

Foothills has proposed several amendments to the Foothills' Gas Transportation Tariff – Phase I (Tariff) resulting from the rate filing changes made in 2004 and other initiatives to simplify processes. The following Tariff amendments are proposed to be effective on January 1, 2006. This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. Effective Rate

- (a) Amended to reflect 2006 rate filing.

2. Capacity Allocation Procedures

- (a) Section 4.2 [STFT Capacity] – Added sub-section 4.2.5 to clarify transition to Daily Open Season for STFT Service.

3. Rate Schedule T-1

- (a) Section 7.2 [Receipt and Delivery Obligation] – amended to reflect alignment with current fuel collection procedure.

4. Rate Schedule STFT

- (a) Section 7.2 [Delivery Obligation] – amended to reflect alignment with current fuel collection procedure.

5. Rate Schedule SGS-1

- (a) Section 6.2 [Receipt and Delivery Obligation] – amended to reflect alignment with current fuel collection procedure.

6. Rate Schedule IT

- (a) Section 4.2 [Receipt and Delivery Obligation] – amended to reflect alignment with current fuel collection procedure.

7. General Terms and Conditions

- (a) Section 1 [Definitions]
 - a. 1.11 [Company Use Gas] – amended to include measurement variance.
 - b. 1.12 [Company Use Gas Rate] – added for alignment with current fuel collection procedure.
 - c. 1.80 [Unaccounted for Gas] – deleted.
- (b) Subsection 2.2 [Freedom from Impurities]
 - a. (ii) – amended to reflect hydrocarbon dew point at operating pressure.
 - b. (vi) – amended to reflect water dew point limit of -10 °C at pressures in excess of 8275 kPa.
 - c. (viii) – added to impose receipt gas temperature limit of 49 °C.
- (c) Subsection 8.2 [Company Use Gas] – amended to include measurement variance.
- (d) Subsection 8.3 [Unaccounted for Gas] – deleted.

Foothills Pipe Lines Ltd.

- (e) Subsection 8.4 [Allocation] – amended to reflect alignment with current fuel collection procedure.
- (f) Subsection 8.6 [Provision of Line Pack Gas for Zone 8] – amended to reflect alignment with current fuel collection procedure.

General Updates

The remaining amendments are intended to be “housekeeping” in nature.

1. Amended the Effective date in the footer of impacted sections.
2. Amended Table of Contents as required.
3. Renumbered sections and references as required.

TABLE OF EFFECTIVE RATES

1. Rate Schedule T-1, Firm Service

Demand Rate
(\$/10³m³/Km/Month)

Zone 6	0.234903 <u>0.282241</u>
Zone 7	0.270816 <u>0.286239</u>
Zone 8	0.344493 <u>0.353326</u>
Zone 9	0.294375 <u>0.380908</u>

2. Rate Schedule OT-1, Overrun Service

Commodity Rate
(\$/10³m³/Km)

Zone 6	0.008495 <u>0.010207</u>
Zone 7	0.009794 <u>0.010352</u>
Zone 8	0.012458 <u>0.012778</u>

3. Rate Schedule IT, Interruptible Service

Commodity Rate
(\$/10³m³/Km)

Zone 9	0.010646 <u>0.013775</u>
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A to that agreement, for the provision of the transportation service awarded;

- (b) provide sufficient financial information to demonstrate its creditworthiness; and
- (c) provide a Financial Assurance to Company if requested pursuant to subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff.

4.2.5 If some or all of the STFT Capacity has not been awarded pursuant to subsection 4.2.3, Company may, in its sole discretion, continue to post STFT Capacity on a daily basis. The closing date for such daily open season shall be deemed 11:00 CCT on the day following the day the STFT Capacity is posted or deemed re-posted.

4.3 Expansion Capacity

Where Company determines that the demand for service may be sufficient to consider an expansion of existing facilities, Company will use all reasonable efforts to adhere to the following procedures in conducting an Open Season:

- 4.3.1** Company will provide public notice of its intention to expand its existing facilities through recognized industry publications. Company's notice may specify a volume amount.
- 4.3.2** Company will forward to each potential Bidder an information package, (the "Bid Package") including a Precedent Agreement. In the Bid Package, Company will advise each Bidder of the terms of the Open Season including the Minimum Term required for service through the New Facilities pursuant to subsection 3.3.1 hereof.
- 4.3.3** Within the period specified by Company in the notice, Bidder will advise Company of its bid which will include desired Maximum Daily Receipt Quantity, anticipated receipt and delivery points, desired commencement date of such

7. CHARACTER OF SERVICE

7.1 Firm Service

Gas transported by Company for Shipper under this Rate Schedule T-1, Firm Service shall not be subject to curtailment or interruption except as provided in subsection 7.2.4 herein and in the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Receipt and Delivery Obligations

7.2.1 At each Receipt Point, Company and Shipper shall establish the Maximum Daily Receipt Quantity and shall specify the portion of such Maximum Daily Receipt Quantity to be delivered to each Delivery Point. The aforementioned Maximum Daily Receipt Quantity and portions thereof shall be specified in Appendix A to the Service Agreement, Firm Service.

7.2.2 At each Delivery Point, identified in Appendix B to the Service Agreement, Firm Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at each Receipt Point destined for such Delivery Point, less Shipper's share of the sum for each Zone the energy content of:

(a) Company Use Gas; and

~~(b) Unaccounted for Gas; and~~

~~(c)~~ (b) Line Pack Changes except in Zone 6, Zone 7 and Zone 9 where Company owns Line Pack

used in the transportation of such gas on such day.

Shipper's share shall be calculated pursuant to section 8 of the General Terms and Conditions of this Gas Transportation Tariff.

7. CHARACTER OF SERVICE

7.1 Short Term Firm Transportation Service

Gas transported by Company for Shipper under this Rate Schedule STFT, Short Term Firm Transportation Service shall not be subject to curtailment or interruption except as provided in the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Delivery Obligation

At the Delivery Point, identified in Appendix A to the Service Agreement, Short Term Firm Transportation Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at the Receipt Point, less Shipper's share ~~of the sum~~ for Zone 9 of the energy content of:

~~(a) Company Use Gas; and~~

~~(a) Unaccounted for Gas,~~

used in the transportation of such gas on such day.

Shipper's share shall be calculated pursuant to section 8 of the General Terms and Conditions of this Gas Transportation Tariff.

7.3 Daily Gas Nominations

7.3.1 Shipper shall advise Company, in writing, of the total daily quantity of gas nominated by it for the Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, Short Term Firm Transportation Service, exceed the Maximum Daily Receipt Quantity for each such Receipt Point.

7.3.2 Shipper may provide its nomination through written confirmations received by Company from a downstream carrier. Company shall rely on such confirmations received from downstream carrier to determine Shipper's nomination quantities at

6.2.1 At each Receipt Point, Company and Shipper shall establish the Maximum Daily Receipt Quantity and shall specify the portion of such Maximum Daily Receipt Quantity to be delivered to each Delivery Point. The aforementioned Maximum Daily Receipt Quantity and portions thereof shall be specified in Appendix A to the Service Agreement, Small General Service.

6.2.2 At each Delivery Point, identified in Appendix B to the Service Agreement, Small General Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at each Receipt Point destined for such Delivery Point, less Shipper's share of ~~the sum of~~ the energy content of:

~~(a) Company Use Gas; and~~

~~(b) Unaccounted for Gas~~

used in the transportation of such gas on such day.

6.2.3 For the purpose of calculating Shipper's share of Company Use Gas ~~and Unaccounted for Gas~~, pursuant to subsection 8.4 of the General Terms and Conditions of this Gas Transportation Tariff, all of Shipper's quantities received into Zone 9 shall be deemed to have been transported 1/2 of the total distance in Zone 9 (130 km).

6.3 Daily Gas Nominations

6.3.1 Shipper shall advise Company of the total daily quantity of gas nominated by it for each Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, Small General Service, exceed the Maximum Daily Receipt Quantity for each such Receipt Point.

6.3.2 Out of such total daily quantity of gas nominated for each Receipt Point, Shipper shall advise Company of the daily quantity of gas nominated by it for transportation to each Delivery Point.

4. CHARACTER OF SERVICE

4.1 Interruptible Service

Gas transported by Company for Shipper under this Rate Schedule IT, Interruptible Service shall be subject to curtailment or interruption, at any time, and from time to time, when Company estimates in its sole judgment, that service hereunder would in any way interfere with or restrict Company's ability to provide service pursuant to Rate Schedule SGS-1, Small General Service, Rate Schedule T-1, Firm Service, Rate Schedule STFT, Short Term Firm Transportation Service or to other Shippers pursuant to Rate Schedule IT, Interruptible Service. Company shall not be obligated to construct additional facilities for the purpose of providing the interruptible service hereunder.

4.2 Receipt and Delivery Obligations

4.2.1 At each Receipt Point identified in Appendix A to the Service Agreement, Interruptible Service shipper may nominate a daily quantity of gas for interruptible service, subject to the provisions of subsection 4.3.

4.2.2 At each Delivery Point identified in Appendix B to the Service Agreement, Interruptible Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper and accepted by Company at each Receipt Point destined for such Delivery Point, less Shipper's share ~~of the sum~~ of the energy content of Company Use Gas:

~~(a) Company Use Gas; and~~

~~(a) Unaccounted for Gas~~

used in the transportation of such gas on such day.

Shipper's share shall be calculated pursuant to section 8 of the General Terms and Conditions of this Gas Transportation Tariff.

capacity, not required by Company in order to comply with its obligations under Service Agreements with other Shippers, to receive gas at Shipper's Receipt Point(s) and to make related deliveries of gas to Shipper's Delivery Point(s), all in accordance with the provisions of Shipper's Service Agreement.

- 1.6** "Billing Month" shall mean the period beginning at 09:00 CCT on the first day of the month and ending at 09:00 CCT, on the first day of the next succeeding month.
- 1.7** "Calendar Year" shall mean the period from 09:00 CCT on January 1st to 09:00 CCT on January 1st of the next succeeding year.
- 1.8** "Canadian Segments" shall mean those sections of the ANGTS, geographically located in Canada, and which are owned, operated and managed by a specific Subsidiary Company of Company.
- 1.9** "Capacity Allocation Procedures" shall mean the procedure established by Company describing how a Prospective Shipper shall be afforded the rights to obtain firm service under Rate Schedule T-1, Firm Service or Rate Schedule STFT, Short Term Firm Transportation.
- 1.10** "CCT" shall mean Central Clock Time.
- 1.11** "Company Use Gas" shall mean for any period the total volume of gas used by Company in its gas transmission operations, as determined by Company, including but not limited to gas used as fuel or for testing; plus any measurement variance as determined by Company used by Company in its gas transmission operations during such period.
- 1.12** "Company Use Gas Rate" shall mean the rate set by Company from time to time pursuant to section 8.3 of these General Terms and Conditions.
- 1.12.13** "Company's Cost of Service" shall mean, relative to a Calendar Year, the sum of the amounts determined as the Zone Cost of Service for each of Company's Zones.

1.731.74 “Shippers” shall mean, at any time, the Persons which have entered into Service Agreements with Company which are then in effect; and “Shipper” shall mean one of such Persons.

1.741.75 “STFT Bid Price” shall mean the STFT Bid Price on Appendix A to Shipper’s Service Agreement, Short Term Firm Transportation Service, expressed as a percentage of the T-1 Rate and such percentage shall be a minimum of 100%.

1.751.76 “STFT Capacity” shall mean pipeline capacity on Zone 9 of Company’s gas transportation system that is or will become available on a short term basis without construction of New Facilities, as determined by Company from time to time.

