ENBRIDGE
Life Takes Energy

ISSUE NO.: **2022-02**
DATE ISSUED: **November 4, 2022**
DATE REVISED: **November 9, 2022**

WESTCOAST ENERGY INC. ("Westcoast")
TOLL AND TARIFF TASK FORCE ("TTTF")

ISSUE RESOLUTION SHEET

ISSUE: Westcoast 2022 to 2026 Transmission Toll Settlement

ISSUE STATEMENT:

Westcoast and certain parties that participated in settlement negotiations (the "Stakeholders") have reached a settlement agreement regarding the determination of Westcoast's tolls for transmission service in T-North and T-South for the years 2022 through 2026 (the "Settlement").

BACKGROUND:

At the September 16, 2021 TTTF meeting, Westcoast presented information regarding the upcoming settlement negotiations including an overview of the process, the anticipated timeline as well as meeting format and expectations of participants. Also at that meeting, Westcoast invited any party having an interest in the Westcoast system's toll and tariff matters to participate in the settlement negotiations.

Following the September TTTF meeting, a settlement negotiation group was established, comprised of all parties who requested to be included in the settlement process. A series of meetings was held to facilitate discussions and information sharing. The Stakeholders represent, directly or indirectly, a wide base of Westcoast's shippers, gas producers and end-use markets.

A settlement in principle was reached on August 11, 2022. Westcoast documented the settlement in an agreement based on the final term sheet. The agreement was subsequently revised and finalized based on further Stakeholder input.

As part of the Settlement, stakeholders and Westcoast have agreed that Westcoast will apply to the Canada Energy Regulator ("CER") for approval of final tolls for 2022 that are equal to the 2022 interim tolls as approved by CER Order TGI-004-2022. The difference between the revenue collected (excluding discretionary revenue) in 2022 pursuant to the final tolls and the revenue requirement (less a credit for discretionary revenue of $4 million in T-North and $2 million in T-South) for 2022 set out in the Settlement will be reflected in 2023 tolls.

DISCUSSION:

A copy of the Settlement is included as Appendix A.

Westcoast intends to file an application with the Canada Energy Regulator ("CER") for approval of the Settlement and approval of final tolls for 2022 that are equal to the interim tolls approved by CER Toll Order TGI-004-2021 for the period January 1, 2022 to December 31, 2022 following the TTTF vote on this resolution. The attached Settlement will be filed in support of the application.

DRAFT RESOLUTION:

The TTTF supports the Settlement as set out in Appendix A.

VOTE RESULTS:

The vote at the November 9, 2022 TTTF meeting on IRS 2022-02 resulted in an unopposed resolution.

Appendix A
IRS 2022-02 Westcoast 2022-2026 Transmission Toll Settlement - November 4, 2022
Settlement Agreement

WESTCOAST ENERGY INC.

2022 to 2026 TRANSMISSION TOLL SETTLEMENT

WESTCOAST ENERGY INC.

2022 to 2026 TRANSMISSION TOLL SETTLEMENT

ARTICLE 1
INTRODUCTION

1.1 Negotiated Settlement

Westcoast Energy Inc. (“Westcoast”) and the parties listed in Appendix A (collectively the “Stakeholders”) have reached this Settlement Agreement (the “Agreement”) regarding the determination of Westcoast’s tolls for transmission service in T-North and T-South for the 2022 to 2026 calendar years (the “Settlement Term”).

This Agreement is the result of negotiations between Westcoast and the Stakeholders and is entered into on the understanding that no single component of this Agreement is to be construed as representing the position of Westcoast or any of the Stakeholders on the appropriate tolls that would be obtained in the absence of this Agreement. Westcoast and the Stakeholders intend that this Agreement be viewed as a whole, and that no aspect of this Agreement should be considered as acceptable to Westcoast or any of the Stakeholders in isolation from all other aspects of this Agreement.

1.2 Objectives

Westcoast and the Stakeholders intend that this Agreement be interpreted and applied in good faith in a manner consistent with the spirit of the following objectives:

(a) to enhance the viability and competitiveness of the British Columbia natural gas basin by aligning more closely the interests of Westcoast and its shippers through a framework that encourages operating and capital efficiencies;

(b) to provide Westcoast’s shippers with toll certainty and stability;

(c) to provide the lowest cost tolls possible while maintaining or improving pipeline service, efficiency, reliability, flexibility and utilization and without compromising safety or the environment;

(d) to maintain the financial integrity of Westcoast; and

(e) to reduce the resources used by Westcoast, its shippers and the Canada Energy Regulator (the "CER") in the traditional regulatory process.

1.3 Disclosure by Westcoast

Westcoast confirms that it has in the revenue requirement and toll information provided to the Stakeholders, in its responses to information requests from the Stakeholders with respect to such revenue requirement and toll information, and in its settlement proposals, negotiations and discussions with the Stakeholders, provided full and fair disclosure of all relevant financial and accounting information that will or Westcoast reasonably expects may have an impact on Westcoast's revenue requirement in T-North and T-South for the Settlement Term. The parties recognize that financial and accounting information provided up to the date of this Agreement is based on good faith estimates and forecasts consistent with Westcoast's rate making practices. Westcoast will continue to provide such full and fair disclosure for the remainder of the Settlement Term. The Stakeholders have relied and will rely in good faith on Westcoast's full and fair disclosure of all such financial and accounting information. Any Stakeholder who subsequently believes that Westcoast has not made such full and fair disclosure of all relevant financial or accounting information, that Westcoast knew or reasonably ought to have known about at the time disclosure should have been made, and such lack of disclosure related to a matter that has a total impact of more than $1 million per year on Westcoast's revenue requirement in T-North and T-South combined in the Settlement Term, may raise the matter with the CER and seek appropriate relief, which may include adjustments to the tolls or components of this Agreement.

1.4 Meaning of "Flow-Through"

Westcoast and the Stakeholders agree that the term "flow-through" as used in this Agreement with respect to certain components of Westcoast's revenue requirement means that the cost adjustments, positive or negative, including all associated tax impacts, to the revenue requirement with respect to such components, will be to the account of shippers. The revenue requirement impact of any difference between the forecast and actual cost of those components of the revenue requirement to be treated on a flow-through basis will be recorded in a deferral account for amortization in the following year unless otherwise specified in this Agreement.

1.5 2027 Information

Westcoast agrees to provide to the Stakeholders by November 30, 2026 an information package with respect to Westcoast's forecast revenue requirement and tolls in T-North and T-South for 2027 in a form similar to the revenue requirement and toll information contained in the revenue requirement and toll information package provided by Westcoast to the Stakeholders on November 17, 2021.

ARTICLE 2
REVENUE REQUIREMENT

2.1 2022 to 2026 Revenue Requirement

Westcoast's tolls in T-North and T-South will be based on a forecast revenue requirement of $779.842 million (including motor fuel and carbon taxes of $42.746 million) in 2022, $806.596 million (including motor fuel and carbon taxes of $53.288 million) in 2023, $833.861 million (including motor fuel and carbon taxes of $57.077 million) in 2024, $864.132 million (including motor fuel and carbon taxes of $60.866 million) in 2025, and $869.376 million (including motor fuel and carbon taxes of $64.655 million) in 2026, in each case as set out in Appendix B, based on the following and subject to the provisions of this Agreement:

(a) Fixed Operating and Maintenance ("O&M") Expenses

Fixed O&M expenses will consist of all O&M expenses in T-North and T-South other than (i) pipeline integrity O&M expenses and (ii) O&M expenses related to Westcoast's operation and maintenance of third-party meter stations.

(b) Pipeline Integrity O&M Expenses

Pipeline integrity O&M expenses will be treated on a flow-through basis. For the purposes of this Agreement, pipeline integrity O&M expenses are those non-capitalized costs with respect to pipeline integrity programs which include, without limitation, programs related to stress corrosion cracking, geotechnical and hydrotechnical hazards, corrosion and pipeline re-coating necessary to address existing, new or unanticipated pipeline integrity issues.

