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September 30, 2004

National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0X8

By E-filing and Courier

Attention: Mr. Michel L. Mantha, Secretary

Dear Mr. Mantha:

**Re: Foothills Pipe Lines Ltd.
Tolls and Tariff Amendment Application**

Foothills Pipe Lines Ltd. (Foothills) hereby applies to the National Energy Board pursuant to Part IV of the *National Energy Board Act* for approval of certain modifications to the existing tolling methodology for fixing tolls on the Foothills' System and associated amendments to the Gas Transportation Tariff – Phase 1 as more fully described in the enclosed Application. In addition, Foothills seeks an extension to the existing interruptible tolls for Tiers 1 and 2 in Foothills Zone 9 for the period of November 1, 2004 to December 31, 2004.

Foothills has had discussions with its shippers with respect to the changes proposed in the Application since June 2004. Recently, shippers expressed interest in developing a short term firm service. As a result, Foothills has committed to working with shippers to develop a short term firm service and will initiate discussions at the next Foothills shipper meeting on October 4, 2004. Subject to input from shippers, Foothills intends to file an application on or before December 15, 2004 for a short term firm service commencing January 1, 2005.

Foothills is filing the Application electronically by placing it in the electronic filing repository of the Board, and will notify its shippers and interested parties pursuant to Order TG-6-81 of the filing. Foothills will also post a copy of this Application in its entirety on TransCanada's Foothills System website at:

http://www.transcanada.com/Foothills/regulatory/reg_filings/index.html.

Should the Board require additional information with respect to this Application, please contact Carolyn Shaw at (403) 920-7172 or legal counsel, Joel Forrest at (403) 920-6156.

Yours truly,

Foothills Pipe Lines Ltd.

A wholly owned subsidiary of TransCanada PipeLines Limited

Céline Bélanger
Vice President, Regulatory Services

cc w/encls: Interested Parties – TG-6-81
Foothills Existing Firm and Interruptible Shippers

NATIONAL ENERGY BOARD

IN THE MATTER OF the *National Energy Board Act*, R.S.C. 1985, c. N-7, as amended, and the Regulations made there under; and

IN THE MATTER OF an Application by Foothills Pipe Lines Ltd. (Foothills) pursuant to Part IV of the *National Energy Board Act* for approval of certain modifications to the existing tolling methodology for fixing tolls for firm, interruptible and overrun services and associated amendments to the Gas Transportation Tariff – Phase 1, effective January 1, 2005 and approval of an extension to the existing interruptible tolls for Tiers 1 and 2 in Foothills Zone 9 for the period of November 1, 2004 to December 31, 2004.

FOOTHILLS PIPE LINES LTD.

TOLLS AND TARIFF AMENDMENT APPLICATION

September 30, 2004

To: The Secretary
National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta
T2P 0X8

Introduction

1. Foothills Pipe Lines Ltd. (Foothills) applies to the National Energy Board (Board or NEB) under Part IV of the *National Energy Board Act (Act)* for an order or orders approving certain modifications to the existing tolling methodology for fixing tolls for firm, interruptible and overrun services and associated amendments to the Foothills Pipe Lines Ltd. Gas Transportation Tariff – Phase 1 (Tariff) effective January 1, 2005 (the Proposal) as more fully described in this Application. The Proposal will result in increased rate stability for shippers and an appropriate allocation of costs between firm, interruptible and overrun services and should result in increased efficiencies and reduced operating costs.
2. As Foothills is proposing changes to interruptible tolls in Zone 9 effective January 1, 2005 and the existing interruptible tolls in Zone 9 for Tiers 1 and 2 approved by the Board in Order TG-6-2003 expire October 31, 2004, Foothills also applies to the Board for approval to extend the existing interruptible tolls for Tiers 1 and 2 in 2004 for the period of November 1, 2004 to December 31, 2004.
3. In support of the Application, Foothills provides and relies on the information in the Application, including the attached appendices and any additional information that Foothills may file, as directed or permitted by the Board.

Background

4. Foothills is a “company” within the meaning of the *Act* and is a wholly owned subsidiary of TransCanada PipeLines Limited (TCPL). In this Application, reference to Foothills shall include its subsidiaries: Foothills Pipe Lines (Alberta) Ltd., Foothills Pipe Lines (Saskatchewan) Ltd. and Foothills Pipe Lines (South B.C.) Ltd.
5. Foothills owns and operates a natural gas pipeline system which transports natural gas from Caroline, Alberta, through its Western Leg facilities (Zones 7 and 8) and Eastern Leg facilities (Zones 6 and 9) to points on the international boundary between Canada and the United States located at Kingsgate, British Columbia and Monchy, Saskatchewan respectively.

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6. Foothills holds Certificates of Public Convenience and Necessity granted by Parliament under the *Northern Pipeline Act* to construct, own and operate the Canadian segment of the Alaskan Natural Gas Transportation System (ANGTS).

Existing Tolling Methodology

7. Foothills operates under a full cost of service tariff, where monthly charges are based on 100 percent of the estimated cost of service for a six month period including all prior period adjustments to the account of individual shippers based on their respective allocable share of the zone cost of service. Foothills is required to provide the six month cost of service estimates to shippers prior to October 31 for the billing period of January 1 to June 30 and prior to April 30 for the billing period of July 1 to December 31 (the Billing Process).
8. Tolls for firm service in Zones 6, 7, 8 and 9 are currently determined pursuant to the toll methodology approved in Orders TG-1-79, TG-6-81, TG-4-82 and TG-2-2003, all as amended.
9. Order TG-1-79 authorized the inclusion of certain costs to the cost of service and stipulated which costs would be subject to review and Board approval. Order TG-1-79 requires that Foothills seek Board approval of its “annual budget of operating and maintenance costs; disposition of deferred costs arising from overruns of operating and maintenance costs; and changes in the bases of allocation of costs arising from the operating agreement.”¹
10. Order TG-6-81 governs the process by which Foothills’ annual budget for operating and maintenance expenses (O&M Budget) is approved. Order TG-6-81 requires that Foothills file its proposed annual O&M Budget with the Board on or before December 1 of each year. In addition, Foothills is required to file with the Board on or before February 28 of each year, an analysis of the variance between the approved budgets for the prior year and the actual expenses incurred.²

¹ National Energy Board, Order TG-1-79, July 18, 1979, Attachment entitled “The National Energy Board’s Method for Regulating The Tolls and Tariffs of The Foothills (Yukon) Pipeline”, Paragraph 12.

² National Energy Board, Order TG-6-81, November 26, 1981, Sub-paragraphs 2(a) and 2(b).

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11. Order TG-4-82 authorized the recovery of the amortization of and the return on the Phase II Preliminary Expenditures incurred by Foothills prior to December 31, 1981 (the Special Charge). Order TG-2-2003 approved a settlement agreement entered into between Foothills and the Canadian Association of Petroleum Producers with respect to the Special Charge and a general and administrative expenses agreement for the term of January 1, 2003 to December 31, 2015, collectively referred to as the Settlement.
 12. Foothills' tolls for interruptible service in Zone 9 are determined pursuant to the toll methodology approved in Order TG-10-87, as amended.
 13. Order TG-10-87 authorized the provision of two tiers of interruptible service in Zone 9. The two tiers are established at 100 percent of the forecast of the cost of service for Zone 9. The first tier (IT-1) is calculated at 90 percent load factor and the second tier (IT-2) is calculated at 100 percent load factor. Order TG-10-87 further authorized the crediting of revenues received from interruptible service to the firm cost of service for Zone 9 in a similar manner to overrun service in Zones 6, 7 and 8.

The Proposal

14. While continuing to charge full cost of service tolls, Foothills proposes to implement a 'fixed' toll approach, under which it will charge shippers rates for firm, interruptible and overrun services pursuant to a schedule of effective rates based on a 12-month forecast cost of service. Foothills' effective rates will take into account revenues from firm, interruptible and overrun services. Adjustments for over or under collection will be reflected in the subsequent year's effective rates and will either be recovered from or credited to all shippers in each respective zone.
15. Determination and allocation of zone cost of service will be similar to the methodology currently in place with the exception that cost of service and adjustments for over or under collection will now be determined on an annual basis and forecast revenues from interruptible and overrun services will now be included in the forecast of cost of service for each respective zone.

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16. Pursuant to Order TG-2-2003, Foothills will continue to recover the monthly charge of \$189,124.00 related to the Special Charge and will include this cost in its 12-month cost of service forecast until December 31, 2015. Foothills will also continue to include in its annual O&M Budget the fixed amount for the Incentive General and Administration Expenses and will continue to credit to the account of its shippers a portion of any Incentive Saving for each year as agreed to under the Settlement and as approved by the Board in Order TG-2-2003. Each year Foothills' effective rates filing will include a forecast of the shippers' share of any Incentive Saving.
17. The following is a summary of the modifications to the existing tolling methodology for fixing firm, interruptible and overrun tolls necessary to implement the Proposal:
- Fixed monthly firm demand (T-1) rates in Zones 6, 7, 8 and 9 will be based on a 12-month cost of service forecast and will be effective January 1 through December 31.
 - A single IT rate that is calculated at 110 percent of the Zone 9 T-1 rate will be implemented in Zone 9. Overrun rates in Zones 6, 7 and 8 will now also be calculated at 110 percent of the T-1 rate in each respective zone. As T-1 rates will be based on a 12-month cost of service forecast which includes a forecast of interruptible and overrun revenues, the process of crediting the revenue generated from interruptible and overrun services to the firm cost of service will be eliminated. IT rates in Zone 9 are currently effective between November 1 and October 31 of the following year. Under the proposal, the IT rate will be effective January 1 through December 31 of each given year consistent with the T-1 rate.
 - On or before December 1 of each given year, Foothills proposes to file with the Board under Section 60(1)(a) of the *Act* its effective rates for Zones 6, 7, 8 and 9 for the upcoming calendar year. The effective rates filing will include the 12-month forecast cost of service for each zone for the upcoming year. Foothills will include its annual O&M Budget in its cost of service and as a result, Foothills will no longer make a separate application for approval of its annual O&M Budget. In addition, Foothills will continue to include in its cost of service those items identified in

Board Order TG-1-79. Foothills will also now include the Index of Service Agreements for firm service for each zone as part of the effective rates filing.

- Foothills' effective rates filing will obviate the need for Foothills to file an analysis of the variance between the approved budgets and the actual expenses incurred as the variances will be reflected in the subsequent year's effective rates filing. Foothills will continue to file an Annual Surveillance report on or before February 28 of each year.

18. Foothills also proposes to make the following other changes:

- Billing adjustments will no longer be made for Foothills' failure to accept gas. However, shippers will continue to have the ability to make-up any shortfall associated with Foothills' failure to accept gas. Currently, shippers are entitled to a billing abatement if, in any billing month, the quantity of gas received by Foothills from a shipper is less than 90 percent of shipper's nominated quantities for such month. The abatement is based on the quantity of gas not accepted by Foothills relative to the shipper's nominated quantities and the shipper's share of the cost of service that is attributable to return on common equity and the amount of income tax relating to such return on common equity. If and when shippers make up shortfalls in the following months, shippers are required to repay Foothills the billing abatements previously received. This provision has been used infrequently with the last occurrence in November 1995. Given that this provision has not been used in almost ten years, and that if used, shippers are required to repay the billing abatement and shippers will continue to have the ability to make up any shortfalls, Foothills believes that the impact to shippers of eliminating this provision is minimal.
- The current methodology for determining the monthly charge for Small Gas Service (SGS-1) will not work under the Proposal and as a result, the monthly charge for SGS-1 Service will now be calculated based on the Zone 9 T-1 rate instead of the Zone 9 unit cost of service. The SGS-1 Service is currently offered to one shipper in Zone 9 for delivery of gas to farms or small communities and

generates approximately \$2,000.00 per annum of revenue or 0.003 percent of the Zone 9 cost of service.

- Measurement (M-2) Service, which is offered for specific measurement facilities, requires a contribution in aid of construction (CIAC) from shippers for capital costs and also charges the shipper an M-2 charge when the facility is utilized will be discontinued. Foothills will now require a full CIAC from shippers, which will recover all costs associated with specific new measurement facilities. Given that the full cost associated with the construction of new measurement facilities will now be required in advance of construction, there will no longer be a need to administer the M-2 Service.

19. Attached as Appendix 1 to this Application is an illustrative example of the effective rates filing that Foothills proposes to use. For the purposes of this example, Foothills has used data from 2003.

Justification for the Proposal

20. The Proposal will increase rate stability for shippers by having a fixed monthly firm demand rate set at the outset of the year versus monthly charges that vary with usage of interruptible and overrun services.
21. The Proposal will result in an appropriate allocation of costs between firm, interruptible and overrun services. Under the existing tolling methodology, firm charges are set to recover the entire cost of service in each of the zones. In Zone 9 revenue generated by interruptible service is credited to firm transportation. Similarly, revenue generated by overrun service in Zones 6, 7 and 8 is credited to firm transportation in each respective zone. This could result in an inappropriate allocation of cost of service to interruptible service and overrun services. For example, if 50 percent of the natural gas volumes transported in Zone 9 are transported under firm service and 50 percent are transported under interruptible service, the interruptible revenues generated could pay the entire cost of service in Zone 9. The Proposal will ensure that interruptible and overrun revenues will be forecast and that the cost of service will be more appropriately allocated between

firm, interruptible and overrun services. The contribution of interruptible and overrun revenues as well as firm revenue to the recovery of the cost of service will therefore be recognized and the appropriate rates charged for each service.

22. Interruptible and overrun services are more flexible, and in certain respects less risky than firm service given that firm shippers must pay demand charges regardless of whether they transport gas whereas interruptible and overrun shippers are able to make decisions daily with virtually no long term risk. By replacing IT-1 and IT-2 tolls with an IT rate calculated at 110 percent of the T-1 rate in Zone 9 and an overrun rate calculated at 110 percent of the T-1 rate in Zones 6, 7 and 8, a more appropriate price signal will be sent for interruptible and overrun services relative to firm service and will assist in preserving the value of firm service.
23. Finally, the Proposal will result in reduced internal administrative processes and regulatory applications, thereby increasing efficiencies which should result in a reduction to operating costs. Moreover, Foothills will be able to align its processes within existing budget and rate application processes which TCPL uses for its Mainline, Alberta and B.C. Systems.

Tariff Amendments

24. In order to implement the Proposal, certain amendments to the Tariff need to be made. Appendix 2 to this Application is a black-lined copy of the Tariff illustrating the amendments necessary to implement the Proposal as well as general housekeeping amendments. In addition, the Tariff has been reformatted to make it simpler and easier to use. All Tabs, along with the individual Rate Schedules and Service Agreements, will now contain the effective date of the most recent Tariff revision affecting each respective section. Rate Schedule M-2, the M-2 Service Agreement and Supplement 1: Index of Service Obligations are no longer required and, as a result, black-lined copies have not been provided. For the Board's convenience, Foothills has also provided a summary of the significant Tariff amendments in Appendix 2.

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25. Appendix 3 to this Application is a clean copy of the Tariff incorporating the Tariff amendments.

Transitional Matters

26. The existing interruptible tolls for Tiers 1 and 2, IT-1 and IT-2 respectively, approved by the Board in Order TG-6-2003 expire October 31, 2004. Foothills proposes to extend the existing IT-1 and IT-2 tolls from November 1, 2004 to December 31, 2004.
27. Foothills will not carry forward any adjustments for over or under collections into 2005. Foothills proposes to refund any over collections in 2004 to individual shippers or collect any under collections for 2004 from individual shippers prior to March 31, 2005.

Shipper Consultation

28. Foothills presented the Proposal to its shippers at a meeting on June 1, 2004. Foothills subsequently met with individual shippers to discuss the Proposal. Foothills also met with shippers on September 8, 2004 to review the proposed tariff amendments necessary to implement the Proposal. Subsequent to this meeting, Foothills continued to work with shippers to address issues related to the Proposal.
29. Foothills understands that any party that is opposed to the Proposal will notify the Board accordingly.

Relief Requested

Foothills hereby applies to the Board under Part IV of the *Act* for an order or orders:

- (a) approving the Proposal as described in Paragraphs 14 through 18 of this Application;
- (b) amending Orders TG-1-79, TG-6-81, TG-10-87 and TG-2-2003 to enable Foothills to implement the Proposal;

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- (c) approving the amendments to the Tariff, detailed in Appendices 2 and 3 hereto, required to implement the Proposal;
 - (d) authorizing the extension of existing IT-1 and IT-2 tolls in Zone 9 for the period of November 1, 2004 to December 31, 2004;
 - (e) authorizing the refund of any over collection in 2004 to individuals shippers or the collection of any under collection in 2004 from individual shippers prior to March 31, 2005; and
 - (f) granting such further and other relief as Foothills may request or the Board may determine is appropriate.

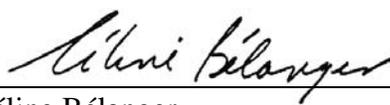
Due to the fact that Foothills' existing IT-1 and IT-2 tolls expire on October 31, 2004 and Foothills is required to provide the six-month billing estimates to shippers by October 31, 2004 under the current Billing Process, Foothills respectfully requests the Board render a decision on its Proposal by October 28, 2004.

Respectfully submitted.

Calgary, Alberta
September 30, 2004

Foothills Pipe Lines Ltd.
a wholly owned subsidiary of
TransCanada PipeLines Limited

Per:



Céline Bélanger
Vice President, Regulatory Services

Please direct all notices and communications relating to this Application to:

Foothills Pipe Lines Ltd.
450 – 1st Street S.W.
Calgary, Alberta T2P 5H1

and to: Foothills Pipe Lines Ltd.
450 – 1st Street S.W.
Calgary, Alberta T2P 5H1

Attention: Carolyn Shaw
Regulatory Services

Attention: Joel Forrest
Legal Counsel - Regulatory

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Appendix 1

Foothills Illustrative Effective Rates Filing

SUMMARY

Foothills Pipe Lines Ltd.

(Illustrative) TRANSPORTATION RATES

(Illustrative based on 2003 Actuals) Effective: January 1, 2003

REVENUE REQUIREMENT	Schedule	Amount (\$000)			
		<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Zone 9</u>
Estimated Costs of Service:					
Operating & Maintenance	A	22,473	1,365	2,716	11,492
Return on Rate Base	B	17,868	2,404	7,816	24,529
Depreciation (3%) & Amortization		16,287	3,234	6,801	18,397
Taxes: Income and Other	C	4,274	598	5,203	3,699
Special Charge		1,679	191	405	1,203
Sub-Total		<u>62,581</u>	<u>7,792</u>	<u>22,942</u>	<u>59,319</u>
Adjustments:					
Previous (Over) Under	D	-	-	-	-
Interruptible/Overrun Revenue		-	-	-	(961)
G&A Settlement Savings ¹		(283)	(31)	(69)	(162)
Total Firm Revenue Requirement		<u><u>62,298</u></u>	<u><u>7,761</u></u>	<u><u>22,873</u></u>	<u><u>58,197</u></u>

BILLING DETERMINANTS

Total Contract MDQ (10 ⁶ m ³ /d)	E	58.77	20.42	31.59	61.42
Maximum Haul Distance (Km)		378.49	124.03	165.96	258.97
Total Contract MDQ x Distance	E	22,250.66	2,532.44	5,241.96	15,906.29
Estimated Interruptible/Overrun Deliveries (10 ⁶ m ³)		-	-	-	336.42

TRANSPORTATION RATES

Effective Rates					
Demand Rate (\$/10 ³ m ³ / Km / Month)		0.233320	0.255387	0.363623	0.304896
Overrun Service (\$/10 ³ m ³ / Km)		0.008438	0.009236	0.013150	n/a
Interruptible Rate (\$/10 ³ m ³ / Km)		n/a	n/a	n/a	0.011026
Full Haul Rates (100% Load Factor)					
Demand Rate (\$/10 ³ m ³)		2.90	1.04	1.98	2.60
Overrun Service (\$/10 ³ m ³)		3.19	1.15	2.18	n/a
Interruptible Rate (\$/10 ³ m ³)		n/a	n/a	n/a	2.86

Note(s):

- Forecasted Shippers' Savings with respect to Foothills' General & Administrative Expenses Settlement Agreement dated January 12, 2003 as approved in Board Order TG-2-2003.

SCHEDULE A

OPERATING AND MAINTENANCE EXPENSES

For the 12-month period: January 1, 2003 to December 31, 2003

(\$000)

	<u>Total</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Zone 9</u>
FIELD OPERATIONS EXPENSE					
TCPL OPERATING AGREEMENT	5,264	2,042	56	429	2,737
BP CANADA OPERATING AGREEMENT	<u>1,515</u>	<u>1,515</u>	-	-	-
	6,780	3,557	56	429	2,737
ELECTRICAL POWER					
JENNER, ACME AND CRAWLING VALLEY	1,044	1,044	-	-	-
DE/RE FACILITIES AT EMPRESS	7,319	7,319	-	-	-
SASKATCHEWAN	<u>648</u>	-	-	-	648
	9,012	8,363	-	-	648
MAINTENANCE & INTEGRITY PROGRAM					
INVENTORY & MAINTENANCE PARTS	268	104	-	2	162
MAINTENANCE PROJECTS	2,464	800	-	42	1,623
COMMUNICATIONS	211	172	-	1	38
INTEGRITY PROGRAM	<u>887</u>	<u>354</u>	<u>46</u>	<u>138</u>	<u>350</u>
	3,830	1,430	46	182	2,172
G&A SETTLEMENT ¹	12,978	6,463	736	1,561	4,219
LAND PAYMENTS	804	418	273	1	113
INSURANCE & PENSION OBLIGATIONS	1,187	574	65	139	410
GOVERNMENT AGENCY COSTS RECOVERY	<u>3,456</u>	<u>1,669</u>	<u>190</u>	<u>404</u>	<u>1,192</u>
TOTAL	<u>38,046</u>	<u>22,473</u>	<u>1,365</u>	<u>2,716</u>	<u>11,492</u>

Note(s):

1. Agreed to amount for Foothills' General & Administrative Expenses pursuant to the Settlement Agreement dated January 12, 2003 as approved in Board Order TG-2-2003.

**DEEMED AVERAGE CAPITALIZATION AND
RETURN ON RATEBASE
FOR THE YEAR ENDING DECEMBER 31, 2003**

(\$000)

ZONE 6

	<u>AMOUNT</u> <u>(\$000)</u>	<u>RATIO</u> <u>%</u>	<u>COST</u> <u>RATE</u> <u>%</u>	<u>COST</u> <u>COMPONENT</u> <u>%</u>
Debt	172,252	69.45	6.07	4.21
Common Equity	<u>75,757</u>	<u>30.55</u>	9.79	<u>2.99</u>
Total Capitalization	<u><u>248,009</u></u>	<u><u>100.00</u></u>		<u><u>7.20</u></u>
Return on Rate Base	<u><u>17,868</u></u>			

ZONE 7

	<u>AMOUNT</u> <u>(\$000)</u>	<u>RATIO</u> <u>%</u>	<u>COST</u> <u>RATE</u> <u>%</u>	<u>COST</u> <u>COMPONENT</u> <u>%</u>
Debt	23,094	69.24	6.07	4.20
Common Equity	<u>10,260</u>	<u>30.76</u>	9.79	<u>3.01</u>
Total Capitalization	<u><u>33,354</u></u>	<u><u>100.00</u></u>		<u><u>7.21</u></u>
Return on Rate Base	<u><u>2,404</u></u>			

**DEEMED AVERAGE CAPITALIZATION AND
RETURN ON RATEBASE
FOR THE YEAR ENDING DECEMBER 31, 2003**

(\$000)

ZONE 8

	AMOUNT (\$000)	RATIO %	COST RATE %	COST COMPONENT %
Debt	80,047	69.90	5.55	3.88
Common Equity	<u>34,468</u>	<u>30.10</u>	9.79	<u>2.95</u>
Total Capitalization	<u><u>114,515</u></u>	<u><u>100.00</u></u>		<u><u>6.83</u></u>
Return on Rate Base	<u><u>7,816</u></u>			

ZONE 9

	AMOUNT (\$000)	RATIO %	COST RATE %	COST COMPONENT %
Debt	238,792	69.66	6.00	4.18
Common Equity	<u>104,010</u>	<u>30.34</u>	9.79	<u>2.97</u>
Total Capitalization	<u><u>342,802</u></u>	<u><u>100.00</u></u>		<u><u>7.15</u></u>
Return on Rate Base	<u><u>24,529</u></u>			

SCHEDULE C

TAXES: INCOME AND OTHER

(\$000)

	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Zone 9</u>
RETURN ON RATEBASE	17,868	2,404	7,816	24,529
Add:				
Depreciation and Amortization	16,287	3,234	6,801	18,397
Large Corporation Tax	580	79	261	795
Deferred Tax Payback	(4,632)	(912)	(1,020)	(7,008)
Deduct:				
Return on Debt	10,447	1,400	4,441	14,346
Capital Cost Allowance	9,405	2,037	4,023	12,875
TAXABLE INCOME EXCLUDING PROVISION	<u>10,251</u>	<u>1,368</u>	<u>5,394</u>	<u>9,492</u>
INCOME TAX RATE	35.63%	35.63%	36.50%	40.00%
INCOME TAX PROVISION (at R/(1-R) x Taxable Income Excluding Provision)	5,674	757	3,101	6,328
Deduct:				
Deferred Tax Payback	(4,632)	(912)	(1,020)	(7,008)
TOTAL INCOME TAXES	<u>1,042</u>	<u>(155)</u>	<u>2,081</u>	<u>(680)</u>
Taxes - Other than Income Tax	3,232	753	3,123	4,379
TOTAL TAXES: INCOME AND OTHER	<u><u>4,274</u></u>	<u><u>598</u></u>	<u><u>5,203</u></u>	<u><u>3,699</u></u>

ADJUSTMENT FOR (OVER) OR UNDER COLLECTION

(\$000)

ZONE 6

	<u>2001 Forecast</u> ¹	<u>2001 Actual</u>	<u>2002 Forecast</u> ²		
Cost of Service					
Non-G&A Settlement Operating & Maintenance	-	-	-	-	
Return on Rate Base	-	-	-	-	
Depreciation & Amortization	-	-	-	-	
Taxes - Income + Other	-	-	-	-	
Special Charge	-	-	-	-	
Sub-Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Adjustments:					
Previous (Over) Under	-	-	-	-	
G&A Settlement Savings	-	-	-	-	
IT/OT-1/SGS-1 Service	-	-	-	-	
Total Firm Revenue Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Service Revenue					
T-1 Service	-	-	-	-	
Total Revenue Generated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Variance			<u>2001</u> ³	<u>2002</u> ⁴	<u>Total</u> ⁵
Revenue Required minus Revenue Generated	-	-	-	-	-
Interest on Variance	-	-	-	-	-
BILLING ADJUSTMENT FOR TEST YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ZONE 7

	<u>2001 Forecast</u> ¹	<u>2001 Actual</u>	<u>2002 Forecast</u> ²		
Cost of Service					
Non-G&A Settlement Operating & Maintenance	-	-	-	-	
Return on Rate Base	-	-	-	-	
Depreciation & Amortization	-	-	-	-	
Taxes - Income + Other	-	-	-	-	
Special Charge	-	-	-	-	
Sub-Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Adjustments:					
Previous (Over) Under	-	-	-	-	
G&A Settlement Savings	-	-	-	-	
IT/OT-1/SGS-1 Service	-	-	-	-	
Total Firm Revenue Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Service Revenue					
T-1 Service	-	-	-	-	
Total Revenue Generated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Variance			<u>2001</u> ³	<u>2002</u> ⁴	<u>Total</u> ⁵
Revenue Required minus Revenue Generated	-	-	-	-	-
Interest on Variance	-	-	-	-	-
BILLING ADJUSTMENT FOR TEST YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note(s):

- Forecast of 2001 as included in the 2002 tolls application.
- Forecast of 2002 includes 9 months of actuals.
- Estimate/Actual (over) under collection from 2001.
- 2002 estimated (over) under collection.
- Total adjustment from 2001 and 2002 included in 2003 tolls application.