1.761.77 “Subsidiary Company” shall mean Company’s subsidiary companies as described in the Northern Pipeline Act and include: Foothills Pipe Lines (South Yukon) Ltd., Foothills Pipe Lines (North Yukon) Ltd., Foothills Pipe Lines (North B.C.) Ltd., Foothills Pipe Lines (Alta.) Ltd., Foothills Pipe Lines (South B.C.) Ltd., and Foothills Pipe Lines (Sask.) Ltd.

1.771.78 “10³m³” shall mean 1,000 cubic metres of gas determined on the measurement set forth in section 1.14 above.

1.781.79 “T-1 Rate” shall mean the T-1 Rate in the Table of Effective Rates which has been set by the Company for service under Rate Schedule T-1, Firm Service.

1.791.80 “Table of Effective Rates” shall mean the Table of Effective Rates setting the rates, tolls and charges that has been set by the Company to be imposed, observed or followed by the Company.

~~**1.80** “Unaccounted for Gas” shall mean for any Zone in any period the difference between the total volume of gas received by Subsidiary Company in such period in such Zone, and the sum, for that period, of:~~

~~(a) All gas delivered out of such Zone; plus~~

~~(b) Company Use Gas in such Zone; plus or minus~~

~~(c)Line Pack Change in such Zone.~~

- 1.81** “Zone” shall mean any one of the Zones described in subsection 6.2 of the Rate Schedule T-1, Firm Service into which Company’s transportation system has been divided for rate making purposes.
- 1.82** “Zone Cost of Service” shall mean the amount determined pursuant to subsection 5.7 of these General Terms and Conditions.

2. QUALITY OF GAS

2.1 Natural Gas

Natural gas shall be the gas obtained either from wells or from residue remaining after the natural gas has been treated for the removal of any of its constituent parts other than methane, and for the removal of methane to such extent as is necessary in removing such other constituents.

2.2 Freedom from Impurities

2.2.1 The following specifications shall apply to the gas which Shipper delivers or causes to be delivered to Company for transportation at any of Company's Receipt Points.

- (i) The gas shall not contain sand, dust, gums, crude oil impurities or other objectionable substances in such quantities as may be injurious to pipeline or may interfere with the transmission, measurement or commercial utilization of gas.
- (ii) The gas shall not, unless otherwise agreed upon, have a hydrocarbon dew point in excess of $-10\text{ }^{\circ}\text{C}$ at ~~an absolute pressure of 5,500 kPa~~ Company's operating pressure.
- (iii) The gas shall not contain more than 23 mg/m^3 of hydrogen sulphide.
- (iv) The gas shall not contain more than 230 mg/m^3 of total sulphur.
- (v) The gas shall not contain more than 2% by volume of carbon dioxide, unless otherwise agreed upon.
- (vi) The gas shall not contain more than 65 mg/m^3 of water vapour.
- (vii) The gas shall not have a water dew point in excess of $-10\text{ }^{\circ}\text{C}$ at operating pressures in excess of 8275 kPa.

(viii) The gas shall not have a temperature exceeding 49 °C.

(vii)(ix) The gas shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions and shall not in any event contain more than 0.4% by volume of oxygen.

2.2.2 The gas Company delivers to Shipper or for Shipper's account shall have the constituent parts that result from the commingling of the gas from various sources on Company's transportation system.

2.3 Gross Heating Value

Generally the gas shall have a gross heating value of not less than 36 MJ/m³; provided however, that Company may at its sole discretion permit gas of lower gross heating value to be tendered to Company at individual Receipt Points.

2.4 Failure to Conform to Specifications

2.4.1 If the gas tendered for transportation shall fail at any time to conform to any of the specifications set forth in this section 2, then Company shall notify Shipper of such deficiency and may, at its option, refuse to accept such gas pending correction. If the deficiency in quality is not promptly remedied, Company may accept such gas and may make changes necessary to bring such gas into conformity with such quality specifications and Company shall include all reasonable expenses incurred by it in effecting such changes in Shipper's monthly bill.

2.4.2 Notwithstanding subsection 2.4.1 above, Company shall have the right to discontinue receipt of gas from Shipper without notice should the gas fail to meet the specifications set forth in subsection 2.2.1 hereof.

2.5 Quality Tests

Company shall establish reasonable methods and procedures, including instrumentation, for making tests to determine whether gas tendered by Shipper to Company for

8.2 Company Use Gas

Company shall have the right but shall not be obligated to use gas being transported for Shipper for the operation, maintenance and construction of Company's facilities, such use to include among other things:

- (a) Fuel used in the operation of compressor stations;
- (b) Fuel used in buildings;
- (c) Purging and testing;

(d) Measurement variance; and

(d)(e) In Zone 8, Line Pack for Company's facilities or any part thereof.

~~8.3 Unaccounted for Gas~~

~~Company shall not be responsible for Unaccounted for Gas, such as gas lost by explosion, fire or other calamities, and line losses, but shall keep account of any such gas.~~

8.48.3 Allocation

8.4.18.3.1 Shipper's share of ~~the total number of Joules of~~ Company Use Gas ~~and Unaccounted for Gas~~ on Company's transportation system in a Zone for any day and as determined by the Subsidiary Companies shall be the product of Shipper's quantity of gas received by Company on such day, Shipper's Distance from Receipt Point location and the Company Use Gas Rate established by Company and in effect for such day. ~~calculated by multiplying the total number of Joules of Company Use Gas and Unaccounted for Gas by a fraction, the numerator of which shall be the sum of the products of each of Shipper's quantities received and the distance in kilometres such quantity is transported through a Zone, and the denominator of which shall be the sum of the products of each quantity entering such Zone and the distance in kilometres each such quantity is transported through such Zone.~~

8.4.28.3.2 Quantity received into a Zone related to the quantity received at a Receipt Point shall be such quantity received at the Receipt Point ~~in cubic metres~~ less the ~~cubic metres of~~ Company Use Gas ~~and the Unaccounted for Gas~~, related to such quantity received, ~~in cubic metres~~ in all Zones preceding such Zone.

8.4.38.3.3 ~~For a Zone, the number of Joules of Unaccounted for Gas to be allocated to a quantity received shall be the total number of Joules of Unaccounted for Gas, multiplied by a fraction the numerator of which shall be the product of such quantity and the distance such quantity is transported through that Zone and the denominator of which shall be the sum of the products of each such quantity and the distance in kilometres each such quantity received in the Zone is~~ transported Company shall provide Shipper with no less the 2 Business Days' notice prior to the start of each month of the Company Use Gas Rate. In the absence of such notice, Shipper's share of Company Use Gas shall be determined on the basis of the Company Use Gas Rate effective for the immediately proceeding month.

8.4.48.3.4 ~~The number of Joules of Unaccounted for Gas and Company Use Gas so allocated to a quantity received shall be converted to cubic metres at the gross heating value at the Receipt Point of such quantity~~ Each day Company shall take Shipper's share of Company Use Gas in kind from the quantities of gas transported by Company for Shipper.

8.58.4 Beginning of Delivery Obligation

Company shall have no obligation to deliver gas to Shipper prior to Shipper's Billing Commencement Date.

8.68.5 Provision of Line Pack Gas for Zone 8

For each Zone Shipper's gas is transported through, Shipper shall provide Company with a volume of gas equal to the sum of Shipper's share of the Line Pack Requirements and, Company Use Gas ~~and Unaccounted for Gas~~. Shipper's share of the Line Pack

Requirements for any Zone shall be that Zone's Line Pack Requirements multiplied by Shipper's pro rata share of the product of the Maximum Daily Receipt Quantity and the distance such gas is to be transported through the Zone. Line pack gas provided to Company by Shipper shall remain the property of Shipper but Company shall not be obliged to make deliveries to Shipper in respect of such gas except as provided in subsection 8.7-6 hereof.

8.6-18.5.1 Prior to Shipper's Billing Commencement Date, Shipper shall, to the extent it is able to do so, deliver to Company each day, for the purpose of supplying line pack gas, such volume of gas at such points on Company's transportation system as Company may request.

8.6-28.5.2 If, at any time following Shipper's Billing Commencement Date, there is an increase in the Line Pack Requirements, gas first received thereafter by Company from Shipper shall, up to Shipper's share of such increase, be deemed to be received on account of Shipper's obligation to furnish line pack gas and relative to such Line Pack Requirements and, Company Use Gas and ~~Unaccounted for Gas~~ under this subsection 8.65, and not pursuant to Article 1 of Shipper's Service Agreement, provided that the volume of gas which Shipper is entitled to nominate on any day pursuant to such Article 1 shall not be increased as a result.

8.6-38.5.3 If Company is on any day required to allocate service under Article 2 of the Service Agreements of two or more Shippers, it shall, after giving effect to the provisions of section 9 of Rate Schedule T-1, Firm Service, give priority in such allocation to quantities of gas desired to be tendered in fulfillment of Shipper's obligation under this subsection 8.65; provided that, except for the purposes of such allocation, such gas shall be deemed not to be received pursuant to Article 1 of Shipper's Service Agreement.

8.78.6 Return of Line Pack Gas for Zone 8

If at any time Shipper's share calculated in accordance with subsection 8.4-3 hereof, of the Line Pack Requirements became less than the volume of gas which Shipper has delivered to Company as line pack gas, Company shall deliver to Shipper, as soon thereafter as is practicable and consistent with Company's obligations to all Shippers and Shipper's obligations under subsection 8.6-5 hereof, a volume of gas having an energy content equal to the difference between the energy content of the past and present Line Pack Requirements.

8.88.7 Provision of Line Pack Gas for Zone 6, Zone 7 and Zone 9

Company shall provide and own Line Pack for Company's facilities or any part thereof in Zone 6, Zone 7 and Zone 9 and such Line Pack gas shall remain the property of Company.

8.98.8 Scheduling of Alteration and Repairs

Company shall have the right to interrupt or reduce service to Shipper when necessary for any alterations, modifications, enlargements or repairs to any facilities or property comprising a part of Company's pipeline system or otherwise related to the operation thereof. Except in the event of an unforeseen emergency, Company shall provide Shipper with as much notice as practicable under the circumstances, and Company shall endeavour to schedule such alterations, modifications, enlargements or repairs in cooperation with Shipper so that Shipper may arrange for alternate supply or otherwise accommodate its operations to such reduction or interruption of service.

9. COOPERATIVE EXCHANGE OF INFORMATION

Company and Shipper shall, on request by either made to the other, cooperate in providing such certificates, estimates and information as shall be in its possession, and as shall be reasonably required by the other for the purpose of financing, for the purpose of operations, for obtaining any permits required for the construction of additional facilities,

Foothills Pipe Lines Ltd.

Foothills has proposed several amendments to the Foothills' Gas Transportation Tariff – Phase I (Tariff) resulting from the rate filing changes made in 2004 and other initiatives to simplify processes. The following Tariff amendments are proposed to be effective on January 1, 2006. This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. Supplement I: Foothills Pipe Lines (ALTA.) Ltd., Rate Schedule

- (a) Subsection 7.2 [Receipt and Delivery Obligations] – amended for alignment with current fuel collection procedure.
- (b) Section 8 [Payment for Service] – amended to reflect effective rate filing.
- (c) Subsections 8.1 to 8.9 inclusive – Deleted.

2. Supplement I: Foothills Pipe Lines (ALTA.) Ltd., General Terms and Conditions

- (a) Section 1 [Definitions]
 - a. 1.9 [Company Use Gas] – amended to include measurement variance.
 - b. 1.45 [Unaccounted for Gas] – deleted.
 - c. 1.47 [Zone Cost of Service] – deleted.
- (b) Subsection 2.2 [Freedom from Impurities] – amended to reflect changes and clarification of gas quality specifications.
- (c) Subsection 7.2 [Company Use Gas] – amended to include measurement variance.
- (d) Subsection 7.3 [Unaccounted for Gas] – deleted.

General Updates

The remaining amendments are intended to be “housekeeping” in nature.

