

Several amendments to Foothills' Gas Transportation Tariff – South B.C. Tariff are proposed resulting from amendments to the Foothills Pipe Lines Ltd. Tariff approved by the Board in a letter dated October 28, 2004 in respect of the Tolls and Tariff Amendment Application. These amendments are consequential in nature and required to implement the new tolling methodology. Other general housekeeping amendments have also been made and black-lined to align the Foothills Pipe Lines South B.C. Tariff with other changes that have been previously approved for the Foothills Pipe Lines Ltd., however these amendments are not summarized below. This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. Description of Company and Services Rendered

- (i) Amended to reflect change from monthly cost of service to annual cost of service.

2. Rate Schedule

- (i) Subsection 8.1 [Computation of the Zone Cost of Service] – amended to change from billing month to annual cost of service in the calendar year.
- (ii) Subsection 8.3 [Operating Expenses] – deleted reference to billing month.
- (iii) Subsection 8.4 [Depreciation Expense] – deleted calculation equal to 1/12 if the annual cost of service and deleted reference to billing month.
- (iv) Subsection 8.5 [Amortization Expense] – deleted reference to billing month.
- (v) Subsection 8.6 [Taxes Other Than Income Taxes] – deleted calculation equal to 1/12 of the annual amount of taxes and deleted reference to billing month.
- (vi) Subsection 8.7 [Income Taxes] – deleted calculation equal to 1/12 of the annual allowance.
- (vii) Subsection 8.8 [Return] – deleted calculation equal to 1/12 if the annual rate of return and deleted reference to billing month. Inserted “average” to the Zone rate base.
 - (a) Subsection 8.8.1 – added “average” to the sum of the monthly account balances.
 - (b) Subsection 8.8.2 – added “average” to the Zone rate base.
- (viii) Subsection 8.9 [Adjustments] – deleted reference to billing month.
- (ix) Deleted section 9 [Effective Date] – moved this to new subsection 18.4 in the General Terms and Conditions.

3. General Terms and Conditions

- (i) Section 1 [Definitions]
 - (a) Deleted subsection 1.4 [Billing Period].
 - (b) Amended subsection 1.10 [Company's Cost of Service] – deleted reference to the billing month.
 - (c) Amended subsection 1.47 [Zone Cost of Service] – changed from billing month to calendar year.
- (ii) Subsection 5.7 [Monthly Charge]
 - (a) Subsection 5.7.1 – amended to reflect that monthly charges will be 1/12 of the Company's cost of service.
 - (b) Subsection 5.7.2 – amended to reflect change from six month billing period to calendar year.

- (c) Subsection 5.7.3 – amended to reflect change to adjustments to the annual cost of service resulting from overpayments or deficiencies.
- (d) Deleted subsection 5.7.4.
- (e) New subsection 5.7.4 – amended to reflect change from six month billing period to calendar year.

**GAS TRANSPORTATION TARIFF
OF
FOOTHILLS PIPE LINES (South B.C.) LTD. (“Company”)
WITH
FOOTHILLS PIPE LINES LTD. (“Shipper”)**

This Gas Transportation Tariff is subject to the National Energy Board Act and is available for inspection during normal business hours. Communications concerning this Gas Transportation Tariff should be addressed to:

~~Manager Customer Service and Regulatory Affairs~~

Foothills Pipe Lines Ltd.

~~3100, 707 Eighth Avenue S.W.~~ 450 First Street S.W.

Calgary, Alberta

T2P 3W85H1

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DESCRIPTION OF COMPANY AND SERVICES RENDERED

Foothills Pipe Lines (South B.C.) Ltd. (hereinafter referred to as “Company”) owns and operates a natural gas pipeline network, in the Province of British Columbia engaged primarily in rendering natural gas transportation service to Foothills Pipe Lines Ltd. (hereinafter referred to as “Shipper”).

Company has the capacity within or outside of Canada to construct, purchase, or otherwise acquire and hold, develop, operate, maintain, control, lease, mortgage, hypothecate, create liens or other security upon, sell, convey, or otherwise dispose of and turn to account any and all interprovincial, extraprovincial and/or international pipelines and all appurtenances relative thereto. Company may engage in other miscellaneous services generally of a relatively minor magnitude.

This Gas Transportation Tariff sets forth the Rate Schedule, the General Terms and Conditions, and the Pro Forma Service Agreement applicable to the gas transportation service provided by Company. In general Company shall provide a gas transportation service for Shipper and in turn shall receive a cost of service payment for this service. Company shall determine an annual monthly cost of service and Shipper shall be obligated to pay this cost of service.

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 ~~used in the transportation of such gas on such day~~ of the energy content of:

~~(a) Lost and Otherwise Unaccounted for Gas, plus~~

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

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

(c) 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, ~~commencing with Shipper's First Billing Month,~~ a charge for services rendered

hereunder being Company's Cost of Service determined in accordance with subsection 8.1 hereof. 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 billing monthCalendar 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 ~~for each billing month~~ 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 the~~ Zone shall include:

- (a) All reasonable operating and maintenance expenses incurred ~~for the billing month~~ 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 ~~and attached hereto as Supplement H.~~

8.4 Depreciation Expense

8.4.1 Depreciation expense ~~for the billing month~~ 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 8.4.43(c), whichever is applicable.

8.4.2 An amount equal to ~~1/12 of~~ the sum of the products of each annual straight-line depreciation rate set forth below and the original cost, ~~as properly recorded, as at the first day of the billing month,~~ 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 &	419, 468, 469, 483, 486, 488,	10%

equipment	489	
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 ~~1/12 of~~ the sum of the products of the annual straight-line depreciation rate of 4% and the original cost, ~~as properly recorded, as at the first day of the billing month,~~ 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 ~~1/12 of~~ the sum of the products of the annual straight-line depreciation rate of 2% and the original cost ~~as properly recorded, as at the first day of the billing month,~~ 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 ~~1/12 of~~ the sum of the products of the annual straight-line depreciation rate of 3% and the original cost ~~as properly recorded, as at the first day of the billing month,~~ 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 the~~ Zone ~~for a billing month~~ shall be an amount equal to the accruals ~~for the billing month~~ 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 ~~1/12 of~~ the annual amount of taxes including, if applicable, provincial fuel gas taxes, being the accruals as recorded ~~for the billing month~~ in Account 305.