ADJUSTMENT FOR (OVER) OR UNDER COLLECTION

(\$000)

ZONE 8

	<u>2001 Forecast</u> ¹	<u>2001 Actual</u>	<u>2002 Forecast</u> ²		
Cost of Service					
Non-G&A Settlement Operating & Maintenance	-	-	-	-	
Return on Rate Base	-	-	-	-	
Depreciation & Amortization	-	-	-	-	
Taxes - Income + Other	-	-	-	-	
Special Charge	-	-	-	-	
Sub-Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Adjustments:					
Previous (Over) Under	-	-	-	-	
G&A Settlement Savings	-	-	-	-	
IT/OT-1/SGS-1 Service	-	-	-	-	
Total Firm Revenue Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Service Revenue					
T-1 Service	-	-	-	-	
Total Revenue Generated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Variance			<u>2001</u> ³	<u>2002</u> ⁴	<u>Total</u> ⁵
Revenue Required minus Revenue Generated	-	-	-	-	-
Interest on Variance	-	-	-	-	-
BILLING ADJUSTMENT FOR TEST YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ZONE 9

	<u>2001 Forecast</u> ¹	<u>2001 Actual</u>	<u>2002 Forecast</u> ²		
Cost of Service					
Non-G&A Settlement Operating & Maintenance	-	-	-	-	
Return on Rate Base	-	-	-	-	
Depreciation & Amortization	-	-	-	-	
Taxes - Income + Other	-	-	-	-	
Special Charge	-	-	-	-	
Sub-Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Adjustments:					
Previous (Over) Under	-	-	-	-	
G&A Settlement Savings	-	-	-	-	
IT/OT-1/SGS-1 Service	-	-	-	-	
Total Firm Revenue Requirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Service Revenue					
T-1 Service	-	-	-	-	
Total Revenue Generated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Variance			<u>2001</u> ³	<u>2002</u> ⁴	<u>Total</u> ⁵
Revenue Required minus Revenue Generated	-	-	-	-	-
Interest on Variance	-	-	-	-	-
BILLING ADJUSTMENT FOR TEST YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note(s):

- Forecast of 2001 as included in the 2002 tolls application.
- Forecast of 2002 includes 9 months of actuals.
- Estimate/Actual (over) under collection from 2001.
- 2002 estimated (over) under collection.
- Total adjustment from 2001 and 2002 included in 2003 tolls application.

SCHEDULE E

FIRM GAS VOLUMES AND HAUL DISTANCE

As of November 1, 2003

SHIPPER	Annual Average MDQ (10 ⁶ m ³)	Haul Distance (Km)	Annual Average MDQ x Dist. (10 ⁶ m ³ x Km)	Zone Allocation (%)
Zone 6				
NOVA Gas Transmission Ltd.	4.3868	1.55	6.7995	
NOVA Gas Transmission Ltd.	58.7700	378.49	22,243.8573	
	<u>63.1568</u>		<u>22,250.6568</u>	48.4%
Zone 7				
NOVA Gas Transmission Ltd.	<u>20.4180</u>	124.03	<u>2,532.4445</u>	5.5%
Zone 8				
TransCanada PipeLines Limited	<u>31.5857</u>	165.96	<u>5,241.9628</u>	11.4%
Zone 9				
ALCOA	0.2938	258.97	76.0854	
ANADARKO	0.1964	258.97	50.8617	
APACHE	1.0034	258.97	259.8505	
ARC	0.1442	258.97	37.3435	
BIRCHILL	0.1185	258.97	30.6879	
BP	9.7947	258.97	2,536.5270	
BURLINGTON	1.6323	258.97	422.7167	
CARGILL	3.2112	258.97	831.5915	
CDN NATURAL	1.9654	258.97	508.9840	
CONOCO	1.1979	258.97	310.2288	
CORAL	0.8656	258.97	224.1644	
DEVON	0.5763	258.97	149.2530	
DUKE	1.2692	258.97	328.6761	
ENCANA	8.5667	258.97	2,218.5213	
ENERMARK	0.2884	258.97	74.6869	
ENERPLUS	0.0089	258.97	2.3091	
ENERPLUS	0.0089	258.97	2.3091	
ENGAGE	1.2725	258.97	329.5418	
HUNT	0.1463	258.97	37.8873	
HUSKY	4.0800	258.97	1,056.6062	
MARATHON	0.2884	258.97	74.6869	
MCP	0.2312	258.97	59.8739	
MIRANT	3.2112	258.97	831.5915	
MONTANA-DAKOTA	0.2875	258.97	74.4539	
NEXEN	4.3917	258.97	1,137.3076	
ONEOK ENERGY	0.3482	258.97	90.1690	
OXY	0.2455	258.97	63.5815	
PAN-ALBERTA	11.4444	258.97	2,963.7606	
PETRO-CANADA	1.7410	258.97	450.8538	
PETROCORP	0.0713	258.97	18.4732	
STAR	0.1442	258.97	37.3435	
SUNCOR	0.4184	258.97	108.3518	
TALISMAN	0.0466	258.97	12.0637	
TENASKA	1.8970	258.97	491.2760	
WPS	0.0142	258.97	3.6687	
	<u>61.4214</u>		<u>15,906.2880</u>	34.6%

Appendix 2

Tariff Amendments - Blacklined

Foothills Pipe Lines Ltd.

Several amendments to Foothills' Gas Transportation Tariff – Phase I (Tariff) are currently proposed resulting from the Toll and Tariff Amendment Application. Other general housekeeping amendments have been black-lined, however 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. Cover Page**

- (i) Amended Cover Page to reflect change of address and add contact name.

2. Table of Contents

- (i) Updated Table of Contents to reflect new format of the Tariff.
- (ii) Deleted reference to M-2 Service.
- (iii) Deleted Index of Service Agreements, Firm Service and Supplements I and II from Table of Contents.

3. Description of Company and Services Rendered

- (i) Amended to reflect change in ownership of Foothills Pipe Lines Ltd.

4. Summary of Rate Schedules

- (i) Deleted reference to Rate Schedule M-2, Measurement Service.

5. Table of Effective Rates

- (i) Added new Table of Effective Rates.

6. Capacity Allocation Procedures

- (i) Amended subsection 4.1.4 to reflect using T-1 Rate to evaluate bids versus the current estimated Cost of Service.
- (ii) Amended subsection 4.2.4 to reflect using T-1 Rate to evaluate bids versus the current estimated Cost of Service.

7. Rate Schedule T-1, Firm Service

- (i) Deleted subsection 3.3 [Shipper's Obligation to Pay] – included in new subsection 8.1 [Shipper's Obligation to Pay].
- (ii) Re-organized subsection 7.2.2 dealing with Shipper's share of Company Use Gas, Unaccounted for Gas and Line Pack and added "Shipper's share shall be calculated pursuant to section 8 of the General Terms and Conditions of this Gas Transportation Tariff" to be consistent with the same clause in the other rate schedules.
- (iii) Renamed section 8 [Charge for Service] – added "The rate used in calculating Shipper's monthly bill for Service under Rate Schedule T-1, Firm Service in the Zone is the T-1 Rate."
- (iv) Amended subsection 8.1 [Shipper's Obligation to Pay] to reflect Shipper's obligation to pay being the aggregate of the monthly demand charges versus Shipper's share of Company's cost of service.
- (v) Added new subsection 8.2 [Monthly Demand Charge] detailing the monthly demand charges as being the product of Shipper's Maximum Daily Receipt Quantity, distance gas is to be transported and the T-1 Rate.
- (vi) Renumbered old subsection 8.2 to 8.3 [Accounting].
- (vii) Deleted subsection 8.3 [Company's Administrative Charge] – moved to subsection 5.7.1 of the General Terms and Conditions.
- (viii) Deleted subsection 8.4 [Special Charge – Phase II Preliminary Expenditures] – moved to subsection 5.7.2 of the General Terms and Conditions.

- (ix) Deleted subsection 8.5 [Computation of the Zone Cost of Service] – moved to subsection 5.7.3 of the General Terms and Conditions.
- (x) Deleted subsection 8.6 [Adjustments to the Zone Cost of Service] – moved to subsection 5.7.4 of the General Terms and Conditions.
- (xi) Deleted subsection 8.7 [Calculation of Shipper’s Share of Company’s Cost of Service].
- (xii) Renamed section 9 [Failure to Accept Gas] to delete reference to Billing Adjustment.
- (xiii) Deleted subsection 9.1 [General].
- (xiv) Renumbered remaining subsections in section 9 as required.
- (xv) Deleted subsection 9.6 [Billing Adjustment].
- (xvi) Deleted subsection 9.8 [No Effect on Zone Cost of Service Determination].
- (xvii) Deleted section 10 [Effective Date] – moved this to new subsection 18.4 in the General Terms and Conditions.
- (xviii) Deleted section 11 [Shipper’s Zone Allocable Share].
- (xix) Renumbered old section 12 to 10 [Renewal Rights].

8. Rate Schedule OT-1, Overrun Service

- (i) Renamed section 3 [Charge for Service] – added “The rate used in calculating Shipper’s monthly bill for Service under Rate Schedule OT-1, Overrun Service in the Zone is the OT-1 Rate.”
- (ii) Added subsection 3.1 [Shipper’s Obligation to Pay] to reflect Shipper’s obligation to pay being the aggregate of the monthly commodity charges.
- (iii) Renamed and renumbered old subsection 3.1 to 3.2 [Monthly Commodity Charge] – amended to include the OT-1 Rate multiplied by the distance the volume of gas is transported through the Zone.
- (iv) Deleted subsection 3.2 [Overrun Rate].
- (v) Deleted subsection 3.3 [Payment].
- (vi) Deleted subsection 3.4 [Application of Revenues].

9. Rate Schedule SGS-1, Small General Service

- (i) Renamed section 3 [Service Description] – amended section to delete reference to Shipper’s Obligation to Pay and included in new subsection 7.1 [Shipper’s Obligation to Pay].
- (ii) Amended subsection 6.6.2 dealing with Shipper’s share of Company Use Gas and Unaccounted for Gas to be consistent with the same clause in the other rate schedules.
- (iii) Renamed section 7 [Charge for Service] – added “The rate used in calculating Shipper’s monthly bill for Service under Rate Schedule SGS-1, Small General Service is the T-1 Rate in Zone 9.”
- (iv) Added new subsection 7.1 [Shipper’s Obligation to Pay] to reflect Shipper’s obligation to pay being the aggregate of the monthly commodity charges.
- (v) Added new subsection 7.2 [Monthly Commodity Charge] detailing the monthly commodity charges as being the product of the volume of gas transported, ½ the total distance in Zone 9 (130 km) and the T-1 Rate.
- (vi) Deleted subsection 7.1 [Transportation Rate].
- (vii) Deleted subsection 7.2 [Zone 9 Average Unit Cost of Service].
- (viii) Deleted subsection 7.3 [Monthly Bill].

- (ix) Deleted section 8 [Effective Date] – covered in new subsection 18.4 of the General Terms and Conditions.

10. Rate Schedule IT, Interruptible Service

- (i) Amended subsection 4.2.2 dealing with Shipper's share of Company Use Gas and Unaccounted for Gas to be consistent with the same clause in the other rate schedules.
- (ii) Renamed section 5 [Charge for Service] – added “The rate used in calculating Shipper's monthly bill for Service under Rate Schedule IT, Interruptible Service in the Zone is the IT Rate.”
- (iii) Added subsection 5.1 [Shipper's Obligation to Pay] to reflect Shipper's obligation to pay being the aggregate of the monthly commodity charges.
- (iv) Renamed subsection 5.2 [Monthly Commodity Charge] – amended to reflect the IT Rate multiplied by the actual IT volume and the distance gas is transported.
- (v) Added new subsection 5.3 [Allocation of Gas Received] – separated this paragraph out from old subsection 5.2. Deleted reference to the amount payable which is now reflected in subsection 5.1.
- (vi) Deleted old subsection 5.3 [Application of Revenues].

11. General Terms and Conditions

- (i) Section 1 [Definitions]
 - (a) Deleted subsection 1.6 [Billing Period].
 - (b) Amended new subsection 1.11 [Company's Cost of Service] – deleted reference to the billing month.
 - (c) Added subsection 1.26 [IT Rate].
 - (d) Added subsection 1.42 [OT-1 Rate].
 - (e) Amended new subsection 1.50 [Rate of Interest] – changed to the Royal Bank of Canada, Main Branch, Calgary Alberta.
 - (f) Deleted subsection 1.51 [Rate Schedule M-2, Measurement Service].
 - (g) Deleted subsection 1.66 [Service Agreement, Measurement Service].
 - (h) Added subsection 1.68 [T-1 Rate].
 - (i) Added subsection 1.69 [Table of Effective Rates].
 - (j) Deleted subsection 1.73 [Zone Allocable Share].
 - (k) Amended subsection 1.74 [Zone Cost of Service] – changed from billing month to calendar year.
 - (l) Deleted subsection 1.75 [Zone Receipt Point Quantity].
- (ii) Amended subsection 5.1 [Billing] – amended to reflect change to a rate for each service type.
- (iii) Amended subsection 5.2 dealing with failure to pay bill, to reflect change to rate versus current billing process and adjustments.
- (iv) Amended subsection 5.6 [Partial Payment in United States Dollars] to reflect Shipper's share based on Maximum Daily Receipt Quantity and distance gas is transported versus Zone Allocable Share.
- (v) Deleted subsection 5.7 [Monthly Charge] and subsections 5.7.1 through 5.7.5.
- (vi) Added new subsection 5.7 [Zone Cost of Service]
 - (a) Added new subsection 5.7.1 [Company's Administrative Charge] from subsection 8.3 of Rate Schedule T-1, Firm Service – amended to change from billing month to calendar year.

- (b) Added new subsection 5.7.2 [Special Charge – Phase II Preliminary Expenditures] from subsection 8.4 of Rate Schedule T-1, Firm Service.
- (c) Added new subsection 5.7.3 [Computation of the Zone Cost of Service] from subsection 8.5 of Rate Schedule T-1, Firm Service – amended to change from billing month to calendar year and describe the numerators and denominators as set out in subsection 11.1 of Rate Schedule T-1 which has been deleted.
- (d) Added new subsection 5.7.4 [Adjustments to Zone Cost of Service] from subsection 8.6 of Rate Schedule T-1, Firm Service – amended to change from billing month to calendar year and for treatment of OT and IT revenues in determining the cost of service.
- (vii) Amended subsection 5.8 [Creditworthiness] to reflect change to rate versus current billing process and adjustments.
- (viii) Amended subsection 6.5 [Interruptions or Reductions in Services] – deleted reference to the two tiers of IT.
- (ix) Amended subsection 8.6 [Provision of Line Pack Gas for Zone 8] to reflect Shipper’s share based on Maximum Daily Receipt Quantity and distance gas is transported versus Zone Allocable Share.
- (x) Section 16 [Expansions and Reductions in Service]
 - (a) Amended subsection 16.1 to delete reference to Zone Allocable Share.
 - (b) Amended subsection 16.1(a)(iii) to delete reference to Supplement I and Zone Allocable Share.
 - (c) Amended subsection 16.1(b)(iii) to delete reference to Supplement I and Zone Allocable Share.
 - (d) Amended subsection 16.2(c) to delete reference to Supplement I and Zone Allocable Share.

12. Pro Forma Service Agreement T-1, Firm Service

- (i) Amended Article 6 to update with new Company address.
- (ii) Amended Appendix A, section 2, footnote to refer to monthly charges versus Shipper’s Zone Allocable Share.
- (iii) Amended Appendix B, section 1, footnote to refer to monthly charges versus Shipper’s Zone Allocable Share.
- (iv) Deleted Appendix C [Summary Index of Service Obligations].
- (v) Renamed Appendix D to C [Foothills Pipe Lines Ltd. Pro Forma Gas Transportation Tariff].

13. Pro Forma Service Agreement SGS-1, Small General Service

- (i) Amended Article 6 to update with new Company address.
- (ii) Added Appendix C [Foothills Pipe Lines Ltd. Pro Forma Gas Transportation Tariff].

14. Pro Forma Service Agreement IT, Interruptible Service

- (i) Amended first clause on page 2 – to reflect applied for amendment to NEB Order TG-10-87.
- (ii) Deleted Article 2.3 which dealt with the two tiers of IT.
- (iii) Amended Article 6 to update with new Company address.
- (iv) Amended Appendix A, section 2 to delete reference to the two tiers of IT.

**PHASE I
GAS TRANSPORTATION TARIFF
OF
FOOTHILLS PIPE LINES LTD.**

This Gas Transportation Tariff is subject to the National Energy Board Act, is available for inspection during normal business hours and is also available electronically ~~on the Company's web page~~ at www.foothillspipetranscanada.com. Communications concerning this Gas Transportation Tariff should be addressed to:

~~Manager, Commercial & Customer Relations~~

Foothills Pipe Lines Ltd.

~~300, 112 Fourth Avenue S.W.~~ 450 First Street S.W.

Calgary, Alberta

T2P ~~0H35H1~~

Attention: Wendy West

TABLE OF CONTENTS

Tab 1 Foothills Pipe Lines Ltd.:

Description of Company and Services Rendered

Map of Foothills Gas Transportation System – Phase I

Summary of Rate Schedules

Tab 2 Table of Effective Rates**Tab 3 Capacity Allocation Procedures****Tab 4 Rate Schedules:**

T-1 Firm Service

OT-1 Overrun Service

SGS-1 Small General Service

IT Interruptible Service

~~M-2 Measurement Service~~**Tab 5 General Terms and Conditions****Tab 6 Pro Forma Service Agreements:**

T-1 Firm Service

SGS-1 Small General Service

IT Interruptible Service

~~M-2 Measurement Service~~**~~Index of Service Agreements, Firm Service~~****~~Supplement I: INDEX OF SERVICE OBLIGATIONS~~****~~Supplement II: METRIC CONVERSION FACTORS~~****Supplement III: Foothills Pipe Lines (Alta.) Ltd.****Supplement IV: Foothills Pipe Lines (South B.C.) Ltd.****Supplement V: Foothills Pipe Lines (Sask.) Ltd.**

DESCRIPTION OF COMPANY AND SERVICES RENDERED

Foothills Pipe Lines Ltd., (hereinafter referred to as “Company”) is the parent company responsible for the Canadian portion of the Alaska Natural Gas Transportation System (“ANGTS”), also referred to as the Alaska Highway Project. Company is currently owned ~~50100% each~~ by TransCanada PipeLines Limited of Calgary, Alberta ~~and Westcoast Energy Inc. (a Duke Energy Company) of Vancouver, B.C.~~ and its transportation system is segmented into six federally incorporated subsidiaries.

1. Foothills Pipe Lines (South Yukon) Ltd., owned 100% by Company, will construct, own, operate and manage the approximately 830 km of pipeline through southern Yukon.
2. Foothills Pipe Lines (North B.C.) Ltd., owned 51% by Company and 49% by ~~Westcoast Energy Inc. (a Duke Energy Company)~~ TransCanada PipeLines Limited will construct, own, operate and manage the approximately 720 km of pipeline through northeastern British Columbia.
3. Foothills Pipe Lines (Alta.) Ltd., owned 51% by Company and 49% by TransCanada PipeLines Limited, owns, operates and manages the approximately 1,335 km of pipeline through Alberta.
4. Foothills Pipe Lines (Sask.) Ltd., owned 51% by Company, ~~and 4449%~~ and 44.9% by TransCanada PipeLines Limited ~~and 5% by Westcoast Energy Inc. (a Duke Energy Company)~~, owns, operates and manages the approximately 260 km of pipeline through Saskatchewan.
5. Foothills Pipe Lines (South B.C.) Ltd., owned 51% by Company and 49% by TransCanada PipeLines Limited, owns, operates and manages the approximately 170 km of pipeline through southeastern British Columbia.
6. Foothills Pipe Lines (North Yukon) Ltd., owned 100% by Company, will construct, own, operate and manage the approximately 1,200 km of pipeline through the Yukon and Northwest Territories.

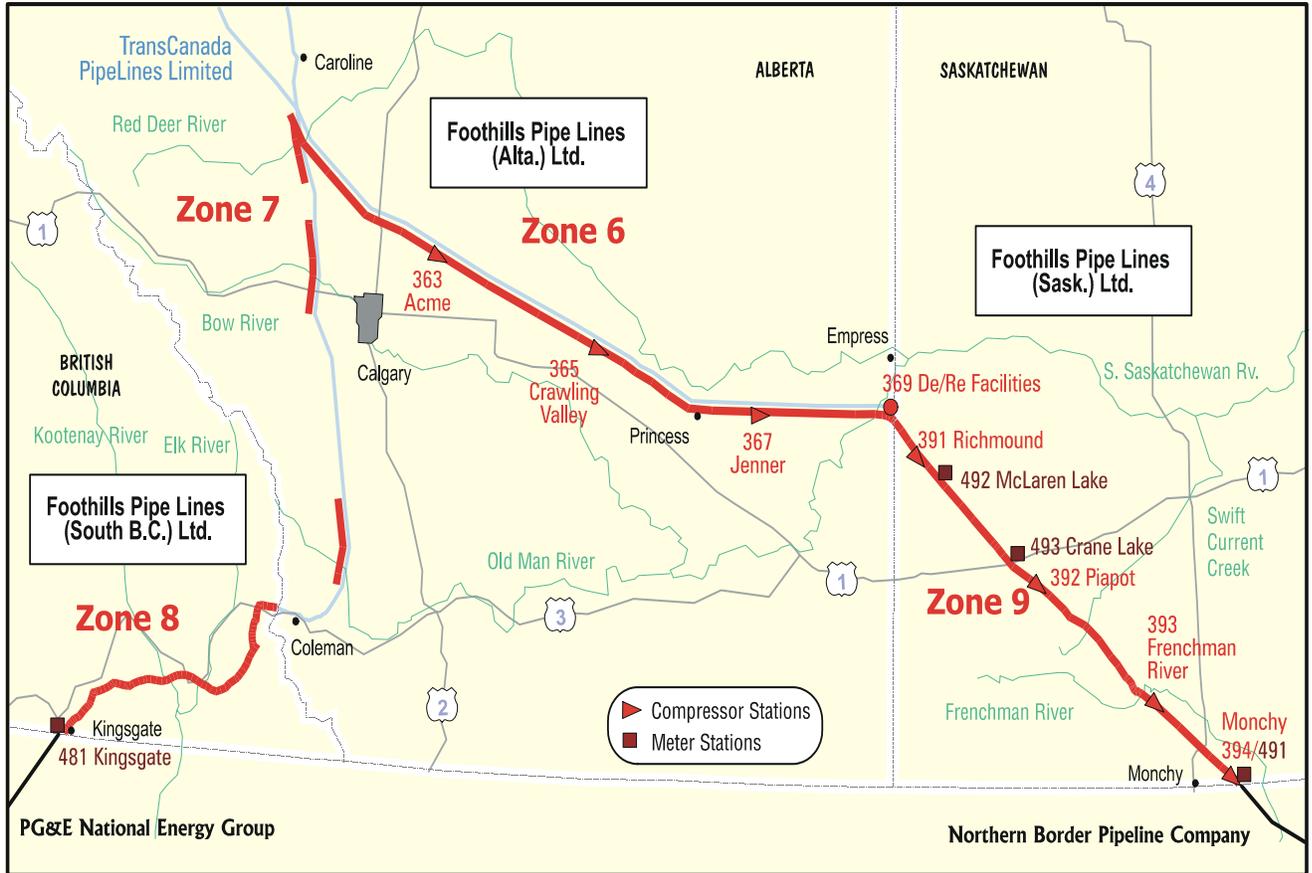
Company, through its Subsidiary Companies described above, was established primarily to render natural gas transportation service to Shippers of United States gas from the State of Alaska. Company may render natural gas transportation service to Shippers of Canadian gas from the Mackenzie Delta, Beaufort Basin areas and other areas in the Provinces of Alberta, British Columbia and Saskatchewan. This Gas Transportation Tariff sets forth the Rate Schedules, the General Terms and Conditions and the Service Agreements applicable to this gas transportation service related to Phase I facilities currently in place.

Foothills Pipe Lines (Alta.) Ltd.

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

Foothills Pipe Lines (Sask.) Ltd.

GAS TRANSPORTATION SYSTEM
PHASE I



SUMMARY OF RATE SCHEDULES

For the purposes of this tariff schedule abbreviations are defined as follows:

SCHEDULES	DESCRIPTION
T-1	<u>Firm Service</u> - Applies to the firm transportation of gas from Receipt Points in the Provinces of Alberta, British Columbia and Saskatchewan to Delivery Points in Canada or at the 49th Parallel.
OT-1	<u>Overrun Service</u> - Applies to the transportation of overrun gas in the Provinces of Alberta, and British Columbia.
SGS-1	<u>Small General Service</u> - Applies to the transportation of gas to Delivery Points in Saskatchewan only, to be sold to customers on farms or in small communities.
IT	<u>Interruptible Service</u> - Applies to the interruptible transportation of gas in the Province of Saskatchewan only.
M-2	<u>Measurement Service</u> - Applies to the measurement service through facilities constructed expressly for Shipper as defined in Appendix A of Service Agreement, Measurement Service.

TABLE OF EFFECTIVE RATES

1. Rate Schedule T-1, Firm Service

	<u>Demand Rate</u> <u>(\$/10³m³/Km/Month)</u>
<u>Zone 6</u>	• -
<u>Zone 7</u>	• -
<u>Zone 8</u>	• -
<u>Zone 9</u>	• -

2. Rate Schedule OT-1, Overrun Service

	<u>Commodity Rate</u> <u>(\$/10³m³/Km)</u>
<u>Zone 6</u>	• -
<u>Zone 7</u>	• -
<u>Zone 8</u>	• -

3. Rate Schedule IT, Interruptible Service

	<u>Commodity Rate</u> <u>(\$/10³m³/Km)</u>
<u>Zone 9</u>	• -

CAPACITY ALLOCATION PROCEDURES**1. GENERAL**

- 1.1** The purpose of these Capacity Allocation Procedures is to establish the procedures by which a potential Shipper requesting firm service, or an existing Shipper requesting an increase in Maximum Daily Receipt Quantity, or an existing Shipper who does not have renewal rights pursuant to section ~~4.2~~10 of Rate Schedule T-1, Firm Service (all hereinafter referred to as “Prospective Shipper”) shall each be afforded the rights to obtain firm service under Rate Schedule T-1, Firm Service.
- 1.2** In Zones 6, 7 and 8 of Company’s system, Available Capacity will be offered sequentially by date and time to Prospective Shippers in the queue until the capacity is fully committed. In Zone 9, Available Capacity and service on new facilities will be offered to successful Bidders in a bidding process (an “Open Season”) as outlined in ~~S~~section 4.
- 1.3** When new facilities are required to meet the requests for service by Prospective Shippers and such Prospective Shippers have met or have entered into binding agreements to meet the criteria in section 5, Company will, in a timely manner, apply for and, if approved and subject to obtaining the necessary financing, construct such facilities.
- 1.4** Subject to the procedure set out in subsection 3.3, Prospective Shipper’s position in the queue shall not be affected by the volume, date of commencement of service, term of service or distance along Company’s transportation system the gas is to be transported.
- 1.5** Company will make available to any party, upon request, a copy of the current firm service queue in Zones 6, 7 and 8 which will contain the following information:
- (a) The name of each Prospective Shipper in the queue;
 - (b) The position in the queue of each Prospective Shipper;
 - (c) The date Prospective Shipper’s request for service was received by Company;

- (d) The Maximum Daily Receipt Quantity of gas to be transported for each Prospective Shipper; and
- (e) The term of service, including the commencement and termination dates for each Prospective Shipper.

