

APPENDIX A

SETTLEMENT AGREEMENT

**RELATING TO Foothills' GAS TRANSPORTATION TARIFF PHASE I
AND THE SPECIAL CHARGE AND
CERTAIN GENERAL AND ADMINISTRATIVE EXPENSES**

FOOTHILLS PIPE LINES LTD.

JANUARY 13, 2003

SETTLEMENT AGREEMENT

2003
THIS SETTLEMENT AGREEMENT dated for reference the 13th day of January,

BETWEEN:

FOOTHILLS PIPE LINES LTD., a corporation incorporated under the laws of Canada (hereinafter referred to as "**Foothills**")

OF THE FIRST PART

- and -

CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS, a not-for-profit corporation incorporated under the laws of Canada (hereinafter referred to as the "**CAPP**")

OF THE SECOND PART

WHEREAS the Parties wish to enter into the settlement set forth and described in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the mutual covenants and agreements of the Parties herein set forth, the Parties hereby covenant and agree with one another as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalized terms used in this Agreement including the recitals and Schedules shall have the meanings respectively provided for those terms as set forth below, or where no meaning is specified for a capitalized term below, the meaning provided for that term in the Foothills' Gas Transportation Tariff or in that part of this Agreement where such term is utilized:

- (a) "**Actual Amount**" has the meaning ascribed to such term in Section 3.1 hereof;
- (b) "**Agreed Amount**" means, for any year during the Term, an initial amount equal to \$12,600,000, escalated at 3% per year commencing January 1, 2003. For clarity, the Agreed Amount for 2003 shall be \$12,978,000;
- (c) "**Collectible Amount**" has the meaning ascribed to such term in Section 2.1 hereof;
- (d) "**Commencement Date**" has the meaning ascribed to such term in Subsection 4.3(a) hereof;
- (e) "**Foothills' Gas Transportation Tariff**" means the Foothills Gas Transportation Tariff Phase 1, as amended, replaced, superseded or renewed from time to time;

- (f) **"Foothills' Operating and Maintenance Expense Budget"** means Foothills' operating and maintenance expense budget filed annually with the NEB pursuant to Order TG-6-81, a pro forma copy of which is attached hereto as Schedule "A";
- (g) **"General and Administrative Expenses"** means, for the purposes of this Agreement, the following operating and maintenance expenditures of Foothills:
- (i) Foothills' Field Operations Expenses (as that term is used in Foothills' Operating and Maintenance Expense Budget and as included in a sub-account of NEB Account No. 685 – Systems Operations and Engineering);
 - (ii) Foothills' Head Office Costs (as that term is used in Foothills' Operating and Maintenance Expense Budget and as included in sub-accounts of NEB Account Nos. 721 – Administrative Expense, 722 – Special Services, 725 – Employee Benefits and 729 – Administrative and General Expense Transferred), excluding pension obligation costs;
 - (iii) Regulatory Proceeding Costs (as that term is used in Foothills' Operating and Maintenance Expense Budget and as included in sub-accounts of NEB Account Nos. 721, 722, 725 and 729); and
 - (iv) Transition Costs (including severance costs but excluding any associated pension obligation costs) as recorded in a sub-account of NEB Account No. 160 – Prepayments and as amortized to a sub-account of Account No. 721 pursuant to Section 3.4 hereof;

During the Term, to the extent any General and Administrative Expenses are outsourced by Foothills, then such outsourced expenses shall be charged to NEB Account No. 721.

- (h) **"Incentive Plan Expiry Date"** has the meaning ascribed to such term in Section 3.2 hereof;
- (i) **"Incentive Saving"** has the meaning ascribed to such term in Subsection 3.1(b)(ii) hereof;
- (j) **"NEB"** means the National Energy Board;
- (k) **"Parties"** means Foothills and CAPP and **"Party"** means either of them;
- (l) **"Person"** includes any individual, corporation, body corporate, partnership, joint venture, association, trust, federal, provincial, municipal or other government or governmental or public department, court, commission, board, bureau, agency or other legal entity;
- (m) **"Phase II Preliminary Expenditures"** means \$124,162,000 of the Phase II preliminary expenditures incurred by Foothills prior to December 31, 1981 as described in Order TG-4-82;
- (n) **"Settlement"** means the arrangements set forth and described in this Agreement;
- (o) **"Special Charge"** means the amortization of and return on the Phase II Preliminary Expenditures incurred by Foothills prior to December 31, 1981, the recovery of which in Foothills Gas Transportation Tariff was originally authorized by Order IG-4-82;