8.7 Income Taxes

~~An monthly allowance equal to 1/12 of the~~ 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 ~~for the billing month~~ shall be the product of ~~1/12 of~~ the annual rate of return computed pursuant to subsection 8.8.1 herein times the Zone average rate base ~~for the billing month~~ computed pursuant to subsection 8.8.2 herein. ~~The billing month balances referred to for each account in subsections 8.8.1, 8.8.2(a) and 8.8.2(b) herein, shall be the average of the sum of the balances in each account as of the beginning and as of the end of such billing month with the exception of the balance of retained earnings (Account 212) and the balance of accumulated deferred income taxes (Account 276) which shall be as of the beginning of the billing month.~~

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 billing-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 billing-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 ~~billing-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:

~~(a) — Multiplying by 12 the sum of the total dividing the annual~~ debt charges ~~for the billing month~~ 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, ~~and~~

~~(b) — Dividing the product~~ 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;

Pc is the weighted average cost of preferred shares obtained by ~~multiplying~~ ~~dividing~~ the amount of dividends on preferred shares outstanding ~~from~~ ~~time to time during the billing month~~ that would be accrued during the ~~billing month~~ ~~year~~ at their stated annual rate, by ~~12 and dividing the~~ ~~product 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 ~~for the billing month~~ shall be the total of (a) less (b) plus (c) below.

- (a) The sum of the ~~billing month~~ 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 ~~billing month~~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 ~~for the billing month~~ being the sum of the average balances of:
 - (i) The balances of prepayment and necessary materials and supplies ~~as of the beginning of the billing month~~;
 - (ii) The weighted average ~~for the billing month~~ 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 ~~for the billing month~~ 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 ~~gas~~ 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 ~~in the billing month~~ 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 ~~in the billing month~~ 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 ~~month-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 ~~b~~Billing ~~m~~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 ~~b~~Billing ~~m~~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 ~~b~~Billing ~~m~~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.

~~9. — EFFECTIVE DATE~~

~~This Gas Transportation Tariff shall be effective as from the date fixed by the National Energy Board.~~

GENERAL TERMS AND CONDITIONS

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GENERAL TERMS AND CONDITIONS**1. DEFINITIONS**

The following words and terms, whenever and wherever used or appearing in these General Terms and Conditions, the Rate Schedule to which they apply, or in the Service Agreement to which such Rate Schedule and General Terms and Conditions apply, shall have the following meanings:

1.1 “Alaska Natural Gas Transportation System” or “ANGTS”, also known as the Alaska Highway Project, shall mean the pipeline and related facilities for the transportation of U.S. gas from the Prudhoe Bay area, through Alaska and Canada to the 49th Parallel, and from the 49th Parallel to the midwestern U.S. and to California in the western U.S., and for the transportation of Canadian gas via Zones 10 and 11 (the Dempster Line) from the Beaufort Basin area to join the mainline near Whitehorse in the Yukon Territory.

1.2 “Banking Day” shall mean any day that the Royal Bank of Canada, Main Branch, Calgary, Canada or other financial institution agreed to by Company, conducts business.

1.2.1.3 “Billing Commencement Date” shall mean the date when Shipper’s payment obligation commences. This date shall occur when the earliest Billing Commencement Date for any Shipper utilizing Phase I Zone 8 facilities as defined in subsection 1.2 of the General Terms and Conditions of Foothills Pipe Lines Ltd. Gas Transportation Tariff has occurred.

1.3.1.4 “Billing mMonth” 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.

1.4 “Billing Period” shall have the meaning ascribed to it as set out in subsection 5.7.2 herein.

1.5 “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.

- 1.6 “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 Foothills Pipe Lines Ltd.
- 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, as determined by Company, including but not limited to gas used as fuel or for testing, used by Company in its gas transmission operations during such period.
- 1.10 “Company’s Cost of Service” shall mean relative to ~~Shipper for a billing month~~ Calendar Year, the ~~sum of the~~ Zone Cost of Service ~~computed pursuant to section 8 of the Rate Schedule~~.
- 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, Company is obligated to accept from Shipper and that Shipper may deliver to Company at ~~the 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 ~~the such~~ Receipt Point.

- 1.14** “day” shall mean a period of 24 consecutive hours, beginning and ending at 09:00 CCST. The reference date for any day shall be the date of the beginning of such day.
- 1.15** “Delivery Point” shall mean the Delivery Point shown in Appendix B to Shipper’s Service Agreement for delivery of gas to Shipper.
- ~~**1.16** “Eastern Leg” shall mean the Phase I facilities located in Zone 6 and Zone 9.~~
- 1.16** “Financial Assurance” shall have the meaning ascribed to it as set out in subsection 5.8 of these General Terms and Conditions.
- 1.17** “First Billing Month” shall mean relative to Shipper the billing month in which Shipper’s Billing Commencement Date occurs.
- 1.18** “Foreign Exchange Rate” shall mean for any day that rate for the currency in question as published at 12:00, Eastern Standard Time, by the Bank of Canada in the City of Ottawa.
- 1.19** “gas” shall mean natural gas, manufactured, artificial or synthetic gas, or any mixture or combination thereof.
- 1.20** “Gas Plant In Service” shall mean the original cost of the gas plant of Company excluding plant that is entirely distinct from and is not operated in connection with the gas transportation service provided pursuant to this Gas Transportation Tariff.
- 1.21** “Gas Transportation Tariff” shall mean the compilation on file with the National Energy Board of Company’s Rate Schedule, General Terms and Conditions and related Service Agreements with Shippers as in effect from time to time.
- 1.22** “General Terms and Conditions” shall mean, at any time these General Terms and Conditions as amended or supplemented from time to time.
- 1.23** “gross heating value” shall mean the total Joules obtained by complete combustion at constant pressure of one cubic metre of gas with air, the gas to be free of all water vapour and the temperature of the gas, air and products of combustion to be at standard

temperature and all water formed by the combustion reaction to be condensed to the liquid state.