1.6 Positions in the queue are not transferable or assignable to any person.

2. APPLICABILITY

Subject to section ~~4210~~ of Rate Schedule T-1, Firm Service, these Capacity Allocation Procedures are applicable to all requests by Prospective Shipper for firm service under Rate Schedule T-1, Firm Service.

3. PROCEDURES FOR ZONES 6, 7 AND 8

3.1 General

3.1.1 There will be a single queue for Prospective Shippers requesting firm service under Rate Schedule T-1, Firm Service for Zones 6, 7 and 8 of Company's transportation system.

3.1.2 To enter the queue, Prospective Shipper shall make a request in writing ("Request for Service") to Company stating:

- (a) The name, address and authorized representative of Prospective Shipper;
- (b) The proposed Maximum Daily Receipt Quantity;
- (c) The term for which firm service is requested, including the commencement and termination dates; and
- (d) The proposed Receipt and Delivery Points.

3.1.3 Prospective Shippers will be accepted into the queue in the order of the date and time that a Request for Service containing all of the information set out in subsection 3.1.2 is received by Company. Company's determination shall be final both as to the date and time the Request for Service is received by Company and as to whether a Request for Service contains all of the information set out in subsection 3.1.2. Company will, within 10 days of receipt of Shipper's request, notify Prospective Shipper in writing of either the date and time of its acceptance into the queue or any deficiency required to be remedied prior to acceptance into the queue.

3.2 Available Capacity

Where Company determines that firm capacity is available on Zones 6, 7 and 8, which is not required to provide service to any existing Shipper receiving service under Rate Schedule T-1, Firm Service ("Available Capacity"), Company shall offer to Prospective Shipper in the queue a portion of the Available Capacity equal to the lesser of the balance of the Available Capacity remaining, after taking into consideration offers to be made to Prospective Shippers having a higher priority in the queue, and the Maximum Daily Receipt Quantity set forth in such Prospective Shipper's Request for Service, and shall include with such offer, within 10 days of the notification of acceptance into the queue set out in subsection 3.1.3, copies of a Precedent Agreement for execution by such Prospective Shipper. Company's offer is subject to the terms and conditions set forth in the Precedent Agreement. Prospective Shipper may accept Company's offer by completing, duly executing and returning to Company all copies of the Precedent Agreement, incorporating only such amendments as may have been made with Company's prior agreement, within 60 days of the date such Prospective Shipper receives an offer of Available Capacity from Company. The failure by Prospective Shipper to return all copies of the Precedent Agreement fully executed by Prospective Shipper within the time limited above shall be deemed to be a rejection by Prospective Shipper of Company's offer. In the event that Prospective Shipper rejects or is deemed to have rejected Company's offer of Available Capacity, such Prospective Shipper will be removed from the queue unless acceptance of Company's offer would have required such

Prospective Shipper to commence service prior to the service commencement date specified in such Prospective Shipper's Request for Service or the capacity or term offered was less than that specified in such Prospective Shipper's Request for Service, in which case such Prospective Shipper shall maintain its position in the queue. Prospective Shipper that fails to meet the conditions precedent set forth in the Precedent Agreement and execute a Service Agreement, Firm Service within the time period provided in the Precedent Agreement shall move to the last position in the queue. Any unallocated capacity will be offered to the next Prospective Shipper in the queue.

3.3 Expansion Capacity

3.3.1 Where Company determines that the Available Capacity is insufficient to meet the Request for Service from Prospective Shippers in the queue and that the demand for service is sufficient to consider an expansion of existing facilities ("New Facilities"), Company shall advise each Prospective Shipper in the queue of the minimum term required for service through the New Facilities ("Minimum Term") which shall, unless circumstances dictate otherwise, be 12 years. Company may request each Prospective Shipper in the queue to complete and return to Company, within 30 days of the receipt by Prospective Shipper, a Project Status Summary in the form set forth in Appendix A to these Capacity Allocation Procedures. Any Prospective Shipper whose Request for Service does not indicate that such Prospective Shipper requires service for the Minimum Term will be required to confirm in writing to Company, within the time period provided for completing and returning the Project Status Summary, that such Prospective Shipper agrees to take service for a term not less than the Minimum Term. Prospective Shippers who fail within the time period provided to complete and return a Project Status Summary and, if applicable, provide confirmation that such Prospective Shippers agree to take service for a term not less than the Minimum Term will move to the bottom of the queue. In the event that two or more Prospective Shippers fail to complete and return the Project Status Summary and Minimum Term confirmation, if applicable, within the time period provided, such Prospective Shippers shall retain the same priority each had in relation to the

other, on the date Company advises Prospective Shippers of the Minimum Term, when such Prospective Shippers are moved to the bottom of the queue.

3.3.2 Subsequent to receipt by Company of a completed Project Status Summary and, if applicable, confirmation that Prospective Shipper agrees to take service for a term not less than the Minimum Term, Company shall forward to Prospective Shipper copies of a Precedent Agreement setting forth the terms and conditions, including conditions precedent, upon which service is offered to such Prospective Shipper through the New Facilities. Prospective Shipper may accept Company's offer by completing, duly executing and returning all copies of the Precedent Agreement, incorporating only such amendments as have been made with Company's prior agreement, within 60 days of the receipt of the Precedent Agreement by Prospective Shipper. The failure by Prospective Shipper to return all copies of the Precedent Agreement, fully executed by Prospective Shipper within the time period provided above, shall be deemed to be a rejection by Prospective Shipper of Company's offer. In the event that Prospective Shipper rejects or is deemed to have rejected Company's offer, such Prospective Shipper will be removed from the queue. Prospective Shipper that fails to meet the conditions precedent set forth in the Precedent Agreement and execute a Service Agreement, Firm Service within the time period provided in the Precedent Agreement shall move to the last position in the queue. Company reserves the right at any time to reconsider a proposal to proceed to add New Facilities in the event that Company determines that the addition of New Facilities is no longer justified in view of changed circumstances.

4. PROCEDURES FOR ZONE 9

4.1 Available Capacity

Where Foothills-Company determines that capacity is available for firm service on Zone 9, which is not required to provide service to any existing Shipper receiving service under

Rate Schedule T-1, Firm Service and Rate Schedule SGS-1, Small General Service, an Open Season process will be used to allocate capacity. Foothills-Company will use reasonable efforts to adhere to the following procedures in conducting an Open Season:

- 4.1.1** Foothills-Company will provide public notice of Available Capacity through recognized industry publications. Foothills-Company will specify the available volume, available receipt and delivery points, commencement date and, where applicable, termination date of such service. The bid notice may also identify the procedure for handling credit issues.
- 4.1.2** Within the period specified by Foothills-Company in the notice, Bidder will advise Foothills-Company in writing of its bid, which will include the desired Maximum Daily Receipt Quantity, receipt and delivery points, the commencement date if later than the term posted by Foothills-Company, and the termination date.
- 4.1.3** All bids shall be final upon the close of the bid period. However, bids may be withdrawn until the end of the 7th business day following the close of the bid period whereupon Foothills-Company will conduct its bid evaluation.
- 4.1.4** Bids will be evaluated on the basis of net present value per unit being the current estimated unit Cost of Service T-1 Rate over the term and distance specified by the Bidder in the bid and using an appropriate discount rate. The Available Capacity will be awarded to the bid with the highest net present value per unit. Any unallocated capacity will be awarded to the bid with the next highest net present value and so on. If the net present values of two or more bids are equal, Foothills-Company will award the Available Capacity to the bid with the earliest start date.
- 4.1.5** In the event a tie cannot be broken, Foothills-Company will offer tied Bidders each a pro_rata share of the Available Capacity in respect of which a tie exists. Bidders may accept or decline the pro_rata share within 5 business days of Foothills-Company making the offer.

4.1.6 A Bidder that is awarded capacity (or accepts service under ~~paragraph subsection 4.1.4 of this section hereof~~) is irrevocably bound to take that service. Foothills Company will forward successful Bidders a Service Agreement which must be executed and returned to Foothills Company within a specified number of days of being delivered by Foothills Company, along with all necessary financial assurances requested by Foothills Company.

4.1.7 A joint open season may be held with any upstream or downstream pipelines using the above procedures or by using other procedures filed with and approved by the Board.

4.2 Expansion Capacity

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

4.2.1 Foothills Company will provide public notice of its intention to expand its existing facilities through recognized industry publications. Foothills Company's notice may specify a volume amount.

4.2.2 Foothills Company will forward to each potential Bidder an information package, (the "Bid Package") including a Precedent Agreement. In the Bid Package, Foothills Company will advise each Bidder of the terms of the Open Season including the Minimum Term required for service through the New Facilities (~~as defined in Section pursuant to subsection 3.3.1 hereof~~).

4.2.3 Within the period specified by Foothills Company in the notice, Bidder will advise Foothills Company of its bid which will include desired Maximum Daily Receipt Quantity, anticipated receipt and delivery points, desired commencement date of such service, and desired Service Agreement term by executing and returning the Precedent Agreement.

- 4.2.4 Bids will be evaluated by Foothills-Company on the basis of net present value per unit being the current ~~estimated unit Cost of Service T-1 Rate~~ over the term and distance specified by the Bidder in the bid and using an appropriate discount rate. The capacity will be awarded to the bid with the highest net present value per unit. Any unallocated capacity will be awarded to the bid with the next highest net present value and so on.
- 4.2.5 In the event of a tie, Foothills-Company will offer tied Bidders each a pro_rata share of the capacity. Bidders may accept or decline the pro_rata share within a specified period designated by Foothills-Company in the offer. If Bidder does not accept a pro rata share of the capacity, the pro rate share will go to the next highest net present value.
- 4.2.6 For bids which are accepted, Foothills-Company will execute and return the Precedent Agreement to Bidder. For bids that are rejected, Foothills-Company will advise Bidder that the bid was not accepted.
- 4.2.7 If a volume was initially specified by Foothills-Company in accordance with Ssubsection 4.2.1 and if Foothills-Company determines, in its sole discretion, that a change in expansion capacity is warranted, Foothills-Company will amend the expansion accordingly.
- 4.2.8 Foothills-Company will execute the Precedent Agreement and apply to the appropriate regulatory authorities for the necessary approvals to construct the expansion facilities. If for any reason approval is not granted, Foothills-Company will notify all successful bidders.
- 4.2.9 If Foothills-Company determines in its sole discretion that the construction of the New Facilities is not warranted because of a change in circumstances, then Foothills-Company may, at its option, give all successful Bidders notice of termination of the expansion plans whereupon all rights and obligations of the parties shall cease and neither Foothills-Company or any Bidder shall have any further liability except as expressly set forth in the Precedent Agreement.

4.2.10 A joint open season may be held with connecting pipelines using the above procedures or by using other procedures filed with and approved by the Board.

5. ACCESS CRITERIA

5.1 Prior to execution of a Service Agreement, Firm Service and during the term of the Firm Service Agreement, Prospective Shipper must satisfy the following criteria:

- (a) Where there is Available Capacity to provide the requested level of service under Rate Schedule T-1, Firm Service, Prospective Shipper shall:
 - (i) Demonstrate to the satisfaction of Company that it has appropriate upstream and downstream transportation arrangements;
 - (ii) Provide the financial information requested by Company to determine Prospective Shipper's creditworthiness; and
 - (iii) Provide, at Company's option, an irrevocable letter of credit in form and substance satisfactory to Company from a financial institution acceptable to Company in an amount sufficient to secure the payment of the amount payable under Prospective Shipper's Service Agreement for a period of 70 days or such other financial guarantee that provides, in the opinion of Company, a sufficient level of security as provided for in subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff; and-
- (b) Where New Facilities are required to provide the requested firm service, in addition to the requirements in subsection 5.1(a), Prospective Shipper shall:
 - (i) Provide evidence to the satisfaction of Company that Prospective Shipper's intended market is secure and long term and that Prospective Shipper's gas sales arrangements are sufficient to enable financing of the New Facilities;

- (ii) Provide evidence to the satisfaction of Company that Prospective Shipper has a secure and long term source of supply sufficient to permit Prospective Shipper to fulfill its obligations under its gas sales arrangements during the term of firm service requested;
- (iii) Provide evidence to the satisfaction of Company that Prospective Shipper has obtained or will be able to obtain all associated regulatory approvals for the full term of firm service requested; and
- (iv) Provide other financial assurances satisfactory to Company.

5.2 Prior to the commencement of service and during the term of a Service Agreement:

- (a) Prospective Shipper or Shipper shall provide evidence satisfactory to Company that it has a valid removal permit from the province of production prior to commencement of service, and as Company may require from time to time during the term of the Service Agreement; and
- (b) Prospective Shipper or Shipper shall forthwith advise Company of the termination of a removal permit or any action commenced to suspend a removal permit from the province of production.

APPENDIX A
(SHIPPER NAME)
PROJECT STATUS SUMMARY

Description of Activity	Completion Dates	
	<u>Expected</u>	<u>Actual</u>
1. Gas Sales Precedent Agreement(s) <ul style="list-style-type: none"> • letter of intent • precedent agreement 		
2. Gas Supply Contract(s)		
3. Upstream Transporter(s) <ul style="list-style-type: none"> • letter of intent • transportation contract • facilities 		
4. Application for gas removal permit (Province _____ docket no. _____) <ul style="list-style-type: none"> • filed • approved 		
5. Application to NEB for export licence (Board file no. _____) <ul style="list-style-type: none"> • filed • approved 		
6. Application to downstream authority(ies) <ul style="list-style-type: none"> • Office of the Fossil Energy (OFE) (docket no. _____) • filed • approved • FERC (docket no. _____) • filed • approved • other • filed • approved 		
7. Downstream Transporter(s) <ul style="list-style-type: none"> • letter of intent • transportation contract • facilities 		
8. Other Information Supporting Shipper's Request		

**RATE SCHEDULE T-1
FIRM SERVICE****1. AVAILABILITY**

This Rate Schedule T-1, Firm Service is available to any Shipper which has:

- (a) Satisfied all applicable requirements as set forth in the Capacity Allocation Procedures and subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff; and
- (b) Executed a Service Agreement, Firm Service with Company.

For Zone 9 only, Backhaul service is also available under Rate Schedule T-1, Firm Service.

2. APPLICABILITY

This Rate Schedule T-1, Firm Service shall apply to all transportation services under Shipper's Service Agreement, Firm Service other than service specifically provided for in another Rate Schedule, as of the Billing Commencement Date, whether or not gas is actually transported.

3. SERVICE DESCRIPTION ~~AND SHIPPER'S OBLIGATION TO PAY~~**3.1 Forward Haul Service**

Forward Haul service rendered by Company for Shipper under this Rate Schedule T-1, Firm Service consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper's account) at each Forward Haul Receipt Point as specified in the Service Agreement, Firm Service;

- (b) The transportation of gas by Company through the transportation system, described in section 6 hereof; and
- (c) The delivery by Company of gas to Shipper (or for Shipper's account) at each Forward Haul Delivery Point specified in the Service Agreement, Firm Service.

3.2 Backhaul Service

Backhaul service rendered by Company for Shipper under this Rate Schedule T-1, Firm Service consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper's account) at each Backhaul Receipt Point as specified in the Service Agreement, Firm Service; ~~and~~
- (b) The delivery by Company of gas to Shipper (or for Shipper's account) at each Backhaul Delivery Point specified in the Service Agreement, Firm Service; ~~and~~
- (c) ~~And is~~ subject to ~~Section-subsection~~ 7.2.4.

~~3.3 Shipper's Obligation to Pay~~

~~Shipper shall be obligated to pay to Company for the aforementioned services a transportation charge for each Zone determined in accordance with section 8 hereof. Shipper's obligation to pay Shipper's share of Company's Cost of Service is not subject to adjustment under any circumstances, except as provided in section 9 hereof.~~

4. SERVICE AGREEMENT

This Rate Schedule T-1, Firm Service is subject to all terms, conditions, stipulations and provisions of the Service Agreements, Firm Service.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule T-1, Firm Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff.

6. SUBSIDIARY COMPANIES AND ZONES

6.1 General

Company's transportation system consists of operating segments with each segment operated by a Subsidiary Company. Company and Subsidiary Companies have entered into transportation agreements for provision of transportation services by Subsidiary Companies for Company. Copies of the applicable transportation agreements are attached hereto as Supplements III through VIII. Each Subsidiary Company shall divide its segment into one or more Zones as defined in Schedule I, Annex II of the Northern Pipeline Act and described in subsection 6.2 hereof. Shipper, through its Service Agreement, Firm Service with Company, shall contract to have its gas transported through one or more of these Zones.

6.2 Description

The Subsidiary Companies listed below own and operate the portions of the Phase I gas transportation system set opposite the name of each such Subsidiary Company.

<u>Subsidiary Company</u>	<u>Zone No.</u>	<u>Description</u>	<u>Length (km)</u>
Foothills Pipe Lines (Alta.) Ltd.	6	From Caroline, Alberta to the Alberta/ Saskatchewan border near Empress, Alberta.	378.49
	7	From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.	124.03
Foothills Pipe Lines (South B.C.) Ltd.	8	From the Alberta/B.C. border near Coleman, Alberta to the B.C./U.S. border near Kingsgate, B.C.	165.96

Foothills Pipe Lines (Sask.) Ltd.	9	From the Alberta/ Saskatchewan border near Empress, Alberta to the Saskatchewan/U.S. border near Monchy, Saskatchewan.	258.97
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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 ~~used in the transportation of such gas on such day~~ the energy content of:

- (a) Company Use Gas, ~~and;~~
- (b) Unaccounted for Gas, ~~;~~ and
- (c) 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.

7.2.3 Notwithstanding subsection 7.2.2 herein, Shipper shall not be allocated a share of Company Use Gas in respect of Backhaul service.

7.2.4 Company will provide Backhaul service under this Rate Schedule T-1, Firm Service to Shipper on Zone 9 only in circumstances where such service is requested by Shipper and, in Company's judgement, there is sufficient quantity of gas being received into Company's system to enable such service to be provided.

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 each Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, Firm Service, exceed the Maximum 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.

7.3.3 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 ~~N~~omination quantities at receipt points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border.

8. PAYMENT-CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for Service under Rate Schedule T-1,

Firm Service in the Zone is the T-1 Rate.

8.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each ~~b~~Billing ~~m~~Month, ~~commencing with Shipper's First Billing Month~~, a charge for services rendered hereunder being the aggregate of Shipper's monthly demand charges ~~share of Company's Cost of Service~~ determined in accordance with subsection 8.72 hereof. Shipper's obligation to pay ~~its share of Company's Cost of Service~~ is not subject to any adjustment or abatement under any circumstances ~~except as specifically provided for in section 9 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.

8.2 Monthly Demand Charge

Shipper's monthly demand charge for a Billing Month shall be the product of:

- (a) Shipper's Maximum Daily Receipt Quantity as indicated on Schedule A to Shipper's Service Agreement, Firm Service for such billing month;
- (b) the distance in kilometers each such quantity is to be transported through the Zone; and
- (c) the T-1 Rate for the Zone.

8.28.3 Accounting

Company shall maintain 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.

8.3 Company's Administrative Charge

~~Each billing month, Company shall determine an administrative charge equal to its overhead costs and costs of administering this Gas Transportation Tariff. Such~~

~~administrative charge, as approved by the National Energy Board shall consist of, but shall not be limited to, the following:~~

- ~~(a) Salaries, wages and benefits for Company's directors, officers and employees;~~
- ~~(b) All expenses associated with the aforementioned personnel;~~
- ~~(c) All rents and charges associated with office, warehouse or shop facilities;~~
- ~~(d) A return on Company's rate base as per Company's books of account and related income taxes thereon, in an amount determined by the National Energy Board; and~~
- ~~(e) Any other related expenses necessary to permit the directors, officers and employees of Company to discharge their respective functions in coordinating and monitoring the various components of the Phase I Facilities of the ANGTS.~~

~~8.4 — Special Charge — Phase II Preliminary Expenditures~~

~~Pursuant to Order TG 2 2003, the monthly charge for "Special Charge — Phase II Preliminary Expenditures" will be \$189,124.00 commencing April 1, 2003 and terminating December 31, 2015.~~

~~8.5 — Computation of the Zone Cost of Service~~

~~The Zone Cost of Service for a billing month for each Zone shall be the sum of the following, adjusted pursuant to subsection 8.6:~~

- ~~(a) The Zone Cost of Service for each Zone as calculated in such month by the Subsidiary Company owning the portion of the transportation system constituting such Zone; and~~
- ~~(b) An amount equal to the product of:~~

~~The administrative charge for such billing month, calculated pursuant to subsection 8.3 hereof, plus, the Special Charge — Phase II Preliminary~~

~~Expenditures for such billing month, calculated pursuant to subsection 8.4 hereof,~~

~~And a fraction:~~

~~The numerator of which shall be:~~

~~The sum, for all Shippers utilizing a Zone under Rate Schedule T-1, Firm Service, of the numerators calculated in accordance with subsection 11.1 of Rate Schedule T-1, Firm Service.~~

~~And the denominator of which shall be:~~

~~The sum, for Zones 6, 7, 8 and 9, of the denominators calculated in accordance with subsection 11.1 of Rate Schedule T-1, Firm Service.~~

~~8.6 — Adjustments to Zone Cost of Service~~

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

~~**8.6.1** — A deduction equal to revenues received during the billing month under Rate Schedule OT-1, Overrun Service, Rate Schedule SGS-1, Small General Service, and interest pursuant to subsection 5.4 of the General Terms and Conditions of this Gas Transportation Tariff, and a deduction for revenues to be received respecting the billing month under Rate Schedule IT, Interruptible Service.~~

~~**8.6.2** — Additions or deductions, as the case may be, reflecting adjustments for 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 in which such adjustments or conclusive determinations or settlements of such actual amounts are made; and~~

~~**8.6.3** — Additions or deductions, as the case may be, for all other costs or credits properly attributable to the transportation service hereunder. This would reflect the G&A Incentive Plan pursuant to Order TG-2-2003 commencing January 1, 2003 and~~

~~terminating December 31, 2015, subject to earlier termination pursuant to Order TG-2-2003.~~

~~8.7 Calculation of Shipper's Share of Company's Cost of Service~~

~~Shipper's share of Company's Cost of Service for any billing month shall be the sum of Shipper's share of Company's Zone Cost of Service for all Zones utilized by Shipper. Shipper's share of Company's Zone Cost of Service shall be calculated by multiplying Shipper's Zone Allocable Share for a Zone by the Zone Cost of Service for such Zone.~~

~~9. BILLING ADJUSTMENT FOR FAILURE TO ACCEPT GAS~~

~~9.1 General~~

~~If Company shall, in any billing month, fail for any reason to take receipt from any Shipper of the whole or any portion of the quantity of gas nominated by such Shipper to Company in accordance with such Shipper's Service Agreement, Firm Service, such Shipper's obligation to pay Company pursuant to section 8 of Rate Schedule T-1, Firm Service shall be subject only to the adjustments expressly provided in this section 9.~~

~~9.29.1 Receipt Deficiency~~

If, in any day in any month, Company is unable to receive from Shipper, any portion of the gas nominated by Shipper to Company, for such day, pursuant to Article 1.1 of Shipper's Service Agreement, Firm Service, such portion shall be Shipper's "Receipt Deficiency" for such day.

Receipt Deficiencies arising in a billing month shall be discharged to the extent of gas received by Company from Shipper pursuant to Article 1.2 of Shipper's Service Agreement, Firm Service on any day during such billing month whether before or after the day on which any such deficiency arose. To the extent not so discharged, Receipt

Deficiencies shall be discharged only by the receipt of Make-Up Gas in subsequent billing months.

9.39.2 Make-Up Gas

“Make-Up Gas” is Receipt Deficiencies which may be made up in the following month(s). If, in any billing month, the quantity of gas received by Company from Shipper pursuant to Article 1.2 of Shipper’s Service Agreement, Firm Service exceeds the aggregate of Shipper’s Receipt Deficiencies arising in that billing month, the excess shall be Make-Up Gas to the extent of undischarged Shipper’s Receipt Deficiencies arising in prior billing months.

Service in respect of gas received pursuant to Article 1.2 of Shipper’s Service Agreement, Firm Service and applied to the discharge of Receipt Deficiencies shall be deemed to have been provided under this subsection 9.32.

9.49.3 Overrun Gas

If, in any billing month in Zones 6, 7 or 8, the quantity of gas received by Company from Shipper pursuant to Article 1.2 of Shipper’s Service Agreement, Firm Service exceeds the quantity of Make-Up Gas such balance shall be overrun gas and shall be governed by Rate Schedule OT-1, Overrun Service.

9.59.4 Allocation of Service

If Company is on any day required to allocate service pursuant to Article 1.2 of the Service Agreements, Firm Service of two or more Shippers, Company shall give priority in such allocation to quantities of gas desired to be tendered in respect to Receipt Deficiencies to the extent, in the case of each such Shipper, of its undischarged Receipt Deficiencies on such day.

9.6 — Billing Adjustment

~~Each billing month Company shall, if applicable, provide a credit to Shipper (“Billing Abatement”) in accordance with subsection 9.6.1 herein or require a payment from~~

Shipper ("Make-Up Gas Transportation Payment") in accordance with subsection 9.6.3 herein.

~~9.6.1~~ If, in any billing month the quantity of gas received by Company from Shipper is less than 90% of the sum for such month of all quantities of gas nominated by Shipper to Company at all Receipt Points pursuant to Article 1.1 of Shipper's Service Agreement, Firm Service, Shipper shall be entitled to a Billing Abatement in respect of such billing month which shall be determined as follows:

$$BA = \text{CSCR} \times RD / NV$$

Where:

~~BA~~ is Shipper's Billing Abatement in dollars for such billing month.

~~RD~~ is the difference between the sum of all quantities of gas nominated by Shipper to Company in such billing month at all Receipt Points and the total quantity of gas actually taken receipt of by Company from Shipper during such billing month.

~~NV~~ is the sum of all quantities of gas nominated by Shipper at all Receipt Points for all days during such billing month.

~~CSCR~~ is Shipper's share of Company's Cost of Service for such billing month that is attributable to return on common equity and the amount of income taxes payable relating to such return on common equity.

~~9.6.2~~ (a) In addition to the abatement provided for in subsection 9.6.1 above, commencing on the 31st consecutive day of total interruption of service to Shipper and for every consecutive day thereafter such interruption continues the depreciation component of Shipper's Share of Company's Cost of Service attributable to the return of common equity shall be held in a deferred revenue account, pending its disposition by the National Energy Board.