- 1. Amended the Effective date in the footer of impacted sections.
- 2. Amended Table of Contents as required.
- 3. Renumbered sections and references as required.

RATE SCHEDULE

1. AVAILABILITY

This Rate Schedule is available to Shipper under its Service Agreement.

2. APPLICABILITY

This Rate Schedule shall apply to all transportation services under Shipper's Service Agreement as of the Billing Commencement Date, whether or not gas is actually transported.

3. SERVICE DESCRIPTION AND SHIPPER'S OBLIGATION TO PAY

Service rendered by Company for Shipper under this Rate Schedule consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper's account) at each Receipt Point as specified in the Service Agreement;
- (b) The transportation of gas by Company through its transportation system described in section 6 hereof; and
- (c) The delivery by Company of gas to Shipper (or for Shipper's account) at each Delivery Point specified in the Service Agreement.

Shipper shall be obligated to pay to Company for the aforementioned service a transportation charge for each Zone determined in accordance with section 8 hereof. Shipper's obligation to pay Company's Cost of Service is not subject to adjustment under any circumstances, except as provided in subsection 8.10 hereof.

4. SERVICE AGREEMENT

This Rate Schedule is subject to all terms, conditions, stipulations and provisions of the Service Agreement.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule is subject to all of the terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff.

6. ZONES**6.1 General**

Company's transportation system shall be divided into two Zones in accordance with Schedule I, Annex II of the Northern Pipeline Act and described in subsection 6.2 hereof. Shipper, through its Service Agreement with Company, shall contract to have its gas transported through these Zones.

6.2 Description

Company's Phase I facilities shall consist of the following two Zones:

- (a) Zone 6 – From Caroline, Alberta to the Alberta/Saskatchewan border near Empress, Alberta; and
- (b) Zone 7 – From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.

7. CHARACTER OF SERVICE**7.1 Firm Service**

Gas transported by Company for Shipper under this Rate Schedule shall not be subject to curtailment or interruption except as provided in the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Receipt and Delivery Obligations

7.2.1 At each Receipt Point, Company and Shipper shall establish a Maximum Daily Receipt Quantity and shall specify the portion of such Maximum Daily Receipt Quantity to be delivered to each Delivery Point. The aforementioned Maximum Daily Receipt Quantity and portions thereof shall be specified in Appendix A to the Service Agreement.

7.2.2 At each Delivery Point, identified in Appendix B to the Service Agreement, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at each Receipt Point destined for such Delivery Point, less the sum for each Zone of the energy content of:

~~(a) Company Use Gas; and~~

~~(b) Unaccounted for Gas;~~

used in the transportation of such gas on such day.

7.3 Daily Gas Nominations

7.3.1 Shipper shall advise Company of the total daily quantity of gas nominated by it for each Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, exceed the Daily Receipt Quantity for each such Receipt Point.

7.3.2 Out of such total daily quantity of gas nominated for each Receipt Point, Shipper shall advise Company of the daily quantity of gas nominated by it for transportation to each Delivery Point.

8. PAYMENT FOR SERVICE

Shipper shall be obligated to pay to Company in respect of each billing month, a charge for services rendered hereunder being Company's Cost of Service determined in accordance with ~~subsection 8.1 hereof~~ Company's annual effective rate filing. Shipper's obligation to pay Company's Cost of Service is not subject to any adjustment or abatement under any circumstances except as specifically provided for in subsection 8.10 hereof, and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

8.1 ~~Computation of the Zone Cost of Service~~

~~Computation of the annual Zone Cost of Service for any Calendar Year shall be made in accordance with the provisions of this section 8. Company accounts shall provide subaccounts to record amounts which can be identified with a Zone. Where amounts are recorded on a total Company basis, subsection 8.11 states the methods used to allocate such amounts to each Zone. The Zone Cost of Service shall be determined by Company in Canadian dollars and shall be equal to the aggregate of the items described in subsections 8.3 through 8.8 hereof adjusted pursuant to subsection 8.9.~~

8.2 ~~Accounting~~

~~8.2.1 Company shall maintain its books of account in accordance with the requirements of the National Energy Board and, to the extent not inconsistent with such requirements, in accordance with generally accepted accounting principles in Canada.~~

~~8.2.2~~ Account numbers specified herein are those provided for in the National Energy Board Gas Pipeline Uniform Accounting Regulations as in effect on the effective date of this Gas Transportation Tariff (“Uniform Accounting Regulations”). In the event that the Uniform Accounting Regulations are, after such date, renumbered, replaced, supplemented, amended, modified or revised, the accounts, categories of such accounts, and the description thereof referred to herein shall be deemed to refer to the corresponding accounts in such renumbered, replaced, supplemented, amended, modified or revised Uniform Accounting Regulations.

~~8.2.3~~ In this section 8, the term “Affiliate” shall mean an affiliated company as provided in section 80 of the Uniform Accounting Regulations, as amended from time to time.

~~8.3~~ — Operating Expenses

Operating expenses for each Zone shall include:

- ~~(a)~~ All reasonable operating and maintenance expenses incurred in each Zone properly charged to Accounts 623 to 629 inclusive, Accounts 660 to 669 inclusive and 860 to 869 inclusive;
- ~~(b)~~ The amount, allocated to each Zone in accordance with subsection 8.11.1, of all overhead expenses pertaining to General Operation, Administrative and General Expense, and General Maintenance which are charged respectively to Accounts 684 to 689 inclusive, 721 to 729 inclusive, 884 to 889 inclusive; and
- ~~(c)~~ All charges billed to Company, on a Zone basis, pursuant to any Operating Agreement then in effect.

~~8.4~~ — Depreciation Expense

~~8.4.1~~ Depreciation expense for each Zone shall be the sum of the amount determined pursuant to subsection 8.4.2 and the amount determined pursuant to subsection 8.4.3(a), 8.4.3(b), 8.4.3(c) or 8.4.3(d), whichever is applicable.

~~8.4.2~~ An amount for the Zone equal to the sum of the products of each annual straight line depreciation rate set forth below and the original cost of the items included in each applicable class of Gas Plant In Service as set out below:

DEPRECIATION RATE TABLE

Classes of Gas Plant In Service	Uniform Accounting Regulations Accounts	Annual Straight-Line Rate
Communication structures & Equipment; tools and work equipment; office furniture & equipment	419, 468, 469, 483, 486, 488, 489	10%
Transportation & Heavy work equipment	484, 485	30%

- ~~8.4.3~~ (a) — For the period, commencing with the date Shipper's gas begins to flow through the Zone and terminating on September 13, 1989, an amount equal to the sum of the products of the annual straight line depreciation rate of 4% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.
- (b) — For the period commencing on September 14, 1989 and terminating on December 31, 1995, an amount equal to the sum of the products of the annual straight line depreciation rate of 2% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.
- (c) — For Zone 6 only, for the period commencing on January 1, 1996, an amount equal to the sum of the products of the annual straight line depreciation rate of 3% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.

~~(d) — For Zone 7 only, for the period commencing on January 1, 1996, an amount equal to the sum of the products of the annual straight line depreciation rate of 3% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.~~

~~8.5 — Amortization Expense~~

~~Amortization expense for each Zone shall be an amount equal to the accruals recorded under Account 304, for amortization of amounts which would be classified as amortizable or which have been directed to be amortized by the National Energy Board, including:~~

- ~~(a) — One Time Adjustment to rate base, pursuant to the Northern Pipeline Incentive Rate of Return Regulations, which will be amortized at 4% per year on a straight line basis;~~
- ~~(b) — All preoperational costs incurred by Company (including, but not limited to the cost of obtaining authorizations, costs of negotiating contracts, interest on funds borrowed, taxes and administrative and general expenses) to the extent, if any, that such costs are not amortizable under the above Account; and~~
- ~~(c) — Leasehold improvement costs which may, at the option of Company, be amortized on a straight line basis over the initial term of the lease to which they relate.~~

~~In all instances where such amounts are not directly identifiable with a Zone such amounts shall be allocated to each Zone in accordance with subsection 8.11.1.~~

~~8.6 — Taxes Other Than Income Taxes~~

~~Taxes other than income taxes shall be an amount equal to the annual amount of taxes including, if applicable, provincial fuel gas taxes, being the accruals as recorded in~~

~~Account 305, in respect of each Zone. Taxes which cannot be directly identified within a Zone shall be allocated to each Zone in accordance with subsection 8.11.1.~~

~~8.7 — Income Taxes~~

~~An annual allowance for federal and provincial (if applicable) income taxes, computed in accordance with the taxes payable basis procedures, all as recorded in Account 306 plus any interest received or paid on tax refunds or deficiencies, as recorded in Account 323. As used in this subsection 8.7, “taxes payable basis procedures” shall mean those procedures which require the recording as the provision for income taxes only those income taxes which would be payable by Company with respect to the cost of service for the period.~~

~~8.8 — Return~~

~~Return on Company’s rate base for each Zone shall be the product of the annual rate of return computed pursuant to subsection 8.8.1 herein times the Zone average rate base computed pursuant to subsection 8.8.2 herein.~~

~~8.8.1 — The annual rate of return (r) shall be obtained by:~~

$$r = xDc + yPc + zEc$$

~~Where:~~

~~x — is the fraction of Company’s capitalization which is debt and is determined by dividing D by the sum of D, P, and E;~~

~~y — is the fraction of Company’s capitalization which is preferred shares and is determined by dividing P by the sum of D, P, and E;~~

~~z — is the fraction of Company’s capitalization which is common equity and is determined by dividing E by the sum of D, P, and E;~~

~~D — is the total debt as determined by taking the average of the sum of the monthly balances in Accounts 220, 221, 248, 249, 250, 258 and 270 (less~~

~~balance in Account 170). Any debt denominated in foreign currency or debt charges payable with respect thereto shall be converted to a Canadian dollar equivalent by taking the Canadian dollars of the foreign currency amounts when translated at the Foreign Exchange Rate in effect when the debt to which such items relate was incurred;~~

~~P — is the total preferred shares as determined by taking the average of the sum of the monthly balances in Account 200 plus any portion of the balance in Account 210 which is applicable to any issue of preferred shares, less any portion of the balance in Account 177 which is applicable to any issue of preferred shares. Any preferred shares denominated in foreign currency or dividends payable with respect thereto shall be converted to Canadian dollars equivalent by taking the Canadian dollars of the foreign currency amounts when translated at the Foreign Exchange Rate in effect when the preferred shares to which such items relate were issued;~~

~~E — is the total common equity as determined by taking the average of the sum of the monthly balances in Accounts 200 and 212 plus the excess of any balance in Account 210 over any portion thereof included in P, less excess of any balance in Account 177 over any portion thereof included in P;~~

~~Dc — is the weighted average cost of debt obtained by dividing the annual debt charges recorded in Accounts 320 through 323 and, without duplication, the debt charges payable to an Affiliate in respect of the costs, interest, discounts, premiums, expenses and foreign exchange gains or losses incurred, paid, realized or accrued by an Affiliate in respect of indebtedness incurred by such Affiliate to finance or refinance amounts advanced to Company by such Affiliate, to the extent that such debt charges would have been recorded in Accounts 320, 321 and 323 had such indebtedness been incurred directly by Company, by D.~~

~~The total debt charge shall not include additional financial charges associated with renegotiation or rescheduling of debt repayment unless such financial charges have received the approval of the National Energy Board;~~

~~P_c is the weighted average cost of preferred shares obtained by dividing the amount of dividends on preferred shares outstanding that would be accrued during the year at their stated annual rate, by P; and~~

~~E_c is the return allowed on common equity which shall be that return as approved by the National Energy Board.~~

~~8.8.2 The Zone average rate base shall be the total of (a) less (b) plus (c) below:~~