- 1.24** “J” shall mean Joule(s), the base unit for energy as defined by The International System of Units (SI).
- 1.25** “km” shall mean kilometre(s) as defined by The International System of Units (SI).
- 1.26** “kPa” shall mean kilopascal(s) of pressure ~~absolute~~.
- 1.27** “Line Pack Change” shall mean for any period the difference between the total volume of line pack gas contained in Company’s pipeline at the beginning and end of such period, as computed by Company.
- 1.28** “Line Pack Requirements” shall mean at any time that volume of gas which is calculated by Company as the total volume of gas required as line pack for the efficient operation of its pipeline.
- ~~**1.29** “Lost and Otherwise Unaccounted for Gas” shall mean for 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.~~
- 1.30** ~~**1.29**~~ “Make-Up Gas” shall mean for any period the total volume of gas transported pursuant to subsection 9.43 of Rate Schedule T-1, Firm Service of Foothills Pipe Lines Ltd. Gas Transportation Tariff for all Shippers under that Rate Schedule.
- 1.31** ~~**1.30**~~ “Maximum Daily Receipt Quantity” shall mean relative to a Receipt Point for any day, the volume of gas, as specified in Appendix A to the Service Agreement.

1.321.31 “mg” shall mean milligram(s) as defined by The International System of Units (SI).

1.331.32 “month” shall mean a period of time beginning at 09:00 CCT on the first day of a calendar month and ending at 09:00 CCT on the first day of the next calendar month.

1.341.33 “National Energy Board” or “NEB” or “Board” shall mean the National Energy Board of Canada or any other tribunal which may hereafter exercise the functions now exercised by that Board with respect to the regulation of gas pipelines.

1.351.34 “Northern Pipeline” shall have the same meaning as is ascribed to “pipeline” in section 2(1) of the Northern Pipeline Act.

1.361.35 “Operating Agreement” shall mean an agreement between Company and any Person under which such Person undertakes to provide services to facilitate Company’s operation of all or part of Company’s transportation system.

1.371.36 “Person” shall mean an individual, a corporation, a partnership, an association, a joint venture, a trust, an unincorporated organization or a government or political subdivision thereof; and pronouns shall have a similarly extended meaning.

~~1.38 “plant” shall have the meaning ascribed to it by section 2(1)(d) of the National Energy Board Act Gas Pipeline Uniform Accounting Regulations being regulation SOR/83-190.~~

1.391.37 “Phase I Facilities” shall mean those portions of the ANGTS to be constructed by the subsidiary companies of Foothills Pipe Lines Ltd. in the Provinces of British Columbia, Alberta and Saskatchewan for the transmission of Alberta source gas which has been authorized for export from Canada by licences issued under Part VI of the National Energy Board Act.

~~1.38 “plant” shall have the meaning ascribed to it by section 2 of the National Energy Board Act Gas Pipeline Uniform Accounting Regulations being regulation SOR/83-190.~~

1.401.39 “Rate of Interest” shall mean for any period, the annual rate which is the daily weighted average prime rate for Canadian dollar loans, charged during such period, to its

commercial customers by the ~~Canadian ImperialRoyal~~ Bank of ~~Commercee~~Canada, Main Branch, Calgary, Alberta.

1.411.40 “Rate Schedule” shall mean the Rate Schedule, included as part of this Gas Transportation Tariff, for gas transportation through Company’s transportation system.

1.421.41 “Receipt Point” shall mean the Receipt Point shown in Appendix A to Shipper’s Service Agreement for receipt of gas from Shipper.

1.431.42 “Service Agreement” shall mean the executed Service Agreement for service under this Gas Transportation Tariff as then in effect made by and between Company and Shipper.

1.441.43 “Subsidiary Company” shall mean Shipper’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.

1.451.44 “10³m³” shall mean 1,000 cubic metres of gas determined pursuant to the pressure and temperature conditions set forth in subsection 1.11 above.

~~1.46 “Western Leg” shall mean the Phase I facilities located in Zone 7 and Zone 8.~~

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.

1.471.46 “Zone” shall mean any one of the Zones described in subsection 6.2 of the Rate Schedule into which that portion of Company’s transmission-transportation system identified has been divided for rate making purposes in the Northern Pipeline Act.

1.481.47 “Zone Cost of Service” shall mean relative to a billing month the amount determined for such billing month pursuant to section 8 of the Rate Schedule.

2. QUALITY OF GAS

~~The following specifications shall apply to;~~

~~(a) — The gas which Shipper delivers or causes to be delivered to Company for transportation, and~~

~~(b) — The gas which Company delivers to Shipper or for Shipper's account,~~

~~Provided, however, that gas which Company delivers at the Delivery Point shall have the constituent parts that result from the commingling of the gas from various sources on Company's transportation system.~~

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.

2.2.1(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.

2.2.2(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.

2.2.3(iii) The gas shall not contain more than 23 mg/m³ of hydrogen sulphide.

2.2.4(iv) The gas shall not contain more than 230 mg/m³ of total sulphur.

2.2.5(v) The gas shall not contain more than 2% by volume of carbon dioxide, unless otherwise agreed upon.

2.2.6(vi) The gas shall not contain more than 65 mg/m³ of water vapour.

2.2.7(vii) 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 ~~may~~ 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 ~~the operating expenses as provided in subsection 8.3 of the Rate Schedule of this Gas Transportation~~ Tariff 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 ~~nominated~~ tendered by Shipper to Company for transportation or delivered by Company to Shipper, meets the specifications set forth in this section 2.

3. MEASUREMENT AND MEASURING EQUIPMENT

Subject to section 4 hereof Company shall cause to be furnished, installed, maintained and operated at each Receipt and Delivery Point all equipment, devices and material necessary to determine gas volume, pressure, temperature, gross heating value, quality, specific gravity and super compressibility. Company and Company's agent shall be responsible for the aforesaid measurements and measuring equipment, and Company and Shipper will in conjunction with affected parties establish necessary metering, dispatch and operating procedures to provide information required by Company, Shipper or such affected parties. The following shall apply to measuring equipment measuring gas ~~nominated~~ tendered by Shipper to Company for transportation, or delivered by Company to Shipper unless otherwise agreed upon.

3.1 Compliance with Standards

All measuring equipment, devices and material required shall be compatible with the quantities to be metered at the particular point, and shall be of a type approved for their intended use under the provisions of the Gas Inspection Act being Chapter G-87 of the Statutes of Canada, 1982, or as amended (hereinafter referred to as GIA), where such approvals are applicable.

3.2 Check Measuring Equipment

At Shipper's Receipt Point and Delivery Point, Shipper, at its own expense, may cause to be furnished, installed, maintained and operated check measuring equipment, provided that such equipment does not interfere with the operations of the measuring equipment installed or caused to be installed by Company ~~or without~~ the transportation of gas hereunder.