(b) In the event that it is finally determined by the National Energy Board that Company shall reimburse Shipper the amount held in such deferred revenue

~~account, such amount shall be reimbursed by Company to Shipper over a period of time designated by the National Energy Board. The rate at which the deferred revenue account shall be reimbursed to Shipper shall not operate to reduce Company's monthly revenue below that required by Company to service debt including interest and scheduled retirements and meet all other charges unrelated to common equity.~~

~~(c) — Shipper shall be entitled to interest, calculated at the Rate of Interest, on that portion of any amount entered into the deferred revenue account that is subsequently required to be refunded, for the period from the date the amount in respect of which a refund is to be made, is entered into the deferred revenue account, until the date Company makes the refund to Shipper.~~

~~**9.6.3** — If, in any billing month, the quantity of gas received by Company from Shipper is less than the quantity of gas nominated by Shipper to Company in such billing month pursuant to Article 1 of Shipper's Service Agreement, Firm Service, and such deficiency is less than 10% of the gas so nominated, Make-Up Gas received in any subsequent billing month by Company from Shipper shall, to the extent of the quantity of such deficiency ("No Billing Abatement Gas") not be subject to any payment pursuant to this subsection 9.6, and, for such purposes, No Billing Abatement Gas shall be deemed to be received by Company from Shipper before other Make Up Gas. To the extent that Make-Up Gas received by Company from Shipper in any billing month relates to gas for which Shipper has received a Billing Abatement, Shipper shall be obligated to pay to Company for transportation of such Make-Up Gas, an amount to be determined as follows:~~

$$\text{MUGTP} = \text{SBA} \times \text{MUG} / \text{SRD}$$

~~Where:~~

~~MUGTP is Shipper's Make-Up Gas Transportation Payment in dollars for such billing month.~~

~~SBA — is the sum of Shipper's Billing Abatements for all prior billing months less the~~

~~sum of Shipper's Make-Up Gas Transportation Payment for all prior billing months.~~

~~SRD is, at the beginning of such billing month, the sum of Shipper's undischarged Receipt Deficiencies less the sum of the undischarged Receipt Deficiencies relating to No Billing Abatement Gas.~~

~~MUG is the quantity of Make-Up Gas received by Company from Shipper in such billing month relating to prior Billing Abatements.~~

~~Each amount determined pursuant to the foregoing subsections 9.6.1, 9.6.2 and 9.6.3 shall be reflected in an invoice to Shipper as provided in section 5 of the General Terms and Conditions of this Gas Transportation Tariff.~~

9.79.5 Exception

Subsections 9.21 through 9.64 hereof shall not apply to any failure of Company to take receipt from Shipper of any gas nominated by Shipper pursuant to Shipper's Service Agreement, Firm Service if such failure is caused or contributed to by the failure of Shipper to, or to be able to, deliver or take delivery from Company of such gas, or by any other action of Shipper or Persons acting on its behalf which causes or contributes to such a failure by Company.

9.8 — No Effect on Zone Cost of Service Determination

~~The Zone Cost of Service is to be determined without reference to subsection 9.6 with such determination to be made as though no such credits or debits had ever been given or required to be given and no such amounts had ever been paid or become payable.~~

10. — EFFECTIVE DATE

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

11. — SHIPPER'S ZONE ALLOCABLE SHARE

11.1 — ~~The Zone Allocable Share shall be a fraction the numerator of which shall be the sum of the products of each of Shipper's Zone Receipt Point Quantities and the distance in kilometres each such quantity is to be transported through a Zone, and the denominator of which shall be the aggregate, for all those Shippers whose Billing Commencement Date has occurred, of the sum of the products of each such Shipper's Zone Receipt Point Quantities for such Zone and the distance in kilometres each such Zone Receipt Point Quantity is to be transported within such Zone.~~

11.2 — ~~For each Maximum Daily Receipt Quantity to be transported within a Zone for Shipper there shall be a "Zone Receipt Point Quantity" for such Shipper equal to such Maximum Daily Receipt Quantity less Company Use Gas and less Unaccounted for Gas related to such Maximum Daily Receipt Quantity, in cubic metres in all Zones preceding such Zone.~~

11.3 — ~~Unaccounted for Gas to be allocated to a Zone Receipt Point Quantity for a Zone shall be the total number of Joules of Unaccounted for Gas as estimated by Company in that Zone, multiplied by a fraction the numerator of which shall be the product of such Zone Receipt Point Quantity and the distance such quantity is to be transported through that Zone and the denominator of which shall be the sum of the products of each Zone Receipt Point Quantity entering such Zone and the distance in kilometres each such Zone Receipt Point Quantity is to be transported through such Zone.~~

11.4 — ~~Unaccounted for Gas in a Zone shall be Company's estimate of the daily weighted average of the total number of Joules of such Unaccounted for Gas and Company Use Gas resulting from the transportation of the total of the Maximum Daily Receipt Quantities for all Shippers transporting gas through such Zone under normal operating conditions for those months in which the Maximum Daily Receipt Quantity is equal to the Daily Receipt Quantity.~~

~~11.5 — The number of Joules of Unaccounted for Gas and Company Use Gas so allocated to a Zone Receipt Point Quantity shall be converted to cubic metres at the gross heating value at the Receipt Point of such Zone Receipt Point Quantity.~~

~~12.10.~~ **RENEWAL RIGHTS**

~~12.10.1~~ **Availability**

Shippers to whom renewal rights are available, shall have the option (“Renewal Option”) of extending the existing term of the Service Agreement, Firm Service with respect to all or, if Company agrees, a portion of Shipper’s firm capacity rights beyond the primary term specified in the Service Agreement, Firm Service provided that:

- (a) Shipper has at any time in the past executed a Service Agreement, Firm Service containing a term of at least five consecutive years; such Service Agreement, Firm Service or any extensions or amendments thereto or any amended Service Agreement, Firm Service executed in replacement or in substitution therefore, has not terminated prior to the exercise of the renewal rights granted herein;
- (b) Shipper is not in default with respect to any of its obligations under its Service Agreement(s), Firm Service;
- (c) Shipper has provided financial assurances in accordance with subsection 5.8(a) of the General Terms and Conditions of this Gas Transportation Tariff and meets the Company’s creditworthiness standards; and
- (d) Shipper provides Company, at the time the notice referred to in subsection ~~120.2.1~~ or ~~120.2.3~~ hereof is provided to Company, evidence satisfactory to Company that Shipper has obtained or will be able to obtain appropriate upstream and downstream firm transportation arrangements.

~~12.210.2~~ **Procedures**

~~12.2.1~~10.2.1 Company may give Shipper notice (“Renewal Notice”) not more than 5

years and not less than six (6) months prior to termination of Shipper's Service Agreement that Shipper must exercise the Renewal Option. Shipper has the right to renew the Service Agreement prior to this Renewal Notice being given upon written notice to Company. As long as at least five (5) years remain in the term of the Shipper's Service Agreement, then such Renewal Notice cannot be given by Company. Shipper has the right to extend its Service Agreement one year at a time to maintain a term of at least five (5) years and thereby remain outside the period in which a Renewal Notice can be given.

~~12.2.2~~10.2.2 Once a Renewal Notice is given to Shipper, Shipper shall have ten (10) business days from the date of the Renewal Notice to provide Company with a written notice from Shipper of Shipper's election to extend the term of the Service Agreement for a period of at least five (5) years.

~~12.2.3~~10.2.3 If Shipper fails to provide a written request or indicates to Company that it does not wish to renew its capacity in accordance with ~~§~~section ~~12~~10.2.2, the Company may make the capacity available to other parties in an Open Season in accordance with ~~Section~~subsection 4.1 of the Capacity Allocation procedures of this Gas Transportation Tariff.

~~12.2.4~~10.2.4 Upon receipt of all bids for the capacity pursuant to the Open Season in accordance with ~~Section~~subsection 4.1 of the Capacity Allocation procedures of this Gas Transportation Tariff, the Company shall select the highest net present value bid(s) and notify Shipper of the terms of the successful bid(s) within 15 business days of the close of the Open Season. Shipper may retain this capacity if Shipper agrees to match the highest net present value bid(s) obtained in the Open Season. In the event that such bid(s) is longer than five (5) years, Shipper may retain the capacity by extending its Service Agreement by a minimum of five (5) years provided that such notice is made in writing to Company within 10 business days following the date of the bid notification from Company. If no bids are received, Company may accept other terms of renewal if requested in writing from Shipper, notwithstanding that if the remaining term is less than five (5)

years, notice may be given pursuant to ~~S~~subsection ~~1210.2~~.

~~12.2.5~~**10.2.5** Following receipt of Shipper's written request in accordance with either ~~S~~subsections ~~1210.2.1~~, ~~1210.2.2~~ or ~~1210.2.4~~, Company will, within 5 business days, provide Shipper with an amendment to the Service Agreement, Firm Service setting out the renewal term. Shipper shall execute and return the amendment to the Service Agreement, Firm Service to Company within fifteen (15) business days of receipt from Company, failing which Shipper's Renewal Option terminates.

~~12.3~~**10.3** Shipper shall have Renewal Rights to be exercised in the same manner and upon the same terms and conditions as set forth above during any renewal term.

**RATE SCHEDULE OT-1
OVERRUN SERVICE****1. AVAILABILITY**

This Rate Schedule OT-1, Overrun Service is available in Zones 6, 7 and 8 only, to any Shipper under its Service Agreement, Firm Service.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule OT-1, Overrun Service shall apply to overrun transportation service pursuant to Article 1.2 of Shipper's Service Agreement and subsection 9.43 of Rate Schedule T-1, Firm Service, other than service which, by the terms of subsection 9.21 and 9.32 of Rate Schedule T-1, Firm Service, is deemed to be provided under said subsections.

3. PAYMENT CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under Rate Schedule OT-1, Overrun Service in the Zone is the OT-1 Rate.

3.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 3.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances 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.

3.13.2 Determination Monthly Commodity Charge

Shipper shall pay to Company, for each cubic metre of gas received by Company from Shipper to which this Rate Schedule OT-1, Overrun Service is applicable, an amount equal to Shipper's ~~overrun rate~~ OT-1 Rate in the Zone multiplied by the distance in kilometers such volume of gas is transported in the Zone for the ~~b~~ Billing ~~m~~ Month in which such gas is received; provided that if Shipper on any day of any ~~b~~ Billing ~~m~~ Month does not tender all or a portion ("Tender Deficiency") of such Shipper's Daily Receipt Quantity, then for those days no payment shall be due to Company under this Rate Schedule OT-1, Overrun Service in respect of gas received by Company pursuant to Article 1.2 of Shipper's Service Agreement and which is governed by this Rate Schedule OT-1, Overrun Service, on any other day during such ~~b~~ Billing ~~m~~ Month and the immediately following ~~b~~ Billing ~~m~~ Month, up to the undischarged amount of such Tender Deficiency.

3.2 Overrun Rate

~~Shipper's overrun rate for any billing month shall be computed by dividing:~~

- ~~(a) Shipper's share of Company's Cost of Service for the preceding month as determined pursuant to section 8 of Rate Schedule T-1, Firm Service plus the amount credited in determining such Shipper's share of Company's Cost of Service in respect of revenue from all Shippers under this Rate Schedule OT-1, Overrun Service; by~~
- ~~(b) The sum of Shipper's Daily Receipt Quantities for all days in such preceding month.~~

3.3 Payment

~~Each amount payable pursuant to subsection 3.2 of this Rate Schedule OT-1, Overrun Service shall be reflected in an invoice to Shipper as provided for in subsection 5.1 of the General Terms and Conditions of this Gas Transportation Tariff.~~

3.4 Application of Revenues

~~Revenues under this Rate Schedule OT-1, Overrun Service shall be credited to the Zone Cost of Service as provided in Rate Schedule T-1, Firm Service herein.~~

4. GENERAL TERMS AND CONDITIONS

This Rate Schedule OT-1, Overrun Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff as updated from time to time.

RATE SCHEDULE SGS-1
SMALL GENERAL SERVICE**1. AVAILABILITY**

This Rate Schedule SGS-1, Small General Service is available to Transgas Limited (herein referred to as “Shipper”) upon execution by Shipper of a Service Agreement, Small General Service for the transportation by Company of gas to be sold to customers on a farm or in small communities or, to a customer that distributes to customers on farms or in small communities, provided that:

- (a) The gas is being ultimately consumed primarily for residential and commercial space heating purposes; and
- (b) Such customers are not being served under any other gas transportation agreement between Shipper and Company.

2. APPLICABILITY

This Rate Schedule SGS-1, Small General Service shall apply to the transportation service under Shipper’s Service Agreement, Small General Service.

3. SERVICE DESCRIPTION ~~AND SHIPPER'S OBLIGATION TO PAY~~

Service rendered by Company for Shipper under this Rate Schedule SGS-1, Small General Service 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, Small General Service;

- (b) The transportation of gas by Company in its facilities between the Alberta/Saskatchewan border near Empress to the Saskatchewan/ United States border near Monchy (“Zone 9”); and
- (c) The delivery by Company of gas to Shipper at each Delivery Point specified in the Service Agreement, Small General Service.

~~Shipper shall be obligated to pay to Company for the aforementioned service a transportation charge determined in accordance with section 7 hereof.~~

4. SERVICE AGREEMENT, SMALL GENERAL SERVICE

This Rate Schedule SGS-1, Small General Service is subject to all terms, conditions, stipulations and provisions of the Service Agreement, Small General Service.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule SGS-1, Small General Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff as may be amended from time to time, with the exception of sections ~~5.1, 5.7,~~ 8.6, 8.7 and 16.

6. CHARACTER OF SERVICE

6.1 Small General Service

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

6.2 Receipt and Delivery Obligations

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, ~~for Zone 9, of~~:

- (a) Company Use Gas~~;~~ and
- (b) Unaccounted for Gas

~~Used~~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.

7. ~~PAYMENT CHARGE~~ FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under this Rate Schedule SGS-1, Small General Service is the T-1 Rate in Zone 9.

7.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 7.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances 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.

7.2 Monthly Commodity Charge

Shipper's monthly commodity charge for a Billing Month shall be the product of:

- (a) the actual volume of gas received by Company from Shipper under Rate Schedule SGS-1, Small General Service during such month;
- (b) 1/2 the total distance in Zone 9 (130 km); and
- (c) the T-1 Rate.

~~7.1 Transportation Rate~~

~~The transportation rate, expressed as dollars per thousand cubic meters ("\$/10³ m³"), for service provided under this Rate Schedule SGS-1, Small General Service, for any billing~~

~~month, shall be 1/2 of the Zone 9 average unit cost of service calculated pursuant to subsection 7.2 hereof~~

~~7.2 Zone 9 Average Unit Cost of Service~~

~~The Zone 9 average unit cost of service, expressed as $\$/10^3 \text{m}^3$, for any billing month, shall be determined by dividing (a) by (b) where:~~

~~(a) Is the summation of all Shippers' monthly charges for Zone 9 calculated pursuant to subsection 5.7 of the General Terms and Conditions of this Gas Transportation Tariff, and~~

~~(b) Is the Zone 9 System Design Capacity expressed as 10^3m^3 , calculated as follows:~~

$$\frac{\text{Maximum Daily Design Volume} \times 365.25}{12}$$

~~7.3 Monthly Bill~~

~~The monthly bill for transportation services hereunder shall consist of the transportation rate multiplied by the volume of gas actually delivered in Zone 9. Each amount payable pursuant to subsection 7.3 of this Rate Schedule SGS 1, Small General Service shall be reflected in an invoice to Shipper on or before the 9th day of each month for transportation services provided in the immediately preceding month.~~

~~8. EFFECTIVE DATE~~

~~This Rate Schedule SGS 1, Small General Service shall be effective as from the date fixed by the National Energy Board.~~

RATE SCHEDULE IT
INTERRUPTIBLE SERVICE**1. AVAILABILITY**

This Rate Schedule IT, Interruptible Service is available for service rendered by Company only in Zone 9 to any Shipper for transportation of gas by Company on an interruptible and best efforts basis only, provided that:

- (a) Shipper has executed a Service Agreement, Interruptible Service with Company and such Service Agreement is then in effect;
- (b) Shipper has obtained all certificates, permits, licenses or other authorizations which it requires in connection with the service rendered hereunder; and
- (c) Shipper has made arrangements satisfactory to Company to enable Shipper to deliver gas to Shipper's Receipt Points and to take gas from Shipper's Delivery Points in accordance with Shipper's daily nominations.

2. APPLICABILITY

This Rate Schedule IT, Interruptible Service shall apply to all interruptible transportation services under Shipper's Service Agreement, Interruptible Service.

3. SUBSIDIARY COMPANIES AND ZONES**3.1 General**

Company's transportation system consists of operating segments with each segment operated by a Subsidiary Company. Company and Subsidiary Companies have entered into transportation agreements for provision of transportation services by Subsidiary Companies for Company. Each Subsidiary Company shall divide its segment into one or

more Zones as defined in Schedule I, Annex II of the Northern Pipeline Act and described in subsection 3.2 hereof. Shipper, through its Service Agreement, Interruptible Service with Company, shall contract to have its gas transported through Zone 9.

3.2 Description

The Subsidiary Companies listed below own and operate the portions of the Phase I gas transportation system set opposite the name of each such Subsidiary Company.

<u>Subsidiary Company</u>	<u>Zone No.</u>	<u>Description</u>	<u>Length (km)</u>
Foothills Pipe Lines (Alta.) Ltd.	6	From Caroline, Alberta to the Alberta/ Saskatchewan border near Empress, Alberta.	378.49
	7	From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.	124.03
Foothills Pipe Lines (South B.C.) Ltd.	8	From the Alberta/B.C. border near Coleman, Alberta to the B.C./U.S. border near Kingsgate, B.C.	165.96
Foothills Pipe Lines (Sask.) Ltd.	9	From the Alberta/Saskatchewan border near Empress, Alberta to the Saskatchewan/U.S. border near Monchy, Saskatchewan.	258.97

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 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, 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, 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:

(a) Company Use Gas; and

~~(a)(b)~~ Unaccounted for Gas, plus

~~(b) Company Use Gas for each Zone~~ used in the transportation of such gas on such day.

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

4.2.3 Notwithstanding subsection 4.2.2 herein, for any service provided hereunder where the Delivery Point is upstream of the Receipt Point, Shipper shall not be allocated a share of Company Use Gas in respect of such Backhaul service.

4.3 Daily Gas Nominations

4.3.1 Shipper shall advise Company, from time to time as required by Company, of the daily quantity of gas to be transported under Rate Schedule IT, Interruptible Service pursuant to subsection 4.1, for each Receipt Point to be transported on an interruptible basis to the Delivery Point.

Shipper shall deliver such volumes at the Receipt Point at hourly rates of flow as nearly constant as possible and shall take delivery at the Delivery Point at hourly rates of flow as nearly constant as possible.

4.3.2 Departures from scheduled daily deliveries shall be kept to a minimum permitted by operating conditions.

4.3.3 If on any day Shipper fails to deliver to the Receipt Point, or accept at the Delivery Point, the gas nominated pursuant to subsection 4.3.1 herein, Company shall be entitled to curtail further receipts of gas from Shipper until the volume delivered at the Receipt Point balances with the volume delivered at the Delivery Point.

Without limiting Company's rights as set forth above, Company will use reasonable efforts to implement other operational procedures including:

- (a) The notification of Shipper with an imbalance of other Shippers with positive or negative inventory in order that, by exchange, inventories may be brought to zero balance; and
- (b) In the event that, at the end of a given month, Shipper is in a positive or negative imbalance position, such imbalance will be carried forward as Shipper's inventory for a period of up to the term of Shipper's Service Agreement, Interruptible Service.

4.3.4 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 receipt points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border.

5. PAYMENT CHARGE FOR SERVICE

5.1 Zone Interruptible Service Rate

~~The Zone interruptible service rate, as approved by the National Energy Board and expressed as dollars per thousand cubic metres ("\$/10³ m³") per 100 km, shall apply to interruptible service in the Zone. The rate used in calculating Shipper's monthly bill for service under Rate Schedule IT, Interruptible Service in the Zone is the IT Rate.~~

5.1 Shipper's Obligation to Pay

~~Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 5.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances 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.~~

5.2 Monthly BillCommodity Charge

~~Shipper's interruptible service charge for interruptible service shall be the sum of the interruptible service charges calculated by multiplying the Tier 1 (IT-1) or Tier 2 (IT-2) Zone interruptible service rate, determined pursuant to subsection 4.1 hereof, by the actual volume distance for nominated Tier 1 (IT-1) volumes and Tier 2 (IT-2) volumes respectively received by Company for each of Shipper's Receipt Points in the Zone. The actual volume distance is the product of the actual Tier 1 (IT-1) and/or Tier 2 (IT-2) volume received by Company from Shipper at Shipper's Receipt Point and the distance, in 100's of kilometres, such volume of gas is transported, or in the case of Backhaul is deemed to be transported, through the Zone. Shipper's monthly commodity charge for a Billing Month shall be the product of:~~

- ~~(a) the actual volume of gas received by Company from Shipper under Rate Schedule IT, Interruptible Service during such month;~~
- ~~(b) the distance in kilometers such volume of gas is transported, or in the case of Backhaul is deemed to be transported through the Zone; and~~
- ~~(c) the IT Rate.~~

5.3 Allocation of Gas Received

Provided Shipper has a Service Agreement, Firm Service, and independent of daily nomination procedures, the total volume received at all Receipt Points from Shipper shall be allocated for billing purposes first to the Service Agreement, Firm Service, to the Maximum Daily Receipt Quantity multiplied by the number of days in the month and then to the Service Agreement Interruptible Service. ~~Each amount payable pursuant to this subsection 5.2 shall be reflected in a bill to Shipper on or before the 9th business day of each month for transportation services provided in the immediately preceding month.~~

~~5.3 Application of Revenues~~

~~Revenues received under this Rate Schedule IT, Interruptible Service shall be credited to the Zone Cost of Service as provided in subsection 8.6 of Rate Schedule T-1, Firm Service herein.~~

6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of this Gas Transportation Tariff as may be amended from time to time, are applicable to this Rate Schedule IT, Interruptible Service and are hereby made a part hereof with the exception of sections ~~5.1, 5.6, 5.7,~~ 8.6, 8.7 and 16. If there is any conflict between the provisions of this Rate Schedule IT, Interruptible Service and the General Terms and Conditions of this Gas Transportation Tariff, the provisions of this Rate Schedule IT, Interruptible Service shall prevail.

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 ~~R~~ate ~~S~~schedules to which they apply, or in the Service Agreement to which such ~~R~~ate ~~S~~schedules 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** “Available Capacity” shall have the meaning ascribed to it as set out in subsection 3.2 of the Capacity Allocation Procedures.
- 1.3** “Backhaul” shall mean service where gas delivered at Shipper’s Backhaul Delivery Point is received into Company’s facilities at Shipper’s Backhaul Receipt Point located downstream of Shipper’s Backhaul Delivery Point.
- 1.4** “Billing Commencement Date” shall mean the date when Shipper’s payment obligation commences and Shipper’s gas has commenced flowing through Company’s Facilities.

For all other Shippers, the Billing Commencement Date shall occur when Company informs such Shipper, by not less than one day’s notice, that there is transportation 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.

1.5 “Billing ~~m~~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.

~~1.6~~ “Billing Period” shall have the meaning ascribed to it as set out in subsection 5.7.2 herein.

1.71.6 “Calendar ~~y~~Year” shall mean the period from 09:00 CCT on January 1st to 09:00 CCT on January 1st of the next succeeding year.

1.81.7 “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.

1.91.8 “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.

1.101.9 “CCT” shall mean Central Clock Time.

1.111.10 “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.

1.121.11 “Company’s Cost of Service” shall mean, relative to a ~~billing month~~Calendar Year, the sum of the amounts determined as the Zone Cost of Service for each of Company’s Zones.

1.131.12 “Contract Year” shall mean the period beginning at 09:00 CCT, on Company’s 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 anniversary of such day in the next succeeding ~~e~~Calendar ~~y~~Year.

1.141.13 “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.

1.151.14 “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 gas at such Receipt Point.

The Daily Receipt Quantity shall be the product of Shipper’s Maximum Daily Receipt Quantity for such Receipt Point and the planned maintenance and scheduled down time factor shown as a percentage in the following table for the month in which such day occurs.

<u>Month</u>	<u>Percentage</u>
January	100
February	100
March	100
April	100
May	100
June	100
July	100
August	100
September	100
October	100
November	100
December	100

1.161.15 “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.

1.171.16 “°C” shall mean degrees Celsius as defined by The International System of

Units (SI).

1.181.17 “Delivery Point” shall mean relative to Shipper one of the Delivery Points shown in Appendix B to such Shipper’s Service Agreement for delivery of gas to such Shipper.

1.191.18 “Existing Term” shall have the meaning ascribed to it as set out in subsection ~~1.210.2~~ of Rate Schedule T-1, Firm Service.

1.201.19 “First Billing Month” shall mean relative to Shipper the billing month in which such Shipper’s Billing Commencement Date occurs.

1.211.20 “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.

1.221.21 “Forward Haul” shall mean service where gas delivered at Shipper’s Forward Haul Delivery Point is received into Company’s facilities at Shipper’s Forward Haul Receipt Point located upstream of Shipper’s Forward Haul Delivery Point.

1.231.22 “Gas” shall mean natural gas, manufactured, artificial or synthetic gas, or any mixture or combination thereof.

1.241.23 “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.

1.251.24 “Gas Transportation Tariff” shall mean the compilation on file with the National Energy Board of Company’s ~~R~~ate ~~S~~chedules, General Terms and Conditions and related Service Agreements with Shipper as in effect from time to time.

1.261.25 “General Terms and Conditions” shall mean, at any time, these General Terms and Conditions as amended or supplemented from time to time.

1.271.26 “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.

1.27 “IT Rate” shall mean the IT Rate in the Table of Effective Rates which has been set by the Company for service under Rate Schedule IT, Interruptible Service.

1.28 “J” shall mean Joule(s), the base unit for energy as defined by The International System of Units (SI).

1.29 “km” shall mean kilometre(s) as defined by The International System of Units (SI).

1.30 “kPa” shall mean kilopascal(s) of pressure.

1.31 “Leave to Open” shall mean that a leave has been granted under Part III of the National Energy Board Act to Company to open the pipeline.

1.32 “Line Pack Change” shall mean for any period the difference between the total volume of line pack gas contained in a Zone of Company’s pipeline at the beginning and end of such period, as computed by Subsidiary Company.

1.33 “Line Pack Requirements” for any Zone at any time shall mean that volume of gas which is calculated by Subsidiary Company as the total volume of gas required as line pack for the efficient operation of its pipeline in such Zone.

1.34 “Make-Up Gas” shall have the meaning ascribed to it as set out in subsection 9.32 of the Rate Schedule T-1, Firm Service.

1.35 “Maximum Daily Receipt Quantity” shall mean relative to a Receipt Point of Shipper for any day the volume of gas, as specified in Appendix A to such Shipper’s Service Agreement.

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

1.37 “Minimum Term” shall have the meaning ascribed to it as set out in subsection 3.3.1 of the Capacity Allocation Procedures.

1.38 “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.

1.39 “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.

1.40 “New Facilities” shall have the meaning ascribed to it as set out in subsection 3.3.1 of the Capacity Allocation Procedure.

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

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

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

1.431.44 “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.

1.441.45 “Phase I Facilities” shall mean those portions of the ANGTS to be constructed by the Subsidiary Companies of Company in the Provinces of British Columbia, Alberta and Saskatchewan for the transmission of Alberta-Canadian source gas which has been authorized for export from Canada by licences issued under Part VI of the National Energy Board Act.

1.451.46 “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.

1.461.47 “Precedent Agreement” shall mean a binding agreement between Company and a Prospective Shipper for the provision of the transportation service requested, subject to fulfillment of conditions precedent as agreed to between Prospective Shipper and Company.

1.471.48 “Project Status Summary” shall mean the document as contained in Appendix A of the Capacity Allocation Procedures.

1.481.49 “Prospective Shipper” shall have the meaning ascribed to it as set out in subsection 1.1 of the Capacity Allocation Procedures.

1.491.50 “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 Imperial Bank of Commerce~~Royal Bank of Canada, Main Branch, Calgary, Alberta.

1.501.51 “Rate Schedule IT, Interruptible Service” shall mean the rate schedule applicable to interruptible service for gas transportation through Zone 9 of Company’s transportation system.

~~1.51 “Rate Schedule M-2, Measurement Service” shall mean the rate schedule applicable to Company or Subsidiary Company ownership and operation of measurement service facilities which were constructed expressly for Shipper.~~

1.52 “Rate Schedule OT-1, Overrun Service” shall mean the rate schedule applicable to overrun service for gas transportation through Zones 6, 7 and 8 of Company’s transportation system.