~~(a) The sum of the average balances of:~~

~~(i) Actual original investment in Gas Plant In Service including, but not limited to, such balances as recorded in Accounts 401 through 498;~~

~~(ii) Gas plant leased to others (Account 101);~~

~~(iii) Preliminary survey and investigation charges (Account 172);~~

~~(iv) Public improvements related to gas transmission operations (Account 176);~~

~~(v) Organization expense (Account 178);~~

~~(vi) Other deferred debits related to gas transmission operations (Account 179 and specific subdivision thereof to account for the adjustment pertaining to the National Energy Board's Proposed Approach to Incentive Rate of Return for the Northern Pipeline as approved by the National Energy Board); and~~

~~(vii) Transmission line pack gas (Account 153).~~

- ~~(b) — The sum of the average balances of:~~
- ~~(i) — Accumulated depreciation (Account 105);~~
 - ~~(ii) — Accumulated amortization (Account 106);~~
 - ~~(iii) — Contributions in aid of construction (Account 278);~~
 - ~~(iv) — Accumulated deferred income taxes (Account 276); and~~
 - ~~(v) — Other deferred credits related to transmission operations (Account 279 and specific subdivisions thereof to account for the adjustment pertaining to the National Energy Board's Proposed Approach to the Incentive Rate of Return for the Northern Pipeline as approved by the National Energy Board).~~
- ~~(c) — A working capital allowance being the sum of the average balances of:~~
- ~~(i) — The balances of prepayment and necessary materials and supplies;~~
 - ~~(ii) — The weighted average of non interest bearing deposits required by written agreement to be maintained by Company with financial institutions in order to secure loans from such institutions (compensating balances);~~
 - ~~(iii) — The daily weighted average of cash or securities (valued at cost) deposited with governmental authorities to secure any obligations of Company, contingent or otherwise; and~~
 - ~~(iv) — An amount for cash working capital equal to 150% of the annual operating expenses described in subsection 8.3 hereof divided by 12.~~

~~Items that cannot be directly identified within a Zone shall be allocated to each Zone in accordance with subsection 8.11.1 hereof except Account 276 which shall be allocated to each Zone in accordance with subsection 8.11.2.~~

8.9—Adjustments

~~The Zone Cost of Service determined as aforesaid shall be adjusted as follows:~~

8.9.1—~~An addition or deduction, as the case may be, equal to:~~

- ~~(a) — The amounts recorded in Accounts 317 and 325 being the difference between the amount of foreign exchange actually realized and the amount of foreign exchange calculated in subsection 8.8 relating to the payments of principal, interest, premiums, preferred share redemptions and preferred share dividends; and~~
- ~~(b) — Without duplication, the difference between the amount of foreign exchange actually realized by an Affiliate and the Canadian dollar equivalent of the amount of payments of principal, interest and premiums paid by such Affiliate in foreign currency, converted at the Foreign Exchange Rate in effect when the debt to which such payments relate was incurred by the Affiliate to finance or refinance amounts advanced to Company by such Affiliate, to the extent that such differences would have been recorded in Accounts 317 or 325 had such indebtedness been incurred and such payments made by Company.~~

8.9.2—~~Additions or deductions, as the case may be, reflecting adjustments of accruals or deferrals with respect to taxes other than income taxes, expense and income accounts equal to the difference between accrued and deferred amounts and adjusted or actual amounts, all of which shall be given effect to in the year in which such adjustments or conclusive determinations or settlements of such actual amounts are made.~~

~~8.9.3 Additions or deductions for all other costs or credits properly attributable to the transportation service hereunder.~~

~~8.9.4 In all instances where amounts determined pursuant to subsection 8.9.1, 8.9.2 and 8.9.3 hereof are not directly identifiable with a Zone such amounts shall be allocated to each Zone in accordance with subsection 8.11.2.~~

8.10 Billing Adjustment for Failure to Accept Gas or Make-Up Gas

8.10.1 If Company shall, in any Billing Month, fail for any reason to take receipt from Shipper of the whole or any portion of the quantity of gas nominated by Shipper to Company in accordance with Shipper's Service Agreement, Shipper shall nevertheless be liable to Company for, and shall pay to Company in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff, Shipper's monthly charge for such Billing Month and all other amounts invoiced to Shipper pursuant to its Service Agreement, subject only to the provisions of this subsection 8.10.

8.10.2 In any Billing Month in which Shipper is required pursuant to section 9 of Rate Schedule T-1, Firm Service of its Gas Transportation Tariff to make an adjustment for failure to accept gas or for receipt of Make-Up Gas, Shipper shall be entitled to reflect such adjustment in Shipper's payment of the monthly bill. Shipper shall provide Company with all pertinent data relating to the calculation of these adjustments with the monthly payment.

8.11.2 Methods of Allocating to a Zone

8.11.2.1 An amount shall be multiplied by a fraction the numerator of which shall be the Gas Plant In Service in a Zone and the denominator shall be Company's total Gas Plant In Service.

8.11.2.2 An amount shall be multiplied by a fraction the numerator of which is the dollar amount of return on rate base for the Zone and the denominator of which is the total dollar amount of return on rate base for all of Company's Zones.

- 1.7 “°C” shall mean degrees Celsius as defined by The International System of Units (SI).
- 1.8 “CCT” shall mean Central Clock Time.
- 1.9 “Company Use Gas” shall mean for any period the total volume of gas used by Company in its gas transmission operations, as determined by Company, including but not limited to gas used as fuel or for testing; plus any measurement variance as determined by Company-used by Company in its gas transmission operations during such period.
- 1.10 “Company’s Cost of Service” shall mean relative to a Calendar Year, the sum of the Zone Cost of Service for each of Company’s Zones.
- 1.11 “Contract Year” shall mean the period beginning at 09:00 CCT, on the Billing Commencement Date and ending at 09:00 CCT on the next succeeding November 1st (provided, however, in the event that such period is less than six calendar months then the first Contract Year shall not end until 09:00 CCT on the second succeeding November 1st) and thereafter each period of 12 consecutive calendar months beginning at 09:00 CCT, on November 1st of each year and ending at 09:00 CCT, on the annual anniversary of such day in the next succeeding calendar year.
- 1.12 “cubic metre of gas” or “m³” shall mean that quantity of gas which, at a temperature of 15 °C and at a pressure of 101.325 kPa occupies one cubic metre.
- 1.13 “Daily Receipt Quantity” shall mean, relative to a Receipt Point for any day, the maximum volume of gas that Company, subject to the provisions of this Gas Transportation Tariff, is obligated to accept from Shipper and that Shipper may deliver to Company at such Receipt Point for transportation through Company’s transportation system, and shall be expressed in cubic metres per day, at the gross heating value of the gas at such Receipt Point.
- 1.14 “day” shall mean a period of 24 consecutive hours, beginning and ending at 09:00 CCT. The reference date for any day shall be the date of the beginning of such day.

~~1.45~~“Unaccounted for Gas” shall mean for any Zone in any period the difference between the total volume of gas received by Company from Shipper in such period in such Zone, and the sum, for that period, of:

- ~~(a) — All gas delivered to Shipper, or for Shipper’s account in such Zone; plus~~
- ~~(b) — Company Use Gas in such Zone; plus or minus~~
- ~~(c) — Line Pack Change in such Zone.~~

1.461.45 -“Zone” shall mean any one of the Zones described in subsection 6.2 of the Rate Schedule into which Company’s transportation system has been divided for rate making purposes.

~~1.47~~“Zone Cost of Service” shall mean the amount determined pursuant to section 8 of the Rate Schedule.

2. QUALITY OF GAS

2.1 Natural Gas

Natural gas shall be the gas obtained either from wells or from residue remaining after the natural gas has been treated for the removal of any of its constituent parts other than methane, and for the removal of methane to such extent as is necessary in removing such other constituents.

2.2 Freedom from Impurities

2.2.1 The following specifications shall apply to the gas which Shipper delivers or causes to be delivered to Company for transportation at any of Company's Receipt Points.

- (i) The gas shall not contain sand, dust, gums, crude oil impurities or other objectionable substances in such quantities as may be injurious to pipeline or may interfere with the transmission, measurement or commercial utilization of gas.
- (ii) The gas shall not, unless otherwise agreed upon, have a hydrocarbon dew point in excess of -10°C at ~~an absolute pressure of 5,500 kPa~~ Company's operating pressure.
- (iii) The gas shall not contain more than 23 mg/m^3 of hydrogen sulphide.
- (iv) The gas shall not contain more than 230 mg/m^3 of total sulphur.
- (v) The gas shall not contain more than 2% by volume of carbon dioxide, unless otherwise agreed upon.
- (vi) The gas shall not contain more than 65 mg/m^3 of water vapour.
- (vii) The gas shall not have a water dew point in excess of -10°C at operating pressures in excess of 8275 kPa.

(viii) The gas shall not have a temperature exceeding 49 °C.

~~(vii)~~(ix) The gas shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions and shall not in any event contain more than 0.4% by volume of oxygen.

2.2.2 The gas Company delivers to Shipper or for Shipper's account shall have the constituent parts that result from the commingling of the gas from various sources on Company's transportation system.

2.3 Gross Heating Value

Generally, the gas shall have a gross heating value of not less than 36 MJ/m³; provided however, that Company may at its sole discretion permit gas of lower gross heating value to be tendered to Company at individual Receipt Points.

2.4 Failure to Conform to Specifications

2.4.1 If the gas tendered for transportation shall fail at any time to conform to any of the specifications set forth in this section 2, then Company shall notify Shipper of such deficiency and may, at its option, refuse to accept such gas pending correction. If the deficiency in quality is not promptly remedied, Company may accept such gas and may make changes necessary to bring such gas into conformity with such quality specifications and Company shall include all reasonable expenses incurred by it in effecting such changes in Shipper's monthly bill.

2.4.2 Notwithstanding subsection 2.4.1 above, Company shall have the right to discontinue receipt of gas from Shipper without notice should the gas fail to meet the specifications set forth in subsection 2.2.1 hereof.

2.5 Quality Tests

Company shall establish reasonable methods and procedures, including instrumentation, for making tests to determine whether gas tendered by Shipper to Company for

7.2 Company Use Gas

Company shall have the right but shall not be obligated to use gas being transported for Shipper for the operation, maintenance and construction of Company's facilities, such use to include among other things:

- (a) Fuel used in the operation of compressor stations;
- (b) Fuel used in buildings; ~~and~~
- (c) Purging and testing; ~~and~~
- (d) Measurement variance.

~~7.3 Unaccounted for Gas~~

~~Company shall not be responsible for Unaccounted for Gas, such as gas lost by explosion, fire or other calamities, line losses, but shall keep account of any such gas.~~

7.47.3 Beginning of Delivery Obligation

Company shall have no obligation to deliver gas to Shipper prior to Shipper's Billing Commencement Date.

7.57.4 Provision of Line Pack Gas

Company shall provide and own Line Pack for Company's facilities or any part thereof and such Line Pack gas shall remain the property of Company.

7.67.5 Scheduling of Alteration and Repairs

Company shall have the right to interrupt or reduce service to Shipper when necessary for any alterations, modifications, enlargements or repairs to any facilities or property comprising a part of Company's pipeline system or otherwise related to the operation thereof. Except in the event of an unforeseen emergency, Company shall provide Shipper with as much notice as practicable under the circumstances, and Company shall

Foothills Pipe Lines Ltd.

Foothills has proposed several amendments to the Foothills' Gas Transportation Tariff – Phase I (Tariff) resulting from the rate filing changes made in 2004 and other initiatives to simplify processes. The following Tariff amendments are proposed to be effective on January 1, 2006. This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. Supplement II: Foothills Pipe Lines (South B.C.) Ltd., Rate Schedule

- (a) Subsection 7.2 [Receipt and Delivery Obligations] – amended for alignment with current fuel collection procedure.
- (b) Section 8 [Payment for Service] – amended to reflect effective rate filing.
- (c) Subsections 8.1 to 8.9 inclusive – Deleted.

