

GRANITE STATE GAS TRANSMISSION

WRITTEN PROCEDURES IMPLEMENTING STANDARDS OF CONDUCT FOR TRANSMISSION PROVIDERS

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I. Introduction

Granite State Gas Transmission, Inc. (“Granite”) is an interstate natural gas pipeline company that transports gas for others pursuant to subpart G of the regulations of the Federal Energy Regulatory Commission (“FERC”). Granite currently conducts no transmission transactions with an Affiliate that engages in Marketing Functions using Granite capacity, as defined by FERC’s Standards of Conduct (“SOC”) for Transmission Providers, Order No. 717 (73 FR 63796 (October 27, 2008)), as modified by Order No. 717-A (74 FR 54463 (October 22, 2009)), as further modified by Order No. 717-B (74 FR 61053 (November 20, 2009)). As a result, Granite is not currently subject to certain provisions of the SOC.

Nonetheless, Granite has adopted these written procedures (“SOC Written Procedures”) to reflect Granite’s commitment to full compliance with the letter and spirit of the SOC. Pursuant to §358.7(d) these SOC Written Procedures will be posted on the Granite public internet website at <http://www.gasnom.com/ip/gsgt>.

II. General Principles

The Standards of Conduct describe four “general principles” in addition to a series of specific requirements affecting how Transmission Providers interact with their Affiliates who engage in Marketing Functions using capacity on the Transmission Providers’ transmission system. These principles are:

- A. Non Discrimination Rule: A Transmission Provider must treat all Transmission Customers, affiliated and non-affiliated, on a not unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to undue prejudice or disadvantage with respect to any transportation of natural gas or transmission of electric energy in interstate commerce, or with respect to the wholesale sale of natural gas or electric energy in interstate commerce (§ 358.2(a)).

B. Independent Functioning Rule: A Transmission Provider's Transmission Function Employees must function independently from its Marketing Function Employees, except as permitted by the Standards of Conduct or as otherwise permitted by FERC order (§ 358.2(b)).

C. No Conduit Rule: A Transmission Provider and its employees, contractors, consultants and agents are prohibited from disclosing, or using a conduit to disclose, non-public Transmission Function Information to the Transmission Provider's Marketing Function Employees (§ 358.2(c)).

D. Transparency Rule: Transmission Providers will comply with the Standards of Conduct in a transparent manner through various posting requirements stipulated by the Standards of Conduct, and will provide equal access to non-public Transmission Function Information to all of its affiliated and non-affiliated Transmission Customers, except in the case of confidential customer information or Critical Energy Infrastructure Information (§ 358.2(d)).

Although it is not subject to certain provisions of the SOC, Granite is committed to the principles of non-discrimination and transparency, and, therefore, will treat all transmission customers in the same manner when providing FERC-jurisdictional transmission service and comply with the SOC's posting and access requirements.

III. Definitions

Capitalized terms contained in these SOC Written Procedures and not defined herein shall have the meaning attributed to them in the Standards of Conduct.

"Transmission Function Employee" means "an employee, contractor, consultant or agent of a transmission provider who actively and personally engages on a day-to-day basis in transmission functions." (§ 358.3(i)).

"Transmission Functions" means "the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests." (§ 358.3(h)).

"Transmission Function Information" which is "information relating to transmission functions." (§ 358.3(j)).

“Affiliate” which is a person or entity “that controls, is controlled by or is under common control with” Granite State, and includes divisions of Granite State “that operate as functional units.” (§ 358.3(a)(1)).

“Marketing Function Employee” means “an employee, contractor, consultant or agent of a transmission provider or of an affiliate of a transmission provider who actively and personally engages on a day-to-day basis in marketing functions.” (§ 358.3(d)).

“Marketing Functions,” in the case of interstate pipelines and their affiliates, means “the sale for resale [of natural gas] in interstate commerce, or the submission of offers to sell [natural gas] in interstate commerce,” subject to several exclusions: (1) bundled retail sales; (2) incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities; (3) sales of natural gas solely from a seller’s own production; (4) sales of natural gas solely from a seller’s own gathering or processing facilities; or (5) sales by an intrastate natural gas pipeline, a Hinshaw interstate pipeline exempt from the Natural Gas Act, or a local distribution company (“LDC”) making an on-system sale.” (§ 358.3(c)(2)). Order No. 717-A clarified that pipelines with LDC affiliates need not treat the LDCs’ employees as Marketing Function Employees unless the LDC engages in Marketing Functions using capacity of the affiliated pipeline. As noted above, Granite currently has no affiliates with employees that engage in Marketing Functions using Granite capacity.