1.53 “Rate Schedule SGS-1, Small General Service” shall mean the rate schedule applicable to small general service for gas transportation through Company’s Zone 9 facilities.

1.54 “Rate Schedule T-1, Firm Service” shall mean the rate schedule applicable to firm

service for gas transportation through Company's transportation system.

- 1.55** "Receipt Deficiency" shall have the meaning ascribed to it as set out in the subsection ~~9.21~~ of the Rate Schedule T-1, Firm Service.
- 1.56** "Receipt Point" shall mean relative to Shipper one of the Receipt Points shown in Appendix A to such Shipper's Service Agreement for receipt of gas from such Shipper.
- 1.57** "Renewal Option" shall have the meaning ascribed to it as set out in subsection ~~1210.1~~ of Rate Schedule T-1, Firm Service.
- 1.58** "Renewal Provisions" shall have the meaning ascribed to it as set out in subsection ~~1210.2.1~~ of Rate Schedule T-1, Firm Service.
- 1.59** "Renewal Request" shall have the meaning ascribed to it as set out in subsection ~~1210.2.1~~ of Rate Schedule T-1, Firm Service.
- 1.60** "Renewal Rights" shall mean rights to renew Service Agreement, Firm Service under Rate Schedule T-1, Firm Service available to certain of Company's current firm ~~s~~Shippers.
- 1.61** "Renewal Term" shall have the meaning ascribed to it as set out in subsection ~~1210.2~~ of Rate Schedule T-1, Firm Service.
- 1.62** "Request for Service" shall have the meaning ascribed to it as set out in subsection 3.1.2 of the Capacity Allocation Procedures.
- 1.63** "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.
- 1.64** "Service Agreement, Firm Service" shall mean the Service Agreement to provide service under Rate Schedule T-1, Firm Service.
- 1.65** "Service Agreement, Interruptible Service" shall mean the Service Agreement to provide service under Rate Schedule IT, Interruptible Service.

~~1.66~~ “~~Service Agreement, Measurement Service~~” shall mean the ~~Service Agreement to provide service under Rate Schedule M-2, Measurement Service.~~

~~1.67~~**1.66** “Service Agreement, Small General Service” shall mean the Service Agreement to provide service under Rate Schedule SGS-1, Small General Service.

~~1.68~~**1.67** “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.

~~1.69~~**1.68** “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.

~~1.70~~**1.69** “10³m³” shall mean 1,000 cubic metres of gas determined on the measurement set forth in section 1.~~413~~ above.

~~1.70~~ “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.

~~1.71~~ “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.

~~1.71.72~~ “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;₂ plus
- (b) Company Use Gas in such Zone;₂ plus or minus
- (c) Line Pack Change in such Zone.

1.721.73 “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.

~~1.73 “Zone Allocable Share” shall mean, for any billing month for Shipper, the fraction calculated in accordance with section 11 of Rate Schedule T-1, Firm Service.~~

1.74 “Zone Cost of Service” shall mean ~~relative to a billing month~~ the amount determined ~~for such billing month~~ pursuant to subsection 5.7 of these General Terms and Conditions ~~8 of Rate Schedule T-1, Firm Service.~~

~~1.75 “Zone Receipt Point Quantity” shall have the meaning ascribed to it as set out in the subsection 11.2 of the Rate Schedule T-1, Firm Service.~~

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.
- (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 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 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 or 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 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 each Shipper's Receipt Point, and Delivery Point, Shipper, or Shippers affected, at its or their 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 and the transportation of gas hereunder.

3.3 Calibration

The accuracy of Company's measuring equipment shall be verified at such 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 one of the following three methods which in the opinion of Company will provide the best 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 any 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 exchange, upon request of 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 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 the preceding month. Such bill shall reflect:

- (a) ~~Shipper's monthly charge~~ any amount payable by Shipper for the immediately preceding month for service provided under Rate Schedule T-1, Firm Service, Rate Schedule SGS-1, Small General Service and Rate Schedule IT, Interruptible Service, computed pursuant to subsection 5.7 hereof;
- ~~(b) Any billing adjustments to which Shipper is entitled or liable in respect of the second preceding month pursuant to subsection 9.6 of Rate Schedule T-1, Firm Service;~~
- ~~(e)~~(b) Any amount payable by Shipper in respect of the second preceding month pursuant to section 3 of for service provided under Rate Schedule OT-1, Overrun Service ~~and a deduction respecting the preceding month equal to Shipper's share of revenues to be received by Company from Rate Schedule IT, Interruptible Service;~~ and
- ~~(d)~~(c) ~~Other~~ 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 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 outstanding in respect of any monthly bill within 10 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 Service Agreement or otherwise ~~affect-relieve Shipper's from any obligations to pay any rate, toll, charge or other amount payable to~~ Company under Shipper's Service Agreement ~~and no reduction in Shipper's monthly charge, or Billing Adjustment pursuant to section 9 of Rate Schedule T-1, Firm Service, shall be made because of such suspension.~~ If Shipper's failure to pay the full amount outstanding in respect of any monthly bill shall continue after such suspension, Company may,

in addition to any other remedy Company may have, terminate Shipper's Service Agreement effective on the date of the delivery of written notice by Company to Shipper of such termination.

5.5.3 In the event that it is finally determined that Shipper's monthly bill was incorrect and that an overpayment 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 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 securities requiring repayment of principal and/or payment of interest in United States dollars;
- (b) A schedule of the total annual amounts by Zone, as allocated to each Zone by Subsidiary Companies in accordance with their Gas Transportation Tariffs with Company 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 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, in respect of each Zone Shipper utilizes, shall be 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 Allocable Share (determined pursuant to section 11 of Rate Schedule T-1, Firm Service) multiplied by 1/12 of the appropriate Zone amount of United States dollars 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 Zone Cost of Service

5.7.1 Company's Administrative Charge

For each Calendar Year, Company shall determine an administrative charge equal to its overhead costs and costs of administering this Gas Transportation Tariff. Such administrative charge, as approved by the National Energy Board shall consist of, but shall not be limited to, the following:

- (a) Salaries, wages and benefits for Company's directors, officers and employees;
- (b) All expenses associated with the aforementioned personnel;
- (c) All rents and charges associated with office, warehouse or shop facilities;
- (d) A return on Company's rate base as per Company's books of account and related income taxes thereon, in an amount determined by the National Energy Board; and
- (e) Any other related expenses necessary to permit the directors, officers and employees of Company to discharge their respective functions in coordinating and monitoring the various components of the Phase I

Facilities of the ANGTS.

5.7.2 Special Charge - Phase II Preliminary Expenditures

Pursuant to Order TG-2-2003, the monthly charge for “Special Charge – Phase II Preliminary Expenditures” will be \$189,124.00 commencing April 1, 2003 and terminating December 31, 2015.

5.7.3 Computation of the Zone Cost of Service

For each Calendar Year, the Zone Cost of Service for each Zone shall be the sum of the following, adjusted pursuant to subsection 5.7.4:

(a) The Zone Cost of Service for each Zone as calculated by the Subsidiary Company owning the portion of the transportation system constituting such Zone; and

(b) An amount equal to the product of:

(i) The administrative charge calculated pursuant to subsection 5.7.1 hereof, plus, the Special Charge - Phase II Preliminary Expenditures calculated pursuant to subsection 5.7.2 hereof,

(ii) And a fraction:

The numerator of which shall be:

The sum, for all Shippers utilizing a Zone under Rate Schedule T-1, Firm Service, of the product of each Shipper’s Maximum Daily Receipt Quantities and the distance in kilometers each such quantity is to be transported through a Zone.

And the denominator of which shall be:

The sum, for Zones 6, 7, 8 and 9, of the product of each Shipper’s Maximum Daily Receipt Quantities and the distance in kilometers

each such quantity of gas is to be transported through a Zone.

5.7.4 Adjustments to Zone Cost of Service

For each Calendar Year, the Zone Cost of Service so determined shall be adjusted as follows:

- (a) A deduction for revenues forecasted to be received under Rate Schedule OT-1, Overrun Service, Rate Schedule IT, Interruptible Service and Rate Schedule SGS-1, Small General Service, and interest pursuant to subsection 5.4 of these General Terms and Conditions.
- (b) Additions or deductions, as the case may be, reflecting adjustments for 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; and
- (c) Additions or deductions, as the case may be, for all other costs or credits properly attributable to the transportation service hereunder. This would reflect the G&A Incentive Plan pursuant to Order TG-2-2003 commencing January 1, 2003 and terminating December 31, 2015, subject to earlier termination pursuant to Order TG-2-2003.

5.5 Monthly Charge

5.5.1 Shipper's monthly charge for each billing month beginning with Shipper's First Billing Month shall be:

- (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 Shipper's share of

~~Company's Cost of Service determined in accordance with section 8 of the Rate Schedule T-1, Firm Service.~~

~~5.5.2 Prior to each October 31st and April 30th, Company shall estimate for each Zone and 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 Zone Cost of Service and Shipper's Zone Allocable Share.~~

~~Company shall use reasonable care in making such estimates, but shall have no liability for any inaccuracy therein. Shipper's Base Billing Amount for any billing month in a Billing Period shall be the sum of products obtained by multiplying Shipper's Zone Allocable Share by 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 5.2 herein, divided by the number of months in that same Billing Period.~~

~~5.5.3 If Shipper's share of Company's Cost of Service (excluding any IT revenues already credited to such Shipper respecting the billing month, pursuant to section 5.1(d) of the General Terms and Conditions) 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 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~~

~~the 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.~~

~~5.5.4 Shipper's monthly charge in respect of each billing month following termination, in accordance with Article 3 of the Service Agreement hereof, pursuant to subsections 5.7.1 and 5.7.3 herein, shall be an amount equal to the adjustment that would have been so required.~~

~~5.5.5 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 Period 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 Creditworthiness

In order to secure the prompt and orderly payment of the amounts payable by Shipper to Company under a Service Agreement, Company may, prior to the commencement of service, and from time to time during the term of a Service Agreement:

- (a) In the case where service is being provided through Available Capacity, or pursuant to Shipper's renewal rights, require Shipper to provide to Company an irrevocable letter of credit, in form and substance satisfactory to Company, from a financial institution acceptable to Company in an amount sufficient to secure the payment of the amount payable by Shipper, under Shipper's Service Agreement for a period of 70 days or such other financial guarantee that provides in the opinion of Company a sufficient level of security; and
- (b) In the case where service is being provided through New Facilities, require Shipper to provide Company financial assurances satisfactory to Company.

If Shipper fails to provide Company with satisfactory financial assurances upon Company's request ~~therefor~~, Company may in addition to any other remedy it may have, suspend further receipt and delivery of gas until such security is provided. Such suspension shall not terminate Shipper's Service Agreement or otherwise ~~affect-relieve Shipper's from any obligations to pay any rate, toll, charge or other amount payable to Company under Shipper's Service Agreement, and no reduction in Shipper's monthly charge, or billing adjustment shall be made because of such suspension.~~ In the case of T-1, Firm Service and a request by Company for financial assurances from Shipper after the commencement of service, if Shipper fails to provide such financial assurances within 20 days of Company's request, Company may then suspend service on 10 days notice to Shipper and such notice shall be filed concurrently with the NEB.

In order that Company may establish Shipper's creditworthiness, Shipper shall provide Company with such financial information as Company may reasonably request prior to the commencement of service, or at any time and from time to time during the term of any ~~s~~Service ~~a~~Agreement.

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 any Receipt Point and until delivered by Company to Shipper at any 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 at any Receipt Point and the time gas is delivered to Shipper by Company at any 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 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 ~~R~~rate ~~S~~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; 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.

6.5 Interruptions or Reductions in Services

If, due to any cause whatsoever, Company is unable on any day to receive from Shippers or to deliver to Shippers all of the volumes of gas it would have received or delivered if such inability did not exist, then Company shall curtail or interrupt receipts or deliveries of gas in the following order:

- (a) First:

For Zones 6, 7 and 8:

Those Shippers transporting gas under Rate Schedule OT-1, Overrun Service.

Company shall allocate any such curtailment amongst affected Shippers in the same proportion as each Shipper's Maximum Daily Receipt Quantity to be transported through the Zone in which the curtailment is required bears to the sum of the Maximum Daily Receipt Quantities for all affected

Shippers in such Zone.

For Zone 9:

Those Shippers transporting gas under Rate Schedule, IT, Interruptible Service.

~~First: ——— at the Tier 2 (IT-2) rate~~

~~Second: ——— at the Tier 1 (IT-1) rate~~

Company shall allocate available capacity amongst affected Shippers pro rata based on such Shippers' nominations for interruptible service under Rate Schedule IT, Interruptible Service. ~~Nominations at the Tier 1 (IT-1) rate will not be allocated until all Tier 2 (IT-2) nominations have been curtailed.~~

(b) Second:

Those Shippers nominating gas in respect of Receipt Deficiencies and Make-Up Gas pursuant to section 9 of Rate Schedule T-1, Firm Service.

Company shall give priority to quantities of gas tendered in respect of Receipt Deficiencies over gas tendered in respect of Make-Up Gas. Company shall allocate any such curtailment amongst affected Shippers pro rata based on such Shippers' undischarged Receipt Deficiencies.

(c) Third:

Those Shippers transporting gas under Rate Schedule T-1, Firm Service and those Shippers transporting gas under Rate Schedule SGS-1, Small General Service.

Company shall allocate any such curtailment, under Rate Schedule T-1, Firm Service or Rate Schedule SGS-1, Small General Service, amongst affected Shippers in the same proportion as each Shipper's Maximum Daily Receipt

Quantity, to be transported through the Zone in which the curtailment is required, bears to the sum of the Maximum Daily Receipt Quantities for all affected Shippers in such Zone.

7. RECEIPT OF GAS AT ONE POINT FOR MORE THAN ONE SHIPPER

In the event gas tendered to Company at any Receipt Point is for the account of more than one Shipper, the division of the total metered volume as between Shippers shall be pursuant to procedures or schedules established by Company and Shippers involved.

8. DELIVERIES OF GAS AND SUPPLY OF LINE PACK

8.1 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.

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; and
- (d) 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.

8.4 Allocation

8.4.1 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 calculated by multiplying the total number of JJoules 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.

8.4.2 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 gGas, related to such quantity received, in cubic metres in all Zones preceding such Zone.

8.4.3 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.

8.4.4 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.

8.5 Beginning of Delivery Obligation

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

8.6 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, 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 ~~Allocable Share for that~~ 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 hereof.

8.6.1 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.

8.6.2 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, Company Use Gas and Unaccounted for Gas under this subsection 8.6, 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.

8.6.3 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 8.6; 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.

8.7 Return of Line Pack Gas for Zone 8

If at any time Shipper's share calculated in accordance with subsection 8.4 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 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.

8.8 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.

8.9 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, or for the purpose of complying with the provisions of any Deed of Trust and Mortgage to which it is a party.

10. SERVICE AGREEMENT

10.1 Service Rendered

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

10.2 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.

10.3 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.

10.4 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.

11. SEPARATE LIABILITY OF SHIPPER

The execution of a Service Agreement by Shipper shall result in Shipper undertaking obligations of a separate nature, and shall not be deemed to cause a joint, or joint and several, obligation vis a vis any one or more other Shippers.

12. 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.

13. INDEMNIFICATION

13.1 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 13 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.

13.2 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.

14. 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.

15. 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.

16. EXPANSIONS AND REDUCTIONS IN SERVICE

16.1 Shipper receiving service pursuant to Rate Schedule T-1, Firm Service may reduce its Maximum Daily Receipt Quantity ~~and consequently its Zone Allocable Share:~~

- (a) If no other Shipper receiving service pursuant to Rate Schedule T-1, Firm Service takes up its reduction, provided that:
 - (i) Shipper receiving service pursuant to Rate Schedule T-1, Firm Service gives written notice of the proposed changes to Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service;
 - (ii) Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service affected by such change consent in writing to the proposed changes;

- (iii) Company and affected Shippers receiving service pursuant to Rate Schedule T-1, Firm Service execute new Service Agreements, or amended Appendices A, ~~and B and C~~ to existing Service Agreements ~~and Supplement I of the Gas Transportation Tariff~~, with such new agreement or amendment having an effective date as of the effective date of such changes which set forth new or altered Maximum Daily Receipt Quantities, ~~and~~ Delivery Points ~~and Zone Allocable Shares~~.
- (b) If another Shipper receiving service pursuant to Rate Schedule T-1, Firm Service takes up its reduction, provided that:
- (i) Shipper receiving service pursuant to Rate Schedule T-1, Firm Service gives written notice of the proposed changes to Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service; and
 - (ii) Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service affected by such change consent in writing to the proposed changes; and
 - (iii) If the consents provided for in subsection 16.1(b)(ii) above are not received by Company within 10 days of the receipt or deemed receipt by the affected Shippers receiving service pursuant to Rate Schedule T-1, Firm Service of the notice provided for in subsection 16.1(b)(i) above, then Company may modify the Service Agreements, or amend Appendices A ~~and~~ B, ~~and C~~ to the existing Service Agreements ~~and Supplement I of the Gas Transportation Tariff~~ with its Shippers receiving service pursuant to Rate Schedule T-1, Firm Service, and such changes shall have an effective date as of the date of such changes which set forth new or altered Maximum Daily Receipt Quantities, ~~and~~ Delivery Points ~~and Zone Allocable Shares~~.

16.2 Where it is proposed that a new Shipper, pursuant to Rate Schedule T-1, Firm Service, be

added or an increase in the Maximum Daily Receipt Quantity is proposed by one or more of the existing Shippers, receiving service pursuant to Rate Schedule T-1, Firm Service, the prospective new Shipper receiving service pursuant to Rate Schedule T-1, Firm Service, or the current Shippers receiving service pursuant to Rate Schedule T-1, Firm Service proposing such increase:

- (a) Shall give written notice of any such proposals to Company and may give a copy to all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service;
- (b) Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service affected by such change may consent in writing to the proposed changes;
- (c) If the consents provided for in subsection 16.2(b) above are not received by Company within 10 days of the receipt or deemed receipt by the affected Shippers receiving service pursuant to Rate Schedule T-1, Firm Service of the notice provided for in subsection 16.2(a) above, Company shall modify the Service Agreements, or amend Appendices A ~~and~~ B, ~~and~~ C to the existing Service Agreements ~~and Supplement I of the Gas Transportation Tariff~~ with its Shippers receiving service pursuant to Rate Schedule T-1, Firm Service, and such changes shall have an effective date as of the date of such changes which set forth new or altered Maximum Daily Receipt Quantities; ~~and~~ Delivery Points ~~and Zone Allocable Shares~~.

17. AUTHORIZED PERSONS

Shipper may, by notice to Company, authorize any 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 Person so authorized in connection with

the receipt, delivery, measurement or testing of gas received or delivered by Company under Shipper's Service Agreement.

18. MISCELLANEOUS PROVISIONS

18.1 Effect of Headings

The headings used throughout the 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.

18.2 Words in Singular or Plural

In the interpretation of the Service Agreement and this 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.

18.3 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 delivery 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 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 e-mail, and any notice so given shall be deemed to have been received as of the date and time of the telephone notice.

18.4 Effective Date

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

**SERVICE AGREEMENT
FIRM SERVICE FS NO.
FOR TRANSPORTATION OF GAS**

This AGREEMENT made _____, 20__

BETWEEN:

FOOTHILLS PIPE LINES 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
FIRM SERVICE

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
FIRM SERVICE

ARTICLE 1

Scope of Agreement

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

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 Shipper's 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, and that the performance of Company's obligations to other Shippers under their Service Agreements will not be adversely affected thereby, 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, Firm Service is subject to the provisions of Rate Schedule T-1, Firm Service and Rate Schedule OT-1, Overrun Service and the General Terms and Conditions of this Gas Transportation Tariff, as they may be amended or superseded from time to time, which Rate Schedules and General Terms and Conditions of this Gas Transportation Tariff 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, Firm Service in accordance with such Rate Schedules as are filed with the National Energy Board as the same may hereafter be amended or superseded pursuant to the National Energy Board Act.

ARTICLE 3**Term of Agreement**

3.1 The term of this Service Agreement shall be as set forth in Appendix "A".

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 DC 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 shall be at the Receipt Point of such gas, as identified in Appendix A attached to this Service Agreement, Firm Service, as the same may be in effect from time to time.

4.2 Should measuring equipment not be provided at either the Receipt Point or the Delivery Point, Shipper shall be responsible for measuring the gas volume and quality as specified in the General Terms and Conditions of this Gas Transportation Tariff subject to approval by Company.

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

4.4 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, Firm Service.

4.5 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, Firm Service.

ARTICLE 5

Title and Custody

5.1 Although Company does not acquire title of the gas transported under this Service Agreement, Firm Service 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 Points until it is delivered to Shipper at the Delivery Points.

ARTICLE 6

Address of Parties

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

SHIPPER: _____

COMPANY: Manager, ~~Commercial and Customer Relations~~ Western Markets and Interconnects
Foothills Pipe Lines Ltd.
~~300, 112 Fourth Avenue S.W.~~ 450 First Street S.W.
Calgary, Alberta
T2P ~~0H3~~ 5H1

ARTICLE 7

Miscellaneous Provisions

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

ARTICLE 8

Agreements Being Superseded

8.1 This agreement supersedes as of _____, 20__ 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 Shipper's Service Agreement, Firm Service by executing new Appendices A, and B ~~and C~~ to Shipper's Service Agreement, Firm Service which shall be given effect as of the effective date and shall thereupon be deemed to be incorporated in Shipper's Service Agreement, Firm Service.

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 LTD.

Per:

Per:

Per:

Per:

APPENDIX A TO SERVICE AGREEMENT, FIRM SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

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

SHIPPER - _____

SHIPPER'S IDENTIFICATION NO.: _____

1. TERM: The term of service under the Service Agreement hereto shall begin on _____, 20__ and shall terminate on _____, 20__.

2. RECEIPT POINTS:

LOCATION	MAXIMUM DAILY RECEIPT QUANTITY 10 ⁶ m ³	MAXIMUM PRESSURE kPa (gauge)	MAXIMUM TEMPERATURE (°C)	APPLICABLE COMPANY ZONES
Forward Haul _____				
Backhaul _____				

* Total Maximum Daily Receipt Quantity from all Receipt Points for Forward Haul and Backhaul Service shall not exceed _____ 10⁶m³.

** Notwithstanding the additional secondary receipt Points at _____ and _____, Shipper's ~~Zone Allocable Share for allocation of the cost of service~~ monthly charges pursuant to Rate Schedule T-1, Firm Service shall be calculated as if _____ were the sole Receipt Point.

This Appendix A is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix A dated as of _____, 20__.

Effective date of this Appendix A is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per: _____

Per: _____

Per: _____

Per: _____

APPENDIX B TO SERVICE AGREEMENT, FIRM SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

IDENTIFICATION OF DELIVERY POINTS
AND DELIVERY PRESSURES

SHIPPER - _____

SHIPPER'S IDENTIFICATION NO.: ____

1. DELIVERY POINTS

LOCATION	DISTANCE FROM RECEIPT POINT LOCATION (km)	MAXIMUM DELIVERY PRESSURE kPa (gauge)
Forward Haul		
Backhaul		

* Notwithstanding the additional secondary Delivery Point at _____, Shipper's ~~Zone Allocable Share for allocation of the cost of service~~ monthly charges pursuant to Rate Schedule T-1, Firm Service shall be calculated as if _____ was the sole Delivery Point.

This Appendix B is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix B dated as of _____, 20__.

Effective Date of this Appendix B is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per:

Per:

Per:

~~APPENDIX C TO SERVICE AGREEMENT, FIRM SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__~~

~~SUMMARY INDEX
OF SERVICE OBLIGATIONS~~

~~SHIPPER: _____~~

~~SHIPPER'S IDENTIFICATION NO.: _____~~

ZONE NUMBER	ZONE RECEIPT POINT QUANTITY (10⁶m³/day)	ZONE ALLOCABLE SHARE
----------------------------	------------------------------------------------------------------------------	-----------------------------------------

~~*The Zone Allocable Share may be subject to change prior to the Effective Date of this Appendix.~~

APPENDIX DC

FOOTHILLS PIPE LINES LTD.
PRO FORMA
GAS TRANSPORTATION TARIFF

FOOTHILLS PIPE LINES 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.

**SERVICE AGREEMENT
SMALL GENERAL SERVICE
FOR TRANSPORTATION OF GAS**

This AGREEMENT made _____, 20__

BETWEEN:

FOOTHILLS PIPE LINES 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
SMALL GENERAL SERVICE**

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
SMALL GENERAL SERVICE**ARTICLE 1**Scope of Agreement

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

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 Shipper's 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, and that the performance of Company's obligations to other Shippers under their Service Agreements will not be adversely affected thereby, Company may elect to receive from Shipper said excess quantity or part thereof, and so notify Shipper.

ARTICLE 2Rate Schedule and Rates

2.1 This Service Agreement, Small General Service is subject to the provisions of Rate Schedule SGS-1, Small General Service and the General Terms and Conditions of this Gas Transportation Tariff as they may be amended or superseded from time to time, which Rate Schedule and General Terms and Conditions of this Gas Transportation Tariff 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, Small General Service in accordance with Rate Schedule SGS-1, Small General Service as filed with the National Energy Board as may hereafter be amended or superseded pursuant to the National Energy Board Act.

ARTICLE 3**Term of Agreement**

3.1 This Service Agreement, Small General Service shall become effective on the date of execution and shall continue in effect until _____, 20___ and thereafter as agreed between Shipper and Company subject to at least six months notice of termination by either party.

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 ~~D~~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 shall be at the Receipt Point of such gas, as identified in Appendix A attached to this Service Agreement, Small General Service, as the same may be in effect from time to time.

4.2 Should measuring equipment not be provided by Company at either the Receipt Point or the Delivery Point, Shipper shall be responsible for measurement in accordance with Company's obligation under the General Terms and Conditions of this Gas Transportation Tariff and Company shall, in such circumstances, have the same rights as Shipper as under section 3 of the General Terms and Conditions of this Gas Transportation Tariff.

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

4.4 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, Small General Service.

4.5 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, Small General Service.

ARTICLE 5

Title and Custody

5.1 Although Company does not acquire title of the gas transported under this Service Agreement, Small General Service 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 Points until it is delivered to Shipper at the Delivery Points.

ARTICLE 6

Address of Parties

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

SHIPPER: _____

COMPANY: Manager, ~~Commercial and Customer Relations~~ Western Markets and Interconnects
Foothills Pipe Lines Ltd.
~~300, 112 Fourth Avenue S.W.~~ 450 First Street S.W.
Calgary, Alberta
T2P ~~0H3~~ 5H1

ARTICLE 7

Miscellaneous Provisions

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

ARTICLE 8

Agreements Being Superseded

8.1 This agreement supersedes as of _____, 20____, 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

9.1 Shipper and Company may at any time and from time to time amend Appendices A and B to Shipper’s Service Agreement, Small General Service by executing new Appendices A and B to Shipper’s Service Agreement, Small General Service 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 Shipper’s Service Agreement, Small General Service.

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 LTD.

Per:

Per:

Per:

Per:

APPENDIX A TO SERVICE AGREEMENT, SMALL GENERAL SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

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

COMPANY - Foothills Pipe Lines Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

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

This Appendix A is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix A dated as of _____, 20__.

Effective date of this Appendix A is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per:

Per:

Per:

APPENDIX B TO SERVICE AGREEMENT, SMALL GENERAL SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

IDENTIFICATION OF DELIVERY POINTS
AND DELIVERY PRESSURES

COMPANY - Foothills Pipe Lines Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

DELIVERY POINT LOCATION	DISTANCE IN KM FROM RECEIPT POINT LOCATION	MAXIMUM DELIVERY PRESSURE kPa (gauge)

This Appendix B is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix B dated as of _____, 20__.