- (p) **"Subsidiary's Gas Transportation Tariff"** means:
- (i) in respect of Foothills Pipe Lines (Alta.) Ltd., the Foothills Pipe Lines (Alta.) Ltd. Phase I Gas Transportation Tariff, as amended, replaced, superseded or renewed from time to time;
 - (ii) in respect of Foothills Pipe Lines (Sask.) Ltd., the Foothills Pipe Lines (Sask.) Ltd. Phase I Gas Transportation Tariff, as amended, replaced, superseded or renewed from time to time; and
 - (iii) in respect of Foothills Pipe Lines (South B.C.) Ltd., the Foothills Pipe Lines (South B.C.) Ltd. Phase I Gas Transportation Tariff, as amended, replaced, superseded or renewed from time to time;
- and **"Subsidiaries' Gas Transportation Tariffs"** means all of the tariffs described above;
- (q) **"Term"** means the period commencing January 1, 2003 to and including December 31, 2015; and
- (r) **"Transition Costs"** means costs incurred to restructure the Foothills' business model as described in Section 3.3 hereof.

1.2 Agreement Viewed as a Whole

This Agreement is the result of negotiations and the Parties enter into this Agreement with the understanding that no single component of this Agreement is to be construed as representing the position of any Party on the appropriate result that would be obtained in the absence of the Agreement. This Agreement was realized as a result of broad industry negotiations and represents a balancing of interests by the Parties, and therefore no single component can be said to be acceptable to any Party independent of the entire Agreement. All components of this Agreement are inextricably linked and must be treated as such.

1.3 Accounting

Where the amount of any asset or liability or item of income or expense is required to be determined, or any other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with Canadian generally accepted accounting principles and the NEB Gas Pipeline Uniform Accounting Regulations.

1.4 Schedule to Agreement

The following Schedule is attached to and forms part of this Agreement, and is incorporated by reference in this Agreement, and is deemed to form a part hereof:

Schedule "A" - Pro Forma Foothills' Operating and Maintenance Expense Budget

If there is a conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule, the provisions of the body of this Agreement shall prevail.

ARTICLE 2 SPECIAL CHARGE

2.1 Recovery of Special Charge

Effective November 1, 2002, the unamortized portion of the Phase II Preliminary Expenditures under the Foothills' Gas Transportation Tariff shall be adjusted to an amount equal to two-thirds (2/3) of the outstanding principal balance of the Phase II Preliminary Expenditures at November 1, 2002, (the "Collectible Amount"). Subject to Section 2.3 below, the Collectible Amount shall continue to be amortized without any "return on" component under Foothills' Gas Transportation Tariff, in each billing month equally over the number of months remaining in the Term and allocated to each Zone on a pro-rata basis pursuant to the method currently being used until fully collected by December 31, 2015. At that time, the Phase II Preliminary Expenditures (that is, the \$124,162,000), shall be deemed to have been fully recovered by Foothills. The Parties acknowledge and agree that as of November 1, 2002, the outstanding principal balance of the Phase II Preliminary Expenditures, excluding any pre-tax return, was \$47,826,000 and the Collectible Amount was \$31,884,000.

2.2 "Return On" Component of the Special Charge

Subject to Section 2.3 below, effective November 1, 2002, Foothills shall not charge or recover any return on the Phase II Preliminary Expenditures in the Foothills' Zone Cost of Service for each Zone under the Foothills' Gas Transportation Tariff.

2.3 Adjustment of Collectible Amount

Notwithstanding Sections 2.1 and 2.2 above, for the period commencing November 1, 2002 to the end of the month in which the NEB approves the terms and conditions of this Agreement, Foothills shall continue to collect the Special Charge in its Zone Cost of Service for each Zone as presently authorized pursuant to Interim Toll Order TGI-1-2002. The outstanding balance of the Collectible Amount on the first day of the month next following the month in which the NEB approves the terms and conditions of this Agreement shall be \$31,884,000 less the total amount of the Special Charge included in its Zone Cost of Service as presently authorized pursuant to Interim Toll Order TGI-1-2002 between November 1, 2002 and the end of the month in which the NEB approves the terms and conditions of this Agreement. The Collectible Amount (as adjusted pursuant to this Section 2.3) shall thereafter be amortized, without any "return on" component, under Foothills Gas Transportation Tariff in each billing month, equally over the number of months remaining in the Term, and allocated to each Zone on a pro-rata basis, pursuant to the method currently being used until fully collected by December 31, 2015.

