devoted considerable resources to the review and decision process on ANGTS. Likewise, the Partnership has considerable monies at stake for which the Commission has not guaranteed a return of and on investment in the event of project failure.^{6/}

In light of all these circumstances, the Partnership is of the view that the ten percent discount rate now in effect, and the fifteen percent rate to follow the Commitment Date, is an accurate reflection of the risks and expenditures undertaken by the Partnership to date, and provides an equitable balance between the recognition of those sacrifices and the maintenance of an opportunity for others to join the Project at a time when the chance of failure has been reduced considerably.

V

WHEREFORE, Alaskan Northwest respectfully advises the Commission of the amendment to its Partnership Agreement and petitions the Commission to review and accept the amendment, as offered, and to review and accept the provisions of section 5 of the Partnership Agreement.

Respectfully submitted,



Rush Moody, Jr.
Attorney for Alaskan Northwest
Natural Gas Transportation Company

Of Counsel:

Northwest Alaskan Pipeline Company

AKIN, GUMP, HAUER & FELD
1333 New Hampshire Ave., N.W.
Suite 400
Washington, D. C. 20036

^{6/} In its order on the incentive rate of return (Order No. 31), the Commission stated at mimeo p. 72 that: "If the project is abandoned prior to the initiation of service, investors cannot expect to recover their investment through charges on gas consumers."

APPENDIX A

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 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 its 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

Lyndell B. 19
Secretary

James J. Trebilott
4 ac was PR esident

ALASKAN NORTHWEST NATURAL GAS
TRANSPORTATION COMPANY

By each of its Partners:

ATTEST:

NORTHWEST ALASKAN PIPELINE COMPANY

James B. Mason

BY John S. McMillen

ATTEST:

NORTHERN ARTIC GAS COMPANY

Figure 2

By

ATTEST:

PAN ALASKAN GAS COMPANY

By _____

ATTEST:

CALASKA ENERGY COMPANY

Isaiah
Secretary

By John A. Sprout
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

R. H. Wood
Assistant Secretary

By *Gordon Severa*
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:

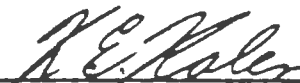
NORTHERN ARTIC GAS COMPANY

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. Craig Jr.
Assistant Secretary

By W. L. Lamm & Smith

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Northwest Alaskan Pipeline Company) Docket No. CP78-123
)
)

NOTICE OF FILING OF
NOTICE OF AMENDMENT TO
PARTNERSHIP AGREEMENT

Take notice that on February 6, 1980, Northwest Alaskan Pipeline Company and Alaskan Northwest Gas Transportation Company, a partnership formed under the laws of the State of New York (hereinafter referred to as the Partnership), filed a document entitled "Notice of Amendment to Partnership Agreement," in which the Commission was advised that American Natural Alaskan Company (American Natural Alaskan), a subsidiary of American Natural Resources Company, has been admitted to the Partnership as of January 1, 1980. A copy of the amendment to the Partnership Agreement (Amendment No. 2) was attached to the above noted filing.

The instant amendment admits American Natural Alaskan to the Partnership pursuant to section 11 of the Partnership Agreement. Pursuant to that provision, the following terms and conditions were agreed to as the basis for the admission of American Natural Alaskan: (1) American Natural Alaskan agrees to abide by all conditions and obligations of the Partnership Agreement, unless specifically waived. (Introduction, p. 2). (2) American Natural Alaskan will make a cash contribution to the capital account of the Partnership in an amount equal to that contributed by any individual Partner for the period between the formation of the Partnership and January 1, 1980, the date of admission to the Partnership of American Natural Alaskan. (Part VI, pp. 5-6). (3) American Natural Alaskan will have the right to submit to the Board of Partners for inclusion in the American Natural Alaskan Capital Account certain sums expended prior to admission, called Qualified Expenditures, that the Partners determine to be of value to the project. (Part IV, p. 4). (4) American Natural Alaskan will be entitled to a representative on the

following committees of the Partnership: Executive, Audit, and Compensation. (Parts VIII, IX, X, pp. 7-8). (5) For purposes of that solely for purposes of Section 5 of the Partnership Agreement, American Natural Alaskan will be deemed to have been a Partner on or before March 17, 1978. (Part VII, p. 7). (This acts to waive the requirement of section 5.2 that a Partner admitted after that date is subject to a deduction from the allocation of profits, losses and credits.) (6) The admission of American Natural Alaskan is conditioned upon the approval by the Commission of the terms and conditions of admission. (Part XIV, pp. 11-12).

In addition, the Notice of Filing also states that the Partnership is willing to provide other interested persons with the opportunity to join the Partnership on the same terms as those accepted by American Natural Alaskan. This offer will remain open for a period of thirty (30) days following the issuance of this notice.

The Notice of Filing also advises that should any person join the Partnership after the thirty day period, they will be subject to a deduction from the allocation of profits, losses, and audits of the Partnership. As of January 1, 1980, the rate of the discount is ten (10) percent.

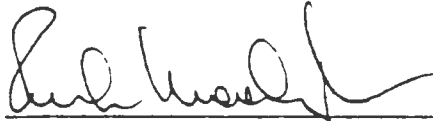
Any person desiring to be heard or to make any protest with reference to said application should on or before February __, 1980, file with the Federal Energy Regulatory Commission, Washington, D.C. 20426, a petition to intervene or a protest in accordance with the requirements of the Commission's Rules of Practice and Procedure (18 CFR 1.8 or 1.10) and the Regulations under the Natural Gas Act (18 CFR 157.10). All protests filed with the Commission will be considered by it in determining the appropriate action to be taken but will not serve to make the protestants parties to the proceeding. Any person wishing to become a party to a proceeding or to participate as a party in any hearing therein must file a petition to intervene in accordance with the Commission's Rules.

Kenneth F. Plumb
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in Docket No. CP78-123 in accordance with the requirements of § 1.17 of the Rules of Practice and Procedure.

Dated at Washington, D. C. this 6th day of February 1980.

A handwritten signature in cursive script, appearing to read "Rush Moody, Jr.", written over a horizontal line.

Rush Moody, Jr.

VERIFICATION

DISTRICT OF COLUMBIA) ss.

DARRELL B. MACKAY being duly sworn, on oath, says that he is a Vice President for Northwest Alaskan Pipeline Company; that he has read the foregoing Notice of Amendment to Partnership Agreement of the Northwest Alaskan Pipeline Company and the Alaskan Northwest Natural Gas Transportation Company and that he is familiar with the contents thereof; that as Vice President, he has executed the same for and on behalf of said Companies with full power and authority to do so; and that the matters set forth therein are true to the best of his information, knowledge and belief.

Darrell B. MacKay
Darrell B. MacKay
Vice President

SUBSCRIBED AND SWORN TO before me this 6th day of February
1980.

Patricia A. Walker
Notary Public

My Commission Expires:

My Commission Expires January 1, 1985