Effective Date of this Appendix B is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per: _____
Per: _____

Per: _____

Per: _____

APPENDIX C

FOOTHILLS PIPE LINES LTD.
PRO FORMA
GAS TRANSPORTATION TARIFF

FOOTHILLS PIPE LINES 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.

SERVICE AGREEMENT
INTERRUPTIBLE SERVICE

This AGREEMENT made _____, 20__

BETWEEN:

FOOTHILLS PIPE LINES 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
INTERRUPTIBLE SERVICE

WHEREAS, pursuant to National Energy Board Order No. TG-10-87, as amended from time to time, the Board has authorized Company to establish interruptible service on Zone 9 of its system, under the terms and conditions contained in that order;

WHEREAS, Shipper wishes to obtain interruptible service relating to the transportation of gas through Zone 9 of 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
INTERRUPTIBLE SERVICE**

ARTICLE 1

Scope of Agreement

1.1 Company agrees to receive gas from Shipper, on an interruptible and best efforts basis only, at each Receipt Point herein specified in the quantities from time to time nominated by Shipper up to the quantity of gas equal to Daily Receipt Quantity and to transport and deliver to Shipper at each Delivery Point herein specified the volume of gas received from Shipper, and Shipper agrees to accept from Company, the gas delivered, subject to the terms and conditions of this Service Agreement, Interruptible Service.

1.2 Company, under no circumstances, shall be required to accept for transportation hereunder from Shipper at the Receipt Point in any one day a volume of gas in excess of Shipper's Daily Receipt Quantity.

1.3 Shipper acknowledges that interruptible service is available in Zone 9 only under this Service Agreement, Interruptible Service.

ARTICLE 2

Rate Schedule and Rates

2.1 This Service Agreement, Interruptible Service is subject to the provisions of Rate Schedule IT, Interruptible Service, and the General Terms and Conditions of this Gas Transportation Tariff with the exception of sections ~~5.1, 5.6, 5.7,~~ 8.6, 8.7 and 16, as they may be amended or superseded from time to time, which Rate Schedule IT, Interruptible Service, and General Terms and Conditions of this Gas Transportation Tariff are by this reference incorporated herein and made a part hereof.

2.2 Shipper shall pay Company for all interruptible service during the term of this Service Agreement, Interruptible Service, in accordance with Rate Schedule IT, Interruptible Service as filed with the National Energy Board and as such Rate Schedule may hereafter be amended or superseded pursuant to the National Energy Board Act.

~~2.3 Shipper shall specify the volume to be transported for Tier 1 (IT-1) and Tier 2 (IT-2) interruptible service.~~

ARTICLE 3**Term of Agreement**

3.1 The term of this Service Agreement, Interruptible Service shall be as set forth in Appendix "A".

3.2 Notwithstanding subsection 3.1 herein, if at any time during the term of this Service Agreement, Interruptible Service Shipper has not requested service for a period of 90 consecutive days, Company may, in its sole discretion, terminate this Service Agreement, Interruptible Service by giving written notice thereof to Shipper. Such termination shall be effective upon the date of such written notice.

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

4.1 All receipts of gas from Shipper shall be at the Receipt Points of such gas, as identified in Appendix A attached to this Service Agreement, Interruptible Service, as the same may be in effect from time to time.

4.2 Should measuring equipment not be provided at either the Receipt Points or the Delivery Points, subject to approval by Company, Shipper shall be responsible for measuring the gas volume and quality in the manner specified in the General Terms and Conditions.

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

4.4 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 the pressure specified for such Receipt Point in Appendix A attached to this Service Agreement, Interruptible Service.

4.5 The delivery pressure of the gas delivered by Company to Shipper shall be 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, Interruptible Service.

ARTICLE 5

Title and Custody

5.1 Although Company does not acquire title to the gas transported under this Service Agreement, Interruptible Service, 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 Points until it is delivered to Shipper at the Delivery Points.

ARTICLE 6

Address of Parties

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

SHIPPER: _____

COMPANY: Manager, ~~Commercial and Customer Relations~~ Western Markets and Interconnects
Foothills Pipe Lines Ltd.
~~300, 112 Fourth Avenue S.W.~~ 450 First Street S.W.
Calgary, Alberta
T2P ~~0H3~~ 0H35H1

ARTICLE 7

Miscellaneous Provisions

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

ARTICLE 8

Agreements Being Superseded

8.1 This agreement supersedes as of _____, 20____, the following agreements between parties hereto for the transportation of gas, interruptible service by Company for Shipper:

(Not Applicable)

ARTICLE 9

Amendment of Appendices A and B

9.1 Shipper and Company may at any time and from time to time amend Appendices A and B to Shipper's Service Agreement, Interruptible Service, by executing new Appendices A and B to Shipper's Service Agreement, Interruptible Service.

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 LTD.

Per:

Per:

Per:

Per:

APPENDIX A TO SERVICE AGREEMENT, INTERRUPTIBLE SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

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

COMPANY - Foothills Pipe Lines Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

1. TERM: This Service Agreement, Interruptible Service shall become effective on the date of execution and shall continue in effect until _____, 20__, unless at that time Shipper is a party to a Service Agreement, Firm Service with Company, in which event this Service Agreement, Interruptible Service shall continue in effect and shall terminate at the same time as Shipper's Service Agreement, Firm Service is terminated.

2. RECEIPT POINTS:

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

~~Tier 1/Tier 2~~

~~* For both tiers, total Maximum Daily Receipt Quantity shall not exceed _____ 10⁶m³.~~

This Appendix A is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix A dated as of _____, 20__.

Effective date of this Appendix A is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per: _____

Per: _____

Per: _____

Per: _____

APPENDIX B TO SERVICE AGREEMENT, INTERRUPTIBLE SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

IDENTIFICATION OF DELIVERY POINTS
AND DELIVERY PRESSURES

COMPANY - Foothills Pipe Lines Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

1. DELIVERY POINTS:

LOCATION	DISTANCE IN KM FROM RECEIPT POINT LOCATION	MAXIMUM DELIVERY PRESSURE kPa (gauge)

This Appendix B is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix B dated as of _____, 20__.

Effective Date of this Appendix B is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per: _____

Per: _____

Per: _____

Appendix 3

Tariff Amendments – Clean copy

**PHASE I
GAS TRANSPORTATION TARIFF
OF
FOOTHILLS PIPE LINES LTD.**

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

Foothills Pipe Lines Ltd.
450 First Street S.W.
Calgary, Alberta
T2P 5H1

Attention: Wendy West

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Tab 1	Foothills Pipe Lines Ltd.: Description of Company and Services Rendered Map of Foothills Gas Transportation System – Phase I Summary of Rate Schedules
Tab 2	Table of Effective Rates
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Tab 5	General Terms and Conditions
Tab 6	Pro Forma Service Agreements T-1 Firm Service SGS-1 Small General Service IT Interruptible Service
Supplement I:	FOOTHILLS PIPE LINES (ALTA.) LTD.
Supplement II:	FOOTHILLS PIPE LINES (SOUTH B.C.) LTD.
Supplement III:	FOOTHILLS PIPE LINES (SASK.) LTD.

DESCRIPTION OF COMPANY AND SERVICES RENDERED

Foothills Pipe Lines Ltd., (hereinafter referred to as “Company”) is the parent company responsible for the Canadian portion of the Alaska Natural Gas Transportation System (“ANGTS”), also referred to as the Alaska Highway Project. Company is currently owned 100% by TransCanada PipeLines Limited of Calgary, Alberta and its transportation system is segmented into six federally incorporated subsidiaries.

1. Foothills Pipe Lines (South Yukon) Ltd., owned 100% by Company, will construct, own, operate and manage the approximately 830 km of pipeline through southern Yukon.
2. Foothills Pipe Lines (North B.C.) Ltd., owned 51% by Company and 49% by TransCanada PipeLines Limited will construct, own, operate and manage the approximately 720 km of pipeline through northeastern British Columbia.
3. Foothills Pipe Lines (Alta.) Ltd., owned 51% by Company and 49% by TransCanada PipeLines Limited, owns, operates and manages the approximately 1,335 km of pipeline through Alberta.
4. Foothills Pipe Lines (Sask.) Ltd., owned 51% by Company and 49% by TransCanada PipeLines Limited, owns, operates and manages the approximately 260 km of pipeline through Saskatchewan.
5. Foothills Pipe Lines (South B.C.) Ltd., owned 51% by Company and 49% by TransCanada PipeLines Limited, owns, operates and manages the approximately 170 km of pipeline through southeastern British Columbia.
6. Foothills Pipe Lines (North Yukon) Ltd., owned 100% by Company, will construct, own, operate and manage the approximately 1,200 km of pipeline through the Yukon and Northwest Territories.

Company, through its Subsidiary Companies described above, was established primarily to render natural gas transportation service to Shippers of United States gas from the State of Alaska. Company may render natural gas transportation service to Shippers of Canadian gas

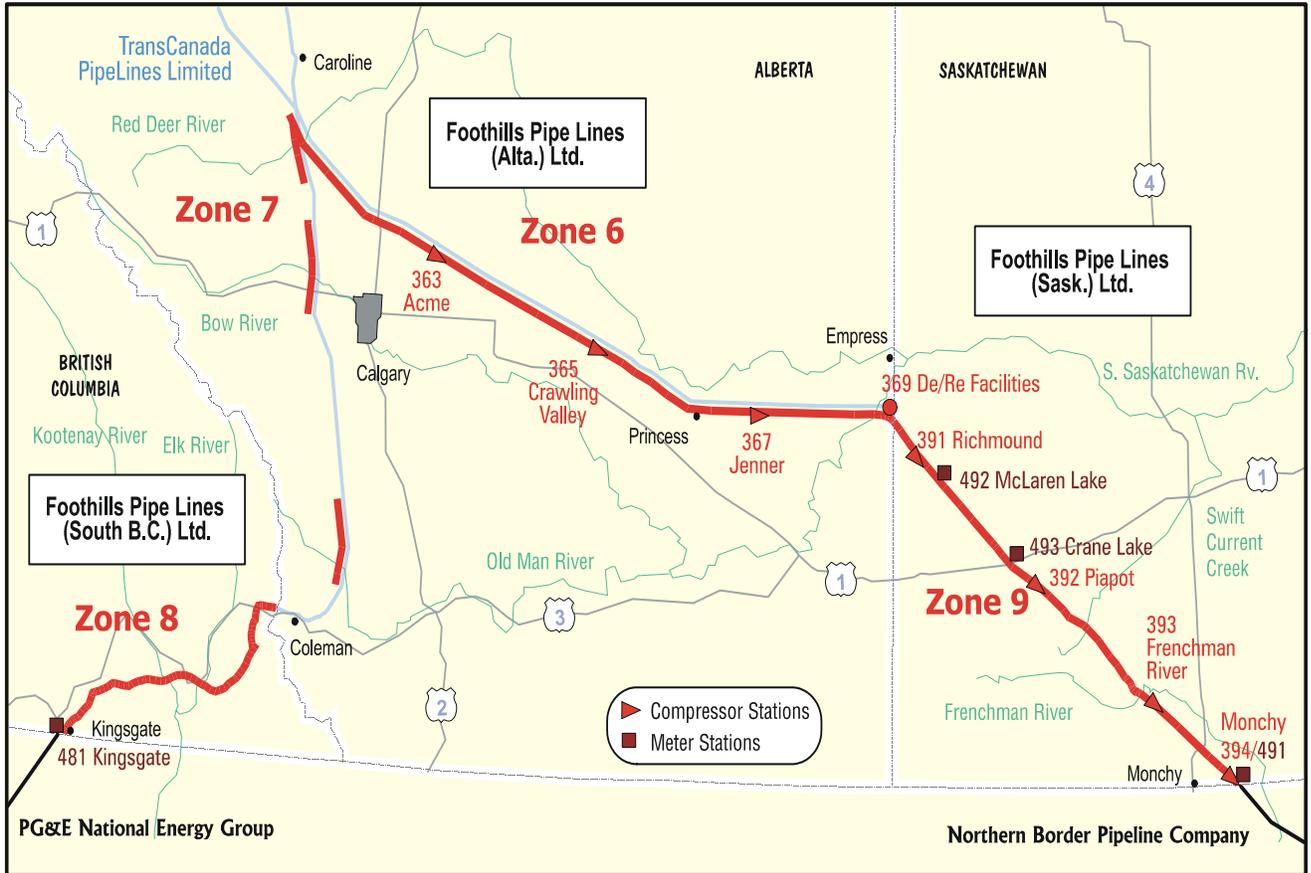
from the Mackenzie Delta, Beaufort Basin areas and other areas in the Provinces of Alberta, British Columbia and Saskatchewan. This Gas Transportation Tariff sets forth the Rate Schedules, the General Terms and Conditions and the Service Agreements applicable to this gas transportation service related to Phase I facilities currently in place.

Foothills Pipe Lines (Alta.) Ltd.

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

Foothills Pipe Lines (Sask.) Ltd.

**GAS TRANSPORTATION SYSTEM
PHASE I**



SUMMARY OF RATE SCHEDULES

For the purposes of this tariff schedule abbreviations are defined as follows:

SCHEDULES	DESCRIPTION
T-1	<u>Firm Service</u> - Applies to the firm transportation of gas from Receipt Points in the Provinces of Alberta, British Columbia and Saskatchewan to Delivery Points in Canada or at the 49th Parallel.
OT-1	<u>Overrun Service</u> - Applies to the transportation of overrun gas in the Provinces of Alberta, and British Columbia.
SGS-1	<u>Small General Service</u> - Applies to the transportation of gas to Delivery Points in Saskatchewan only, to be sold to customers on farms or in small communities.
IT	<u>Interruptible Service</u> - Applies to the interruptible transportation of gas in the Province of Saskatchewan only.

TABLE OF EFFECTIVE RATES**1. Rate Schedule T-1, Firm Service**

	Demand Rate (\$/10 ³ m ³ /Km/Month)
Zone 6	•
Zone 7	•
Zone 8	•
Zone 9	•

2. Rate Schedule OT-1, Overrun Service

	Commodity Rate (\$/10 ³ m ³ /Km)
Zone 6	•
Zone 7	•
Zone 8	•

3. Rate Schedule IT, Interruptible Service

	Commodity Rate (\$/10 ³ m ³ /Km)
Zone 9	•

CAPACITY ALLOCATION PROCEDURES**1. GENERAL**

- 1.1** The purpose of these Capacity Allocation Procedures is to establish the procedures by which a potential Shipper requesting firm service, or an existing Shipper requesting an increase in Maximum Daily Receipt Quantity, or an existing Shipper who does not have renewal rights pursuant to section 10 of Rate Schedule T-1, Firm Service (all hereinafter referred to as “Prospective Shipper”) shall each be afforded the rights to obtain firm service under Rate Schedule T-1, Firm Service.
- 1.2** In Zones 6, 7 and 8 of Company’s system, Available Capacity will be offered sequentially by date and time to Prospective Shippers in the queue until the capacity is fully committed. In Zone 9, Available Capacity and service on new facilities will be offered to successful Bidders in a bidding process (an “Open Season”) as outlined in section 4.
- 1.3** When new facilities are required to meet the requests for service by Prospective Shippers and such Prospective Shippers have met or have entered into binding agreements to meet the criteria in section 5, Company will, in a timely manner, apply for and, if approved and subject to obtaining the necessary financing, construct such facilities.
- 1.4** Subject to the procedure set out in subsection 3.3, Prospective Shipper’s position in the queue shall not be affected by the volume, date of commencement of service, term of service or distance along Company’s transportation system the gas is to be transported.
- 1.5** Company will make available to any party, upon request, a copy of the current firm service queue in Zones 6, 7 and 8 which will contain the following information:
- (a) The name of each Prospective Shipper in the queue;
 - (b) The position in the queue of each Prospective Shipper;
 - (c) The date Prospective Shipper’s request for service was received by Company;

- (d) The Maximum Daily Receipt Quantity of gas to be transported for each Prospective Shipper; and
- (e) The term of service, including the commencement and termination dates for each Prospective Shipper.

1.6 Positions in the queue are not transferable or assignable to any person.

2. APPLICABILITY

Subject to section 10 of Rate Schedule T-1, Firm Service, these Capacity Allocation Procedures are applicable to all requests by Prospective Shipper for firm service under Rate Schedule T-1, Firm Service.

3. PROCEDURES FOR ZONES 6, 7 AND 8

3.1 General

3.1.1 There will be a single queue for Prospective Shippers requesting firm service under Rate Schedule T-1, Firm Service for Zones 6, 7 and 8 of Company's transportation system.

3.1.2 To enter the queue, Prospective Shipper shall make a request in writing ("Request for Service") to Company stating:

- (a) The name, address and authorized representative of Prospective Shipper;
- (b) The proposed Maximum Daily Receipt Quantity;
- (c) The term for which firm service is requested, including the commencement and termination dates; and
- (d) The proposed Receipt and Delivery Points.

3.1.3 Prospective Shippers will be accepted into the queue in the order of the date and time that a Request for Service containing all of the information set out in subsection 3.1.2 is received by Company. Company's determination shall be final both as to the date and time the Request for Service is received by Company and as to whether a Request for Service contains all of the information set out in subsection 3.1.2. Company will, within 10 days of receipt of Shipper's request, notify Prospective Shipper in writing of either the date and time of its acceptance into the queue or any deficiency required to be remedied prior to acceptance into the queue.

3.2 Available Capacity

Where Company determines that firm capacity is available on Zones 6, 7 and 8, which is not required to provide service to any existing Shipper receiving service under Rate Schedule T-1, Firm Service ("Available Capacity"), Company shall offer to Prospective Shipper in the queue a portion of the Available Capacity equal to the lesser of the balance of the Available Capacity remaining, after taking into consideration offers to be made to Prospective Shippers having a higher priority in the queue, and the Maximum Daily Receipt Quantity set forth in such Prospective Shipper's Request for Service, and shall include with such offer, within 10 days of the notification of acceptance into the queue set out in subsection 3.1.3, copies of a Precedent Agreement for execution by such Prospective Shipper. Company's offer is subject to the terms and conditions set forth in the Precedent Agreement. Prospective Shipper may accept Company's offer by completing, duly executing and returning to Company all copies of the Precedent Agreement, incorporating only such amendments as may have been made with Company's prior agreement, within 60 days of the date such Prospective Shipper receives an offer of Available Capacity from Company. The failure by Prospective Shipper to return all copies of the Precedent Agreement fully executed by Prospective Shipper within the time limited above shall be deemed to be a rejection by Prospective Shipper of Company's offer. In the event that Prospective Shipper rejects or is deemed to have rejected Company's offer of Available Capacity, such Prospective Shipper will be removed from the queue unless acceptance of Company's offer would have required such

Prospective Shipper to commence service prior to the service commencement date specified in such Prospective Shipper's Request for Service or the capacity or term offered was less than that specified in such Prospective Shipper's Request for Service, in which case such Prospective Shipper shall maintain its position in the queue. Prospective Shipper that fails to meet the conditions precedent set forth in the Precedent Agreement and execute a Service Agreement, Firm Service within the time period provided in the Precedent Agreement shall move to the last position in the queue. Any unallocated capacity will be offered to the next Prospective Shipper in the queue.

3.3 Expansion Capacity

3.3.1 Where Company determines that the Available Capacity is insufficient to meet the Request for Service from Prospective Shippers in the queue and that the demand for service is sufficient to consider an expansion of existing facilities ("New Facilities"), Company shall advise each Prospective Shipper in the queue of the minimum term required for service through the New Facilities ("Minimum Term") which shall, unless circumstances dictate otherwise, be 12 years. Company may request each Prospective Shipper in the queue to complete and return to Company, within 30 days of the receipt by Prospective Shipper, a Project Status Summary in the form set forth in Appendix A to these Capacity Allocation Procedures. Any Prospective Shipper whose Request for Service does not indicate that such Prospective Shipper requires service for the Minimum Term will be required to confirm in writing to Company, within the time period provided for completing and returning the Project Status Summary, that such Prospective Shipper agrees to take service for a term not less than the Minimum Term. Prospective Shippers who fail within the time period provided to complete and return a Project Status Summary and, if applicable, provide confirmation that such Prospective Shippers agree to take service for a term not less than the Minimum Term will move to the bottom of the queue. In the event that two or more Prospective Shippers fail to complete and return the Project Status Summary and Minimum Term confirmation, if applicable, within the time period provided, such Prospective Shippers shall retain the same priority each had in relation to the

other, on the date Company advises Prospective Shippers of the Minimum Term, when such Prospective Shippers are moved to the bottom of the queue.

3.3.2 Subsequent to receipt by Company of a completed Project Status Summary and, if applicable, confirmation that Prospective Shipper agrees to take service for a term not less than the Minimum Term, Company shall forward to Prospective Shipper copies of a Precedent Agreement setting forth the terms and conditions, including conditions precedent, upon which service is offered to such Prospective Shipper through the New Facilities. Prospective Shipper may accept Company's offer by completing, duly executing and returning all copies of the Precedent Agreement, incorporating only such amendments as have been made with Company's prior agreement, within 60 days of the receipt of the Precedent Agreement by Prospective Shipper. The failure by Prospective Shipper to return all copies of the Precedent Agreement, fully executed by Prospective Shipper within the time period provided above, shall be deemed to be a rejection by Prospective Shipper of Company's offer. In the event that Prospective Shipper rejects or is deemed to have rejected Company's offer, such Prospective Shipper will be removed from the queue. Prospective Shipper that fails to meet the conditions precedent set forth in the Precedent Agreement and execute a Service Agreement, Firm Service within the time period provided in the Precedent Agreement shall move to the last position in the queue. Company reserves the right at any time to reconsider a proposal to proceed to add New Facilities in the event that Company determines that the addition of New Facilities is no longer justified in view of changed circumstances.

4. PROCEDURES FOR ZONE 9

4.1 Available Capacity

Where Company determines that capacity is available for firm service on Zone 9, which is not required to provide service to any existing Shipper receiving service under Rate

Schedule T-1, Firm Service and Rate Schedule SGS-1, Small General Service, an Open Season process will be used to allocate capacity. Company will use reasonable efforts to adhere to the following procedures in conducting an Open Season:

- 4.1.1** Company will provide public notice of Available Capacity through recognized industry publications. Company will specify the available volume, available receipt and delivery points, commencement date and, where applicable, termination date of such service. The bid notice may also identify the procedure for handling credit issues.
- 4.1.2** Within the period specified by Company in the notice, Bidder will advise Company in writing of its bid, which will include the desired Maximum Daily Receipt Quantity, receipt and delivery points, the commencement date if later than the term posted by Company, and the termination date.
- 4.1.3** All bids shall be final upon the close of the bid period. However, bids may be withdrawn until the end of the 7th business day following the close of the bid period whereupon Company will conduct its bid evaluation.
- 4.1.4** Bids will be evaluated on the basis of net present value per unit being the current T-1 Rate over the term and distance specified by the Bidder in the bid and using an appropriate discount rate. The Available Capacity will be awarded to the bid with the highest net present value per unit. Any unallocated capacity will be awarded to the bid with the next highest net present value and so on. If the net present values of two or more bids are equal, Company will award the Available Capacity to the bid with the earliest start date.
- 4.1.5** In the event a tie cannot be broken, Company will offer tied Bidders each a pro rata share of the Available Capacity in respect of which a tie exists. Bidders may accept or decline the pro rata share within 5 business days of Company making the offer.

- 4.1.6** A Bidder that is awarded capacity (or accepts service under subsection 4.1.4 hereof) is irrevocably bound to take that service. Company will forward successful Bidders a Service Agreement which must be executed and returned to Company within a specified number of days of being delivered by Company, along with all necessary financial assurances requested by Company.
- 4.1.7** A joint open season may be held with any upstream or downstream pipelines using the above procedures or by using other procedures filed with and approved by the Board.

4.2 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:

- 4.2.1** 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.
- 4.2.2** 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.
- 4.2.3** 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 service, and desired Service Agreement term by executing and returning the Precedent Agreement.
- 4.2.4** Bids will be evaluated by Company on the basis of net present value per unit being the current T-1 Rate over the term and distance specified by the Bidder in

the bid and using an appropriate discount rate. The capacity will be awarded to the bid with the highest net present value per unit. Any unallocated capacity will be awarded to the bid with the next highest net present value and so on.

- 4.2.5** In the event of a tie, Company will offer tied Bidders each a pro rata share of the capacity. Bidders may accept or decline the pro rata share within a specified period designated by Company in the offer. If Bidder does not accept a pro rata share of the capacity, the pro rate share will go to the next highest net present value.
- 4.2.6** For bids which are accepted, Company will execute and return the Precedent Agreement to Bidder. For bids that are rejected, Company will advise Bidder that the bid was not accepted.
- 4.2.7** If a volume was initially specified by Company in accordance with subsection 4.2.1 and if Company determines, in its sole discretion, that a change in expansion capacity is warranted, Company will amend the expansion accordingly.
- 4.2.8** Company will execute the Precedent Agreement and apply to the appropriate regulatory authorities for the necessary approvals to construct the expansion facilities. If for any reason approval is not granted, Company will notify all successful bidders.
- 4.2.9** If Company determines in its sole discretion that the construction of the New Facilities is not warranted because of a change in circumstances, then Company may, at its option, give all successful Bidders notice of termination of the expansion plans whereupon all rights and obligations of the parties shall cease and neither Company or any Bidder shall have any further liability except as expressly set forth in the Precedent Agreement.
- 4.2.10** A joint open season may be held with connecting pipelines using the above procedures or by using other procedures filed with and approved by the Board.

5. ACCESS CRITERIA

5.1 Prior to execution of a Service Agreement, Firm Service and during the term of the Firm Service Agreement, Prospective Shipper must satisfy the following criteria:

- (a) Where there is Available Capacity to provide the requested level of service under Rate Schedule T-1, Firm Service, Prospective Shipper shall:
 - (i) Demonstrate to the satisfaction of Company that it has appropriate upstream and downstream transportation arrangements;
 - (ii) Provide the financial information requested by Company to determine Prospective Shipper's creditworthiness; and
 - (iii) Provide, at Company's option, an irrevocable letter of credit in form and substance satisfactory to Company from a financial institution acceptable to Company in an amount sufficient to secure the payment of the amount payable under Prospective Shipper's Service Agreement for a period of 70 days or such other financial guarantee that provides, in the opinion of Company, a sufficient level of security as provided for in subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff; and
- (b) Where New Facilities are required to provide the requested firm service, in addition to the requirements in subsection 5.1(a), Prospective Shipper shall:
 - (i) Provide evidence to the satisfaction of Company that Prospective Shipper's intended market is secure and long term and that Prospective Shipper's gas sales arrangements are sufficient to enable financing of the New Facilities;
 - (ii) Provide evidence to the satisfaction of Company that Prospective Shipper has a secure and long term source of supply sufficient to permit Prospective Shipper to fulfill its obligations under its gas sales arrangements during the term of firm service requested;

- (iii) Provide evidence to the satisfaction of Company that Prospective Shipper has obtained or will be able to obtain all associated regulatory approvals for the full term of firm service requested; and
- (iv) Provide other financial assurances satisfactory to Company.

5.2 Prior to the commencement of service and during the term of a Service Agreement:

- (a) Prospective Shipper or Shipper shall provide evidence satisfactory to Company that it has a valid removal permit from the province of production prior to commencement of service, and as Company may require from time to time during the term of the Service Agreement; and
- (b) Prospective Shipper or Shipper shall forthwith advise Company of the termination of a removal permit or any action commenced to suspend a removal permit from the province of production.