2. Supplement II: Foothills Pipe Lines (South B.C.) Ltd., General Terms and Conditions

- (a) Section 1 [Definitions]
 - a. 1.9 [Company Use Gas] – amended to include measurement variance.
 - b. 1.45 [Unaccounted for Gas] – deleted.
 - c. 1.47 [Zone Cost of Service] – deleted.
- (b) Subsection 2.2 [Freedom from Impurities] – amended to reflect changes and clarification of gas quality specifications.
- (c) Subsection 7.2 [Company Use Gas] – amended to include measurement variance.
- (d) Subsection 7.3 [Unaccounted for Gas] – deleted.

General Updates

The remaining amendments are intended to be “housekeeping” in nature.

- 1. Amended the Effective date in the footer of impacted sections.
- 2. Amended Table of Contents as required.
- 3. Renumbered sections and references as required.

RATE SCHEDULE

1. AVAILABILITY

This Rate Schedule is available to Shipper under its Service Agreement.

2. APPLICABILITY

This Rate Schedule shall apply to all transportation services under Shipper's Service Agreement as of the Billing Commencement Date, whether or not gas is actually transported.

3. SERVICE DESCRIPTION AND SHIPPER'S OBLIGATION TO PAY

Service rendered by Company for Shipper under this Rate Schedule consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper's account) at the Receipt Point as specified in the Service Agreement;
- (b) The transportation of gas by Company through its transportation system described in section 6 hereof; and
- (c) The delivery by Company of gas to Shipper (or for Shipper's account) at the Delivery Point specified in the Service Agreement.

Shipper shall be obligated to pay to Company for the aforementioned service a transportation charge determined in accordance with section 8 hereof. Shipper's obligation to pay Company's Cost of Service is not subject to adjustment under any circumstances, except as provided in subsection 8.10 hereof.

4. SERVICE AGREEMENT

This Rate Schedule is subject to all terms, conditions, stipulations and provisions of the Service Agreement.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule is subject to all of the terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff.

6. ZONE**6.1 General**

Company's transportation system shall be one Zone in accordance with Schedule I, Annex II of the Northern Pipeline Act and described in subsection 6.2 hereof. Shipper, through its Service Agreement with Company, shall contract to have its gas transported through this Zone.

6.2 Description

Company's Zone shall be that portion of the Canadian Segments extending from the Alberta/British Columbia border near Coleman to the British Columbia/United States border near Kingsgate.

7. CHARACTER OF SERVICE**7.1 Firm Service**

Gas transported by Company for Shipper under this Rate Schedule shall not be subject to curtailment or interruption except as provided in the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Receipt and Delivery Obligations

7.2.1 At the Receipt Point, Company and Shipper shall establish a Maximum Daily Receipt Quantity. The aforementioned Maximum Daily Receipt Quantity shall be specified in Appendix A to the Service Agreement.

7.2.2 At the Delivery Point, identified in Appendix B to the Service Agreement, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at the Receipt Point, less the sum of the energy content of:

(a) Company Use Gas; and

~~(b) Unaccounted for Gas; and~~

~~(c)~~ (b) Line Pack Changes

used in the transportation of such gas on such day.

7.3 Daily Gas Nominations

Shipper shall advise Company of the total daily quantity of gas nominated by it for the Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, exceed the Daily Receipt Quantity.

8. PAYMENT FOR SERVICE

Shipper shall be obligated to pay to Company in respect of each billing month, a charge for services rendered hereunder being Company's Cost of Service determined in accordance with ~~subsection 8.1 hereof~~ Company's annual effective rate filing. Shipper's obligation to pay Company's Cost of Service is not subject to any adjustment or abatement under any circumstances except as specifically provided for in subsection 8.10 hereof, and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

~~8.1 — Computation of the Zone Cost of Service~~

~~Computation of the annual Zone Cost of Service for any Calendar Year shall be made in accordance with the provisions of this section 8. The Zone Cost of Service shall be determined by Company in Canadian dollars and shall be equal to the aggregate of the items described in subsections 8.3 through 8.8 hereof adjusted pursuant to subsection 8.9.~~

~~8.2 — Accounting~~

~~**8.2.1** Company shall maintain its books of account in accordance with the requirements of the National Energy Board and, to the extent not inconsistent with such requirements, in accordance with generally accepted accounting principles in Canada.~~

~~**8.2.2** Account numbers specified herein are those provided for in the National Energy Board Gas Pipeline Uniform Accounting Regulations as in effect on the effective date of this Gas Transportation Tariff ("Uniform Accounting Regulations"). In the event that the Uniform Accounting Regulations are, after such date, renumbered, replaced, supplemented, amended, modified or revised, the accounts, categories of such accounts, and the description thereof referred to herein shall be deemed to refer to the corresponding accounts in such renumbered, replaced, supplemented, amended, modified or revised Uniform Accounting Regulations.~~

~~8.2.3~~In this section 8, the term “Affiliate” shall mean an affiliated company as provided in section 80 of the Uniform Accounting Regulations, as amended from time to time.

~~8.3~~ — Operating Expenses

Operating expenses for the Zone shall include:

- ~~(a)~~All reasonable operating and maintenance expenses incurred properly charged to Accounts 623 to 629 inclusive, Accounts 660 to 669 inclusive and 860 to 869 inclusive;
- ~~(b)~~The amount of all overhead expenses pertaining to General Operation, Administrative and General Expense, and General Maintenance which are charged respectively to Accounts 684 to 689 inclusive, 721 to 729 inclusive, 884 to 889 inclusive; and
- ~~(c)~~All charges billed to Company, pursuant to any Operating Agreement then in effect.

~~8.4~~ — Depreciation Expense

~~8.4.1~~ Depreciation expense shall be the sum of the amount determined pursuant to subsection 8.4.2 and the amount determined pursuant to subsection 8.4.3(a), 8.4.3(b) or 8.4.3(c), whichever is applicable.

~~8.4.2~~ An amount equal to the sum of the products of each annual straight line depreciation rate set forth below and the original cost of the items included in each applicable class of Gas Plant In Service as set out below:

DEPRECIATION RATE TABLE

Classes of Gas Plant In Service	Uniform Accounting Regulations Accounts	Annual Straight Line Rate
Communication structures & Equipment; tools and work equipment; office furniture & equipment	419, 468, 469, 483, 486, 488, 489	10%
Transportation & Heavy work equipment	484, 485	30%

~~8.4.3 (a) — For the period, commencing with the Billing Commencement Date and terminating on September 13, 1989, an amount equal to the sum of the products of the annual straight line depreciation rate of 4% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.~~

~~(b) — For the period commencing on September 14, 1989 and terminating on December 31, 1995, an amount equal to the sum of the products of the annual straight line depreciation rate of 2% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.~~

~~(c) — For the period commencing on January 1, 1996, an amount equal to the sum of the products of the annual straight line depreciation rate of 3% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.~~

8.5 — Amortization Expense

Amortization expense for the Zone shall be an amount equal to the accruals recorded under Account 304, for amortization of amounts which would be classified as

~~amortizable or which have been directed to be amortized by the National Energy Board, including:~~

- ~~(a) — One Time Adjustment to rate base, pursuant to the Northern Pipeline Incentive Rate of Return Regulations, which will be amortized at 4% per year on a straight-line basis;~~
- ~~(b) — All preoperational costs incurred by Company (including, but not limited to the cost of obtaining authorizations, costs of negotiating contracts, interest on funds borrowed, taxes and administrative and general expenses) to the extent, if any, that such costs are not amortizable under the above Account; and~~
- ~~(c) — Leasehold improvement costs which may, at the option of Company, be amortized on a straight-line basis over the initial term of the lease to which they relate.~~

~~8.6 — Taxes Other Than Income Taxes~~

~~Taxes other than income taxes shall be an amount equal to the annual amount of taxes including, if applicable, provincial fuel gas taxes, being the accruals as recorded in Account 305.~~

~~8.7 — Income Taxes~~

~~An annual allowance for federal and provincial (if applicable) income taxes, computed in accordance with the taxes payable basis procedures, all as recorded in Account 306 plus any interest received or paid on tax refunds or deficiencies, as recorded in Account 323. As used in this subsection 8.7, “taxes payable basis procedures” shall mean those procedures which require the recording as the provision for income taxes only those income taxes which would be payable by Company with respect to the cost of service for the period.~~

8.8 — Return

~~Return on Company's Zone rate base shall be the product of the annual rate of return computed pursuant to subsection 8.8.1 herein times the Zone average rate base computed pursuant to subsection 8.8.2 herein.~~

~~8.8.1 — The annual rate of return (r) shall be obtained by:~~

$$r = xDc + yPc + zEc$$

~~Where:~~

~~x — is the fraction of Company's capitalization which is debt and is determined by dividing D by the sum of D, P, and E;~~

~~y — is the fraction of Company's capitalization which is preferred shares and is determined by dividing P by the sum of D, P, and E;~~

~~z — is the fraction of Company's capitalization which is common equity and is determined by dividing E by the sum of D, P, and E;~~

~~D — is the total debt as determined by taking the average of the sum of the monthly balances in Accounts 220, 221, 248, 249, 250, 258 and 270 (less balance in Account 170). Any debt denominated in foreign currency or debt charges payable with respect thereto shall be converted to a Canadian dollar equivalent by taking the Canadian dollars of the foreign currency amounts when translated at the Foreign Exchange Rate in effect when the debt to which such items relate was incurred;~~

~~P — is the total preferred shares as determined by taking the average of the sum of the monthly balances in Account 200 plus any portion of the balance in Account 210 which is applicable to any issue of preferred shares, less any portion of the balance in Account 177 which is applicable to any issue of preferred shares. Any preferred shares denominated in foreign currency or dividends payable with respect thereto shall be converted to Canadian~~

~~dollars equivalent by taking the Canadian dollars of the foreign currency amounts when translated at the Foreign Exchange Rate in effect when the preferred shares to which such items relate were issued;~~

~~E — is the total common equity as determined by taking the average of the sum of the monthly balances in Accounts 200 and 212 plus the excess of any balance in Account 210 over any portion thereof included in P, less excess of any balance in Account 177 over any portion thereof included in P;~~

~~Dc — is the weighted average cost of debt obtained by dividing the annual debt charges recorded in Accounts 320 through 323 and, without duplication, the debt charges payable to an Affiliate in respect of the costs, interest, discounts, premiums, expenses and foreign exchange gains or losses incurred, paid, realized or accrued by an Affiliate in respect of indebtedness incurred by such Affiliate to finance or refinance amounts advanced to Company by such Affiliate, to the extent that such debt charges would have been recorded in Accounts 320, 321 and 323 had such indebtedness been incurred directly by Company, by D.~~

~~The total debt charge shall not include additional financial charges associated with renegotiation or rescheduling of debt repayment unless such financial charges have received the approval of the National Energy Board;~~

~~Pe — is the weighted average cost of preferred shares obtained by dividing the amount of dividends on preferred shares outstanding that would be accrued during the year at their stated annual rate, by P; and~~

~~Ec — is the return allowed on common equity which shall be that return as approved by the National Energy Board.~~

8.8.2 ~~The Zone average rate base shall be the total of (a) less (b) plus (c) below.~~