2.4 Refund of the Special Charge

Upon approval of this Agreement by the NEB, any requirement of Foothills to refund or pay to Alberta producers or any other Person, all or a portion of the Special Charge, any interest or rate of return relating thereto or any amount in lieu thereof as contained in Order TG-4-82, whether collected by Foothills in the past or to be collected in the future, shall be terminated.

ARTICLE 3 GENERAL AND ADMINISTRATIVE EXPENSES

3.1 Incentive Plan

During the Term:

- (a) in each year, Foothills shall include the Agreed Amount as its General and Administrative Expense component of its Operating and Maintenance Expense Budget for such year;
- (b) if the actual amount of the General and Administrative Expenses for any year (the "Actual Amount"):
 - (i) is greater than the Agreed Amount for such year, the Actual Amount less the Agreed Amount for such year shall be to the account of Foothills; or
 - (ii) is less than the Agreed Amount for such year (the "Incentive Saving" being the difference between the two amounts), Foothills shall credit to the account of the shippers a portion of the Incentive Saving for such year as follows:
 - A. for the years 2003 and 2004, Foothills shall credit to the account of the shippers 10% of the Incentive Saving for any such years;
 - B. for the years 2005 and 2006, Foothills shall credit to the account of the shippers 20% of the Incentive Saving for any such years;
 - C. for the years 2007 and 2008, Foothills shall credit to the account of the shippers 30% of the Incentive Saving for any such years;
 - D. for the years 2009 and 2010, Foothills shall credit to the account of the shippers 40% of the Incentive Saving for any such years; and
 - E. for the years 2011 to and including 2015, Foothills shall credit to the account of the shippers 50% of the Incentive Saving for any such years;
- (c) Foothills shall credit any Incentive Saving amounts described in Subsection 3.1(b)(ii) to the account of the shippers in the same year as any Incentive Saving occurs;
- (d) Foothills shall be entitled to retain for its own account, the remaining portion of the Incentive Saving not credited to the account of the shippers as set forth in Subsection 3.1(b)(ii), provided that the aggregate Incentive Saving which Foothills retains for its own account during the Term, does not exceed \$45,000,000;
- (e) During the Term, the mechanism for returning any Incentive Saving credit to the shippers shall be pursuant to that described in Section 5.7 of Foothills General Terms and Conditions contained within Foothills Gas Transportation Tariff. Commencing with the September 2003 billing estimate contemplated by Section 5.7 of the said General Terms and Conditions, and for each billing estimate delivered to shippers for the balance of the Term, such billing estimates shall reflect Foothills reasonable estimate of shippers share of any Incentive Saving for the relevant "Billing Period" (as that term is defined in the aforementioned Section 5.7).

3.2 Termination of Incentive Saving

On the earlier of the expiry of the Term or December 31st of the year that the aggregate Incentive Saving which Foothills retains for its own account totals \$45,000,000 (the "Incentive Plan Expiry Date"), the Agreed Amount for the following year shall be set at the lesser of the Actual Amount for the immediately preceding year and the average of the Actual Amount for the three (3) preceding years. Notwithstanding the foregoing, from and after the Incentive Plan Expiry Date, the actual General and Administrative

Expenses for such year shall be included in the Zone Cost of Service calculations for each Zone under the Foothills' Gas Transportation Tariff without regard to any restrictions or incentives set out in this Agreement in accordance with Foothills' existing cost of service methodology approved by Order TG-1-79, Order TG-6-81 and Order TG-4-82

3.3 Restructuring of Foothills' Operations

The parties acknowledge that Foothills intends to restructure its business model in an effort to reduce its General and Administrative Expenses as provided in this Agreement.