IV. Procedures to Comply with Non Discrimination Rule (§ 358.4)

A. Granite will strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if the tariff provisions do not permit the use of discretion. (§ 358.4(a))

B. Granite will apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all Transmission Customers in a not unduly discriminatory manner, if the tariff provisions permit the use of discretion. (§358.4(b))

C. Granite will not, through its tariff or otherwise, give undue preference to any person in matters relating to the sale or purchase of transmission service (including, but not limited to, issues of price, curtailments, scheduling, priority, ancillary services, or balancing). Granite will process all similar requests for transmission in the same manner and within the same period of time. (§ 358.4(c) and (d))

V. Procedures to Comply with Independent Functioning Rule (§ 358.5)

- A. Granite Transmission Function Employees are prohibited from engaging in Marketing Functions.
- B. Should any Granite Affiliate elect to engage in Marketing Functions using Granite capacity in the future, such Marketing Function Employees would be prohibited from engaging in or conducting any Transmission Functions, except in Emergency Circumstances or as permitted by order of FERC.
- C. Such future Marketing Function Employees would be prohibited from accessing the system control center, including physical facilities and information systems, that differ from access available to other transmission customers.
- D. Except in emergency situations or as permitted by order of FERC, Granite personnel would be prohibited from disclosing to a future Marketing Function Employee any transmission function information pertaining to Granite that is not already posted on Granite's internet website or otherwise publicly available without restriction.
- E. Should any Granite Affiliate elect to engage in Marketing Functions using Granite capacity in the future, Granite personnel would use caution when communicating non-public information pertaining to Granite transmission system operations through electronic media such as email, in order to protect the confidentiality of such information and to avoid inadvertent dissemination to a distribution list that may include Marketing Function Employees in the future.

VI. Procedures to Comply with No Conduit Rule (§ 358.6)

- A. Should any Granite Affiliate elect to engage in Marketing Functions using Granite capacity in the future, Granite would not use anyone as a conduit for the disclosure of non-public Transmission Function Information to any such Marketing Function Employees.
- B. All Granite employees, contractors, consultants or agents, and all employees, contractors, consultants or agents of Granite Affiliates, would be prohibited from disclosing non-public Transmission Function Information to any such future Marketing Function Employees.

VII. Procedures to Comply with Transparency Rule (§ 358.7)

- A. Posting of Standards of Conduct Information (§ 358.7(g))
 - 1. Granite will post all information required to be posted in accordance with the Standards of Conduct and these SOC Written Procedures on its internet website. The website address is <http://www.gasnom.com/ip/gsgt/> .
 - 2. Granite will update its internet website within seven (7) business days of any change to these SOC Written Procedures, and post the date on which the information was updated.

- B. Postings in the Event of Prohibited Disclosures (§ 358.7(a))
 - 1. In the event that any non-public Granite transmission function information (other than non-public shipper information or information that is considered Critical Energy Infrastructure Information (“CEII”) or otherwise prohibited by FERC from public disclosure) is disclosed to any future Marketing Function Employee in violation of these SOC Written Procedures, Granite will take immediate steps to post the information that was disclosed on its internet website.
 - 2. In the event that any non-public Granite shipper information or CEII or information otherwise prohibited by FERC from public disclosure is disclosed to any future Marketing Function Employee in violation of these SOC Written Procedures, Granite will take immediate steps to post on its internet website a notice of the fact of the disclosure (without posting the actual information).

- C. Information Required to be Maintained in Postings
 - 1. A copy of these SOC Written Procedures, as such may be updated from time to time (§ 358.7(d))
 - 2. The name and contact information of Granite’s Chief Compliance Officer (§ 358.8(c)(2))
 - 3. The names and addresses of all affiliates that employ or retain Marketing Function Employees (§ 358.7(e)(1)). Currently, no such affiliates exist.

4. A list of all employee-staffed facilities shared by Granite and any Marketing Function Employees, including a description of the types of facilities shared and the addresses of the facilities (§358.7(e)(2)). Currently, no such facilities exist.

5. The job titles and job descriptions of all Granite Transmission Function Employees (§ 358.7(f)(1))

D. Other Periodic Standards of Conduct Postings

1. Posting of Employee Transfer Information (§ 358.7(f)(2)) – This section will become applicable if an affiliate of Granite elects to engage in Marketing Functions using Granite capacity in the future.

Employee job transfers between the Transmission Function and the Marketing Function are permissible so long as they are not used as a means to circumvent any provision of the Standards of Conduct rules. Should a Granite Transmission Function Employee transfer to a position as a Marketing Function Employee, or vice versa, the following information would be posted and remain on Granite's internet website for 90 days:

- a) The name of the transferring employee;
- b) The titles the employee held while performing each function; and
- c) The effective date of the transfer

2. Posting of Merger Information (§ 358.7(e)(3))

Information concerning potential merger partners (which will disclose such information as would be required to be disclosed if the merger partner and its affiliates were already affiliates of Granite) will be posted on Granite's internet website within seven (7) days of the public announcement of the proposed merger.

3. Posting of Affiliate Waivers (§ 358.7(i))

Granite will post a notice of each waiver of any of its FERC Gas Tariff provisions in favor of an affiliate, unless such waiver was approved by FERC. The posting will be made within one (1) business day of the grant of the waiver. Granite will also maintain a log of all such waivers, which will be made available to the Commission upon request. All waiver records will be kept for a period of five (5) years from the date of each act of waiver.

VIII. Procedures for Compliance Oversight

Granite has established Standards of Conduct compliance training and oversight procedures to ensure compliance with all directives.