~~(a) — The sum of the average balances of:~~

- ~~(i) Actual original investment in Gas Plant In Service including, but not limited to, such balances as recorded in Accounts 401 through 498;~~
 - ~~(ii) Gas plant leased to others (Account 101);~~
 - ~~(iii) Preliminary survey and investigation charges (Account 172);~~
 - ~~(iv) Public improvements related to gas transmission operations (Account 176);~~
 - ~~(v) Organization expense (Account 178);~~
 - ~~(vi) Other deferred debits related to gas transmission operations (Account 179 and specific subdivision thereof to account for the adjustment pertaining to the National Energy Board's Proposed Approach to Incentive Rate of Return for the Northern Pipeline as approved by the National Energy Board); and~~
 - ~~(vii) Transmission line pack gas (Account 153).~~
- ~~(b) — The sum of the average balances of:~~
- ~~(i) — Accumulated depreciation (Account 105);~~
 - ~~(ii) — Accumulated amortization (Account 106);~~
 - ~~(iii) — Contributions in aid of construction (Account 278);~~
 - ~~(iv) — Accumulated deferred income taxes (Account 276); and~~
 - ~~(v) — Other deferred credits related to transmission operations (Account 279 and specific subdivisions thereof to account for the adjustment pertaining to the National Energy Board's Proposed Approach to the Incentive Rate of Return for the Northern Pipeline as approved by the National Energy Board).~~

~~(c) — A working capital allowance being the sum of the average balances of:~~

~~(i) — The balances of prepayment and necessary materials and supplies;~~

~~(ii) — The weighted average of non interest bearing deposits required by written agreement to be maintained by Company with financial institutions in order to secure loans from such institutions (compensating balances);~~

~~(iii) — The daily weighted average of cash or securities (valued at cost) deposited with governmental authorities to secure any obligations of Company, contingent or otherwise; and~~

~~(iv) — An amount for cash working capital equal to 150% of the annual operating expenses described in subsection 8.3 hereof divided by 12.~~

~~8.9 — Adjustments~~

~~The Zone Cost of Service determined as aforesaid shall be adjusted as follows:~~

~~8.9.1 — An addition or deduction, as the case may be, equal to:~~

~~(a) — The amounts recorded in Accounts 317 and 325 being the difference between the amount of foreign exchange actually realized and the amount of foreign exchange calculated in subsection 8.8 relating to the payments of principal, interest, premiums, preferred share redemptions and preferred share dividends; and~~

~~(b) — Without duplication, the difference between the amount of foreign exchange actually realized by an Affiliate and the Canadian dollar equivalent of the amount of payments of principal, interest and premiums paid by such Affiliate in foreign currency, converted at the Foreign Exchange Rate in effect when the debt to which such payments relate was incurred by the Affiliate to finance or refinance amounts advanced to~~

~~Company by such Affiliate, to the extent that such differences would have been recorded in Accounts 317 or 325 had such indebtedness been incurred and such payments made by Company.~~

~~**8.9.2**—Additions or deductions, as the case may be, reflecting adjustments of accruals or deferrals with respect to taxes other than income taxes, expense and income accounts equal to the difference between accrued and deferred amounts and adjusted or actual amounts, all of which shall be given effect to in the year in which such adjustments or conclusive determinations or settlements of such actual amounts are made.~~

~~**8.9.3**—Additions or deductions for all other costs or credits properly attributable to the transportation service hereunder.~~

8.10 Billing Adjustment for Failure to Accept Gas or Make-Up Gas

8.10.1 If Company shall, in any Billing Month, fail for any reason to take receipt from Shipper of the whole or any portion of the quantity of gas nominated by Shipper to Company in accordance with Shipper's Service Agreement, Shipper shall nevertheless be liable to Company for, and shall pay to Company in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff, Shipper's monthly charge for such Billing Month and all other amounts invoiced to Shipper pursuant to its Service Agreement, subject only to the provisions of this subsection 8.10.

8.10.2 In any Billing Month in which Shipper is required pursuant to section 9 of Rate Schedule T-1, Firm Service of its Gas Transportation Tariff to make an adjustment for failure to accept gas or for receipt of Make-Up Gas, Shipper shall be entitled to reflect such adjustment in Shipper's payment of the monthly bill. Shipper shall provide Company with all pertinent data relating to the calculation of these adjustments with the monthly payment.

- 1.7 “°C” shall mean degrees Celsius as defined by The International System of Units (SI).
- 1.8 “CCT” shall mean Central Clock Time.
- 1.9 “Company Use Gas” shall mean for any period the total volume of gas used by Company in its gas transmission operations, as determined by Company, including but not limited to gas used as fuel or for testing; plus any measurement variance as determined by Company-used by Company in its gas transmission operations during such period.
- 1.10 “Company’s Cost of Service” shall mean relative to a Calendar Year, the Zone Cost of Service.
- 1.11 “Contract Year” shall mean the period beginning at 09:00 CCT, on the Billing Commencement Date and ending at 09:00 CCT on the next succeeding November 1st (provided, however, in the event that such period is less than six calendar months then the first Contract Year shall not end until 09:00 CCT on the second succeeding November 1st) and thereafter each period of 12 consecutive calendar months beginning at 09:00 CCT, on November 1st of each year and ending at 09:00 CCT, on the annual anniversary of such day in the next succeeding calendar year.
- 1.12 “cubic metre of gas” or “m³” shall mean that quantity of gas which, at a temperature of 15 °C and at a pressure of 101.325 kPa occupies one cubic metre.
- 1.13 “Daily Receipt Quantity” shall mean, relative to a Receipt Point for any day, the maximum volume of gas that Company, subject to the provisions of this Gas Transportation Tariff, is obligated to accept from Shipper and that Shipper may deliver to Company at such Receipt Point for transportation through Company’s transportation system, and shall be expressed in cubic metres per day, at the gross heating value of the gas at such Receipt Point.
- 1.14 “day” shall mean a period of 24 consecutive hours, beginning and ending at 09:00 CCT. The reference date for any day shall be the date of the beginning of such day.

~~1.45~~ “Unaccounted for Gas” shall mean in any period the difference between the total volume of gas received by Company from Shipper in such period, and the sum, for that period, of:

~~(a) — All gas delivered to Shipper, or for Shipper’s account; plus~~

~~(b) — Company Use Gas; and plus or minus~~

~~(c) — Line Pack Change.~~

~~1.46~~1.45 “Zone” shall mean any one of the Zones described in subsection 6.2 of the Rate Schedule into which Company’s transportation system has been divided for rate making purposes.

~~1.47~~ “Zone Cost of Service” shall mean the amount determined pursuant to section 8 of the Rate Schedule.

2. QUALITY OF GAS

2.1 Natural Gas

Natural gas shall be the gas obtained either from wells or from residue remaining after the natural gas has been treated for the removal of any of its constituent parts other than methane, and for the removal of methane to such extent as is necessary in removing such other constituents.

2.2 Freedom from Impurities

2.2.1 The following specifications shall apply to the gas which Shipper delivers or causes to be delivered to Company for transportation at any of Company's Receipt Points.

- (i) The gas shall not contain sand, dust, gums, crude oil, impurities or other objectionable substances in such quantities as may be injurious to pipeline or may interfere with the transmission, measurement or commercial utilization of gas.
- (ii) The gas shall not, unless otherwise agreed upon, have a hydrocarbon dew point in excess of $-10\text{ }^{\circ}\text{C}$ at ~~an absolute pressure of 5,500 kPa~~ Company's operating pressure.
- (iii) The gas shall not contain more than 23 mg/m^3 of hydrogen sulphide.
- (iv) The gas shall not contain more than 230 mg/m^3 of total sulphur.
- (v) The gas shall not contain more than 2% by volume of carbon dioxide, unless otherwise agreed upon.
- (vi) The gas shall not contain more than 65 mg/m^3 of water vapour.
- (vii) The gas shall not have a water dew point in excess of $-10\text{ }^{\circ}\text{C}$ at operating pressures in excess of 8275 kPa.
- (viii) The gas shall not have a temperature exceeding $49\text{ }^{\circ}\text{C}$.

(vii)(ix) The gas shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions and shall not in any event contain more than 0.4% by volume of oxygen.

2.2.2 The gas Company delivers to Shipper or for Shipper's account shall have the constituent parts that result from the commingling of the gas from various sources on Company's transportation system.

2.3 Gross Heating Value

Generally, the gas shall have a gross heating value of not less than 36 MJ/m³; provided however, that Company may at its sole discretion permit gas of lower gross heating value to be tendered to Company at individual Receipt Points.

2.4 Failure to Conform to Specifications

2.4.1 If the gas tendered for transportation shall fail at any time to conform to any of the specifications set forth in this section 2, then Company shall notify Shipper of such deficiency and may, at its option, refuse to accept such gas pending correction. If the deficiency in quality is not promptly remedied, Company may accept such gas and may make changes necessary to bring such gas into conformity with such quality specifications and Company shall include all reasonable expenses incurred by it in effecting such changes in Shipper's monthly bill.

2.4.2 Notwithstanding subsection 2.4.1 above, Company shall have the right to discontinue receipt of gas from Shipper without notice should the gas fail to meet the specifications set forth in subsection 2.2.1 hereof.

2.5 Quality Tests

Company shall establish reasonable methods and procedures, including instrumentation, for making tests to determine whether gas tendered by Shipper to Company for

7.2 Company Use Gas

Company shall have the right but shall not be obligated to use gas being transported for Shipper for the operation, maintenance and construction of Company's facilities; such use to include among other things:

- (a) Fuel used in the operation of compressor stations;
- (b) Fuel used in buildings; ~~and~~
- (c) Purging and testing; ~~and~~
- (d) Measurement variance.

~~7.3 Unaccounted for Gas~~

~~Company shall not be responsible for Unaccounted for Gas, such as gas lost by explosion, fire or other calamities, line losses, but shall keep account of any such gas.~~

7.47.3 Beginning of Delivery Obligation

Company shall have no obligation to deliver gas to Shipper prior to Shipper's Billing Commencement Date.

7.57.4 Provision of Line Pack Gas

Shipper shall provide Company with a volume of gas equal to the Line Pack Requirements; ~~and~~ Company Use Gas ~~and Unaccounted for Gas~~. Line pack gas provided to Company by Shipper shall remain the property of Shipper but Company shall not be obliged to make deliveries to Shipper in respect of such gas except as provided in subsection ~~7.6-5~~ hereof.

7.54.1 Prior to Shipper's Billing Commencement Date, Shipper shall, to the extent it is able to do so, deliver to Company each day, for the purpose of supplying line pack gas, such volume of gas at such points on the Company's transportation system as Company may request.

7.54.2 If, at any time following Shipper's Billing Commencement Date, there is an increase in the Line Pack Requirements, gas first received thereafter by Company from Shipper shall, up to the amount of such increase, be deemed to be received on account of Shipper's obligation to furnish line pack gas and relative to such Line Pack Requirements, and Company Use Gas ~~and Unaccounted for Gas~~ under this subsection 7.54, and not pursuant to Article 1 of Shipper's Service Agreement, provided that the volume of gas which Shipper is entitled to nominate on any day pursuant to such Article 1 shall not be increased as a result.

7.67.5 Return of Line Pack Gas

If at any time the Line Pack Requirements become less than the volume of gas which Shipper has delivered to Company as line pack gas, Company shall deliver to Shipper, as soon thereafter as is practicable and consistent with Company's obligations to Shipper and Shipper's obligations under subsection 7.54 hereof, a volume of gas having an energy content equal to the difference between the energy content of the past and present Line Pack Requirements.

7.77.6 Scheduling of Alteration and Repairs

Company shall have the right to interrupt or reduce service to Shipper when necessary for any alterations, modifications, enlargements or repairs to any facilities or property comprising a part of Company's pipeline system or otherwise related to the operation thereof. Except in the event of an unforeseen emergency, Company shall provide Shipper with as much notice as practicable under the circumstances, and Company shall endeavour to schedule such alterations, modifications, enlargements or repairs in cooperation with Shipper so that Shipper may arrange for alternate supply or otherwise accommodate its operations to such reduction or interruption of service.