The Stakeholders continue to expect that the CER will exercise its diligent oversight to ensure that Westcoast's integrity plans, programs and costs are prudent and appropriate. Accountability for pipeline integrity remains with Westcoast.

(c) Third Party Meter Station Maintenance O&M Expenses and Revenue Credit

O&M expenses, and the associated revenue credit, related to Westcoast's operation and maintenance of third-party meter stations will be treated on a flow-through basis.

(d) Shelley Incident Insurance Recoveries

The balance in the Shelley Incident Insurance Recoveries deferral account will be amortized equally over each year of the Settlement Term.

Westcoast agrees not to seek recovery of any additional costs arising from any liability in connection with the October 9, 2018 rupture of the NPS 36 pipeline between compressor stations 4A and 4B on the T-South system near Shelley, British Columbia. Any such costs will be excluded from the revenue requirement.

(e) CER Cost Recovery Expense

The CER cost recovery expense will be treated on a flow-through basis.

(f) Depreciation

For each year of the Settlement Term, Westcoast's depreciation expense will be determined based on the depreciation rates set out in Appendix C. For 2023, 2024, 2025, and 2026, the forecast of depreciation expense will be adjusted to reflect the adjustments to the rate base for that year as contemplated by this Agreement. In the event the actual rate of return on common equity attained by Westcoast is, in any year of the Settlement Term, in excess of 10.4%, the depreciation expense will be adjusted upwards for such year to reflect the amount in excess of 10.4%.

Westcoast will provide the Stakeholders with an updated depreciation study before June 30, 2026.

(g) Amortization

Amortization expense includes forecast toll settlement expenses and the amortization of CS N5 Unit Cost Amortization Account, offset by the amortization of contributions in aid of construction. Westcoast's actual toll settlement expenses will consist of all reasonable actual third-party costs and disbursements incurred by Westcoast in connection with the negotiation, settlement and obtaining CER approval of this Agreement and in connection with the depreciation study referred to in Section 2.1(f) above. Westcoast's amortization expense in each year of the Settlement Term will be adjusted to reflect any difference between the forecast and actual toll settlement expenses.

(h) Property Taxes

Property taxes will be treated on a flow-through basis. Westcoast will continue to work with governmental authorities in British Columbia in an effort to reduce property taxes.

(i) Motor Fuel Taxes

Motor fuel taxes will be treated on a flow-through basis and charged and recovered by Westcoast in accordance with the existing methodology. Westcoast will continue to work with governmental authorities in British Columbia in an effort to reduce motor fuel taxes.

(j) Carbon Taxes

Carbon taxes will be treated on a flow-through basis and recovered by Westcoast in accordance with the same methodology used by Westcoast to charge and recover motor fuel tax subject to the following with respect to associated rebates and credits.

Any incentive payments received by Westcoast resulting from participation in the CleanBC Industrial Incentive Program ("CIIP Incentive Payments") for each year of the Settlement Term will be shared between Westcoast and shippers according to the fuel efficiency and emissions incentive mechanism ("FEEIM") set out in Appendix D. The FEEIM will expire December 31, 2026. For greater clarity, since CIIP Incentive Payments are received the year following the operating year in which carbon taxes are incurred, any CIPP Incentive Payments received in 2022 in relation to 2021 carbon taxes will be 100 percent to the account of shippers and any CIIP Incentive Payments received in 2027 in relation to 2026 carbon taxes will be shared according to the FEEIM.

In the event any new legislation, amendments to existing legislation or changes to the CleanBC Industrial Incentive Program affect the application of the FEEIM set out herein, a TTTF subcommittee will be convened to consider whether any changes to the mechanism are required. Any changes to the FEEIM proposed by the TTTF subcommittee must be consistent with the purpose of the FEEIM set out in Appendix D and agreed to by Westcoast and the Stakeholders. In the event Westcoast and the Stakeholders are unable to reach agreement on an amended FEEIM, the provisions of section 9.4 regarding dispute resolution will apply.

(k) Income Tax Expense and Other Taxes

Westcoast's income tax expense incurred in respect of T-North and T-South will be calculated on a flow-through basis. For each year of the Settlement Term, the forecast tax expense amounts will be adjusted as required by the terms of this Agreement.

Any changes in Westcoast's tax expense incurred in respect of T-North and T-South for each of the Settlement Term tax years resulting from changes to federal or provincial tax regimes including, without limitation:

(i) the introduction of new taxes, including taxes related to greenhouse gases and other air emissions, or the elimination of existing taxes;

(ii) changes in income tax rates, corporate capital tax rates or sales tax rates;

(iii) changes in legislation, regulations, rules, policies, procedures or case law affecting the application or interpretation of tax law, including changes in rules, policies or procedures of the Canada Revenue Agency; or

(iv) reassessments, regardless of whether they are initiated by the competent governmental authority or by Westcoast;

will be treated on a flow-through basis, with the revenue requirement impact of such change being recorded in a deferral account for amortization in the following year, provided that if any such change occurs after the Settlement Term, the revenue requirement impact of such change will flow through to the account of shippers in the toll year in which such change occurs.

Westcoast will not draw down its booked deferred income taxes in any year of the Settlement Term.

(l) Gas Substitution Costs

Gas substitution costs, which consist of system gas management costs and swing gas costs, will be treated on a flow-through basis.

Prior to the expiration of the current system gas management agreement on December 31, 2022, and any subsequent agreements which expire during the Settlement Term, Westcoast will consult with the Toll and Tariff Task Force ("TTTF") regarding the next agreement.

(m) Return on Rate Base

For each year of the Settlement Term, the deemed capital structure will be as follows (subject to any adjustment to the funded and unfunded debt ratios as a result of any expansion facility expenditures in T-North and T-South):

	2022	**2023**	**2024**	**2024**	**2026**
Common Equity	40.00%	40.00%	40.00%	40.00%	40.00%
Funded Debt	55.96%	53.48%	56.95%	54.72%	53.20%
Unfunded Debt	4.04%	6.52%	3.05%	5.28%	6.80%
	100.00 %	100.00 %	100.00 %	100.00%	100.00%

The rate of return on rate base, including the calculation of the funded debt rate and the unfunded debt rate, will be calculated in accordance with the existing CER-approved methodology.

The rate of return on common equity for each year of the Settlement Term will be 10.1%. Westcoast and the Stakeholders reserve the right to participate in any generic or pipeline specific cost of capital proceeding that is initiated by the CER or others that may affect or be relevant to the determination of Westcoast's cost of capital after the Settlement Term. For greater certainty, Westcoast and the Stakeholders agree that they will not pursue or support any changeto the 10.1% rate of return on common equity or the 40% common equity component of the deemed capital structure that would take effect during the Settlement Term.

The cost rate for new long term debt issues included in the unfunded debt component of the T-North and T-South capital structure in 2023 to 2026 will be deemed to be equal to what the cost rate would be on the date on which the new long term debt is assumed to be issued for a new long term debt issue based on Westcoast's debt rating. The revenue requirement impact associated with any change in the unfunded debt rates in 2023 to 2026 as a result of any difference between the forecast and actual timing, principal amount or deemed long term rates of the assumed new long term debt issues will be recorded in the Debt Rate deferral account for amortization in the following year. The 2023 to 2026 funded debt rates and the 2023 to 2026 revenue requirements will be updated to reflect the actual deemed long term rates for the assumed new long term debt issues.

(n) Waste Heat Project Credit

The Waste Heat Project Credit will be treated on a flow-through basis. The T-South revenue requirement will be credited with the shippers' share of any amounts received by Westcoast from Capital Power Corporation ("Capital Power") or any assignee or successor in each year of the Settlement Term in respect of Capital Power's waste heat electrical generation projects installed at Compressor Stations 6A and 7 on the T-South system, such share being one half, pre-tax, of the "Energy Recovery Fee", all of the "Contract Operating Fee", site lease rent and the monetized value of any "Direct GHG Benefits", all as outlined in TTTF IRS 2006-01 dated March 16, 2006 and TTTF IRS 2006-01-1 dated June 16, 2006.