APPENDIX A
(SHIPPER NAME)
PROJECT STATUS SUMMARY

Description of Activity	Completion Dates	
	<u>Expected</u>	<u>Actual</u>
1. Gas Sales Precedent Agreement(s)		
• letter of intent		
• precedent agreement		
2. Gas Supply Contract(s)		
3. Upstream Transporter(s)		
• letter of intent		
• transportation contract		
• facilities		
4. Application for gas removal permit (Province _____ docket no. _____)		
• filed		
• approved		
5. Application to NEB for export licence (Board file no. _____)		
• filed		
• approved		
6. Application to downstream authority(ies)		
• Office of the Fossil Energy (OFE) (docket no. _____)		
• filed		
• approved		
• FERC (docket no. _____)		
• filed		
• approved		
• other		
• filed		
• approved		
7. Downstream Transporter(s)		
• letter of intent		
• transportation contract		
• facilities		
8. Other Information Supporting Shipper's Request		

**RATE SCHEDULE T-1
FIRM SERVICE****1. AVAILABILITY**

This Rate Schedule T-1, Firm Service is available to any Shipper which has:

- (a) Satisfied all applicable requirements as set forth in the Capacity Allocation Procedures and subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff; and
- (b) Executed a Service Agreement, Firm Service with Company.

For Zone 9 only, Backhaul service is also available under Rate Schedule T-1, Firm Service.

2. APPLICABILITY

This Rate Schedule T-1, Firm Service shall apply to all transportation services under Shipper's Service Agreement, Firm Service other than service specifically provided for in another rate schedule, as of the Billing Commencement Date, whether or not gas is actually transported.

3. SERVICE DESCRIPTION**3.1 Forward Haul Service**

Forward Haul service rendered by Company for Shipper under this Rate Schedule T-1, Firm Service consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper's account) at each Forward Haul Receipt Point as specified in the Service Agreement, Firm Service;

- (b) The transportation of gas by Company through the transportation system, described in section 6 hereof; and
- (c) The delivery by Company of gas to Shipper (or for Shipper's account) at each Forward Haul Delivery Point specified in the Service Agreement, Firm Service.

3.2 Backhaul Service

Backhaul service rendered by Company for Shipper under this Rate Schedule T-1, Firm Service consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper's account) at each Backhaul Receipt Point as specified in the Service Agreement, Firm Service;
- (b) The delivery by Company of gas to Shipper (or for Shipper's account) at each Backhaul Delivery Point specified in the Service Agreement, Firm Service; and
- (c) Is subject to subsection 7.2.4.

4. SERVICE AGREEMENT

This Rate Schedule T-1, Firm Service is subject to all terms, conditions, stipulations and provisions of the Service Agreements, Firm Service.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule T-1, Firm Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff.

6. SUBSIDIARY COMPANIES AND ZONES

6.1 General

Company's transportation system consists of operating segments with each segment operated by a Subsidiary Company. Company and Subsidiary Companies have entered into transportation agreements for provision of transportation services by Subsidiary Companies for Company. Copies of the applicable transportation agreements are attached hereto as Supplements I through III. Each Subsidiary Company shall divide its segment into one or more Zones as defined in Schedule I, Annex II of the Northern Pipeline Act and described in subsection 6.2 hereof. Shipper, through its Service Agreement, Firm Service with Company, shall contract to have its gas transported through one or more of these Zones.

6.2 Description

The Subsidiary Companies listed below own and operate the portions of the Phase I gas transportation system set opposite the name of each such Subsidiary Company.

<u>Subsidiary Company</u>	<u>Zone No.</u>	<u>Description</u>	<u>Length (km)</u>
Foothills Pipe Lines (Alta.) Ltd.	6	From Caroline, Alberta to the Alberta/ Saskatchewan border near Empress, Alberta.	378.49
	7	From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.	124.03
Foothills Pipe Lines (South B.C.) Ltd.	8	From the Alberta/B.C. border near Coleman, Alberta to the B.C./U.S. border near Kingsgate, B.C.	165.96
Foothills Pipe Lines (Sask.) Ltd.	9	From the Alberta/ Saskatchewan border near Empress, Alberta to the Saskatchewan/U.S. border near Monchy, Saskatchewan.	258.97

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;
- (b) Unaccounted for Gas; and
- (c) 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.

7.2.3 Notwithstanding subsection 7.2.2 herein, Shipper shall not be allocated a share of

Company Use Gas in respect of Backhaul service.

7.2.4 Company will provide Backhaul service under this Rate Schedule T-1, Firm Service to Shipper on Zone 9 only in circumstances where such service is requested by Shipper and, in Company's judgement, there is sufficient quantity of gas being received into Company's system to enable such service to be provided.

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 each Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, Firm Service, exceed the Maximum 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.

7.3.3 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 receipt points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border.

8. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for Service under Rate Schedule T-1, Firm Service in the Zone is the T-1 Rate.

8.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly demand

charges determined in accordance with subsection 8.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances, 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.

8.2 Monthly Demand Charge

Shipper's monthly demand charge for a Billing Month shall be the product of:

- (a) Shipper's Maximum Daily Receipt Quantity as indicated on Schedule A to Shipper's Service Agreement, Firm Service for such billing month;
- (b) the distance in kilometers each such quantity is to be transported through the Zone; and
- (c) the T-1 Rate for the Zone.

8.3 Accounting

Company shall maintain 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.

9. FAILURE TO ACCEPT GAS

9.1 Receipt Deficiency

If, in any day in any month, Company is unable to receive from Shipper, any portion of the gas nominated by Shipper to Company, for such day, pursuant to Article 1.1 of Shipper's Service Agreement, Firm Service, such portion shall be Shipper's "Receipt Deficiency" for such day.

Receipt Deficiencies arising in a billing month shall be discharged to the extent of gas received by Company from Shipper pursuant to Article 1.2 of Shipper's Service

Agreement, Firm Service on any day during such billing month whether before or after the day on which any such deficiency arose. To the extent not so discharged, Receipt Deficiencies shall be discharged only by the receipt of Make-Up Gas in subsequent billing months.

9.2 Make-Up Gas

“Make-Up Gas” is Receipt Deficiencies which may be made up in the following month(s). If, in any billing month, the quantity of gas received by Company from Shipper pursuant to Article 1.2 of Shipper’s Service Agreement, Firm Service exceeds the aggregate of Shipper’s Receipt Deficiencies arising in that billing month, the excess shall be Make-Up Gas to the extent of undischarged Shipper’s Receipt Deficiencies arising in prior billing months.

Service in respect of gas received pursuant to Article 1.2 of Shipper’s Service Agreement, Firm Service and applied to the discharge of Receipt Deficiencies shall be deemed to have been provided under this subsection 9.2.

9.3 Overrun Gas

If, in any billing month in Zones 6, 7 or 8, the quantity of gas received by Company from Shipper pursuant to Article 1.2 of Shipper’s Service Agreement, Firm Service exceeds the quantity of Make-Up Gas such balance shall be overrun gas and shall be governed by Rate Schedule OT-1, Overrun Service.

9.4 Allocation of Service

If Company is on any day required to allocate service pursuant to Article 1.2 of the Service Agreements, Firm Service of two or more Shippers, Company shall give priority in such allocation to quantities of gas desired to be tendered in respect to Receipt Deficiencies to the extent, in the case of each such Shipper, of its undischarged Receipt Deficiencies on such day.

9.5 Exception

Subsections 9.1 through 9.4 hereof shall not apply to any failure of Company to take receipt from Shipper of any gas nominated by Shipper pursuant to Shipper's Service Agreement, Firm Service if such failure is caused or contributed to by the failure of Shipper to, or to be able to, deliver or take delivery from Company of such gas, or by any other action of Shipper or Persons acting on its behalf which causes or contributes to such a failure by Company.

10. RENEWAL RIGHTS**10.1 Availability**

Shippers to whom renewal rights are available, shall have the option ("Renewal Option") of extending the existing term of the Service Agreement, Firm Service with respect to all or, if Company agrees, a portion of Shipper's firm capacity rights beyond the primary term specified in the Service Agreement, Firm Service provided that:

- (a) Shipper has at any time in the past executed a Service Agreement, Firm Service containing a term of at least five consecutive years; such Service Agreement, Firm Service or any extensions or amendments thereto or any amended Service Agreement, Firm Service executed in replacement or in substitution therefore, has not terminated prior to the exercise of the renewal rights granted herein;
- (b) Shipper is not in default with respect to any of its obligations under its Service Agreement(s), Firm Service;
- (c) Shipper has provided financial assurances in accordance with subsection 5.8(a) of the General Terms and Conditions of this Gas Transportation Tariff and meets the Company's creditworthiness standards; and
- (d) Shipper provides Company, at the time the notice referred to in subsection 10.2.1 or 10.2.3 hereof is provided to Company, evidence satisfactory to Company that

Shipper has obtained or will be able to obtain appropriate upstream and downstream firm transportation arrangements.

10.2 Procedures

10.2.1 Company may give Shipper notice (“Renewal Notice”) not more than 5 years and not less than six (6) months prior to termination of Shipper’s Service Agreement that Shipper must exercise the Renewal Option. Shipper has the right to renew the Service Agreement prior to this Renewal Notice being given upon written notice to Company. As long as at least five (5) years remain in the term of the Shipper’s Service Agreement, then such Renewal Notice cannot be given by Company. Shipper has the right to extend its Service Agreement one year at a time to maintain a term of at least five (5) years and thereby remain outside the period in which a Renewal Notice can be given.

10.2.2 Once a Renewal Notice is given to Shipper, Shipper shall have ten (10) business days from the date of the Renewal Notice to provide Company with a written notice from Shipper of Shipper’s election to extend the term of the Service Agreement for a period of at least five (5) years.

10.2.3 If Shipper fails to provide a written request or indicates to Company that it does not wish to renew its capacity in accordance with section 10.2.2, the Company may make the capacity available to other parties in an Open Season in accordance with subsection 4.1 of the Capacity Allocation procedures of this Gas Transportation Tariff.

10.2.4 Upon receipt of all bids for the capacity pursuant to the Open Season in accordance with subsection 4.1 of the Capacity Allocation procedures of this Gas Transportation Tariff, the Company shall select the highest net present value bid(s) and notify Shipper of the terms of the successful bid(s) within 15 business days of the close of the Open Season. Shipper may retain this capacity if Shipper agrees to match the highest net present value bid(s) obtained in the Open Season. In the event that such bid(s) is longer than five (5) years, Shipper may retain the

capacity by extending its Service Agreement by a minimum of five (5) years provided that such notice is made in writing to Company within 10 business days following the date of the bid notification from Company. If no bids are received, Company may accept other terms of renewal if requested in writing from Shipper, notwithstanding that if the remaining term is less than five (5) years, notice may be given pursuant to subsection 10.2.

10.2.5 Following receipt of Shipper's written request in accordance with either subsections 10.2.1, 10.2.2 or 10.2.4, Company will, within 5 business days, provide Shipper with an amendment to the Service Agreement, Firm Service setting out the renewal term. Shipper shall execute and return the amendment to the Service Agreement, Firm Service to Company within fifteen (15) business days of receipt from Company, failing which Shipper's Renewal Option terminates.

10.3 Shipper shall have Renewal Rights to be exercised in the same manner and upon the same terms and conditions as set forth above during any renewal term.

RATE SCHEDULE OT-1
OVERRUN SERVICE**1. AVAILABILITY**

This Rate Schedule OT-1, Overrun Service is available in Zones 6, 7 and 8 only, to any Shipper under its Service Agreement, Firm Service.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule OT-1, Overrun Service shall apply to overrun transportation service pursuant to Article 1.2 of Shipper's Service Agreement and subsection 9.3 of Rate Schedule T-1, Firm Service, other than service which, by the terms of subsection 9.1 and 9.2 of Rate Schedule T-1, Firm Service, is deemed to be provided under said subsections.

3. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under Rate Schedule OT-1, Overrun Service in the Zone is the OT-1 Rate.

3.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 3.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances 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.

3.2 Monthly Commodity Charge

Shipper shall pay to Company, for each cubic metre of gas received by Company from

Shipper to which this Rate Schedule OT-1, Overrun Service is applicable, an amount equal to Shipper's OT-1 Rate in the Zone multiplied by the distance in kilometers such volume of gas is transported in the Zone for the Billing Month in which such gas is received; provided that if Shipper on any day of any Billing Month does not tender all or a portion ("Tender Deficiency") of such Shipper's Daily Receipt Quantity, then for those days no payment shall be due to Company under this Rate Schedule OT-1, Overrun Service in respect of gas received by Company pursuant to Article 1.2 of Shipper's Service Agreement and which is governed by this Rate Schedule OT-1, Overrun Service, on any other day during such Billing Month and the immediately following Billing Month, up to the undischarged amount of such Tender Deficiency.

4. GENERAL TERMS AND CONDITIONS

This Rate Schedule OT-1, Overrun Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff as updated from time to time.

**RATE SCHEDULE SGS-1
SMALL GENERAL SERVICE****1. AVAILABILITY**

This Rate Schedule SGS-1, Small General Service is available to Transgas Limited (herein referred to as “Shipper”) upon execution by Shipper of a Service Agreement, Small General Service for the transportation by Company of gas to be sold to customers on a farm or in small communities or, to a customer that distributes to customers on farms or in small communities, provided that:

- (a) The gas is being ultimately consumed primarily for residential and commercial space heating purposes; and
- (b) Such customers are not being served under any other gas transportation agreement between Shipper and Company.

2. APPLICABILITY

This Rate Schedule SGS-1, Small General Service shall apply to the transportation service under Shipper’s Service Agreement, Small General Service.

3. SERVICE DESCRIPTION

Service rendered by Company for Shipper under this Rate Schedule SGS-1, Small General Service 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, Small General Service;

- (b) The transportation of gas by Company in its facilities between the Alberta/Saskatchewan border near Empress to the Saskatchewan/ United States border near Monchy (“Zone 9”); and
- (c) The delivery by Company of gas to Shipper at each Delivery Point specified in the Service Agreement, Small General Service.

4. SERVICE AGREEMENT, SMALL GENERAL SERVICE

This Rate Schedule SGS-1, Small General Service is subject to all terms, conditions, stipulations and provisions of the Service Agreement, Small General Service.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule SGS-1, Small General Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff as may be amended from time to time, with the exception of sections 8.6, 8.7 and 16.

6. CHARACTER OF SERVICE

6.1 Small General Service

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

6.2 Receipt and Delivery Obligations

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.

7. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under this Rate Schedule SGS-1, Small General Service is the T-1 Rate in Zone 9.

7.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 7.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances 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.

7.2 Monthly Commodity Charge

Shipper's monthly commodity charge for a Billing Month shall be the product of:

- (a) the actual volume of gas received by Company from Shipper under Rate Schedule SGS-1, Small General Service during such month;
- (b) 1/2 the total distance in Zone 9 (130 km); and
- (c) the T-1 Rate.

**RATE SCHEDULE IT
INTERRUPTIBLE SERVICE****1. AVAILABILITY**

This Rate Schedule IT, Interruptible Service is available for service rendered by Company only in Zone 9 to any Shipper for transportation of gas by Company on an interruptible and best efforts basis only, provided that:

- (a) Shipper has executed a Service Agreement, Interruptible Service with Company and such Service Agreement is then in effect;
- (b) Shipper has obtained all certificates, permits, licenses or other authorizations which it requires in connection with the service rendered hereunder; and
- (c) Shipper has made arrangements satisfactory to Company to enable Shipper to deliver gas to Shipper's Receipt Points and to take gas from Shipper's Delivery Points in accordance with Shipper's daily nominations.

2. APPLICABILITY

This Rate Schedule IT, Interruptible Service shall apply to all interruptible transportation services under Shipper's Service Agreement, Interruptible Service.

3. SUBSIDIARY COMPANIES AND ZONES**3.1 General**

Company's transportation system consists of operating segments with each segment operated by a Subsidiary Company. Company and Subsidiary Companies have entered into transportation agreements for provision of transportation services by Subsidiary Companies for Company. Each Subsidiary Company shall divide its segment into one or

more Zones as defined in Schedule I, Annex II of the Northern Pipeline Act and described in subsection 3.2 hereof. Shipper, through its Service Agreement, Interruptible Service with Company, shall contract to have its gas transported through Zone 9.

3.2 Description

The Subsidiary Companies listed below own and operate the portions of the Phase I gas transportation system set opposite the name of each such Subsidiary Company.

<u>Subsidiary Company</u>	<u>Zone No.</u>	<u>Description</u>	<u>Length (km)</u>
Foothills Pipe Lines (Alta.) Ltd.	6	From Caroline, Alberta to the Alberta/ Saskatchewan border near Empress, Alberta.	378.49
	7	From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.	124.03
Foothills Pipe Lines (South B.C.) Ltd.	8	From the Alberta/B.C. border near Coleman, Alberta to the B.C./U.S. border near Kingsgate, B.C.	165.96
Foothills Pipe Lines (Sask.) Ltd.	9	From the Alberta/Saskatchewan border near Empress, Alberta to the Saskatchewan/U.S. border near Monchy, Saskatchewan.	258.97

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 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, 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, 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:

- (a) Company Use Gas; and
- (b) 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.

- 4.2.3** Notwithstanding subsection 4.2.2 herein, for any service provided hereunder where the Delivery Point is upstream of the Receipt Point, Shipper shall not be allocated a share of Company Use Gas in respect of such Backhaul service.

4.3 Daily Gas Nominations

- 4.3.1** Shipper shall advise Company, from time to time as required by Company, of the daily quantity of gas to be transported under Rate Schedule IT, Interruptible Service pursuant to subsection 4.1, for each Receipt Point to be transported on an interruptible basis to the Delivery Point.

Shipper shall deliver such volumes at the Receipt Point at hourly rates of flow as nearly constant as possible and shall take delivery at the Delivery Point at hourly rates of flow as nearly constant as possible.

- 4.3.2** Departures from scheduled daily deliveries shall be kept to a minimum permitted by operating conditions.

- 4.3.3** If on any day Shipper fails to deliver to the Receipt Point, or accept at the Delivery Point, the gas nominated pursuant to subsection 4.3.1 herein, Company shall be entitled to curtail further receipts of gas from Shipper until the volume delivered at the Receipt Point balances with the volume delivered at the Delivery Point.

Without limiting Company's rights as set forth above, Company will use reasonable efforts to implement other operational procedures including:

- (a) The notification of Shipper with an imbalance of other Shippers with positive or negative inventory in order that, by exchange, inventories may be brought to zero balance; and

- (b) In the event that, at the end of a given month, Shipper is in a positive or negative imbalance position, such imbalance will be carried forward as Shipper's inventory for a period of up to the term of Shipper's Service Agreement, Interruptible Service.

4.3.4 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 receipt points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border.

5. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under Rate Schedule IT, Interruptible Service in the Zone is the IT Rate.

5.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 5.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances 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.

5.2 Monthly Commodity Charge

Shipper's monthly commodity charge for a Billing Month shall be the product of:

- (a) the actual volume of gas received by Company from Shipper under Rate Schedule IT, Interruptible Service during such month;
- (b) the distance in kilometers such volume of gas is transported, or in the case of

Backhaul is deemed to be transported through the Zone; and

- (c) the IT Rate.

5.3 Allocation of Gas Received

Provided Shipper has a Service Agreement, Firm Service, and independent of daily nomination procedures, the total volume received at all Receipt Points from Shipper shall be allocated for billing purposes first to the Service Agreement, Firm Service, to the Maximum Daily Receipt Quantity multiplied by the number of days in the month and then to the Service Agreement Interruptible Service.

6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of this Gas Transportation Tariff as may be amended from time to time, are applicable to this Rate Schedule IT, Interruptible Service and are hereby made a part hereof with the exception of sections 5.6, 8.6, 8.7 and 16. If there is any conflict between the provisions of this Rate Schedule IT, Interruptible Service and the General Terms and Conditions of this Gas Transportation Tariff, the provisions of this Rate Schedule IT, Interruptible Service shall prevail.

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 schedules to which they apply, or in the Service Agreement to which such rate schedules 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** “Available Capacity” shall have the meaning ascribed to it as set out in subsection 3.2 of the Capacity Allocation Procedures.
- 1.3** “Backhaul” shall mean service where gas delivered at Shipper’s Backhaul Delivery Point is received into Company’s facilities at Shipper’s Backhaul Receipt Point located downstream of Shipper’s Backhaul Delivery Point.
- 1.4** “Billing Commencement Date” shall mean the date when Shipper’s payment obligation commences and Shipper’s gas has commenced flowing through Company’s Facilities.

For all other Shippers, the Billing Commencement Date shall occur when Company informs such Shipper, by not less than one day’s notice, that there is transportation 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.

- 1.5** “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.
- 1.6** “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.
- 1.7** “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.
- 1.8** “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.
- 1.9** “CCT” shall mean Central Clock Time.
- 1.10** “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.
- 1.11** “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.
- 1.12** “Contract Year” shall mean the period beginning at 09:00 CCT, on Company’s 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 anniversary of such day in the next succeeding Calendar Year.
- 1.13** “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.

1.14 “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 gas at such Receipt Point.

The Daily Receipt Quantity shall be the product of Shipper’s Maximum Daily Receipt Quantity for such Receipt Point and the planned maintenance and scheduled down time factor shown as a percentage in the following table for the month in which such day occurs.

<u>Month</u>	<u>Percentage</u>
January	100
February	100
March	100
April	100
May	100
June	100
July	100
August	100
September	100
October	100
November	100
December	100

1.15 “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.

1.16 “°C” shall mean degrees Celsius as defined by The International System of Units (SI).

1.17 “Delivery Point” shall mean relative to Shipper one of the Delivery Points shown in Appendix B to such Shipper’s Service Agreement for delivery of gas to such Shipper.

- 1.18** “Existing Term” shall have the meaning ascribed to it as set out in subsection 10.2 of Rate Schedule T-1, Firm Service.
- 1.19** “First Billing Month” shall mean relative to Shipper the billing month in which such Shipper’s Billing Commencement Date occurs.
- 1.20** “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.
- 1.21** “Forward Haul” shall mean service where gas delivered at Shipper’s Forward Haul Delivery Point is received into Company’s facilities at Shipper’s Forward Haul Receipt Point located upstream of Shipper’s Forward Haul Delivery Point.
- 1.22** “Gas” shall mean natural gas, manufactured, artificial or synthetic gas, or any mixture or combination thereof.
- 1.23** “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.
- 1.24** “Gas Transportation Tariff” shall mean the compilation on file with the National Energy Board of Company’s rate schedules, General Terms and Conditions and related Service Agreements with Shipper as in effect from time to time.
- 1.25** “General Terms and Conditions” shall mean, at any time, these General Terms and Conditions as amended or supplemented from time to time.
- 1.26** “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.

- 1.27** “IT Rate” shall mean the IT Rate in the Table of Effective Rates which has been set by the Company for service under Rate Schedule IT, Interruptible Service.
- 1.28** “J” shall mean Joule(s), the base unit for energy as defined by The International System of Units (SI).
- 1.29** “km” shall mean kilometre(s) as defined by The International System of Units (SI).
- 1.30** “kPa” shall mean kilopascal(s) of pressure.
- 1.31** “Leave to Open” shall mean that a leave has been granted under Part III of the National Energy Board Act to Company to open the pipeline.
- 1.32** “Line Pack Change” shall mean for any period the difference between the total volume of line pack gas contained in a Zone of Company’s pipeline at the beginning and end of such period, as computed by Subsidiary Company.
- 1.33** “Line Pack Requirements” for any Zone at any time shall mean that volume of gas which is calculated by Subsidiary Company as the total volume of gas required as line pack for the efficient operation of its pipeline in such Zone.
- 1.34** “Make-Up Gas” shall have the meaning ascribed to it as set out in subsection 9.2 of the Rate Schedule T-1, Firm Service.
- 1.35** “Maximum Daily Receipt Quantity” shall mean relative to a Receipt Point of Shipper for any day the volume of gas, as specified in Appendix A to such Shipper’s Service Agreement.
- 1.36** “mg” shall mean milligram(s) as defined by The International System of Units (SI).
- 1.37** “Minimum Term” shall have the meaning ascribed to it as set out in subsection 3.3.1 of the Capacity Allocation Procedures.
- 1.38** “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.

- 1.39** “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.
- 1.40** “New Facilities” shall have the meaning ascribed to it as set out in subsection 3.3.1 of the Capacity Allocation Procedure.
- 1.41** “Northern Pipeline” shall have the same meaning as is ascribed to “pipeline” in section 2(1) of the Northern Pipeline Act.
- 1.42** “OT-1 Rate” shall mean the OT-1 Rate in the Table of Effective Rates which has been set by the Company for service under Rate Schedule OT-1, Overrun Service.
- 1.43** “Operating Agreement” shall mean an agreement between Subsidiary Company and any Person under which such Person undertakes to provide services to facilitate Subsidiary Company’s operation of all or part of Subsidiary Company’s transportation system.
- 1.44** “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.
- 1.45** “Phase I Facilities” shall mean those portions of the ANGTS to be constructed by the Subsidiary Companies of Company in the Provinces of British Columbia, Alberta and Saskatchewan for the transmission of Canadian source gas which has been authorized for export from Canada by licences issued under Part VI of the National Energy Board Act.
- 1.46** “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.
- 1.47** “Precedent Agreement” shall mean a binding agreement between Company and a Prospective Shipper for the provision of the transportation service requested, subject to fulfillment of conditions precedent as agreed to between Prospective Shipper and Company.

- 1.48** “Project Status Summary” shall mean the document as contained in Appendix A of the Capacity Allocation Procedures.
- 1.49** “Prospective Shipper” shall have the meaning ascribed to it as set out in subsection 1.1 of the Capacity Allocation Procedures.
- 1.50** “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 Royal Bank of Canada, Main Branch, Calgary, Alberta.
- 1.51** “Rate Schedule IT, Interruptible Service” shall mean the rate schedule applicable to interruptible service for gas transportation through Zone 9 of Company’s transportation system.
- 1.52** “Rate Schedule OT-1, Overrun Service” shall mean the rate schedule applicable to overrun service for gas transportation through Zones 6, 7 and 8 of Company’s transportation system.
- 1.53** “Rate Schedule SGS-1, Small General Service” shall mean the rate schedule applicable to small general service for gas transportation through Company’s Zone 9 facilities.
- 1.54** “Rate Schedule T-1, Firm Service” shall mean the rate schedule applicable to firm service for gas transportation through Company’s transportation system.
- 1.55** “Receipt Deficiency” shall have the meaning ascribed to it as set out in the subsection 9.1 of the Rate Schedule T-1, Firm Service.
- 1.56** “Receipt Point” shall mean relative to Shipper one of the Receipt Points shown in Appendix A to such Shipper’s Service Agreement for receipt of gas from such Shipper.
- 1.57** “Renewal Option” shall have the meaning ascribed to it as set out in subsection 10.1 of Rate Schedule T-1, Firm Service.
- 1.58** “Renewal Provisions” shall have the meaning ascribed to it as set out in subsection 10.2.1 of Rate Schedule T-1, Firm Service.

- 1.59** “Renewal Request” shall have the meaning ascribed to it as set out in subsection 10.2.1 of Rate Schedule T-1, Firm Service.
- 1.60** “Renewal Rights” shall mean rights to renew Service Agreement, Firm Service under Rate Schedule T-1, Firm Service available to certain of Company’s current firm Shippers.
- 1.61** “Renewal Term” shall have the meaning ascribed to it as set out in subsection 10.2 of Rate Schedule T-1, Firm Service.
- 1.62** “Request for Service” shall have the meaning ascribed to it as set out in subsection 3.1.2 of the Capacity Allocation Procedures.
- 1.63** “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.
- 1.64** “Service Agreement, Firm Service” shall mean the Service Agreement to provide service under Rate Schedule T-1, Firm Service.
- 1.65** “Service Agreement, Interruptible Service” shall mean the Service Agreement to provide service under Rate Schedule IT, Interruptible Service.
- 1.66** “Service Agreement, Small General Service” shall mean the Service Agreement to provide service under Rate Schedule SGS-1, Small General Service.
- 1.67** “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.
- 1.68** “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.