3.3 Calibration

The accuracy of Company's measuring equipment shall be verified ~~once each month or~~ at such ~~other~~ intervals as the installed equipment may practically require. Advance notice of the time and nature of each test shall be given to allow Shipper a reasonable amount of time to arrange for a representative to observe the test and any adjustments resulting from such tests. If, after notice, Shipper fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test.

3.4 Correction

If, as a result of any such tests any of the measuring equipment is found to be out of service, or registering inaccurately, it shall be adjusted at once to read as accurately as possible. If such equipment is out of service or inaccurate by more than 2%, the previous readings of such equipment shall be corrected to zero error for a period agreed upon, or if not so agreed upon, for a period of 16 days or 1/2 of the elapsed time since the last test, whichever is shorter. The volume of gas delivered during such period shall be determined by Company using ~~the~~ one of the following three methods which in the opinion of Company will provide the best ~~data~~ results:

- (a) By using the data recorded by any check measuring equipment if installed and accurately registering; or
- (b) By correcting the error if ascertainable by calibration test or mathematical calculation; or
- (c) By estimating the quantity delivered based upon deliveries under similar conditions during a period when the equipment was registering accurately.

3.5 Expense of Special Tests

If Shipper requests a special test of the accuracy of any measuring equipment and upon testing the equipment, the inaccuracy of the equipment is found to be less than 2%, Shipper shall bear the expense of the special test.

3.6 Inspection of Equipment and Records

Shipper or Shipper's agent shall have the right to inspect measuring equipment installed or furnished by Company and the charts and other measurement or test data of Company at all times during normal business hours, but the reading, calibration and adjustment of such equipment and changing of the charts shall be done only by Company or Company's agent.

3.7 Unit of Measurement

The unit of volume for purposes of measurement shall be 10^3m^3 .

3.8 Applicable Procedures

All measurements, calculations, and procedures used in determining the volume delivered at any point shall be in accordance with GIA and all applicable regulations issued pursuant thereto. Provided, however, that correction for deviations from Boyle's Law shall be determined from data contained in Report No. 8 as published by the American Gas Association, or the latest revision thereof acceptable to Company and Shipper.

3.9 Atmospheric Pressure

For the purposes of measurement, the atmospheric pressure, at the Receipt Point or Delivery Point, shall be established by a recognized formula applied to the nearest 0.1 kPa increment and deemed to be a constant for that point.

3.10 Gas Characteristics

The gas characteristics, including gross heating value, specific gravity, and nitrogen and carbon dioxide content, of the gas tendered by Shipper to Company for transportation or delivered by Company at the Delivery Point shall be determined, where applicable, by continuous recording equipment, approved for this use under the provisions of the GIA, or by standard laboratory equipment where a continuous sampler or spot sampler is used or spot samples are taken.

The gas characteristics used in computing gas measurement depending upon the method utilized, shall be:

- (a) The arithmetical average recorded each day or part thereof if continuous recording equipment is used; or
- (b) Where sampling is utilized, determinations available from analyses of such samples.

3.11 Flowing Temperature

The flowing temperature used in computing gas measurement shall be the arithmetical average of temperature measured during periods when gas is being delivered or received.

3.12 Access to and Exchange of Metering Charts

Company and Shipper shall ~~send to each other or each other's agent~~exchange, upon request of ~~the other~~either party, copies of all measuring and testing charts, data and information as soon as practicable for any such requests.

3.13 Preservation of Measurement Records

Company and Shipper shall preserve all original test data, charts, and other similar records in such party's possession for a period of at least six years or such lesser period as may be compatible with record retention rules of any governmental agencies having jurisdiction thereover.

4. NON-COMPANY EQUIPMENT

All non-Company measuring equipment, devices and material required shall be compatible with the quantities to be metered at the particular point, and shall be of a type approved for their intended use under the provisions of ~~the GIA~~, where such approvals are applicable.

5. BILLING AND PAYMENT

5.1 Billing

On or before the 9th business day of each month, Company shall submit to Shipper a bill for such billing month. Such bill shall reflect:

- (a) ~~any amount payable by Shipper's monthly charge~~ for the immediately preceding ~~billing~~ month ~~for service provided under the Rate Schedule, computed pursuant to subsection 5.7 hereof~~;
- (b) ~~Any~~ billing adjustments to which Shipper is entitled or liable in respect of the second preceding ~~billing~~ month pursuant to subsection 9.6 of ~~the~~ Rate Schedule T-1, Firm Service of Shipper's Gas Transportation Tariff with its Shippers; ~~and~~
- (c) ~~Other~~ charges or credits to Shipper hereunder;

~~And shall set forth in reasonable detail the basis of determining the amount shown thereby to be payable.~~

5.2 Payment

Shipper shall make payment of such bill to a depository designated by Company on or before the second last business day of the month in which such bill was rendered to Shipper. The bill shall be payable in lawful money of Canada except where partial payment in United States dollars is required as per subsection 5.6 hereunder. Shipper

shall, without further notice or demand, make payments pursuant to this subsection 5.2 irrespective of any dispute relative to the amount invoiced, and shall not be entitled to any abatement of such payments or any set off against them, including, but not limited to, abatement or set off due or alleged to be due by reason of any past, present or future claims of Shipper against Company under Shipper's Service Agreement or otherwise.

5.3 Late Billing

If presentation of a bill by Company is delayed after the 9th business day of the month, then the time for payment shall be extended correspondingly unless Shipper is responsible for such delay.

5.4 Interest on Unpaid Amounts

Company shall have the right to charge interest on the unpaid portion of the bill, from the due date of payment until the date payment is actually made by Shipper, at a rate of interest which is 1% above the minimum lending rate in effect for 90 day loans available to Company at any of the ~~Canadian~~ Chartered Banks which normally provide service to Company on the date such payment shall be due.

5.5 Disputed Bills

5.5.1 In the event Shipper disputes in good faith any part of a monthly bill, Shipper shall nevertheless pay to Company the full amount of the bill within the time such payment is due.

~~5.5.2 In the event Shipper fails to pay the full amount of any monthly bill within 30 days after such payment is due, Company, in addition to any other remedy it may have, may suspend further receipt and delivery of gas until such amount is paid. Such suspension shall not terminate Shipper's obligations to Company under Shipper's Service Agreement or otherwise affect Shipper's obligations to Company under Shipper's Service Agreement and no reduction in Shipper's monthly charge, or Billing Adjustment pursuant to subsection 8 of the Rate Schedule shall be made because of such suspension. If Shipper fails to pay the full~~

amount of any bill when payment is due, Company may upon four (4) Banking Days written notice immediately suspend any or all service being or to be provided to Shipper under any Service Agreement, provided however that such suspension shall not relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Shipper pays the full amount payable to Company, Company shall within two (2) Banking Days recommence such suspended service.