(o) Pipeline Abandonment Funding

Pipeline abandonment funding will be treated on a flow-through basis. For purposes of this Agreement, pipeline abandonment funding refers to the amount Westcoast is required to collect from shippers and set aside to fund the future cost to abandon its pipeline facilities in T-North and T-South. The amount that Westcoast will be required to collect and set aside in each year of the Settlement Term will be determined in accordance with CER (or National Energy Board) decisions, orders or directions.

All reasonable third party costs and disbursements incurred by Westcoast in connection with its participation in proceedings related to pipeline abandonment funding, including the current and any future CER proceedings or reviews relating to abandonment cost estimates or the pipeline abandonment funding collection and set-aside mechanism, and in maintaining its pipeline abandonment funding collection and set-aside mechanism, will also be treated on a flow-through basis.

Westcoast and the Stakeholders will not in any way be restricted in the positions they may take in the current CER Five Year Review of Abandonment Cost Estimates (ACE) and Set-Aside and Collection Mechanisms (SAM-COM) or other related proceedings.

(p) Contract Demand Credits

Effective the first day of the month following CER approval of this Agreement, contract demand credits will no longer be provided, as reflected in the amendments to the Westcoast Energy Inc. General Terms and Conditions – Service set out in Appendix E.

(q) Insured Losses Within the Insurance Deductible

The cost of any insured losses that are below the amount of Westcoast's deductibles in place as of the date of this Agreement will be treated on a flow-through basis.

ARTICLE 3
RATE BASE

3.1 Rate Base and Maintenance Capital

The forecast average rate base for each year of the Settlement Term is set out in Appendix F. These amounts include the following forecast maintenance capital expenditures transferred to rate base (including in the case of each year, forecast general plant additions, AFUDC and ODC and excluding forecast capital expenditures for pipeline integrity):

($000)	**2022**	**2023**	**2024**	**2025**	**2026**
Forecast Maintenance Capital Expenditures	106,009	99,509	82,605	79,553	79,624

The revenue requirement in each year of the Settlement Term will not be adjusted for any difference between the forecast and actual maintenance capital expenditures.

3.2 Pipeline Integrity Capital

Pipeline integrity capital costs will be treated on a flow-through basis. For purposes of this Agreement, pipeline integrity capital expenditures are those capital expenditures with respect to pipeline integrity programs which include, without limitation, programs related to stress corrosion cracking, geotechnical and hydrotechnical hazards, corrosion and pipeline re-coating necessary to address existing, new or unanticipated pipeline integrity issues.

The forecast average rate base and revenue requirement includes forecast pipeline integrity capital expenditures transferred to Gas Plant In-Service, including AFUDC and ODC.

3.3 Silverstar Expansion Project

Capital expenditures associated with the Silverstar Expansion Project, a T-North expansion project approved by CER Orders XG-024-2020 and TG-012-2020, will be treated on a flow-through basis. The forecast average rate base and revenue requirement includes project forecast capital expenditures transferred to Gas Plant In-Service, including AFUDC.

3.4 Spruce Ridge Program

Capital expenditures associated with the Spruce Ridge Program, a T-North expansion project approved by National Energy Board Orders XG-W102-032-2018, XG-W102-033-2018 and TG-009-2018, will be treated on a flow-through basis. The forecast average rate base and revenue requirement includes program forecast capital expenditures transferred to Gas Plant In-Service, including AFUDC.

3.5 T-South Reliability and Expansion Program

Capital expenditures associated with the T-South Reliability and Expansion Program, approved by CER Orders XG-021-2019, XG-022-2019, XG-023-2019 and XG-024-2019, will be treated on a flow-through basis. The forecast average rate base and revenue requirement includes program forecast capital expenditures transferred to Gas Plant In-Service, including AFUDC.

3.6 Other Expansion Facilities

The forecast revenue requirement for each year of the Settlement Term does not include any capital expenditures or O&M or other expenses by Westcoast on account of any other facilities ("Other Expansion Facilities") designed to increase the physical and contractible capacity of the Pipeline System in T-North or T-South.

Any capital expenditures or O&M or other expenses incurred by Westcoast in each year of the Settlement Term on account of any Other Expansion Facilities approved by the CER will be treated on a flow-through basis.

3.7 Other Expansion Facilities Approvals

This Agreement does not bind any party to supporting the approval or rolling-in of the costs of Other Expansion Facilities.

3.8 Pipeline Class Location Upgrades

Pipeline class location upgrade capital expenditures will be treated on a flow-through basis. For purposes of this Agreement, pipeline class location upgrade capital expenditures are those capital expenditures incurred by Westcoast in connection with the pipeline class location upgrade program in compliance with the requirements of the Canadian Energy Regulator Onshore Pipeline Regulations under the *Canadian Energy Regulator Act*. The Stakeholders are concerned by the magnitude, frequency and uncertainty of costs associated with the program, and the resulting impact on transmission tolls. Although the Stakeholders understand and accept that Westcoast cannot control land use adjacent to its right of way, Westcoast will diligently consult with governmental authorities in British Columbia, industry associations, commercial parties and landowners in a proactive effort to reduce the costs of the program after a thorough consideration of cost-effective long-term alternatives.

The forecast average rate base and revenue requirement includes forecast pipeline class location upgrade capital expenditures transferred to Gas Plant In-Service, including AFUDC and ODC.

3.9 Compressor Upgrades/Replacements

The forecast revenue requirement for each year of the Settlement Term does not include any capital expenditures or O&M or other expenses incurred by Westcoast on account of any compressor upgrades or replacements in T-North or T-South, except for forecast capital expenditures associated with the T-South Reliability and Expansion Program, as set out in Section 3.5.

Any capital expenditures or O&M or other expenses incurred by Westcoast in any year of the Settlement Term on account of any other CER approved compressor upgrades or replacements in T-North or T-South will be treated on a flow-through basis.

3.10 Update of Rate Base and Revenue Requirement

The forecast average rate base and revenue requirement for 2023, 2024, 2025 and 2026 will be updated to reflect (i) actual capital expenditures for all flow-through capital cost items in 2022, 2023, 2024, and 2025, respectively, (ii) the previous year's year-end deferral account balances, (iii) an updated forecast of the capital expenditures for all flow-through capital cost items in each year of the Settlement Term, and (iv) any other adjustments to the forecast required as a result of this Agreement. The average rate base for 2027 will be updated to reflect the actual capital expenditures incurred from 2022 to 2026.

3.11 AFUDC Rate

For 2022, the AFUDC rate will be 6.30%. The AFUDC rate for 2023 to 2026 will be the rate of return on rate base for each respective year.

3.12 Material Asset Divestitures

The revenue requirement impact associated with any T-North or T-South asset divestitures by Westcoast in any year of the Settlement Term that have the effect of decreasing net plant in service by an aggregate amount of $5 million or more in any such year will be treated on a flow-through basis. The revenue requirement in each year of the Settlement Term will not be adjusted for any asset divestitures that have the effect of decreasing net plant in service by an aggregate amount of less than $5 million. Westcoast confirms that as of the date of this Agreement, it has no plans for any material T-North or T-South asset divestitures.

ARTICLE 4
DEFERRAL ACCOUNTS

4.1 Deferral Accounts

Westcoast will maintain for accounting and toll making purposes the cost of service and revenue deferral accounts set out in Sections 4.2 and 4.3. Deferral accounts for specific expansion projects or programs, including the deferral accounts related to the Spruce Ridge Program, the Silverstar Expansion Project, and the T-South Reliability and Expansion Program, will be closed within a reasonable time after the facilities are placed into service. It is the intent of the parties that the year-end balance of each deferral account will, together with interest thereon, flow through to the account of shippers (and thus be reflected in the calculation of the revenue requirement and the final tolls) for each year of the Settlement Term, in accordance with the existing methodology, provided that the Stakeholders will not be precluded from reviewing and making submissions to the CER concerning the reasonableness of the year-end balance of any of the deferral accounts set out in Sections 4.2 and 4.3.