3.4 Amortization of Transition Costs

Transition Costs shall be amortized without any "return on" component, to Foothills Cost of Service over the number of months remaining from the date such costs were incurred to the expiry of the Term

3.5 Costs that Continue to Flow Through to Shippers

Other than as described herein in Articles 1 and 2 and subsections 3.1 to 3.4 inclusive, all costs, expenses and expenditures of Foothills, including all existing operations and maintenance expenses, such as field operations expense - TransCanada PipeLines Limited, field operations expense - BP Canada, successor field operations expense to BP Canada and/or TransCanada PipeLines Limited (if any), electric power, maintenance and integrity program, land payments, corporate insurance, government agency cost recovery, regulatory hearings for Phase I facility additions, pension obligations, costs related to Phase I capital additions and any costs resulting from material changes in law shall continue to be calculated on a flow through basis (100% to the account of shippers) pursuant to Foothills Gas Transportation Tariff.

ARTICLE 4 APPLICATION TO THE NEB

4.1 Regulatory Approval of this Agreement

The terms and conditions contained in this Agreement are subject to approval of the NEB and if this Agreement is not approved in its entirety by the NEB, this Agreement shall immediately terminate and shall be of no further force or effect. If this Agreement terminates in this manner, then this Agreement will not prejudice the position of any of the Parties in any regulatory proceeding following such termination.

4.2 Foothills to Seek Regulatory Approval

Foothills shall immediately commence the preparation of an application to be submitted for approval to the NEB, which shall reflect the terms and conditions of this Agreement, including all necessary and consequential amendments to the Foothills' Gas Transportation Tariff in order to properly effect the terms and conditions of this Agreement. CAPP agrees to support such application to the NEB.

4.3 Further Application to the NEB

- (a) Subject to Subsection 4.3(b), no Party shall request a further review or variance of any order granted by the NEB approving the terms and conditions of this Agreement, except any Party may, if such Party reasonably believes that Alaska natural gas will flow on the Foothills' Phase I system during the Term, apply to the NEB for an order (to be effective on the date Alaska natural gas flows on the Foothills' Phase I system (the "**Commencement Date**")) reviewing or varying:

- (i) Foothills' Head Office Costs (as that term is used in Foothills' Operating and Maintenance Expense Budget and as included in sub-accounts of NEB Account Nos. 721, 722, 725 and 729) that are included in General and Administrative Costs in any year as well as any other incidental changes to this Agreement that result as a consequence of any such order; and/or
 - (ii) the allocation of the payment of the Collectible Amount remaining on the Commencement Date amongst shippers holding transportation contracts on Foothills' Phase I system at such time.
- (b) Prior to bringing any application to the NEB pursuant to Subsection 4.3(a), the Parties agree to meet to attempt to reach a negotiated settlement of the issues between the Parties. In the event the Parties cannot reach agreement after a period of thirty (30) days from the date a Party advises the other Party in writing of the issue in question, each Party shall be at liberty to bring an application to the NEB pursuant to Subsection 4.3(a).
 - (c) In any NEB proceeding, in which the terms and conditions of this Agreement are in issue, or any NEB order approving the terms and conditions of this Agreement is in issue, Foothills and CAPP agree to support the terms and conditions of this Agreement in such proceeding.
 - (d) Any application contemplated by subsection 4.3(a)(i) and/or (ii) above shall not be filed prior to the date that shipper commitments have been made to move Alaska gas on Foothills Phase I system.

4.4 Dispute

In the event of any dispute under this Agreement, the Parties will in good faith attempt to resolve the dispute. If a satisfactory resolution cannot be achieved within thirty (30) days from the date a Party advises the other Party in writing of the issue in question, either Party may file an application with the NEB requesting that the NEB adjudicate the matter in dispute. Any such application shall also contain a request that the NEB deal with the matter in dispute on an expedited basis.

4.5 Audit Rights

At any time prior to December 31, 2016, and upon reasonable notice being given to Foothills, CAPP may conduct one independent audit per year in order to determine compliance by Foothills with the terms of this Agreement. Any such audit must be conducted by a qualified major firm of independent chartered accountants having offices in the province of Alberta.

Foothills shall provide the auditors selected by CAPP, with reasonable access to source data necessary for the conduct of the audit; provided always that the auditor will execute a confidentiality agreement in a form satisfactory to Foothills requiring the auditor to maintain confidentiality in respect of source data identified by Foothills as confidential.

The full cost of such audits, inclusive of Foothills employee person-hours, will be borne by CAPP.

4.6 Reporting Requirements

In addition to surveillance and other reports prepared in accordance with NEB requirements, Foothills shall submit an annual report to the NEB that would stipulate, for each year of the Term, the Agreed

Amount, the Actual Amount, the Incentive Saving, the aggregate Incentive Saving and the annual Collectible Amount.