Foothills Pipe Lines Ltd.

Foothills has proposed several amendments to the Foothills' Gas Transportation Tariff – Phase I (Tariff) resulting from the rate filing changes made in 2004 and other initiatives to simplify processes. The following Tariff amendments are proposed to be effective on January 1, 2006. This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. Supplement III: Foothills Pipe Lines (Sask.) Ltd., Rate Schedule

- (a) Subsection 7.2 [Receipt and Delivery Obligations] – amended for alignment with current fuel collection procedure.
- (b) Section 8 [Payment for Service] – amended to reflect effective rate filing.
- (c) Subsections 8.1 to 8.9 inclusive – Deleted.

2. Supplement III: Foothills Pipe Lines (Sask.) Ltd., General Terms and Conditions

- (a) Section 1 [Definitions]
 - a. 1.9 [Company Use Gas] – amended to include measurement variance.
 - b. 1.45 [Unaccounted for Gas] – deleted.
 - c. 1.47 [Zone Cost of Service] – deleted.
- (b) Subsection 2.2 [Freedom from Impurities] – amended to reflect changes and clarification of gas quality specifications.
- (c) Subsection 7.2 [Company Use Gas] – amended to include measurement variance.
- (d) Subsection 7.3 [Unaccounted for Gas] – deleted.

General Updates

The remaining amendments are intended to be “housekeeping” in nature.

- 1. Amended the Effective date in the footer of impacted sections.
- 2. Amended Table of Contents as required.
- 3. Renumbered sections and references as required.

RATE SCHEDULE**1. AVAILABILITY**

This Rate Schedule is available to Shipper under its Service Agreement.

2. APPLICABILITY

This Rate Schedule shall apply to all transportation services under Shipper's Service Agreement as of the Billing Commencement Date, whether or not gas is actually transported.

3. SERVICE DESCRIPTION AND SHIPPER'S OBLIGATION TO PAY

Service rendered by Company for Shipper under this Rate Schedule consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper's account) at the Receipt Point as specified in the Service Agreement;
- (b) The transportation of gas by Company through its transportation system described in section 6 hereof; and
- (c) The delivery by Company of gas to Shipper (or for Shipper's account) at the Delivery Point specified in the Service Agreement.

Shipper shall be obligated to pay to Company for the aforementioned service a transportation charge determined in accordance with section 8 hereof. Shipper's obligation to pay Company's Cost of Service is not subject to adjustment under any circumstances, except as provided in subsection 8.10 hereof.

4. SERVICE AGREEMENT

This Rate Schedule is subject to all terms, conditions, stipulations and provisions of the Service Agreement.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule is subject to all of the terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff.

6. ZONE**6.1 General**

Company's transportation system shall be one Zone in accordance with Schedule I, Annex II of the Northern Pipeline Act and described in subsection 6.2 hereof. Shipper, through its Service Agreement with Company, shall contract to have its gas transported through this Zone.

6.2 Description

Company's Zone shall be that portion of the Canadian Segments extending from the Alberta/Saskatchewan border near Empress to the Saskatchewan/United States border near Monchy.

7. CHARACTER OF SERVICE**7.1 Firm Service**

Gas transported by Company for Shipper under this Rate Schedule shall not be subject to curtailment or interruption except as provided in the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Receipt and Delivery Obligations

7.2.1 At the Receipt Point, Company and Shipper shall establish a Maximum Daily Receipt Quantity. The aforementioned Maximum Daily Receipt Quantity shall be specified in Appendix A to the Service Agreement.

7.2.2 At the Delivery Point, identified in Appendix B to the Service Agreement, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at the Receipt Point, less ~~the sum of~~ the energy content of:

~~(a) Company Use Gas; and~~

~~(b) Unaccounted for Gas~~

used in the transportation of such gas on such day.

7.3 Daily Gas Nominations

Shipper shall advise Company of the total daily quantity of gas nominated by it for the Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, exceed the Daily Receipt Quantity.

8. PAYMENT FOR SERVICE

Shipper shall be obligated to pay to Company in respect of each billing month, a charge for services rendered hereunder being Company's Cost of Service determined in accordance with ~~subsection 8.1 hereof~~ Company's annual effective rate filing. Shipper's obligation to pay Company's Cost of Service is not subject to any adjustment or abatement under any circumstances except as specifically provided for in subsection 8.10 hereof, and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

~~8.1 — Computation of the Zone Cost of Service~~

~~Computation of the annual Zone Cost of Service for any Calendar Year shall be made in accordance with the provisions of this section 8. The Zone Cost of Service shall be determined by Company in Canadian dollars and shall be equal to the aggregate of the items described in subsections 8.3 through 8.8 hereof adjusted pursuant to subsection 8.9.~~

~~8.2 — Accounting~~

~~**8.2.1** Company shall maintain its books of account in accordance with the requirements of the National Energy Board and, to the extent not inconsistent with such requirements, in accordance with generally accepted accounting principles in Canada.~~

~~**8.2.2** Account numbers specified herein are those provided for in the National Energy Board Gas Pipeline Uniform Accounting Regulations as in effect on the effective date of this Gas Transportation Tariff ("Uniform Accounting Regulations"). In the event that the Uniform Accounting Regulations are, after such date, renumbered, replaced, supplemented, amended, modified or revised, the accounts, categories of such accounts, and the description thereof referred to herein shall be deemed to refer to the corresponding accounts in such renumbered, replaced, supplemented, amended, modified or revised Uniform Accounting Regulations.~~

~~8.2.3~~In this section 8, the term “Affiliate” shall mean an affiliated company as provided in section 80 of the Uniform Accounting Regulations, as amended from time to time.

~~8.3~~ — Operating Expenses

Operating expenses for the Zone shall include:

- ~~(a)~~All reasonable operating and maintenance expenses incurred properly charged to Accounts 623 to 629 inclusive, Accounts 660 to 669 inclusive and 860 to 869 inclusive;
- ~~(b)~~The amount of all overhead expenses pertaining to General Operation, Administrative and General Expense, and General Maintenance which are charged respectively to Accounts 684 to 689 inclusive, 721 to 729 inclusive, 884 to 889 inclusive; and
- ~~(c)~~All charges billed to Company, pursuant to any Operating Agreement then in effect.

~~8.4~~ — Depreciation Expense

~~8.4.1~~ Depreciation expense shall be the sum of the amount determined pursuant to subsection 8.4.2 and the amount determined pursuant to subsection 8.4.3(a), 8.4.3(b) or 8.4.3(c), whichever is applicable.

~~8.4.2~~ An amount equal to the sum of the products of each annual straight line depreciation rate set forth below and the original cost of the items included in each applicable class of Gas Plant In Service as set out below:

DEPRECIATION RATE TABLE

Classes of Gas Plant In Service	Uniform Accounting Regulations Accounts	Annual Straight Line Rate
Communication structures & Equipment; tools and work equipment; office furniture & equipment	419, 468, 469, 483, 486, 488, 489	10%
Transportation & Heavy work equipment	484, 485	30%

~~8.4.3 (a) — For the period, commencing with the Billing Commencement Date and terminating on September 13, 1989, an amount equal to the sum of the products of the annual straight line depreciation rate of 4% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.~~

~~(b) — For the period commencing on September 14, 1989 and terminating on December 31, 1995, an amount equal to the sum of the products of the annual straight line depreciation rate of 2% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.~~

~~(c) — For the period commencing on January 1, 1996, an amount equal to the sum of the products of the annual straight line depreciation rate of 3% and the original cost of the depreciable items included in Gas Plant In Service, Accounts 401 through 498 except Accounts listed in subsection 8.4.2 above.~~

8.5 — Amortization Expense

Amortization expense for the Zone shall be an amount equal to the accruals recorded under Account 304, for amortization of amounts which would be classified as

~~amortizable or which have been directed to be amortized by the National Energy Board, including:~~

- ~~(a) — One Time Adjustment to rate base, pursuant to the Northern Pipeline Incentive Rate of Return Regulations, which will be amortized at 4% per year on a straight-line basis;~~
- ~~(b) — All preoperational costs incurred by Company (including, but not limited to the cost of obtaining authorizations, costs of negotiating contracts, interest on funds borrowed, taxes and administrative and general expenses) to the extent, if any, that such costs are not amortizable under the above Account; and~~
- ~~(c) — Leasehold improvement costs which may, at the option of Company, be amortized on a straight-line basis over the initial term of the lease to which they relate.~~

~~8.6 — Taxes Other Than Income Taxes~~

~~Taxes other than income taxes shall be an amount equal to the annual amount of taxes including, if applicable, provincial fuel gas taxes, being the accruals as recorded in Account 305.~~

~~8.7 — Income Taxes~~

~~An annual allowance for federal and provincial (if applicable) income taxes, computed in accordance with the taxes payable basis procedures, all as recorded in Account 306 plus any interest received or paid on tax refunds or deficiencies, as recorded in Account 323. As used in this subsection 8.7, “taxes payable basis procedures” shall mean those procedures which require the recording as the provision for income taxes only those income taxes which would be payable by Company with respect to the cost of service for the period.~~

8.8 — Return

~~Return on Company's Zone rate base shall be the product of the annual rate of return computed pursuant to subsection 8.8.1 herein times the Zone average rate base computed pursuant to subsection 8.8.2 herein.~~

~~8.8.1 — The annual rate of return (r) shall be obtained by:~~

$$r = xDc + yPc + zEc$$

~~Where:~~

~~x — is the fraction of Company's capitalization which is debt and is determined by dividing D by the sum of D, P, and E;~~

~~y — is the fraction of Company's capitalization which is preferred shares and is determined by dividing P by the sum of D, P, and E;~~

~~z — is the fraction of Company's capitalization which is common equity and is determined by dividing E by the sum of D, P, and E;~~

~~D — is the total debt as determined by taking the average of the sum of the monthly balances in Accounts 220, 221, 248, 249, 250, 258 and 270 (less balance in Account 170). Any debt denominated in foreign currency or debt charges payable with respect thereto shall be converted to a Canadian dollar equivalent by taking the Canadian dollars of the foreign currency amounts when translated at the Foreign Exchange Rate in effect when the debt to which such items relate was incurred;~~

~~P — is the total preferred shares as determined by taking the average of the sum of the monthly balances in Account 200 plus any portion of the balance in Account 210 which is applicable to any issue of preferred shares, less any portion of the balance in Account 177 which is applicable to any issue of preferred shares. Any preferred shares denominated in foreign currency or dividends payable with respect thereto shall be converted to Canadian~~

~~dollars equivalent by taking the Canadian dollars of the foreign currency amounts when translated at the Foreign Exchange Rate in effect when the preferred shares to which such items relate were issued;~~

~~E — is the total common equity as determined by taking the average of the sum of the monthly balances in Accounts 200 and 212 plus the excess of any balance in Account 210 over any portion thereof included in P, less excess of any balance in Account 177 over any portion thereof included in P;~~

~~Dc — is the weighted average cost of debt obtained by dividing the annual debt charges recorded in Accounts 320 through 323 and, without duplication, the debt charges payable to an Affiliate in respect of the costs, interest, discounts, premiums, expenses and foreign exchange gains or losses incurred, paid, realized or accrued by an Affiliate in respect of indebtedness incurred by such Affiliate to finance or refinance amounts advanced to Company by such Affiliate, to the extent that such debt charges would have been recorded in Accounts 320, 321 and 323 had such indebtedness been incurred directly by Company, by D.~~

~~The total debt charge shall not include additional financial charges associated with renegotiation or rescheduling of debt repayment unless such financial charges have received the approval of the National Energy Board;~~

~~Pe — is the weighted average cost of preferred shares obtained by dividing the amount of dividends on preferred shares outstanding that would be accrued during the year at their stated annual rate, by P; and~~