Interest on the deferral balances will be calculated monthly based on Westcoast’s rate of return on rate base.

4.2 Cost of Service Deferral Accounts

The following cost of service deferral accounts will record the difference between forecast and actual expenses with respect to flow-through components of the revenue requirement as set out in Articles 2 and 3:

(a) Pipeline Integrity

(b) Shelley Incident Insurance Recoveries

(c) CER Cost Recovery

(d) Property Taxes

(e) Income Tax Expense and Other Taxes

(f) System Gas Management Costs

(g) Swing Gas Costs

(h) Debt Rate

(i) Miscellaneous Operating Expense/Revenue

(j) Pipeline Abandonment Funding

(k) Abandonment Funding Proceedings

(l) Silverstar Expansion Project

(m) Spruce Ridge Program

(n) T-South Reliability and Expansion Program

(o) Other Expansion Facilities

(p) Pipeline Class Location Upgrade Program

(q) Compressor Upgrade/Replacement

(r) Material Asset Divestitures

(s) Insured Losses Within the Insurance Deductible

Additional cost of service deferral accounts will be as follows:

(t) Material Changes in Costs: This deferral account will record any changes in costs resulting from:

(i) changes in legislation, regulations or ordinances or the issuance of orders or directives that result in changes to safety, health or environmental requirements (including those relating to greenhouse gases and other air emissions), practices or procedures for Westcoast, to the extent that the aggregate costs exceed $100,000 in any year;

(ii) changes in applicable accounting standards of the Canadian Institute of Chartered Accountants (the "CICA"), if approved by the CER for Westcoast's accounting and toll making purposes; or

(iii) orders or directives issued by a regulatory authority having jurisdiction, including the CER, to the extent that the aggregate costs exceed $100,000 in any year.

(u) Shipper Requested Programs: This deferral account will record the revenue requirement impact (and any incremental revenue) associated with programs implemented or to be implemented by Westcoast that are voted on by the TTTF (including by Westcoast) and for which the vote result is unanimous or unopposed.

(v) SRED Consulting: This deferral account will record any amount payable by Westcoast to the tax consultant retained by Westcoast to pursue Scientific Research and Experimental Development tax credits. Any tax credits themselves will be recorded in the Income Tax Expense and Other Taxes deferral account in Section 4.2(e).

(w) Capital Cost Review Consulting: This deferral account will record the revenue requirement impact associated with any difference between the forecast and actual costs paid to the tax consultant retained by Westcoast to pursue Capital Cost Review tax credits. Any tax credits themselves will be recorded in the Income Tax Expense and Other Taxes deferral account in Section 4.2(e).

4.3 Revenue Deferral Accounts

The revenue deferral accounts will be as follows:

(a) Contract Demand: This deferral account will record the impact on fixed cost collection resulting from differences between the forecast and actual contract demand allocation units that are used to fix the term differentiated firm service tolls, separately for each of T-North and T-South, as set out in Section 5.4.

(b) Discretionary Revenue: This deferral account will record such portion of the variance between the forecast and actual revenue from Interruptible Service (“IT”), Authorized Overrun Service (“AOS”), Short Term Firm Service (“STF”) and any other discretionary service credited in calculating the demand tolls (collectively “Discretionary Revenue”) in each year of the Settlement Term that is to the account of shippers, separately for each of T-North and T-South, as set out in Article 5. The balance of the 2020 and 2021 Discretionary Revenue deferral account will be amortized over the Settlement Term.

(c) 2022 Fixed Toll Adjustment: This deferral account will record the difference between the revenue collected (excluding Discretionary Revenue) in 2022 pursuant to the final tolls and the revenue requirement (less the credit for Discretionary Revenue) for 2022 set out in Appendix B.

ARTICLE 5
TOLLS

5.1 Toll Design

Westcoast’s tolls in T-North and T-South will be calculated in accordance with the toll design approved by the National Energy Board or the CER for T-North and T-South, including the changes approved by the National Energy Board in its RHW-1-2005 Reasons for Decision. Westcoast or any Stakeholder may make any toll design proposals for consideration by the TTTF or make toll design applications to the CER for changes in the toll design to become effective during the term of this Agreement.

Westcoast will not offer STF in T-North or T-South during the term of this Agreement unless such proposals are discussed and voted on by the TTTF (including by Westcoast) and for which the vote result is unanimous or unopposed. Westcoast will, subject to the availability of capacity, offer STF in T-North or T-South during the term of this Agreement if such proposals are discussed and voted on by the TTTF (including by Westcoast) and for which the vote result is unanimous or unopposed. Westcoast or any of the Stakeholders may apply to the CER for Westcoast to offer short term firm service for which the TTTF vote result is not unanimous or unopposed, and Westcoast or any of the Stakeholders may oppose or support such applications to the CER.

For each year of the Settlement Term, all revenue collected by Westcoast from IT, AOS and STF in T-North below $4 million will be for the account of shippers in T-North. All revenue collected by Westcoast from IT, AOS and STF in T-North above $4 million will be shared 50% to the account of Westcoast and 50% to the account of the shippers in T-North.

For each year of the Settlement Term, all revenue collected by Westcoast from IT, AOS and STF in T-South below $2 million will be for the account of shippers in T-South. All revenue collected by Westcoast from IT, AOS and STF in T-South above $2 million will be shared 50% to the account of Westcoast and 50% to the account of the shippers in T-South.

IT on T-South will be biddable with the minimum floor price equal to the applicable AOS toll at the time. The Tariff amendments necessary for the implementation of biddable IT on T-South will have effect until December 31, 2026. Westcoast will implement appropriate administrative safeguards to ensure separation between personnel involved in managing biddable IT and personnel involved in any affiliated unregulated business that may bid on such IT. The current AOS pricing and mechanism will be maintained on T-South and the current IT and AOS pricing and mechanism will be maintained on T-North.

5.2 2022 Tolls

As part of the application to the CER for approval of this Agreement, Westcoast will apply to the CER for approval of final tolls for 2022 that are equal to the interim tolls approved by CER Order TGI-004-2021 dated December 17, 2021. The difference between the revenue collected (excluding Discretionary Revenue) in 2022 pursuant to the final tolls and the revenue requirement (less a credit for Discretionary Revenue of $4 million in T-North and $2 million in T-South) for 2022 set out in Appendix B will be recorded, separately for T-North and T-South, in the 2022 Fixed Toll Adjustment deferral account for amortization in 2023.

5.3 2023 to 2026 Tolls

Westcoast will by December 1 of each year of the Settlement Term apply to the CER for approval of interim tolls for T-North and T-South for the following year, based on a forecast of the tolls for the year that is the subject of the application, having regard for the adjustments, including the changes in allocation units and the forecast Discretionary Revenue, contemplated by this Agreement. Such application will include sufficient supporting schedules and explanatory information necessary to establish that the tolls have been determined in accordance with this Agreement. Westcoast will consult with and provide the Stakeholders with the opportunity to review and comment on each year's toll filing with the intention that Westcoast and the Stakeholders will agree on the filing. The final form of each year's toll filing will be at Westcoast's discretion, but any Stakeholder may make submissions to the CER regarding appropriate amendments. In preparing such application Westcoast will also consult with the Stakeholders to determine whether the forecast of flow-through items should be updated to reflect current information at that time.

The tolls for 2023 to 2026 for T-North and T-South will include a credit for forecast Discretionary Revenue, which is to the account of shippers, for each year. Any difference between the forecast and actual Discretionary Revenue in each year for T-North and T-South that is to the account of shippers will be recorded in the Discretionary Revenue deferral account for amortization in the following year.