Following suspension, Company may, in addition to any other remedy that may be available to it, upon four (4) Banking Days written notice to Shipper immediately:

- (a) terminate any or all service being or to be provided to Shipper under any Service Agreement; and
- (b) declare any and all amounts payable now or in the future by Shipper to Company for any and all service under any Service Agreement to be immediately due and payable as liquidated damages and not as a penalty.

5.5.3 In the event that it is finally determined that Shipper's monthly bill was incorrect and that an over-payment has been made, Company shall make reimbursement of such overpayment and Shipper shall be entitled to interest on the amount of such overpayment. Such interest will be calculated at the Rate of Interest, from the date that such overpayment was made until the date that Company makes reimbursement of such overpayment to Shipper.

5.6 Partial Payment in United States Dollars

Company, in order to meet its obligations payable in U.S. currency, (hereinafter called "U.S. Pay Securities"), may, by designation on any invoice, require Shipper to pay to Company in United States dollars a specified portion of the amount invoiced. The amount so payable in United States dollars shall, for the purpose of computing the balance of the invoiced amount payable in Canadian dollars, be converted to Canadian

dollars by use of ~~the~~ The Foreign Exchange Rate for United States dollars as published on the third business day next preceding the day on which such invoiced amount is paid. Company shall give at least six months notice to Shipper of the approximate amount of United States dollars which are likely to be required from Shipper for any billing month and this notice shall include:

- (a) The total outstanding amount of ~~U.S. Pay S~~ securities requiring repayment of principal and/or payment of interest in United States dollars;
- (b) A schedule of the total annual amounts of such repayments and/or payments unconditionally required by the terms of such U.S. Pay Securities to be made in United States dollars; and
- (c) The depository ~~designated by Company~~ where Company desires to receive that part of the said monthly charge which is to be paid by Shipper to Company in United States dollars, if this depository is different than that designated in subsection 5.2 hereof.

The amount of United States dollars to be so paid monthly, shall be 1/12 of the amount of United States dollars allocated to the Zone set forth in the schedule referred to in subsection 5.6(b) above for the year in which Shipper's payment hereunder is due.

5.7 Monthly Charge

5.7.1 Shipper's monthly charge for each billing month beginning with Shipper's First Billing Month shall be 1/12 of the Company's Cost of Service;

- ~~(a) Shipper's Base Billing Amount for such billing month computed in the manner provided in subsection 5.7.2 hereof, plus or minus~~
- ~~(b) An amount, computed in the manner provided in subsection 5.7.3 hereof, to correct for past differences between Shipper's Base Billing Amount and Company's Cost of Service determined in accordance with section 8 of the Rate Schedule.~~

5.7.2 Prior to each ~~October 31st and April 30th~~December 1, Company shall estimate; ~~for each billing month during the six month period commencing on the next following January 1st or July 1st, respectively (a "Billing Period")~~ Company's Cost of Service for the Calendar Year commencing on the next following January 1st~~such billing month.~~

Company shall use reasonable care in making such estimates, but shall have no liability for any inaccuracy therein.

~~Shipper's Base Billing Amount for each billing month in a Billing Period shall be the sum of the Zone Base Billing Amount for all Company Zones. The Zone Base Billing Amount shall be the sum of Company's Zone Cost of Service for all billing months in the Billing Period, estimated pursuant to subsection 5.7.2 herein, divided by the number of months in that same Billing Period.~~

5.7.3 If Company's Cost of Service is greater or less than the estimated Company's Cost of Service for a Calendar Year, an amount equal to the deficiency or overpayment, respectively, shall be included as an adjustment to the Company's Cost of Service in the next Calendar Year. ~~for any billing month shall be greater or less than Shipper's Base Billing Amount for such billing month, an amount equal to the difference shall be Shipper's deficiency or overpayment, respectively, for such billing month.~~

~~(a) — Each of Shipper's Such deficiency or overpayment shall be increased by the interest on such deficiency or overpayment to be calculated at the Rate of Interest, from the date such deficiency or overpayment occurred ~~until the date~~ Company receives from Shipper or reimburses Shipper such amount.~~

~~(b) — If the aggregate of Shipper's overpayments, including interest charges calculated pursuant to subsection 5.7.3(a) above for any six month period commencing October 1st or April 1st shall be greater or less than the aggregate of Shipper's deficiencies including interest charges calculated pursuant to subsection 5.7.3(a) above for such six month period, an~~

~~amount equal to 1/6 of the difference shall be Shipper's Adjustment for each billing month in the Billing Period commencing on January 1st or July 1st next following the end of such six month period including all the appropriate interest charges calculated pursuant to subsection 5.7.3(a) above.~~

~~Such total amount shall be deducted or added as appropriate in determining Shipper's monthly charge for each such billing month.~~

~~5.7.4 Shipper's monthly charge in respect of each billing month following termination, in accordance with Article 3 of the Service Agreement, in which an adjustment, pursuant to subsections 5.7.1 and 5.7.3 hereof, would have been required in Shipper's monthly charge but for such termination shall be an amount equal to the adjustment that would have been so required.~~

~~5.7.54 On or before each October 31st and April 30th, Company shall give Shipper notice in writing of the amount of Shipper's monthly charge for each billing month in the Billing PeriodCalendar Year commencing on the next following January 1st or July 1st. Such notice shall set forth in reasonable detail the basis of determining such monthly charge.~~

5.8 Financial Assurances

5.8.1 Financial Assurance for Performance of Obligations

Company may request that Shipper (or any assignee) at any time from time to time prior to and during service under any Service Agreement, provide Company with an irrevocable letter of credit or other assurance acceptable to Company, in form and substance satisfactory to Company and in an amount determined in accordance with subsection 5.8.3 (the "Financial Assurance").

5.8.2 Failure to Provide Financial Assurance

Company may withhold the provision of new service under any Service Agreement until Company has received a requested Financial Assurance.