~~Ec — is the return allowed on common equity which shall be that return as approved by the National Energy Board.~~

8.8.2 ~~The Zone average rate base shall be the total of (a) less (b) plus (c) below.~~

~~(a) — The sum of the average balances of:~~

- ~~(i) Actual original investment in Gas Plant In Service including, but not limited to, such balances as recorded in Accounts 401 through 498;~~
 - ~~(ii) Gas plant leased to others (Account 101);~~
 - ~~(iii) Preliminary survey and investigation charges (Account 172);~~
 - ~~(iv) Public improvements related to gas transmission operations (Account 176);~~
 - ~~(v) Organization expense (Account 178);~~
 - ~~(vi) Other deferred debits related to gas transmission operations (Account 179 and specific subdivision thereof to account for the adjustment pertaining to the National Energy Board's Proposed Approach to Incentive Rate of Return for the Northern Pipeline as approved by the National Energy Board); and~~
 - ~~(vii) Transmission line pack gas (Account 153).~~
- ~~(b) — The sum of the average balances of:~~
- ~~(i) — Accumulated depreciation (Account 105);~~
 - ~~(ii) — Accumulated amortization (Account 106);~~
 - ~~(iii) — Contributions in aid of construction (Account 278);~~
 - ~~(iv) — Accumulated deferred income taxes (Account 276); and~~
 - ~~(v) — Other deferred credits related to transmission operations (Account 279 and specific subdivisions thereof to account for the adjustment pertaining to the National Energy Board's Proposed Approach to the Incentive Rate of Return for the Northern Pipeline as approved by the National Energy Board).~~

- (c) — ~~A working capital allowance being the sum of the average balances of:~~
- (i) — ~~The balances of prepayment and necessary materials and supplies;~~
 - (ii) — ~~The weighted average of non interest bearing deposits required by written agreement to be maintained by Company with financial institutions in order to secure loans from such institutions (compensating balances);~~
 - (iii) — ~~The daily weighted average of cash or securities (valued at cost) deposited with governmental authorities to secure any obligations of Company, contingent or otherwise; and~~
 - (iv) — ~~An amount for cash working capital equal to 150% of the annual operating expenses described in subsection 8.3 hereof divided by 12.~~

~~8.9 — Adjustments~~

~~The Zone Cost of Service determined as aforesaid shall be adjusted as follows:~~

~~8.9.1 — An addition or deduction, as the case may be, equal to:~~

- (a) — ~~The amounts recorded in Accounts 317 and 325 being the difference between the amount of foreign exchange actually realized and the amount of foreign exchange calculated in subsection 8.8 relating to the payments of principal, interest, premiums, preferred share redemptions and preferred share dividends; and~~
- (b) — ~~Without duplication, the difference between the amount of foreign exchange actually realized by an Affiliate and the Canadian dollar equivalent of the amount of payments of principal, interest and premiums paid by such Affiliate in foreign currency, converted at the Foreign Exchange Rate in effect when the debt to which such payments relate was incurred by the Affiliate to finance or refinance amounts advanced to~~

~~Company by such Affiliate, to the extent that such differences would have been recorded in Accounts 317 or 325 had such indebtedness been incurred and such payments made by Company.~~

~~**8.9.2**—Additions or deductions, as the case may be, reflecting adjustments of accruals or deferrals with respect to taxes other than income taxes, expense and income accounts equal to the difference between accrued and deferred amounts and adjusted or actual amounts, all of which shall be given effect to in the year in which such adjustments or conclusive determinations or settlements of such actual amounts are made.~~

~~**8.9.3**—Additions or deductions for all other costs or credits properly attributable to the transportation service hereunder.~~

8.10 Billing Adjustment for Failure to Accept Gas or Make-Up Gas

8.10.1 If Company shall, in any Billing Month, fail for any reason to take receipt from Shipper of the whole or any portion of the quantity of gas nominated by Shipper to Company in accordance with Shipper's Service Agreement, Shipper shall nevertheless be liable to Company for, and shall pay to Company in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff, Shipper's monthly charge for such Billing Month and all other amounts invoiced to Shipper pursuant to its Service Agreement, subject only to the provisions of this subsection 8.10.

8.10.2 In any Billing Month in which Shipper is required pursuant to section 9 of Rate Schedule T-1, Firm Service of its Gas Transportation Tariff to make an adjustment for failure to accept gas or for receipt of Make-Up Gas, Shipper shall be entitled to reflect such adjustment in Shipper's payment of the monthly bill. Shipper shall provide Company with all pertinent data relating to the calculation of these adjustments with the monthly payment.

- 1.7 “°C” shall mean degrees Celsius as defined by The International System of Units (SI).
- 1.8 “CCT” shall mean Central Clock Time.
- 1.9 “Company Use Gas” shall mean for any period the total volume of gas used by Company in its gas transmission operations, as determined by Company, including but not limited to gas used as fuel or for testing; plus any measurement variance as determined by Company-used by Company in its gas transmission operations during such period.
- 1.10 “Company’s Cost of Service” shall mean relative to a Calendar Year, the Zone Cost of Service.
- 1.11 “Contract Year” shall mean the period beginning at 09:00 CCT, on the Billing Commencement Date and ending at 09:00 CCT on the next succeeding November 1st (provided, however, in the event that such period is less than six calendar months then the first Contract Year shall not end until 09:00 CCT on the second succeeding November 1st) and thereafter each period of 12 consecutive calendar months beginning at 09:00 CCT, on November 1st of each year and ending at 09:00 CCT, on the annual anniversary of such day in the next succeeding calendar year.
- 1.12 “cubic metre of gas” or “m³” shall mean that quantity of gas which, at a temperature of 15 °C and at a pressure of 101.325 kPa occupies one cubic metre.
- 1.13 “Daily Receipt Quantity” shall mean, relative to a Receipt Point for any day, the maximum volume of gas that Company, subject to the provisions of this Gas Transportation Tariff, is obligated to accept from Shipper and that Shipper may deliver to Company at such Receipt Point for transportation through Company’s transportation system, and shall be expressed in cubic metres per day, at the gross heating value of the gas at such Receipt Point.
- 1.14 “day” shall mean a period of 24 consecutive hours, beginning and ending at 09:00 CCT. The reference date for any day shall be the date of the beginning of such day.

~~1.45~~“Unaccounted for Gas” shall mean in any period the difference between the total volume of gas received by Company from Shipper in such period, and the sum, for that period, of:

(a) — All gas delivered to Shipper, or for Shipper’s account; plus

(b) — Company Use Gas; and plus or minus

(c) — Line Pack Change.

1.461.45 —“Zone” shall mean any one of the Zones described in subsection 6.2 of the Rate Schedule into which Company’s transportation system has been divided for rate-making purposes.

~~1.47~~“Zone Cost of Service” shall mean the amount determined pursuant to section 8 of the Rate Schedule.

2. QUALITY OF GAS

2.1 Natural Gas

Natural gas shall be the gas obtained either from wells or from residue remaining after the natural gas has been treated for the removal of any of its constituent parts other than methane, and for the removal of methane to such extent as is necessary in removing such other constituents.

2.2 Freedom from Impurities

2.2.1 The following specifications shall apply to the gas which Shipper delivers or causes to be delivered to Company for transportation at any of Company's Receipt Points.

- (i) The gas shall not contain sand, dust, gums, crude oil impurities or other objectionable substances in such quantities as may be injurious to pipeline or may interfere with the transmission, measurement or commercial utilization of gas.
- (ii) The gas shall not, unless otherwise agreed upon, have a hydrocarbon dew point in excess of $-10\text{ }^{\circ}\text{C}$ at ~~an absolute pressure of 5,500 kPa~~ Company's operating pressure.
- (iii) The gas shall not contain more than 23 mg/m^3 of hydrogen sulphide.
- (iv) The gas shall not contain more than 230 mg/m^3 of total sulphur.
- (iv) The gas shall not contain more than 2% by volume of carbon dioxide, unless otherwise agreed upon.
- (vi) The gas shall not contain more than 65 mg/m^3 of water vapour.
- (vii) The gas shall not have a water dew point in excess of $-10\text{ }^{\circ}\text{C}$ at operating pressures in excess of 8275 kPa.

(viii) The gas shall not have a temperature exceeding 49 °C.

~~(vii)~~(ix) The gas shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions and shall not in any event contain more than 0.4% by volume of oxygen.

2.2.2 The gas Company delivers to Shipper or for Shipper's account shall have the constituent parts that result from the commingling of the gas from various sources on Company's transportation system.

2.3 Gross Heating Value

Generally, the gas shall have a gross heating value of not less than 36 MJ/m³; provided however, that Company may at its sole discretion permit gas of lower gross heating value to be tendered to Company at individual Receipt Points.

2.4 Failure to Conform to Specifications

2.4.1 If the gas tendered for transportation shall fail at any time to conform to any of the specifications set forth in this section 2, then Company shall notify Shipper of such deficiency and may, at its option, refuse to accept such gas pending correction. If the deficiency in quality is not promptly remedied, Company may accept such gas and may make changes necessary to bring such gas into conformity with such quality specifications and Company shall include all reasonable expenses incurred by it in effecting such changes in Shipper's monthly bill.

2.4.2 Notwithstanding subsection 2.4.1 above, Company shall have the right to discontinue receipt of gas from Shipper without notice should the gas fail to meet the specifications set forth in subsection 2.2.1 hereof.

2.5 Quality Tests

Company shall establish reasonable methods and procedures, including instrumentation, for making tests to determine whether gas tendered by Shipper to Company for

7.2 Company Use Gas

Company shall have the right but shall not be obligated to use gas being transported for Shipper for the operation, maintenance and construction of Company's facilities; such use to include among other things:

- (a) Fuel used in the operation of compressor stations;
- (b) Fuel used in buildings; ~~and~~
- (c) Purging and testing; ~~and~~
- (d) Measurement variance.

~~7.3 Unaccounted for Gas~~

~~Company shall not be responsible for Unaccounted for Gas, such as gas lost by explosion, fire or other calamities, line losses, but shall keep account of any such gas.~~

7.47.3 Beginning of Delivery Obligation

Company shall have no obligation to deliver gas to Shipper prior to Shipper's Billing Commencement Date.

7.57.4 Provision of Line Pack Gas

Company shall provide and own Line Pack for Company's facilities or any part thereof and such Line Pack gas shall remain the property of Company.

7.67.5 Scheduling of Alteration and Repairs

Company shall have the right to interrupt or reduce service to Shipper when necessary for any alterations, modifications, enlargements or repairs to any facilities or property comprising a part of Company's pipeline system or otherwise related to the operation thereof. Except in the event of an unforeseen emergency, Company shall provide Shipper with as much notice as practicable under the circumstances, and Company shall

endeavour to schedule such alterations, modifications, enlargements or repairs in cooperation with Shipper so that Shipper may arrange for alternate supply or otherwise accommodate its operations to such reduction or interruption of service.

8. COOPERATIVE EXCHANGE OF INFORMATION

Company and Shipper shall, on request by either made to the other, cooperate in providing such certificates, estimates and information as shall be in its possession, and as shall be reasonably required by the other for the purpose of financing, for the purpose of operations, for obtaining any permits required for the construction of additional facilities, or for the purpose of complying with the provisions of any Deed of Trust and Mortgage to which it is a party.

9. SERVICE AGREEMENT

9.1 Service Rendered

Service rendered by Company for Shipper shall be pursuant to the terms of the Service Agreement between Company and Shipper.

9.2 Expansions in Service

When Shipper desires an expansion of service, it shall so advise Company, and Company will, as promptly as practicable, advise Shipper whether and to what extent it can render desired service and the terms hereof.

9.3 Defaults

No default in the performance of any of the obligations of Company or Shipper, under Shipper's Service Agreement, shall operate to terminate such Service Agreement, or