For each year from 2023 to 2026 Westcoast will as soon as reasonably practical after Westcoast's actual results for the previous year are available apply to the CER for final tolls for that year and will make any necessary amendments to the respective toll application to reflect the actual results for the previous year. Westcoast will consult with and provide the Stakeholders with the opportunity to review and comment on the amendments with the intention that Westcoast and the Stakeholders will agree on the amendments.

5.4 Allocation Units

The Contract Demand allocation units used to calculate the tolls for 2023, 2024, 2025 and 2026 will be forecast by Westcoast at the time it applies to the CER for approval of each year's tolls. Westcoast will review each year's forecast of Contract Demand allocation units with the Stakeholders with the intention that Westcoast and the Stakeholders will agree on the forecast. Any variance in Contract Demand revenue in 2023, 2024, 2025, and 2026 arising from any difference between the forecast and actual Contract Demand allocation units in T-North and T-South that are used to fix the term differentiated firm service tolls for each year will be recorded in the Contract Demand deferral account for amortization in the following year.

ARTICLE 6
NEW SERVICES AND PRODUCTS

6.1 New Services and Products

New services and products, if any, proposed by Westcoast or any of the Stakeholders in any year of the Settlement Term and the treatment of the associated costs and revenues will be considered by the TTTF prior to implementation. Westcoast will implement those new services and products that are voted on by the TTTF (including by Westcoast) and for which the vote result is unanimous or unopposed. Westcoast or any of the Stakeholders may apply to the CER for approval to implement those new services and products for which the TTTF vote result is not unanimous or unopposed, and Westcoast or any of the Stakeholders may oppose such applications to the CER.

ARTICLE 7
OTHER INITIATIVES

7.1 Capacity Benchmarking

Westcoast will report to the TTTF in a timely fashion any positive or negative changes in the contractible capacity of any pipeline segment in T-North and T-South of more than 20 MMcf/d on a cumulative basis compared to the contractible capacity of that segment as of the date of this Agreement or where a report of a positive or negative change has been made pursuant to this section in relation to the pipeline segment, compared to the contractible capacity of that segment as of the date of that report. Westcoast will also post any such cumulative change on its bulletin board as a critical notice together with a brief explanation for the change.

7.2 Estimated Yearly Heat Content Values

Westcoast will maintain the 2022 Estimated Yearly Heat Content Values as a floor over the Settlement Term unless the actual heat content drops below the average heat content that was utilized by Westcoast to set the 2022 Estimated Yearly Heat Content Values.

7.3 Emission Reduction Requirements Plan

If during the Settlement Term, the federal or provincial government imposes or announces an intention to impose mandatory emission reduction requirements or other compliance obligations associated with air emissions (including an emission cap and tradeable permit system) on Westcoast, then Westcoast will, within six months of such imposition or announcement, provide to the TTTF a detailed emission reduction or compliance obligation plan (which plan will include consideration of a compressor upgrade/replacement program) covering a minimum period of five years describing how Westcoast intends to comply with such mandatory emission reduction requirements or compliance obligations. If Westcoast decides to proceed to implement such plan commencing during the Settlement Term, then Westcoast will make the necessary applications to the CER (including, if necessary, an application for a deferral account to record any costs incurred by Westcoast during the Settlement Term) and the Stakeholders will not in any way be restricted in the positions they may take with respect to Westcoast's application.

ARTICLE 8
REPORTING

8.1 Surveillance Reports

Westcoast will file quarterly and year end surveillance reports with the CER with respect to T-North and T-South in accordance with the CER's requirements for Group 1 pipeline companies, supplemented with the following year-end information for each of T-North and T-South:

(a) revenue requirement/cost of service summary; and

(b) average rate base summary.

8.2 Monthly TTTF Reports

Westcoast will provide monthly reports to the TTTF with the following information for each of T-North and T-South:

(a) discretionary revenue; and

(b) changes between forecast and actual allocation units and deferral account balances.

8.3 Annual TTTF Reports

Westcoast will provide annual reports to the TTTF with the following information:

(a) income tax expense;

(b) status of tax assessments and any reassessments;

(c) UCC/capital cost allowance;

(d) long term debt;

(e) short term debt;

(f) capital expenditures including:

(i) forecast versus actual costs;

(ii) material changes in scope and cost of forecast projects;

(iii) summary of projects deferred and new projects added;

(iv) explanation of any cost overruns of greater than 10% from original forecast of projects transferred to gas plant in-service; and

(v) designation of each project as either a maintenance, integrity, compressor upgrade or expansion project;

(g) forecast and actual pipeline operations direct O&M costs and full time equivalents charged to cost of service;

(h) subject to any applicable disclosure rules, confidentiality obligations and commercial considerations, any planned and actual material asset divestitures; and

(i) reconciliation of any changes to the depreciation rate as per section 2.1(f).

8.4 Integrity Reporting

Westcoast will provide reports to the TTTF on pipeline integrity O&M expenses and capital expenditures in respect of each year during the term of this Agreement as follows:

(a) By the end of the fourth quarter of each year, Westcoast will report to the TTTF on planned integrity projects with a forecast cost of over $5 million (for this purpose, individual elements of an integrity project will be reasonably aggregated) for the upcoming five years, which report will include:

(i) the forecast O&M expenses and capital expenditures for each project;

(ii) the rationale for each project, including whether the project is being undertaken pursuant to a direction or order of the CER; and

(iii) any material changes to the goals, philosophy, frequency of inspections and requirements outlined in Westcoast's integrity management program.

(b) By the end of the second quarter of each year, Westcoast will report to the TTTF on the status of integrity projects with a cost over $5 million (for this purpose, individual elements of an integrity project will be reasonably aggregated) and associated O&M expenses and capital expenditures for the prior and current year, which report will include:

(i) the actual O&M expenses and capital expenditures for each project that has been completed;

(ii) an explanation of any material variance between the forecast and actual expenditures for each project;

(iii) a description of any project that was added, delayed, cancelled or was the subject of a material change in scope or forecast cost and the rationale therefor; and

(iv) a discussion of any learnings, successes, failures, relative changes to integrity risks, notable trends, and actual or proposed material changes to Westcoast's integrity management program.

8.5 Pipeline Class Location Upgrade Program Reporting

Westcoast will provide reports to the TTTF by the end of the third quarter in each year of the Settlement Term regarding the status of the pipeline class location upgrade program. The reports, sponsored by a Westcoast representative with responsibility for overall program strategy, will include:

(a) a current list of all class location changes identified;

(b) the status of each class location upgrade project completed and the scope, timing and status of each project to be completed within the following five years;

(c) the actual capital costs of each completed project and the estimated capital costs of each current and future project;

(d) the expected impacts on transmission tolls;

(e) the estimated duration and timeframe of any anticipated outages that may result from program work;

(f) a discussion of best practices and industry trends in managing pipeline class location upgrades; and

(g) a summary and explanation of the alternatives considered by Westcoast for each current and future project, which reflect the long-term nature of the program and proactively mitigate program costs.

In addition to the annual reporting, Westcoast will provide an update to the TTTF as soon as practical after identifying a new class location upgrade project or determining the need for a material change to a project previously reported to the TTTF. The updates will include the project scope, estimated capital cost, timing and alternatives considered.

8.6 Compressor Upgrade/Replacement Reporting

Westcoast will provide reports to the TTTF by the end of the third quarter of each year of the term of this Agreement regarding the status of Westcoast's compressor upgrade/replacement program for T-

North and T-South. This report will include a presentation to the TTTF outlining the status of work on the upgrade program.

8.7 Additional Reporting

Westcoast will also provide reports to the TTTF as described in its filing with the CER dated February 28, 2020 [Filing No. C04899], pursuant to the direction received in the GHW-002-2018 Reasons for Decision.