A. Compliance Measures and SOC Written Procedures

1. "Northern Utilities, Inc., an LDC affiliate of Granite State, does not engage in Marketing Functions using Granite State capacity."
2. Limiting Access to Facilities and Information Systems (§ 358.5(b)(1)(ii))
 - a) While this section is currently inapplicable to Granite, Granite's transmission system control center operates at a facility that is physically separated from the facility where employees of Affiliates that may engage in Marketing Functions using capacity on pipelines other than Granite are employed.
 - b) Granite has implemented electronic access controls on all information systems containing non-public Transmission Function information, which utilize passwords, firewalls or other security measures to restrict access. Employees that may engage in Marketing Functions using capacity on pipelines other than Granite are prohibited from accessing these systems.
3. Maintenance of Independent Books and Records (§358.8(d))

Granite maintains its books and records (as specified under 18 C.F.R. Parts 201 and 225) separately from the books and records of any of its Affiliates that employ or retain employees that may engage in Marketing Functions using capacity on pipelines other than Granite.

4. Emergency Circumstances Affecting System Operations or Reliability (§ 358.7(h), § 358.7(g)(2))
 - a) Granite personnel are authorized to deviate from these SOC Written Procedures as necessary to keep Granite's transmission system in operation during emergency circumstances that affect system reliability, such as an earthquake, flood, fire or hurricane that severely disrupts Granite's normal business operations ("Emergency Conditions").
 - b) In Emergency Conditions, if required, Transmission Function Employees may call upon any employees, including employees of any

affiliates, to assist in maintaining system operations or restoring the system to a normal operating state. As Granite currently has no affiliates that engage in Marketing Functions using Granite capacity, further notifications of such assistance by employees of affiliates is not required.

5. Permitted Communications Pertaining to An Affiliate's Request for Service (§ 358.7(b)). These requirements do not currently apply to Granite.

6. Exception to Information Sharing Prohibitions Following Voluntary Consent (§ 358.7(c)). These requirements do not currently apply to Granite.

B. Training

The Standards of Conduct require Transmission Function Employees, employees of Affiliates who may engage in Marketing Functions using capacity on pipelines other than Granite, and any other personnel likely to receive Transmission Function information to attend training sessions and to sign forms certifying that they have been trained regarding the Standards of Conduct requirements. (§ 358.8(b)(c)).

1. All Granite personnel with the exception of clerical, maintenance and field personnel will receive Standards of Conduct training on an annual basis.
2. All personnel subject to the Standards of Conduct will receive a copy of these SOC Written Procedures, and will be required to execute a certification declaring that they have received the procedures and participated in the training.
3. All new personnel subject to the Standards of Conduct will be required to take Standards of Conduct training within thirty (30) days of their arrival, and to certify their attendance at a training session and receipt of the SOC Written Procedures.

C. Chief Compliance Officer Responsibilities

The Standards of Conduct require that Granite designate a Chief Compliance Officer to be responsible for Standards of Conduct compliance. (§ 358.8(c)(2)) The Chief Compliance Officer is responsible to:

1. Oversee Standards of Conduct compliance, including the implementation of, compliance with, and periodic updating of the SOC Written Procedures.

2. Coordinate and supervise the dissemination of these SOC Written Procedures and training to all employees subject to the Standards of Conduct.
3. Conduct reasonable investigation of all instances of alleged violation of these SOC Written Procedures or the Standards of Conduct generally, and report the results of such investigations, including any recommended disciplinary actions, to the Senior Vice President and Chief Regulatory Counsel.
4. Conduct an annual internal audit of compliance with these SOC Written Procedures and submit a written report to the Senior Vice President and Chief Regulatory Counsel on the status of compliance with the Standards of Conduct.
5. Maintain records pertaining to the Standards of Conduct, which are to be retained for a period of not less than five (5) years and include the following:
 - a) Employee transfer information;
 - b) Documentation of compliance issues and their resolution;
 - c) Employee certifications of Standards of Conduct training;
 - d) Records pertaining to permitted instances of communications between Granite Transmission Function Employees and Marketing Function Employees, as provided above.;
 - e) Annual Standards of Conduct compliance audit reports; and historical informational postings required by the Standards of Conduct.
6. Prepare and update Granite State's FERC Compliance Plan and Procedures.

GRANITE STATE GAS TRANSMISSION
STANDARDS OF CONDUCT FOR TRANSMISSION PROVIDERS
CERTIFICATION

I hereby certify that (i) I have received and reviewed the Granite State Gas Transmission System *Written Procedures Implementing Standards of Conduct for Transmission Providers* ("SOC Written Procedures"); (ii) I have participated in a training session pertaining to these SOC Written Procedures; (iii) I will comply fully with all aspects of these SOC Written Procedures that apply to an individual with my job responsibilities; and (iv) I will bring to the attention of my immediate supervisor or Granite State Gas Transmission's Chief Compliance Officer any questions or concerns that I have regarding these SOC Written Procedures or Granite State Gas Transmission's compliance with the Standards of Conduct for Transmission Providers.

Signature

Printed Name

Position

Department

Date