- 1.69** “10³m³” shall mean 1,000 cubic metres of gas determined on the measurement set forth in section 1.13 above.
- 1.70** “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.
- 1.71** “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.
- 1.72** “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.
- 1.73** “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.
- 1.74** “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°C at an absolute pressure of 5,500 kPa.
- (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 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 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 or 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 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 each Shipper's Receipt Point, and Delivery Point, Shipper, or Shippers affected, at its or their 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 and the transportation of gas hereunder.

3.3 Calibration

The accuracy of Company's measuring equipment shall be verified at such 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 one of the following three methods which in the opinion of Company will provide the best 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 any 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 exchange, upon request of 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 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 the preceding month. Such bill shall reflect:

- (a) any amount payable by Shipper for the immediately preceding month for service provided under Rate Schedule T-1, Firm Service, Rate Schedule SGS-1, Small General Service and Rate Schedule IT, Interruptible Service;
- (b) any amount payable by Shipper in respect of the second preceding month for service provided under Rate Schedule OT-1, Overrun Service; and
- (c) other charges or credits to Shipper hereunder.

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 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 outstanding in respect of any monthly bill within 10 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 Service Agreement or otherwise relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company under Shipper's Service Agreement. If Shipper's failure to pay the full amount outstanding in respect of any monthly bill shall continue after such suspension, Company may, in addition to any other remedy Company may have, terminate Shipper's Service Agreement effective on the date of the delivery of written notice by Company to Shipper of such termination.

5.5.3 In the event that it is finally determined that Shipper's monthly bill was incorrect and that an overpayment 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 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 securities requiring repayment of principal and/or payment of interest in United States dollars;
- (b) A schedule of the total annual amounts by Zone, as allocated to each Zone by Subsidiary Companies in accordance with their Gas Transportation Tariffs with Company 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 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, in respect of each Zone Shipper utilizes, shall be 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 multiplied by 1/12 of the appropriate Zone amount of United States dollars 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 Zone Cost of Service**5.7.1 Company's Administrative Charge**

For each Calendar Year, Company shall determine an administrative charge equal to its overhead costs and costs of administering this Gas Transportation Tariff. Such administrative charge, as approved by the National Energy Board shall consist of, but shall not be limited to, the following:

- (a) Salaries, wages and benefits for Company's directors, officers and employees;
- (b) All expenses associated with the aforementioned personnel;
- (c) All rents and charges associated with office, warehouse or shop facilities;
- (d) A return on Company's rate base as per Company's books of account and related income taxes thereon, in an amount determined by the National Energy Board; and
- (e) Any other related expenses necessary to permit the directors, officers and employees of Company to discharge their respective functions in coordinating and monitoring the various components of the Phase I Facilities of the ANGTS.

5.7.2 Special Charge - Phase II Preliminary Expenditures

Pursuant to Order TG-2-2003, the monthly charge for "Special Charge – Phase II Preliminary Expenditures" will be \$189,124.00 commencing April 1, 2003 and terminating December 31, 2015.

5.7.3 Computation of the Zone Cost of Service

For each Calendar Year, the Zone Cost of Service for each Zone shall be the sum of the following, adjusted pursuant to subsection 5.7.4:

- (a) The Zone Cost of Service for each Zone as calculated by the Subsidiary Company owning the portion of the transportation system constituting such Zone; and
- (b) An amount equal to the product of:
- (i) The administrative charge calculated pursuant to subsection 5.7.1 hereof, plus, the Special Charge - Phase II Preliminary Expenditures calculated pursuant to subsection 5.7.2 hereof,
- (ii) And a fraction:

The numerator of which shall be:

The sum, for all Shippers utilizing a Zone under Rate Schedule T-1, Firm Service, of the product of each Shipper's Maximum Daily Receipt Quantities and the distance in kilometers each such quantity is to be transported through a Zone.

And the denominator of which shall be:

The sum, for Zones 6, 7, 8 and 9, of the product of each Shipper's Maximum Daily Receipt Quantities and the distance in kilometers each such quantity of gas is to be transported through a Zone.

5.7.4 Adjustments to Zone Cost of Service

For each Calendar Year, the Zone Cost of Service so determined shall be adjusted as follows:

- (a) A deduction for revenues forecasted to be received under Rate Schedule OT-1, Overrun Service, Rate Schedule IT, Interruptible Service and Rate Schedule SGS-1, Small General Service, and interest pursuant to subsection 5.4 of these General Terms and Conditions.

- (b) Additions or deductions, as the case may be, reflecting adjustments for 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; and
- (c) Additions or deductions, as the case may be, for all other costs or credits properly attributable to the transportation service hereunder. This would reflect the G&A Incentive Plan pursuant to Order TG-2-2003 commencing January 1, 2003 and terminating December 31, 2015, subject to earlier termination pursuant to Order TG-2-2003.

5.8 Creditworthiness

In order to secure the prompt and orderly payment of the amounts payable by Shipper to Company under a Service Agreement, Company may, prior to the commencement of service, and from time to time during the term of a Service Agreement:

- (a) In the case where service is being provided through Available Capacity, or pursuant to Shipper's renewal rights, require Shipper to provide to Company an irrevocable letter of credit, in form and substance satisfactory to Company, from a financial institution acceptable to Company in an amount sufficient to secure the payment of the amount payable by Shipper, under Shipper's Service Agreement for a period of 70 days or such other financial guarantee that provides in the opinion of Company a sufficient level of security; and
- (b) In the case where service is being provided through New Facilities, require Shipper to provide Company financial assurances satisfactory to Company.

If Shipper fails to provide Company with satisfactory financial assurances upon Company's request, Company may in addition to any other remedy it may have, suspend further receipt and delivery of gas until such security is provided. Such suspension shall

not terminate Shipper's Service Agreement or otherwise relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company under Shipper's Service Agreement. In the case of T-1, Firm Service and a request by Company for financial assurances from Shipper after the commencement of service, if Shipper fails to provide such financial assurances within 20 days of Company's request, Company may then suspend service on 10 days notice to Shipper and such notice shall be filed concurrently with the NEB.

In order that Company may establish Shipper's creditworthiness, Shipper shall provide Company with such financial information as Company may reasonably request prior to the commencement of service, or at any time and from time to time during the term of any Service Agreement.

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 any Receipt Point and until delivered by Company to Shipper at any 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 at any Receipt

Point and the time gas is delivered to Shipper by Company at any 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 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; 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.

6.5 Interruptions or Reductions in Services

If, due to any cause whatsoever, Company is unable on any day to receive from Shippers or to deliver to Shippers all of the volumes of gas it would have received or delivered if such inability did not exist, then Company shall curtail or interrupt receipts or deliveries of gas in the following order:

- (a) First:

For Zones 6, 7 and 8:

Those Shippers transporting gas under Rate Schedule OT-1, Overrun Service.

Company shall allocate any such curtailment amongst affected Shippers in the same proportion as each Shipper's Maximum Daily Receipt Quantity to be transported through the Zone in which the curtailment is required bears to the sum of the Maximum Daily Receipt Quantities for all affected Shippers in such Zone.

For Zone 9:

Those Shippers transporting gas under Rate Schedule IT, Interruptible Service.

Company shall allocate available capacity amongst affected Shippers pro rata based on such Shippers' nominations for interruptible service under Rate Schedule IT, Interruptible Service.

(b) Second:

Those Shippers nominating gas in respect of Receipt Deficiencies and Make-Up Gas pursuant to section 9 of Rate Schedule T-1, Firm Service.

Company shall give priority to quantities of gas tendered in respect of Receipt Deficiencies over gas tendered in respect of Make-Up Gas. Company shall allocate any such curtailment amongst affected Shippers pro rata based on such Shippers' undischarged Receipt Deficiencies.

(c) Third:

Those Shippers transporting gas under Rate Schedule T-1, Firm Service and those Shippers transporting gas under Rate Schedule SGS-1, Small General Service.

Company shall allocate any such curtailment, under Rate Schedule T-1, Firm Service or Rate Schedule SGS-1, Small General Service, amongst affected Shippers in the same proportion as each Shipper's Maximum Daily Receipt Quantity, to be transported through the Zone in which the curtailment is required, bears to the sum of the Maximum Daily Receipt Quantities for all affected Shippers in such Zone.

7. RECEIPT OF GAS AT ONE POINT FOR MORE THAN ONE SHIPPER

In the event gas tendered to Company at any Receipt Point is for the account of more than one Shipper, the division of the total metered volume as between Shippers shall be pursuant to procedures or schedules established by Company and Shippers involved.

8. DELIVERIES OF GAS AND SUPPLY OF LINE PACK**8.1 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.

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; and
- (d) 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.

8.4 Allocation

8.4.1 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 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.

8.4.2 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.

8.4.3 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.

8.4.4 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.

8.5 Beginning of Delivery Obligation

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

8.6 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, 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 hereof.

8.6.1 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.

8.6.2 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, Company Use Gas and Unaccounted for Gas under this subsection 8.6, 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.

8.6.3 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 8.6; 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.

8.7 Return of Line Pack Gas for Zone 8

If at any time Shipper's share calculated in accordance with subsection 8.4 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 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.

8.8 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.

8.9 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, or for the purpose of complying with the provisions of any Deed of Trust and Mortgage to which it is a party.

10. SERVICE AGREEMENT**10.1 Service Rendered**

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

10.2 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.

10.3 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.

10.4 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.

11. SEPARATE LIABILITY OF SHIPPER

The execution of a Service Agreement by Shipper shall result in Shipper undertaking obligations of a separate nature, and shall not be deemed to cause a joint, or joint and several, obligation vis a vis any one or more other Shippers.

12. 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.

13. INDEMNIFICATION

- 13.1** 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 13 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.

13.2 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.

14. 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.

15. 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.

16. EXPANSIONS AND REDUCTIONS IN SERVICE

16.1 Shipper receiving service pursuant to Rate Schedule T-1, Firm Service may reduce its Maximum Daily Receipt Quantity:

- (a) If no other Shipper receiving service pursuant to Rate Schedule T-1, Firm Service takes up its reduction, provided that:
 - (i) Shipper receiving service pursuant to Rate Schedule T-1, Firm Service gives written notice of the proposed changes to Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service;
 - (ii) Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service affected by such change consent in writing to the proposed changes;
 - (iii) Company and affected Shippers receiving service pursuant to Rate Schedule T-1, Firm Service execute new Service Agreements, or amended

Appendices A and B to existing Service Agreements, with such new agreement or amendment having an effective date as of the effective date of such changes which set forth new or altered Maximum Daily Receipt Quantities and Delivery Points.

- (b) If another Shipper receiving service pursuant to Rate Schedule T-1, Firm Service takes up its reduction, provided that:
- (i) Shipper receiving service pursuant to Rate Schedule T-1, Firm Service gives written notice of the proposed changes to Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service; and
 - (ii) Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service affected by such change consent in writing to the proposed changes; and
 - (iii) If the consents provided for in subsection 16.1(b)(ii) above are not received by Company within 10 days of the receipt or deemed receipt by the affected Shippers receiving service pursuant to Rate Schedule T-1, Firm Service of the notice provided for in subsection 16.1(b)(i) above, then Company may modify the Service Agreements, or amend Appendices A and B to the existing Service Agreements with its Shippers receiving service pursuant to Rate Schedule T-1, Firm Service, and such changes shall have an effective date as of the date of such changes which set forth new or altered Maximum Daily Receipt Quantities and Delivery Points.

16.2 Where it is proposed that a new Shipper, pursuant to Rate Schedule T-1, Firm Service, be added or an increase in the Maximum Daily Receipt Quantity is proposed by one or more of the existing Shippers, receiving service pursuant to Rate Schedule T-1, Firm Service, the prospective new Shipper receiving service pursuant to Rate Schedule T-1, Firm Service, or the current Shippers receiving service pursuant to Rate Schedule T-1, Firm Service proposing such increase:

- (a) Shall give written notice of any such proposals to Company and may give a copy to all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service;
- (b) Company and all other Shippers receiving service pursuant to Rate Schedule T-1, Firm Service affected by such change may consent in writing to the proposed changes;
- (c) If the consents provided for in subsection 16.2(b) above are not received by Company within 10 days of the receipt or deemed receipt by the affected Shippers receiving service pursuant to Rate Schedule T-1, Firm Service of the notice provided for in subsection 16.2(a) above, Company shall modify the Service Agreements, or amend Appendices A and B to the existing Service Agreements with its Shippers receiving service pursuant to Rate Schedule T-1, Firm Service, and such changes shall have an effective date as of the date of such changes which set forth new or altered Maximum Daily Receipt Quantities and Delivery Points.

17. AUTHORIZED PERSONS

Shipper may, by notice to Company, authorize any 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 Person so authorized in connection with the receipt, delivery, measurement or testing of gas received or delivered by Company under Shipper's Service Agreement.

18. MISCELLANEOUS PROVISIONS

18.1 Effect of Headings

The headings used throughout the 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.

18.2 Words in Singular or Plural

In the interpretation of the Service Agreement and this 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.

18.3 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 delivery 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 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 e-mail, and any notice so given shall be deemed to have been received as of the date and time of the telephone notice.

18.4 Effective Date

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

**SERVICE AGREEMENT
FIRM SERVICE FS NO.
FOR TRANSPORTATION OF GAS**

This AGREEMENT made _____, 20__

BETWEEN:

FOOTHILLS PIPE LINES 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
FIRM SERVICE

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
FIRM SERVICE**ARTICLE 1**Scope of Agreement

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

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 Shipper's 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, and that the performance of Company's obligations to other Shippers under their Service Agreements will not be adversely affected thereby, Company may elect to receive from Shipper said excess quantity or part thereof, and so notify Shipper.

ARTICLE 2Rate Schedule and Rates

2.1 This Service Agreement, Firm Service is subject to the provisions of Rate Schedule T-1, Firm Service and Rate Schedule OT-1, Overrun Service and the General Terms and Conditions of this Gas Transportation Tariff, as they may be amended or superseded from time to time, which Rate Schedules and General Terms and Conditions of this Gas Transportation Tariff 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, Firm Service in accordance with such Rate Schedules as are filed with the National Energy Board as the same may hereafter be amended or superseded pursuant to the National Energy Board Act.

ARTICLE 3**Term of Agreement**

3.1 The term of this Service Agreement shall be as set forth in Appendix A.

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 shall be at the Receipt Point of such gas, as identified in Appendix A attached to this Service Agreement, Firm Service, as the same may be in effect from time to time.

4.2 Should measuring equipment not be provided at either the Receipt Point or the Delivery Point, Shipper shall be responsible for measuring the gas volume and quality as specified in the General Terms and Conditions of this Gas Transportation Tariff subject to approval by Company.

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

4.4 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, Firm Service.

4.5 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, Firm Service.

ARTICLE 5

Title and Custody

5.1 Although Company does not acquire title of the gas transported under this Service Agreement, Firm Service 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 Points until it is delivered to Shipper at the Delivery Points.

ARTICLE 6

Address of Parties

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

SHIPPER: _____

COMPANY: Manager, Western Markets and Interconnects
Foothills Pipe Lines Ltd.
450 First Street S.W.
Calgary, Alberta
T2P 5H1

ARTICLE 7

Miscellaneous Provisions

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

ARTICLE 8

Agreements Being Superseded

8.1 This agreement supersedes as of _____, 20__ 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

9.1 Shipper and Company may at any time and from time to time amend Appendices A and B to Shipper's Service Agreement, Firm Service by executing new Appendices A and B to Shipper's Service Agreement, Firm Service which shall be given effect as of the effective date and shall thereupon be deemed to be incorporated in Shipper's Service Agreement, Firm Service.

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 LTD.

Per:

Per:

Per:

Per:

APPENDIX A TO SERVICE AGREEMENT, FIRM SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

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

SHIPPER - _____

SHIPPER'S IDENTIFICATION NO.: _____

1. TERM: The term of service under the Service Agreement hereto shall begin on _____, 20__ and shall terminate on _____, 20__.

2. RECEIPT POINTS:

LOCATION	MAXIMUM DAILY RECEIPT QUANTITY 10 ⁶ m ³	MAXIMUM PRESSURE kPa (gauge)	MAXIMUM TEMPERATURE (°C)	APPLICABLE COMPANY ZONES
Forward Haul _____				
Backhaul _____				

* Total Maximum Daily Receipt Quantity from all Receipt Points for Forward Haul and Backhaul Service shall not exceed _____ 10⁶m³.

** Notwithstanding the additional secondary receipt Points at _____ and _____, Shipper's monthly charges pursuant to Rate Schedule T-1, Firm Service shall be calculated as if _____ were the sole Receipt Point.

This Appendix A is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix A dated as of _____, 20__.

Effective date of this Appendix A is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per: _____

Per: _____

Per:

Per:

APPENDIX B TO SERVICE AGREEMENT, FIRM SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

IDENTIFICATION OF DELIVERY POINTS
AND DELIVERY PRESSURES

SHIPPER - _____

SHIPPER'S IDENTIFICATION NO.: ____

1. DELIVERY POINTS

LOCATION	DISTANCE FROM RECEIPT POINT LOCATION (km)	MAXIMUM DELIVERY PRESSURE kPa (gauge)
Forward Haul		
Backhaul		

* Notwithstanding the additional secondary Delivery Point at _____, Shipper's monthly charges pursuant to Rate Schedule T-1, Firm Service shall be calculated as if _____ was the sole Delivery Point.

This Appendix B is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix B dated as of _____, 20__.

Effective Date of this Appendix B is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per: _____

Per: _____

Per: _____

APPENDIX C

FOOTHILLS PIPE LINES LTD.
PRO FORMA
GAS TRANSPORTATION TARIFF

FOOTHILLS PIPE LINES 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.

**SERVICE AGREEMENT
SMALL GENERAL SERVICE
FOR TRANSPORTATION OF GAS**

This AGREEMENT made _____, 20__

BETWEEN:

FOOTHILLS PIPE LINES 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
SMALL GENERAL SERVICE

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
SMALL GENERAL SERVICE**ARTICLE 1**Scope of Agreement

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

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 Shipper's 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, and that the performance of Company's obligations to other Shippers under their Service Agreements will not be adversely affected thereby, Company may elect to receive from Shipper said excess quantity or part thereof, and so notify Shipper.

ARTICLE 2Rate Schedule and Rates

2.1 This Service Agreement, Small General Service is subject to the provisions of Rate Schedule SGS-1, Small General Service and the General Terms and Conditions of this Gas Transportation Tariff as they may be amended or superseded from time to time, which Rate Schedule and General Terms and Conditions of this Gas Transportation Tariff 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, Small General Service in accordance with Rate Schedule SGS-1, Small General Service as filed with the National Energy Board as may hereafter be amended or superseded pursuant to the National Energy Board Act.

ARTICLE 3**Term of Agreement**

3.1 This Service Agreement, Small General Service shall become effective on the date of execution and shall continue in effect until _____, 20__ and thereafter as agreed between Shipper and Company subject to at least six months notice of termination by either party.

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 shall be at the Receipt Point of such gas, as identified in Appendix A attached to this Service Agreement, Small General Service, as the same may be in effect from time to time.

4.2 Should measuring equipment not be provided by Company at either the Receipt Point or the Delivery Point, Shipper shall be responsible for measurement in accordance with Company's obligation under the General Terms and Conditions of this Gas Transportation Tariff and Company shall, in such circumstances, have the same rights as Shipper as under section 3 of the General Terms and Conditions of this Gas Transportation Tariff.

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

4.4 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, Small General Service.

4.5 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, Small General Service.

ARTICLE 5

Title and Custody

5.1 Although Company does not acquire title of the gas transported under this Service Agreement, Small General Service 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 Points until it is delivered to Shipper at the Delivery Points.

ARTICLE 6

Address of Parties

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

SHIPPER: _____

COMPANY: Manager, Western Markets and Interconnects
Foothills Pipe Lines Ltd.
450 First Street S.W.
Calgary, Alberta
T2P 5H1

ARTICLE 7

Miscellaneous Provisions

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

ARTICLE 8

Agreements Being Superseded

8.1 This agreement supersedes as of _____, 20____, 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

9.1 Shipper and Company may at any time and from time to time amend Appendices A and B to Shipper's Service Agreement, Small General Service by executing new Appendices A and B to Shipper's Service Agreement, Small General Service 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 Shipper's Service Agreement, Small General Service.

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 LTD.

Per:

Per:

Per:

Per:

APPENDIX A TO SERVICE AGREEMENT, SMALL GENERAL SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

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

COMPANY - Foothills Pipe Lines Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

RECEIPT POINT LOCATION	MAXIMUM DAILY RECEIPT QUANTITY 10 ⁶ m ³	MAXIMUM PRESSURE kPa (gauge)	MAXIMUM TEMPERATURE (°C)	APPLICABLE COMPANY ZONES
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This Appendix A is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix A dated as of _____, 20__.

Effective date of this Appendix A is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per:

Per:

Per:

APPENDIX B TO SERVICE AGREEMENT, SMALL GENERAL SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

IDENTIFICATION OF DELIVERY POINTS
AND DELIVERY PRESSURES

COMPANY - FOOTHILLS PIPE LINES LTD.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

DELIVERY POINT LOCATION	DISTANCE IN KM FROM RECEIPT POINT LOCATION	MAXIMUM DELIVERY PRESSURE kPa (gauge)

This Appendix B is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix B dated as of _____, 20__.

Effective Date of this Appendix B is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per: _____

Per:

Per:

APPENDIX C

FOOTHILLS PIPE LINES LTD.
PRO FORMA
GAS TRANSPORTATION TARIFF

FOOTHILLS PIPE LINES 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.

SERVICE AGREEMENT
INTERRUPTIBLE SERVICE

This AGREEMENT made _____, 20__

BETWEEN:

FOOTHILLS PIPE LINES 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
INTERRUPTIBLE SERVICE

WHEREAS, pursuant to National Energy Board Order No. TG-10-87, as amended from time to time, the Board has authorized Company to establish interruptible service on Zone 9 of its system, under the terms and conditions contained in that order;

WHEREAS, Shipper wishes to obtain interruptible service relating to the transportation of gas through Zone 9 of 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
INTERRUPTIBLE SERVICE**

ARTICLE 1

Scope of Agreement

1.1 Company agrees to receive gas from Shipper, on an interruptible and best efforts basis only, at each Receipt Point herein specified in the quantities from time to time nominated by Shipper up to the quantity of gas equal to Daily Receipt Quantity and to transport and deliver to Shipper at each Delivery Point herein specified the volume of gas received from Shipper, and Shipper agrees to accept from Company, the gas delivered, subject to the terms and conditions of this Service Agreement, Interruptible Service.

1.2 Company, under no circumstances, shall be required to accept for transportation hereunder from Shipper at the Receipt Point in any one day a volume of gas in excess of Shipper's Daily Receipt Quantity.

1.3 Shipper acknowledges that interruptible service is available in Zone 9 only under this Service Agreement, Interruptible Service.

ARTICLE 2

Rate Schedule and Rates

2.1 This Service Agreement, Interruptible Service is subject to the provisions of Rate Schedule IT, Interruptible Service, and the General Terms and Conditions of this Gas Transportation Tariff with the exception of sections 5.6, 8.6, 8.7 and 16, as they may be amended or superseded from time to time, which Rate Schedule IT, Interruptible Service, and General Terms and Conditions of this Gas Transportation Tariff are by this reference incorporated herein and made a part hereof.

2.2 Shipper shall pay Company for all interruptible service during the term of this Service Agreement, Interruptible Service, in accordance with Rate Schedule IT, Interruptible Service as filed with the National Energy Board and as such Rate Schedule may hereafter be amended or superseded pursuant to the National Energy Board Act.

ARTICLE 3**Term of Agreement**

3.1 The term of this Service Agreement, Interruptible Service shall be as set forth in Appendix A.

3.2 Notwithstanding subsection 3.1 herein, if at any time during the term of this Service Agreement, Interruptible Service Shipper has not requested service for a period of 90 consecutive days, Company may, in its sole discretion, terminate this Service Agreement, Interruptible Service by giving written notice thereof to Shipper. Such termination shall be effective upon the date of such written notice.

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

4.1 All receipts of gas from Shipper shall be at the Receipt Points of such gas, as identified in Appendix A attached to this Service Agreement, Interruptible Service, as the same may be in effect from time to time.

4.2 Should measuring equipment not be provided at either the Receipt Points or the Delivery Points, subject to approval by Company, Shipper shall be responsible for measuring the gas volume and quality in the manner specified in the General Terms and Conditions.

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

4.4 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 the pressure specified for such Receipt Point in Appendix A attached to this Service Agreement, Interruptible Service.

4.5 The delivery pressure of the gas delivered by Company to Shipper shall be 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, Interruptible Service.

ARTICLE 5

Title and Custody

5.1 Although Company does not acquire title to the gas transported under this Service Agreement, Interruptible Service, 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 Points until it is delivered to Shipper at the Delivery Points.

ARTICLE 6

Address of Parties

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

SHIPPER: _____

COMPANY: Manager, Western Markets and Interconnects
Foothills Pipe Lines Ltd.
450 First Street S.W.
Calgary, Alberta
T2P 5H1

ARTICLE 7

Miscellaneous Provisions

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

ARTICLE 8

Agreements Being Superseded

8.1 This agreement supersedes as of _____, 20____, the following agreements between parties hereto for the transportation of gas, interruptible service by Company for Shipper:

(Not Applicable)

ARTICLE 9

Amendment of Appendices A and B

9.1 Shipper and Company may at any time and from time to time amend Appendices A and B to Shipper's Service Agreement, Interruptible Service, by executing new Appendices A and B to Shipper's Service Agreement, Interruptible Service.

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 LTD.

Per:

Per:

Per:

Per:

APPENDIX A TO SERVICE AGREEMENT, INTERRUPTIBLE SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

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

COMPANY - Foothills Pipe Lines Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

1. TERM: This Service Agreement, Interruptible Service shall become effective on the date of execution and shall continue in effect until _____, 20__, unless at that time Shipper is a party to a Service Agreement, Firm Service with Company, in which event this Service Agreement, Interruptible Service shall continue in effect and shall terminate at the same time as Shipper's Service Agreement, Firm Service is terminated.

2. RECEIPT POINTS:

LOCATION	MAXIMUM DAILY RECEIPT QUANTITY (10 ⁶ m ³)	MAXIMUM PRESSURE kPa (gauge)	MAXIMUM TEMPERATURE (°C)	APPLICABLE COMPANY ZONES
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This Appendix A is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix A dated as of _____, 20__.

Effective date of this Appendix A is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per: _____

Per: _____

Per: _____

APPENDIX B TO SERVICE AGREEMENT, INTERRUPTIBLE SERVICE
FOR GAS TRANSPORTATION DATED _____, 20__

IDENTIFICATION OF DELIVERY POINTS
AND DELIVERY PRESSURES

COMPANY - Foothills Pipe Lines Ltd.

SHIPPER - _____

SHIPPER'S ADDRESS - _____

SHIPPER'S IDENTIFICATION NO.: ____

1. DELIVERY POINTS:

LOCATION	DISTANCE IN KM FROM RECEIPT POINT LOCATION	MAXIMUM DELIVERY PRESSURE kPa (gauge)

This Appendix B is made and entered into as of _____, 20__. On the effective date it shall supersede Appendix B dated as of _____, 20__.

Effective Date of this Appendix B is _____, 20__.

FOOTHILLS PIPE LINES LTD.

Per:

Per: _____

Per: _____

Per: _____