ARTICLE 9
GENERAL

9.1 CER Approval

This Agreement is subject to CER approval and Westcoast and the Stakeholders agree that this Agreement will terminate if it is not approved in its entirety by the CER. Westcoast and the Stakeholders also acknowledge that all matters respecting Westcoast's tolls, including the tolls under this Agreement and the ultimate adjudication of any disputes which arise out of this Agreement which cannot be resolved by Westcoast and the Stakeholders in accordance with the terms of this Agreement, will be determined by the CER.

9.2 Application to the CER

Westcoast will, as soon as practical, prepare an application to the CER to give effect to the terms and conditions of this Agreement. Each of the Stakeholders agrees to actively support or not oppose the application and the approval of this Agreement and the tolls determined under this Agreement by the CER.

9.3 Audit

If the TTTF votes to conduct an audit and the vote result is unanimous or unopposed (with Westcoast abstaining), then an independent compliance audit(s) by a qualified firm of nationally recognized chartered accountants will be conducted at any time up to the end of the second year following the determination of final tolls for each year under this Agreement. The external costs of the audit(s) will flow through to the account of shippers. Westcoast will provide the auditors selected to conduct the audit(s) with reasonable access to the source data necessary for the conduct of the audit(s), provided that the auditors will be required to execute and deliver to Westcoast a confidentiality agreement in a form satisfactory to Westcoast pursuant to which the auditors agree to maintain confidential any of the source data identified by Westcoast as confidential.

9.4 Dispute Resolution

In the event of any dispute under this Agreement, including a dispute respecting the determination of tolls and a dispute respecting the application of this Agreement, Westcoast and the Stakeholders will in good faith attempt to resolve the dispute. If a satisfactory resolution cannot be achieved within 30 days, Westcoast or any of the Stakeholders or any shipper may file an application with the CER requesting the CER to adjudicate the matter in dispute. Any such application must also contain a request that the CER deal with the matter in dispute on an expedited basis and may contain a request that tolls be made interim pending the CER's decision with respect to the matter.

9.5 Right to Initiate Review

The Stakeholders may initiate a review of this Agreement and the determination of Westcoast's tolls in T-North and T-South under this Agreement if as a result of a corporate reorganization, restructuring, financing, acquisition or sale involving Westcoast there is the potential for a material impact on Westcoast's costs or levels or quality of service in T-North and T-South during the term of this Agreement.

9.6 Further Assurances

Westcoast and each of the Stakeholders will do all such further acts and things as may be reasonably necessary to give full effect to the intent and meaning of this Agreement.

9.7 Compliance with CER Orders

Nothing in this Agreement is intended to preclude Westcoast from complying with any directives or orders of the CER applicable to Westcoast, including any matters currently before the CER.

9.8 Approval Process

Westcoast and the Stakeholders hereby agree that the foregoing establishes the basis on which Westcoast's tolls for transmission service in T-North and T-South will be determined for each year of the Settlement Term. The parties listed in Appendix A support this Agreement.

The parties listed in Appendix A agree that the Agreement will also be subject to a vote of the TTTF, the result of which will be included as part of the application for approval filed with the CER.

Dated as of November 3, 2022

Appendix A

The Stakeholders

Aitken Creek Gas Storage ULC

Canadian Association of Petroleum Producers

Canadian Natural Resources

Cascade Natural Gas Corporation

Dufour Energy Commodities

Export Users Group

FortisBC Energy Inc.

Macquarie Energy Canada Ltd.

Northwest Natural Gas Company

Ovintiv Canada ULC

Petronas Energy Canada Ltd.

Puget Sound Energy Inc.

Shell Canada Energy

Tenaska Marketing Canada

Tourmaline Oil Corp.

Appendix B

2022-2026 Forecast Revenue Requirement

	Total Pipeline				
($000) *Totals may not add due to rounding*	**2022 Test Year**	**2023 Test Year**	**2024 Test Year**	**2025 Test Year**	**2026 Test Year**
O&M - Integrity	81,897	77,870	73,992	84,502	75,948
O&M - Non-Integrity	110,800	111,800	112,800	113,800	115,800
CER Cost Recovery	5,087	5,087	5,087	5,087	5,087
Depreciation	179,681	183,695	191,502	197,764	201,526
Amortization	1,757	1,757	1,757	1,757	1,757
Taxes other than Income Taxes[1]	112,129	124,752	130,685	136,682	142,746
Gas Substitution Costs	1,080	1,080	1,080	1,080	1,080
Miscellaneous Operating Revenue[2]	(579)	(579)	(579)	(579)	(579)
Pipeline Abandonment Funding	8,492	8,492	8,492	8,492	8,492
Income Tax Expense	-	-	9,713	15,458	20,259
Return on Rate Base	271,984	282,494	289,184	289,941	287,111
Cost of Service	**772,328**	**796,448**	**823,713**	**853,984**	**859,228**
Deferrals	7,514	10,148	10,148	10,148	10,148
Revenue Requirement	**779,842**	**806,596**	**833,861**	**864,132**	**869,376**
Fixed Costs	737,097	753,308	776,784	803,266	804,721
Variable Costs[3]	42,746	53,288	57,077	60,866	64,655
Revenue Requirement	**779,842**	**806,596**	**833,861**	**864,132**	**869,376**

[1] Includes Motor Fuel Taxes (MFT), Carbon Taxes (CBT) and Property Taxes

[2] Includes Third Party Meter Station Maintenance Expenses and Revenue Credit and Waste Heat Project Credit

[3] Includes MFT and CBT. Forecast MFT and CBT assumes: i) constant fuel consumption (based on 2021 volume) ii) CBT is net of CIIP Incentive Payments and iii) MFT and CBT rates are based on legislation in place at the time of this Agreement. Variable costs are not included in the determination of tolls but are treated as separate charges invoiced directly to shippers.

Appendix C
2022-2026 Depreciation Rates

($000) (except rates)		2022 Test Year			2023 Test Year			2024 Test Year			2025 Test Year			2026 Test Year		
CER Account	Description	Avg. Base	Rate	Expense	Avg. Base	Rate	Expense	Avg. Base	Rate	Expense	Avg. Base	Rate	Expense	Avg. Base	Rate	Expense
460	Land Rights	7,827	0.00%	-	9,030	0.00%	-	9,059	0.00%	-	9,116	0.00%	-	9,173	0.00%	-
462	Compressor Structures	108,185	2.03%	2,196	116,865	2.03%	2,372	123,605	2.03%	2,509	124,898	2.03%	2,535	126,191	2.03%	2,562
463	Measuring Structures	2,520	4.63%	117	2,516	4.63%	117	2,534	4.63%	117	2,569	4.63%	119	2,604	3.20%	83
465	Mains	3,133,004	2.65%	83,025	3,271,776	2.65%	86,702	3,408,855	2.65%	90,335	3,561,944	2.65%	94,392	3,720,457	2.65%	98,592
466	Compressor Equipment	2,420,399	3.18%	76,969	2,377,400	3.18%	75,601	2,459,420	3.18%	78,210	2,521,071	3.18%	80,170	2,582,695	3.18%	82,130
467	Measuring Equipment	114,452	9.54%	10,917	120,629	9.54%	11,507	123,015	9.54%	11,734	124,523	9.54%	11,878	126,609	9.54%	12,077
Other	Miscellaneous Facilities	3,487	2.96%	103	7,761	2.96%	230	7,774	2.96%	230	7,800	2.96%	231	7,826	2.96%	232
	Total Pipeline	**5,789,875**	**2.99%**	**173,327**	**5,905,977**	**2.99%**	**176,529**	**6,134,261**	**2.99%**	**183,135**	**6,351,920**	**2.98%**	**189,325**	**6,575,556**	**2.98%**	**195,675**
		-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
482	Structures & Improvements	20,999	3.28%	690	22,066	3.15%	694	25,054	2.98%	746	25,363	2.97%	753	25,671	2.96%	760
483	Office Furniture & Equipment	20,404	19.72%	4,023	27,165	16.38%	4,449	31,256	12.70%	3,969	31,501	12.75%	4,017	31,746	7.65%	2,430
484	Transportation & Equipment	5,794	15.20%	881	6,966	15.23%	1,061	9,038	15.27%	1,380	9,102	15.27%	1,390	9,165	4.09%	375
485	Heavy Work Equipment	184	4.70%	9	184	4.70%	9	186	4.70%	9	188	4.70%	9	191	4.70%	9
486	Tools & Work Equipment	4,693	5.00%	235	4,696	5.00%	235	4,729	5.00%	236	4,794	5.00%	240	4,859	5.00%	243
488	Communication Equipment	4,109	11.77%	484	5,460	11.33%	619	18,531	10.39%	1,926	18,587	10.38%	1,930	18,644	10.37%	1,934
489	Other Equipment	1,620	2.06%	33	2,954	3.39%	100	2,965	3.38%	100	2,988	3.36%	100	3,010	3.33%	100
	Total General Plant	**57,803**	**10.99%**	**6,354**	**69,492**	**10.31%**	**7,167**	**91,759**	**9.12%**	**8,367**	**92,523**	**9.12%**	**8,439**	**93,286**	**6.27%**	**5,851**
		-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
	Total	**5,847,678**	**3.07%**	**179,681**	**5,975,469**	**3.07%**	**183,695**	**6,226,020**	**3.08%**	**191,502**	**6,444,443**	**3.07%**	**197,764**	**6,668,842**	**3.02%**	**201,526**