ARTICLE 5 MISCELLANEOUS

5.1 Corresponding Changes to Subsidiaries' Gas Transportation Tariffs

Foothills agrees, as necessary, to file an application to be submitted for approval to the NEB in respect of all necessary and consequential amendments to the Subsidiaries' Gas Transportation Tariffs in order to properly effect the terms and conditions of this Agreement. Such amendments shall be subject to the approval of the NEB. CAPP agrees to support any such application to the NEB.

5.2 Expanded Meanings

Unless the context otherwise necessarily requires, the following provisions shall govern the interpretation of this Agreement:

- (a) words used herein importing the singular number only shall include the plural and vice versa;
- (b) the terms "in writing" or "written" include printing, typewritten, or any electronic means of communication by which words are capable of being visually reproduced at a distant point of reception, including by telecopier, but for greater certainty shall not include e-mail;
- (c) "this Agreement", "the Agreement", "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to this agreement and includes each Schedule attached hereto, and not to any particular Article, Section or other subdivision or portion hereof and includes each and every instrument varying, amending, modifying or supplementing this agreement;
- (d) references herein to any agreement, including this Agreement, shall be deemed to be references to the agreement as varied, amended, modified, supplemented or replaced from time to time;
- (e) the word "including", "includes" or "include" wherever used in this Agreement, means "including, without limitation", "includes, without limitation" or "include, without limitation", as the case may be;
- (f) unless otherwise specified, all references to "Articles", "Sections", "subsections" and "Schedules" are references to Articles or Sections and subsections of, and Schedules to and forming part of, this Agreement; and
- (g) the division of this Agreement into Articles, Sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

5.3 Currency

All references in this Agreement to "Dollars" or "\$" are references to lawful money of Canada, unless otherwise indicated.

5.4 Statutory References

Any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and enforced from time to time, and to any statute or regulation that may be passed which has the effect of supplementing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be references to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time unless the context dictates otherwise.

5.5 Amendment of Agreement

No supplement, modification or waiver or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

5.6 Waiver

No waiver of any of the provisions of this Agreement shall be valid unless in writing and unless otherwise expressly provided no such waiver shall constitute or be deemed to constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver.

5.7 Enurement

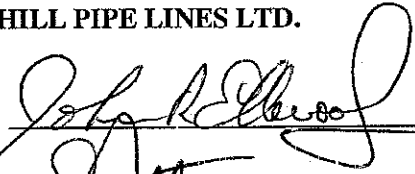

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns.

5.8 Counterpart Execution

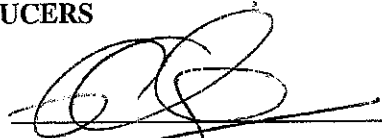

This Agreement may be executed in one or more counterparts. Each counterpart shall constitute an original and all counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first above written.

FOOTHILL PIPE LINES LTD.

Per: 
Per: 

CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS

Per: 
Per: 

SCHEDULE "A"
to the Settlement Agreement dated for reference
the 13th Day of January, 2003
between Foothills Pipe Lines Ltd. and
Canadian Association of Petroleum Producers

**OPERATIONS & MAINTENANCE EXPENDITURES
RECOVERED IN COST OF SERVICE
(\$000's)**

LINE

FIELD OPERATIONS EXPENSE

- 1 TCPL
- 2 BP Canada
- 3 Foothills

ELECTRIC POWER

- 4 Jenner, Acme and Crawling Valley
- 5 Decompression/Recompression at Empress
- 6 Saskatchewan

MAINTENANCE & INTEGRITY PROGRAM

- 7 Inventory & Maintenance Parts
- 8 Maintenance Projects
- 9 Communications
- 10 Integrity Program