If Shipper fails to provide a requested Financial Assurance to Company within four (4) Banking Days of Company's request, Company may upon four (4) Banking Days written notice immediately suspend any or all service being or to be provided to Shipper under any Service Agreement, provided however that any such suspension shall not relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Shipper provides such Financial Assurance to Company, Company shall within two (2) Banking Days recommence such suspended service.

If Shipper fails to provide such Financial Assurance during such suspension, Company may, in addition to any other remedy that may be available to it, upon four (4) Banking Days written notice to Shipper immediately:

- (a) terminate any or all service being or to be provided to Shipper under any Service Agreement; and
- (b) declare any and all amounts payable now or in the future by Shipper to Company for any and all service under any Service Agreement to be immediately due and payable as liquidated damages and not as a penalty.

Any notice provided by Company to Shipper to withhold, suspend or terminate service under any Service Agreement pursuant to subsection 5.8.2 shall be filed concurrently with the NEB.

5.8.3 Amount of Financial Assurance

The maximum amount of Financial Assurance Company may request from a Shipper (or assignee) shall be as determined by Company an amount equal to:

- (a) for the provision of all gas transportation and related services, other than such services referred to in subsection 5.8.3(b), the aggregate of the maximum rates, tolls, charges or other amounts payable to Company for a period of 70 Days; and
- (b) for the provision of any gas transportation and related services where Company determines that it must construct new facilities, the aggregate of all rates, tolls, charges or other amounts payable to Company for a period of seventy (70) Days plus one (1) Month for each remaining year of the term of such service, up to a maximum of twelve (12) Months total.

6. LIABILITIES

6.1 Warranty and Title of Gas

Shipper warrants and represents that it owns or controls and has the right to deliver the gas to be delivered to the Receipt Point and that it has the right, power and authority to enter into a Service Agreement in respect thereof.

6.2 Possession of Gas

Gas received by Company from Shipper for transportation shall be deemed to be in the custody and under the control of Company from the time such gas is accepted for transportation at the Receipt Point and until delivered by Company to Shipper at the Delivery Point.

6.3 Responsibility

As between Shipper and Company, Company shall be responsible for all gas received from Shipper between the time such gas is received by it from Shipper ~~until~~ at the Receipt Point and the time gas is delivered to Shipper by Company at the Delivery Point and at no other time.

6.4 Force Majeure

6.4.1 As utilized herein, force majeure shall mean any act of God, strikes, lockouts, or other industrial disturbances, acts of the ~~Queen's enemies~~ public's enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakages, or accidents to machinery or pipelines, hydrate obstructions of pipelines or appurtenances thereto, temporary failure of gas supply, freezing of wells or delivery facilities, well blowouts, craterings; inability to obtain materials or equipment; inability to obtain permits, orders, licences, certificates or other authorizations; orders of any court, board or governmental authority having jurisdiction, any act or omission which is excused by any event or occurrence of the character herein defined as constituting force majeure; or any other cause, whether of the kind herein enumerated or otherwise not within the control of the applicable party and which by the exercise of due diligence such party is unable to prevent or overcome.

6.4.2 If either party fails to perform any obligations imposed by the Service Agreement, including the applicable Rate Schedules and General Terms and Conditions of this Gas Transportation Tariff, and such failure shall be caused or materially contributed to by any occurrence of force majeure such failure shall be deemed not to be a breach of the obligation of such party, but such party shall use reasonable diligence to put itself in a position to carry out its obligations. Provided, however, that the settlement of strikes or lockouts shall be entirely within the discretion of each party, and that the above requirement that any force

majeure shall be remedied with the exercise of due diligence shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the appropriate party.

6.4.3 Notwithstanding subsections 6.4.1 and 6.4.2, no cause affecting the performance of obligations by any party;

- (a) Shall relieve any party from its obligation to make payment of amounts pursuant to this Gas Transportation Tariff; ~~and/or~~
- (b) Shall relieve any party from any other obligation unless such party shall give notice of such cause in writing to the other party with reasonable promptness and like notice shall be given upon termination of such cause, nor shall such cause continue to relieve such party from such other obligation after the expiration of a reasonable period of time within which, by the use of due diligence, such party could have remedied the situation.

7. DELIVERIES OF GAS AND SUPPLY OF LINE PACK

7.1 Commingled Gas

Shipper and Company agree that the gas received by Company from Shipper under Shipper's Service Agreement, shall be commingled in Company's transportation system with gas received by Company from other Shippers under their Service Agreements. The gas which Company shall deliver to Shipper shall not be the identical gas which Company shall receive from Shipper. If the gas delivered by Company to Shipper meets the specifications set forth in the General Terms and Conditions, then such gas may be gas from other sources in lieu of all or any part of said gas delivered by Shipper to Company.

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 ~~for Company's facilities or any part thereof.~~

7.3 ~~Lost and Otherwise~~ Unaccounted for Gas

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

7.4 Beginning of Delivery Obligation

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

7.5 Provision of Line Pack Gas

Shipper shall provide Company with a volume of gas equal to the Line Pack Requirements, ~~together with~~ Company Use Gas and ~~Lost and Otherwise~~ Unaccounted for Gas ~~related to such Line Pack Requirements~~. 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 hereof.

7.5.1 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 the Company's transportation system as Company may request.

7.5.2 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 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, Company Use Gas and ~~Lost and Otherwise~~ Unaccounted for Gas ~~related to such Line Pack Requirements~~ under this subsection 7.5, 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.

7.6 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 7.5 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.

7.7 Allocation

~~The total number of Joules of Lost and Otherwise Unaccounted for Gas in either Shipper's West Leg or East Leg of Shipper's total transportation system shall be allocated to each of Company Zones in such West Leg or East Leg by multiplying the total number of Joules of Lost and Otherwise Unaccounted for Gas determined for the West Leg or East Leg by a fraction, the numerator of which shall be the product of Maximum Daily Receipt Quantity applicable to the Zone and the distance in kilometres such quantity is transported through the Zone, and the denominator of which shall be the sum of such products for all Zones in the applicable West Leg or East Leg.~~

7.7.7 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 except as specifically provided in such Service Agreement, to relieve Company or [such](#) Shipper from due and punctual compliance with its obligations thereunder.

9.4 Non-Waiver of Future Default

No waiver by any party of any default by the other party shall operate as a waiver of any continuing or future default, whether of a like or different character.

9.5 Assignability

The Service Agreement shall bind and enure to the respective successors and assigns of each party thereto, but no assignment shall release either party from such party's obligations thereunder without the written consent of the other party. Nothing contained herein shall prevent either party from pledging or mortgaging its rights as security for any indebtedness.