Appendix D
Fuel Efficiency and Emissions Incentive Mechanism

Purpose

In the case of fuel usage and the associated motor fuel and carbon taxes, Westcoast and the Stakeholders recognize that (a) maximizing capacity and throughput available to shippers (b) minimizing net costs to shippers and (c) reducing or avoiding adverse impacts to the environment may not always be simultaneously achievable. To encourage Westcoast to strike an appropriate balance between these potentially conflicting objectives in the operation of the Pipeline System, Westcoast and the Stakeholders have agreed to the FEEIM set out below. The FEEIM, in combination with the sharing of IT, AOS and STF set out in Section 5.1, is intended to encourage Westcoast to continue to optimize the capacity made available to shippers, considering the impact of increased fuel usage, and seek out opportunities to improve fuel efficiency thereby reducing fuel usage per unit of throughput (Fuel Intensity). In pursuing opportunities for improvements in fuel efficiency, Westcoast will not make operational changes which would adversely impact the amount and reliability of capacity available for Firm Service contracting.

Incentive Mechanism

Westcoast will be entitled to retain, for its own account, a portion of the CIIP Incentive Payment for each year of the Settlement Term. Any portion of CIIP Incentive Payment not retained by Westcoast in each year of the Settlement Term will be to the account of shippers.

The amount of the CIIP Incentive Payment which will be to the account of Westcoast for each year will be determined in accordance with the following formula:

CIIP Incentive Payment to the account of Westcoast	=	Incentive Eligible CIIP Amount	x	Percentage of months of the year Monthly Fuel Intensity is below the Benchmark Fuel Intensity	x	CIIP Incentive Ratio

where:

"Incentive Eligible CIIP Amount" is fifty percent of the lesser of (i) the portion of carbon tax corresponding to tax over $30/tonne for such year and (ii) the portion of carbon tax corresponding to $25/tonne for such year;

"Monthly Fuel Intensity" is the average amount of fuel consumed in pipeline operations for a month in MMcf/d;

"Benchmark Fuel Intensity" is the calculated average fuel consumption, in MMcf/d, associated with the average daily delivery volume, in MMcf/d, for the same month represented by the simple linear regression formula determined each year based on the monthly data from the previous two calendar years less a factor of 3%; and

"CIIP Incentive Ratio" is the Incentive Ratio used by the Government of British Columbia to determine the portion of the incremental carbon tax returned to a facility under the CIIP as defined in the CIIP General Application Guidance 2022 Program Year[1].

<u>Example calculation</u>

Carbon Tax Rate for the year	= $50/tonne
Emissions for the year	= .86 mm tCo2e
CIIP Incentive Ratio	= 0.80

Carbon Tax for the year	= $43 MM *[.86 mm tC02e x $50/tonne]*
Total CIIP Incentive Payment for the year	= $13.76 MM *[.86 mm tC02e x ($50/tonne-$30/tonne) x CIIP Incentive Ratio]*

Incentive Eligible CIIP Amount = $8.6 MM *[50% x .86 mm tCo2e x $20 [the lesser of (i) $50/tonne - $30/tonne and (ii) $25/tonne].*

Number of months in the year fuel consumed is below the Benchmark Fuel Intensity = 6 months

CIIP Incentive Payment to the account of Westcoast	$8.6 MM	X	$\frac{6}{12}$	x	0.80	= $3.44 MM

CIIP Incentive Payment to the account of shippers = $10.32 MM *[$13.76 MM – $3.44 MM]*

[1] https://www2.gov.bc.ca/assets/gov/environment/climate-change/ind/cleanbc-program-for-industry/guidance/2022__ciip_general_guidance.pdf

Appendix E
Tariff Amendments

INDEX

Article	Title	Pages	Effective Date
1	Definitions and Interpretation	1.1 to 1.14	Jun 01, 2022
2	Application, Term and Renewal of Services, Temporary Firm Service and Operation of the Pipeline System	2.1 to 2.2	Jun 01, 2022
3	Priorities, Curtailments and Conditions of Service	3.1 to 3.4	Jun 01, 2022
4	Shipper Notifications, Nominations, Authorization of Service and Deliveries of Gas for Service	4.1 to 4.5	Jun 01, 2022
5	Receipt Point Operators	5.1 to 5.2	Jun 01, 2022
6	Upstream Transmission Balancing, Swing Costs, Inventory Transfers and Station 2 Gas Accounts	6.1 to 6.10	Jun 01, 2022
7	Diversions, Huntingdon Delivery Area, and Delivery and Receipt Transfers	7.1 to 7.3	Jun 01, 2022
8	~~Contract Demand Credits~~Reserved for Future Use	8.1~~ to 8.2~~	~~Jun 01, 2022~~TBD
9	Capacity Allocation and Relocations	9.1 to 9.7	Jun 01, 2022
10	Statements, Payments, Audits and Security for Payment	10.1 to 10.3	Aug 01, 2020
11	Receipt and Delivery Pressure	11.1 to 11.2	Jun 01, 2022
12	Gas Quality	12.1 to 12.2	Jun 01, 2022
13	Measurement of Gas	13.1	Aug 01, 2020
14	Measuring and Sampling	14.1 to 14.3	Jun 01, 2022
15	Possession and Control of Gas	15.1 to 15.2	Oct 01, 2021
16	Liabilities and Indemnities	16.1	~~Oct 01, 2021~~TBD
17	Representations and Warranties	17.1	Aug 01, 2020
18	Force Majeure	18.1	~~Aug 01, 2020~~TBD
19	Notices	19.1 to 19.2	Aug 01, 2020
20	Miscellaneous	20.1	Aug 01, 2020
21	Winter Firm Service	21.1 to 21.3	Jun 01, 2022
22	Short Term Firm Service	22.1 to 22.3	Jun 01, 2022
23	Overproduction Charges	23.1 to 23.2	Jun 01, 2022

"**Contract Demand**" means:

a) in respect of Transportation Service – Northern Long Haul, Transportation Service – Northern Short Haul, Temporary Firm Service Long Haul, Temporary Firm Service Short Haul and Short Term Firm Service in T-North to be provided by Westcoast pursuant to a Firm Service Agreement, the maximum volume of residue gas specified in that Firm Service Agreement that Westcoast is obligated (i) to deliver on any day at a Delivery Point in T-North, or (ii) to transmit through T-North for the account of the Shipper on any day, without curtailment or interruption; and

b) in respect of Transportation Service - Southern and Short Term Firm Service in T-South to be provided by Westcoast pursuant to a Firm Service Agreement, the maximum volume of residue gas specified in that Firm Service Agreement that Westcoast is obligated to deliver on any day at a Delivery Point in T-South, without curtailment or interruption.