11 FOOTHILLS' HEAD OFFICE COSTS

12 REGULATORY PROCEEDINGS

13 LAND PAYMENTS

14 INSURANCE & PENSION OBLIGATIONS

15 GOVERNMENT AGENCY COST RECOVERY

16 TOTAL

APPENDIX B
SHIPPERS AND INTERESTED PARTIES
THAT RECEIVE FOOTHILLS' REGULATORY FILINGS

Ms. C.J.C. Page	Alberta Department of Energy	9-297-5499
Ms. Monica Arisman	Apache Canada Ltd.	9-264-7142
Mr. Patrick Crampton	Aquila Merchant Services – International Limited	9-781-6015
Mr. Colin Boyer	Birchill Resources	9-261-2034
Mr. Darrell Ziebart	BP Canada Petroleum Energy Company	9-233-5611
Ms. Cheryl Worthy	BP Canada Petroleum Energy Company	9-233-5667
Mr. Trevor Cooper	BP Energy	8-1-402-505-4500
Mr. Dave Fleming	Burlington Resources Canada	9-269-8236
Mr. Brian Troicuk	Canadian Association of Petroleum Producers	9-266-3123
Mr. Real Cusson	Canadian Natural Resources Limited	9-517-7364
Ms. Jeannie Kezama	Conoco Canada Limited	9-233-5426
Mr. Kurt McNight	Coral Energy Canada Inc.	9-716-3590
Mr. Nick Geib	Devon Canada Corporation	9-213-8199
Mr. Bruce Bianchini	Dominion Exploration Partnership	9-298-5577
Mr. Bob Edney	Duke Energy Marketing Limited Partnership	9-237-6021
Mr. Lindsay Hall	Duke Energy Gas Transmission	8-1-713-989-1520
Ms. Shawn Allen	El Paso	8-1-713-420-3593
Ms. Rinde Powell	EnCana	9-645-6563
Mr. Richard New	EnerMark Inc./Enerplus Energy Marketing Inc.	9-269-6094
Mr. Peter Serafini	Engage Energy Canada	9-269-5909
Mr. Kevin Heal	Enron Capital & Trade Resources Canada	9-974-6706
Mr. Bruce Webster	Hunt Oil Company of Canada	9-531-4838
Ms. Pat Cradock	Husky Energy Inc.	9-298-7425
Mr. Brian Martin	Keyspan Energy Canada	9-266-1947
Ms. Elsie Biever	Marathon Canada Limited	9-266-1479
Mr. Chuck Baumgart	Middleton Energy Management Ltd.	9-296-0534
Mr. Larry Schiavo	Minnesota Corn Processors	8-1-507-537-2655
Ms. Tomasz Lange	Mirant Americas Energy Marketing Canada Ltd.	9-218-1504
Mr. Greg Story	Montana-Dakota Utilities Co.	8-1-701-222-7853
Mr. Jim Booth	Natural Resources Canada	8-1-613-995-1913
Ms. Dianne Cameron	Nexen Marketing Inc.	9-261-4333
Mr. Trevor Nicol	Nexen Marketing Inc.	9-699-5752
Mr. Ken W. Vollman	Northern Pipeline Agency	9-292-5503
Mr. John MacPherson	Petro-Canada	9-296-3919
Mr. Richard Salamon	PetroCorp Incorporated	8-1-918-491-4236
Ms. Michelle Voinorosky	ProGas Limited	9-233-1067
Mr. Trevor Dark	Saskatchewan Industry and Resources	8-1-306-787-2333
Mr. Vern Gorr	Saskatchewan Industry and Resources	8-1-306-525-3422
Ms. Terri Carroll	Small Explorers and Producers Ass'n. of Canada	9-269-3636
Ms. Tracey Maskell	Small Explorers and Producers Ass'n. of Canada	9-269-3636
Ms. Lesley Pelletier	Star Oil & Gas Ltd.	9-232-3395
Mr. Maurice A. Lapierre	Suncor Energy Marketing Inc.	9-269-6201
Mr. Frank Basham	Talisman Energy Inc.	9-237-1078
Mr. Alex Douglas	Tenaska Marketing Canada	9-716-1375
Mr. Vern Gorr	TransGas	8-1-306-525-3422
Mr. Andre Beaulieu	Trans Quebec & Maritimes Pipeline Inc.	8-1-450-462-5388
Mr. Don Bell	TransCanada	9-920-2383
Ms. Alexia Minton	TransCanada	9-920-2347
Ms. Peggy Hedstrom	UBS Warburg Energy (Canada) Ltd.	9-532-2097

APPENDIX C

**Tariff Revisions to Implement
Settlement Agreement**

**A. Rate Schedule T-1 Firm Service Sheet 107 of Foothills Gas Transportation
Tariff – Phase I**

REPLACE CURRENT SECTION 8.4 WITH THE FOLLOWING:

“Section 8.4 – Special Charge

Pursuant to Order TG-_____, the monthly charge for “Special Charge – Phase II Preliminary Expenditures” will be \$_____ commencing _____, 2003 and terminating December 31, 2015 ”

**B. Rate Schedule T-1 Firm Service Sheet 109 of Foothills Gas Transportation
Tariff – Phase I**

ADD THE FOLLOWING SENTENCE TO THE END OF SUB-SECTION 8 6 3:

“This would reflect the G&A Incentive Plan pursuant to Order TG-_____, commencing _____, 2003 and terminating December 31, 2015, subject to earlier termination pursuant to Order TG-_____.”