10. TARIFF SUBJECT TO APPLICABLE LAW

The Gas Transportation Tariff and the rights and obligations of the parties are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction over the subject matter thereof.

11. INDEMNIFICATION

~~11.1~~ Company and Shipper shall each indemnify and save harmless the other from all liability, damages, costs, losses and charges of every character resulting from any claim made against such other by any Person for injury or death to Persons, or damage to

property, in any way connected with the property and equipment of the indemnitor or the presence of gas deemed hereby to be the responsibility of the indemnitor, unless such injury, death or damage is caused by the negligence or willful default of the indemnitee or any Person for whose actions the indemnitee is responsible in law; provided that neither Company nor Shipper shall be liable to indemnify the other unless the Person requesting indemnification shall have promptly notified the other in writing of any claim, suit or action for or in respect of which indemnification is to be claimed. The Person receiving such notification shall be entitled to participate in any such suit or action, and, to the extent that it may wish, assume the defense thereof with counsel who shall be to the reasonable satisfaction of the Person requesting indemnification, and after notice from the indemnitor to the indemnitee of its election so to assume the defense thereof, the indemnitor will not be liable to the indemnitee for any legal or other expenses incurred by the indemnitee in connection with the defense thereof. An indemnitor shall not be liable to indemnify an indemnitee on account of any settlement of any claim, suit or action effected without the consent of such indemnitor.

Claims made under this section 11 with respect to injury or death to Persons or damage to property occurring during the term of Shipper's Service Agreement shall survive the termination thereof.

11.211.1 Limitation of Liability

Notwithstanding anything to the contrary in this Gas Transportation Tariff;

- (a) Company shall have no liability for consequential damages;
 - (b) Company shall have no liability in damages to Shipper in respect of failure for any reason whatever, other than Company's willful default, to accept receipt of, receive or deliver gas pursuant to the provisions of Shipper's Service Agreement;
- and

- (c) Shipper shall notwithstanding any such failure, for any reason whatever, to accept receipt of, receive or deliver gas, make payment to Company in the amounts, in the manner and at the times provided in Shipper's Service Agreement.

12. SEVERABILITY

If any provision of this Gas Transportation Tariff shall be contrary to or prohibited by applicable law, such provision shall be severable from the remaining provisions of the Gas Transportation Tariff and shall be deemed to be deleted therefrom, and all of the provisions of this Gas Transportation Tariff which are not contrary to or prohibited by applicable law shall, notwithstanding such deletion, remain in full force and effect. If any provision of this Gas Transportation Tariff requires the payment of interest at a rate which exceeds the rate which the Person to whom such interest is required to be paid is permitted under applicable law to receive, or which the Person required to pay such interest is permitted under applicable law to pay, such rate shall be reduced to the highest rate which is permitted under applicable law.

13. SURVIVAL OF OBLIGATION

Notwithstanding the termination of Shipper's Service Agreement, Shipper and Company shall remain liable thereafter to discharge all obligations incurred and to pay all amounts due or accruing due hereunder to the date of such termination in the manner provided herein and subject to the provisions of the Gas Transportation Tariff.

14. AUTHORIZED PERSONS

Shipper may, by notice to Company, authorize Persons to make or receive deliveries of gas on behalf of Shipper in accordance with the provisions of Shipper's Service Agreement. Unless such authorization is revoked by notice from Shipper to Company,

Shipper shall be bound by all actions taken by ~~any~~ Person so authorized in connection with the receipt, delivery, measurement or testing of gas received or delivered by Company under Shipper's Service Agreement.

15. MISCELLANEOUS PROVISIONS

15.1 Effect of Headings

The headings used throughout this Gas Transportation Tariff are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such provisions or terms.

15.2 Words in Singular or Plural

In the interpretation of [the Service Agreement and](#) this Gas Transportation Tariff, words in the singular shall be read and construed in the plural and words in the plural shall be read and construed in the singular where the context so requires.

15.3 Notices

Any notice, request, demand, statement or bill provided for in this Gas Transportation Tariff, or any notice which either Company or Shipper may desire to give to the other, shall be in writing [or by electronic means \(e-mail\)](#), mailed or delivered to the address set out in the Service Agreement for the addressee or to such other address as such party shall give notice to the other party to such effect. Any notice may be given by personal [courier](#) delivery or by mailing the same, postage pre-paid, in an envelope properly addressed to the party to whom the notice is to be given and shall be deemed to be received [one business day after personal courier and](#) four business days after the mailing thereof if mailed within the same country or seven business days thereafter if mailed to another country, Saturdays, Sundays and statutory holidays at the point of mailing or receipt excepted. Any notice may also be given by facsimile addressed to the party to

whom such notice is to be given at such party's stated address for notice and any notice so served shall be deemed to have been received by the addressee 24 hours after as of the date of the transmission of the same, Saturdays, Sundays and statutory holidays at the point of receipt excepted. Any notice may also be given by telephone followed immediately by letter, facsimile or telegram-mail, and any notice so given shall be deemed to have been received as of the date and time of the telephone notice.

15.4 Effective Date

This Gas Transportation Tariff shall be effective as from the date fixed by the National Energy Board.

**SERVICE AGREEMENT
FOR TRANSPORTATION OF GAS**

This AGREEMENT made this _____, 1920

BETWEEN:

FOOTHILLS PIPE LINES (South B.C.) LTD., a body corporate
having an office and carrying on business in the City of Calgary in
the Province of Alberta (herein referred to as "Company")

OF THE FIRST PART

AND:

_____, a body corporate having an office and
carrying on business in the City of _____ in the Province of
_____ (herein referred to as "Shipper")

OF THE SECOND PART

SERVICE AGREEMENT

WHEREAS, Shipper wishes to obtain service relating to the transportation of gas through Company's transportation system; and

WHEREAS, Company is willing to provide such service;

In consideration of the premises and of the mutual covenants herein contained, the parties do covenant and agree as follows:

SERVICE AGREEMENT

ARTICLE 1

Scope of Agreement

1.1 Company agrees to receive gas from Shipper at a Receipt Point herein specified in the quantities from time to time nominated by Shipper up to the quantity of gas equal to the Daily Receipt Quantity and to transport and deliver to Shipper at a Delivery Point herein specified the quantity of gas provided for herein, and Shipper agrees to accept such gas deliveries from Company, subject to the terms and conditions of this Shipper Agreement.

1.2 If Shipper desires to tender to Company on any day at any of Shipper's Receipt Points a quantity of gas in excess of the Daily Receipt Quantity for such Receipt Point for such day, it shall notify Company of such desire. If Company, in its sole judgement, determines that it has the necessary capacity available to receive and transport all or any part of such excess quantity and make deliveries in respect thereof, Company may elect to receive from Shipper said excess quantity or part thereof, and so notify Shipper.

ARTICLE 2

Rate Schedule and Rates

2.1 This Service Agreement is subject to the provisions of the Rate Schedule and the General Terms and Conditions contained in Company's Gas Transportation Tariff, as they may be amended or superseded from time to time, which Rate Schedules and General Terms and Conditions are by this reference incorporated herein and made a part hereof.

2.2 Shipper shall pay Company for all gas transportation services during the term of this Service Agreement in accordance with such Rate Schedules as filed with the National Energy Board and as may hereafter be amended or superseded pursuant to the National Energy Board Act.

ARTICLE 3**Term of Agreement**

3.1 This Service Agreement shall become effective on _____, 1920 and shall continue in effect until the last day of the latest to expire of any Service Agreement between Shipper hereunder and a Shipper as defined in the General Terms and Conditions of the Gas Transportation Tariff of Foothills Pipe Lines Ltd., for service through Zone 8.

3.2 Notwithstanding the provisions of subsection 3.1, if at any time during the term hereof Foothills Pipe Lines Ltd. Gas Transportation Tariff with Shippers transporting U.S. Gas from the Prudhoe Bay area of Alaska through all or any part of the Phase I facilities takes effect, Shipper and Company agree to forthwith execute a Gas Transportation Tariff identical in form and substance to the aforementioned Gas Transportation Tariff which shall be identical in form and substance to that attached as Appendix C hereto. Upon execution of such new Gas Transportation Tariff this Gas Transportation Tariff shall terminate.

ARTICLE 4**Receipt and Delivery Points and Pressures**

4.1 All receipts of gas from Shipper hereunder shall be considered to be at or near the inlet side of the next appropriate metering station, following the Receipt Point of such gas, as identified in Appendix A attached to this Service Agreement, as the same may be in effect from time to time.

4.2 The Delivery Points for gas to be transported hereunder shall be the points set forth in Appendix B attached to this Service Agreement as the same may be in effect from time to time.

4.3 The Delivery Pressure of the gas tendered by Shipper to Company for transportation shall be at a pressure sufficient to enter Company's system at the Receipt Point, up to that specified for such Receipt Point in Appendix A attached to this Service Agreement.

4.4 The Delivery Pressure of the gas delivered by Company to Shipper shall be at the pressure available from Company's system at the Delivery Point as specified for such Delivery Point in Appendix B attached to this Service Agreement.

ARTICLE 5

Title and Custody

5.1 Although Company does not acquire title to the gas transported under this Service Agreement gas received by Company from Shipper hereunder shall be deemed to be in the custody and under the control of Company from the time such gas is accepted for transportation at the Receipt Point until it is delivered to Shipper at the Delivery Point.

ARTICLE 6

Address of Parties

6.1 Every notice, statement and bill provided for in this Service Agreement shall be directed to the party to whom given, made or delivered at such party's address as follows:

SHIPPER: _____

COMPANY: Foothills Pipe Lines (South B.C.) Ltd.
| ~~3100, 707 Eight Avenue S.W.~~ 450 First Street S.W.
| Calgary, Alberta
| T2P ~~3W85H1~~

ARTICLE 7

Miscellaneous Provisions

7.1 The interpretation of this Service Agreement shall be in accordance with the laws of the Province of Alberta.

ARTICLE 8

Agreements Being Superseded

| 8.1 This agreement supersedes as of _____, ~~1920~~ 1920 the following agreements between parties hereto for the transportation of gas by Company for Shipper:

(Not Applicable)

ARTICLE 9

Amendment of Appendices A, ~~and B and C~~

9.1 Shipper and Company may at any time and from time to time, amend Appendices A, and B ~~and C~~ to this Service Agreement by executing new Appendices A, and B ~~and C~~ to this Service Agreement which shall be given effect as of the effective date designated by the National Energy Board and shall thereupon be deemed to be incorporated in this Service Agreement.

IN WITNESS WHEREOF the parties hereto have hereunto executed these presents all as of the day, month and year first above written.

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD.

Per:

Per:

Per:

Per:

APPENDIX A TO SERVICE AGREEMENT
FOR GAS TRANSPORTATION DATED _____, 1920

IDENTIFICATION OF RECEIPT POINTS, RECEIPT PRESSURES,
RECEIPT TEMPERATURES AND RECEIPT QUANTITIES

COMPANY - Foothills Pipe Lines (South B.C.) Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

RECEIPT POINT LOCATION	MAXIMUM DAILY RECEIPT QUANTITY (10 ⁶ m ³)	MAXIMUM PRESSURE (kPa)	MAXIMUM TEMPERATURE (°C)	APPLICABLE COMPANY ZONES

This Appendix A is made and entered into as of _____, 1920. On the effective date it shall supersede Appendix A dated as of _____, 1920.

Effective date of this Appendix A is _____, 1920.

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD.

Per:

Per:

Per:

Per:

APPENDIX B TO SERVICE AGREEMENT
FOR GAS TRANSPORTATION DATED _____, 1920

IDENTIFICATION OF DELIVERY POINTS
AND DELIVERY PRESSURES

COMPANY - Foothills Pipe Lines (South B.C.) Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

DELIVERY POINT LOCATION	DISTANCE IN KM FROM RECEIPT POINT LOCATION	MAXIMUM DELIVERY PRESSURE kPa

This Appendix B is made and entered into as of _____, 1920. On the effective date it shall supersede Appendix B dated as of _____, 1920.

Effective Date of this Appendix B is _____, 1920.

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD.

Per:

Per: _____

Per: _____

Per: _____

APPENDIX C

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD.
PRO FORMA
GAS TRANSPORTATION TARIFF

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD.
PRO FORMA
GAS TRANSPORTATION TARIFF

The aforementioned Pro Forma Tariff will be applicable to the transportation of Alaska, Alberta, and Northern Canada source gas through the completed Foothills Pipe Lines Ltd. system in Canada. This Gas Transportation Tariff is provided under separate cover.