APPENDIX D

Illustrative Toll Impact Of Special Charge Reduction By Zone For the Term of the Settlement

The attached schedule shows the reduction in Foothills' tolls for each zone for the term of the Settlement resulting from comparing the current collection of the Special Charge versus the Settlement.

Assumptions Inherent in the Tolls

- 1) Under the current collection of the Special Charge, the return on equity is at the current NEB approved rate of 9.79%, amortization of the Special Charge is at 2% until November 1, 2003 when it changes to 3%
- 2) It is assumed Foothills will collect the current Special Charge until the end of February, 2003. This amount has been credited in the Settlement calculations.
- 3) Volume-distance allocation units used are those as of November 1, 2002
Zone 6-48.333%, Zone 7- 5.501%, Zone8 – 11.677% and Zone 9 – 34.489%
- 4) Volumes used are the contracted November 1, 2002 volumes in mmcf/d
Zone 6 – 2075, Zone 7 – 721, Zone 8 – 1115 and Zone 9 – 2165

Foothills Pipe Lines Ltd.

Appendix D

Illustrative Toll Impact Of Special Charge Reduction
By Zone For the Term of the Settlement

Year	Zone 6			Zone 7			Zone 8			Zone 9		
	Existing Special Charge \$/mcf	Settlement Special Charge \$/mcf	Difference \$/mcf	Existing Special Charge \$/mcf	Settlement Special Charge \$/mcf	Difference \$/mcf	Existing Special Charge \$/mcf	Settlement Special Charge \$/mcf	Difference \$/mcf	Existing Special Charge \$/mcf	Settlement Special Charge \$/mcf	Difference \$/mcf
2003	0.0046	0.0020	0.0026	0.0015	0.0006	0.0009	0.0021	0.0009	0.0012	0.0032	0.0014	0.0018
2004	0.0051	0.0015	0.0036	0.0017	0.0005	0.0012	0.0023	0.0007	0.0016	0.0035	0.0010	0.0025
2005	0.0048	0.0015	0.0033	0.0016	0.0005	0.0011	0.0022	0.0007	0.0015	0.0033	0.0010	0.0023
2006	0.0046	0.0015	0.0031	0.0015	0.0005	0.0010	0.0021	0.0007	0.0014	0.0031	0.0010	0.0021
2007	0.0044	0.0015	0.0029	0.0014	0.0005	0.0009	0.0020	0.0007	0.0013	0.0030	0.0010	0.0020
2008	0.0041	0.0015	0.0026	0.0014	0.0005	0.0009	0.0019	0.0007	0.0012	0.0028	0.0010	0.0018
2009	0.0039	0.0015	0.0024	0.0013	0.0005	0.0008	0.0018	0.0007	0.0011	0.0027	0.0010	0.0017
2010	0.0037	0.0015	0.0022	0.0012	0.0005	0.0007	0.0017	0.0007	0.0010	0.0025	0.0010	0.0015
2011	0.0034	0.0015	0.0019	0.0011	0.0005	0.0006	0.0015	0.0007	0.0008	0.0024	0.0010	0.0013
2012	0.0032	0.0015	0.0017	0.0010	0.0005	0.0005	0.0014	0.0007	0.0007	0.0022	0.0010	0.0012
2013	0.0030	0.0015	0.0015	0.0010	0.0005	0.0005	0.0013	0.0007	0.0006	0.0020	0.0010	0.0010
2014	0.0027	0.0015	0.0012	0.0009	0.0005	0.0004	0.0012	0.0007	0.0005	0.0019	0.0010	0.0009
2015	0.0025	0.0015	0.0010	0.0008	0.0005	0.0003	0.0011	0.0007	0.0004	0.0017	0.0010	0.0007