~~"**Contract Demand Credits**" means any credits provided to a Shipper by Westcoast pursuant to Article 8.~~

"**Corresponding Firm Transportation Service**" means Firm Transportation Service – Northern or Firm Transportation Service – Southern specified in a Firm Service Agreement in respect of which a Shipper is entitled to AOS in accordance with Section 2.06.

"**cubic meter**" or "**m^3**" means, when used in reference to gas, the volume of gas which occupies one cubic meter when such gas is at a temperature of 15°C and at an absolute pressure of 101.325 kilopascals and, when used in reference to Liquid Products, the amount of liquid which occupies one cubic meter when such liquid is at a temperature of 15°C and at an absolute pressure which is the higher of 101.325 kilopascals or the natural vapour pressure of the liquid.

"**Cumulative Supply Imbalance**" means in respect of each Shipper for each day, the net supply imbalance determined by Westcoast for each such Shipper for each such day by aggregating the supply imbalances recorded in each of the Upstream Balancing Accounts and the Supply Account, if any, maintained for each such Shipper in accordance with Sections 6.05 and 6.21, as reported by Westcoast to each such Shipper in accordance with Section 6.07.

"**Customer Interface Agreement**" means an agreement between a Shipper and Westcoast providing for electronic data communications between the Shipper and Westcoast.

"**Daily Demand Toll**" means for each month in respect of Firm Transportation Service – Northern, Firm Transportation Service – Southern, Temporary Firm Service and Short Term Firm Service, an amount equal to the average, weighted by the Contract Demand, of (i) the Daily Equivalent of the Demand Tolls for such Transportation Service and Temporary Firm Service and (ii) the Demand Tolls for Short Term Firm Service payable by a Shipper for such services provided between the same two points, respectively.

"**Daily Equivalent**" means in respect of a monthly Demand Toll, an amount determined by multiplying the monthly Demand Toll by 12 and by dividing the product so obtained by the number of days in the year.

"**day**" means a period of 24 consecutive hours beginning at 0900 hours Central Clock Time.

ARTICLE 8
~~CONTRACT DEMAND CREDITS – COMPRESSOR OUTAGES~~Reserved for Future Use

~~**8.01 FIRM SERVICE, T-NORTH**~~

~~Subject to Section 8.03, if and to the extent Westcoast is unable to provide a Shipper with any Firm Transportation Service – Northern, Temporary Firm Service or Short Term Firm Service in T-North held by the Shipper for any day in a month due to an outage of compressor facilities in T-North then the Shipper will be entitled to a credit determined for any such day in accordance with the following provisions:~~

~~a) if no notice respecting a restriction in service was in effect prior to the time specified in Section 4.11 for giving of nominations in the Intra-Day 1 Nomination Cycle for any such day, the Shipper will be entitled to a credit in respect of that day equal to the product obtained by multiplying the applicable Daily Demand Toll by the amount, if any, by which the sum of (i) the volume of residue gas nominated in good faith by the Shipper in the Timely and Evening Nomination Cycles, up to a volume equal to that determined by multiplying the Contract Demand by the applicable Transmission Reliability Percentage, and (ii) the additional volume of residue gas nominated in good faith by the Shipper in the Intra-Day 1 Nomination Cycle, up to a volume equal to that determined by multiplying the difference between the Contract Demand and the volume of residue gas so nominated in the prior Nomination Cycles by two-thirds and by the applicable Transmission Reliability Percentage, exceeds the actual volume of residue gas for which Westcoast authorized such service on that day; and~~

~~b) if Westcoast gave a notice that such service was restricted to a volume less than the Contract Demand and such notice was in effect at the time specified in Section 4.11 for the giving of nominations in the Intra-Day 1 Nomination Cycle for any such day, the Shipper will be entitled to a credit in respect of that day equal to the product obtained by multiplying the applicable Daily Demand Toll by the amount, if any, by which (i) the average of the daily volumes of such Firm Transportation Service – Northern, Temporary Firm Service and Short Term Firm Service authorized by Westcoast for the Shipper, up to a volume equal to that determined by multiplying the Contract Demand by the applicable Transmission Reliability Percentage, for the immediately preceding three days on which there was no such restriction on such service, exceeds (ii) the greater of the actual volume of residue gas for which Westcoast authorized such service on that day and the Contract Demand available for such service on such day as specified in the notice relating to the restriction given by Westcoast to all shippers in accordance with Section 19.05.~~

~~**8.02 FIRM SERVICE, T-SOUTH**~~

~~Subject to Section 8.03, if and to the extent Westcoast is unable to provide a Shipper with any Firm Transportation Service – Southern or Short Term Firm Service in T-South held by the Shipper for any day in a month due to an outage of compressor facilities in T-South then the Shipper will be entitled to a credit determined for any such day in accordance with the following provisions:~~

~~a) if no notice respecting a restriction in service was in effect at the applicable time specified in Section 4.11 for the giving of nominations in the Intra-Day 1 Nomination Cycle for any such day, the Shipper will be entitled to a credit in respect of that day equal to the product obtained by multiplying the applicable Daily Demand Toll by the amount, if any, by which the sum of (i) the volume of residue gas nominated in good faith by the Shipper in the Timely and Evening Nomination Cycles, up to a volume equal to that determined by multiplying the Contract Demand by the applicable Transmission Reliability Percentage, and (ii) the additional volume of residue gas nominated in good faith by the Shipper in the Intra-Day 1 Nomination Cycle, up to a volume equal to that determined by multiplying the difference between the Contract Demand and the volume of residue gas so nominated in the prior Nomination Cycles by two-thirds and by the applicable Transmission Reliability Percentage, exceeds the actual volume of residue gas for which Westcoast authorized such service on that day; and~~

~~b) if Westcoast gave a notice that such service was restricted to a volume less than the Contract Demand and such notice was in effect at the time specified in Section 4.11 for the giving of nominations in the Intra-Day 1 Nomination Cycle for any such day, the Shipper will be entitled to a credit in respect of that day equal to the product obtained by multiplying the applicable Daily Demand Toll by the amount, if any, by which (i) the average of the daily volumes of such Firm Transportation Service – Southern and Short Term Firm Service authorized by Westcoast for the Shipper, up to a volume equal to that determined by multiplying the Contract Demand by the applicable Transmission Reliability Percentage, for the immediately preceding three days on which there was no such restriction on such service, exceeds (ii) the greater of the actual volume of residue gas for which Westcoast authorized such service on that day and the Contract Demand available for such service on such day as specified in the notice relating to the restriction given by Westcoast to all shippers in accordance with Section 19.05.~~

~~8.03 EXCEPTIONS~~

~~A Shipper will not be entitled to any credits under Sections 8.01 or 8.02, if or to the extent that the inability of Westcoast to provide any Firm Service to the Shipper resulted from:~~

~~a) the failure of the Shipper to nominate the full Contract Demand available for such service as specified in the notice relating to the restriction given by Westcoast;~~

~~b) the failure of the Receiving Party to confirm that it will take delivery of the gas to be delivered by Westcoast to or for the account of the Shipper or to take delivery of the volume of gas authorized by Westcoast at the Delivery Point at the applicable pressure prescribed in these General Terms and Conditions;~~

~~c) the inability of Westcoast to confirm to its satisfaction pursuant to Section 3.06(g) that the Shipper, or the Receipt Point Operator on its behalf, will be capable of fulfilling its obligations under Sections 4.14 and 4.15 or the failure by the Shipper or the Receipt Point Operator on its behalf, to deliver gas to Westcoast at the Receipt Point in accordance with these General Terms and Conditions;~~

~~d) the inability of Westcoast to authorize or provide service in any other Zone of the Pipeline System by reason of an event or circumstance occurring in that other Zone; or~~

~~e) an outage of compressor facilities required to accommodate Pipeline System expansion work or compressor upgrades or other reliability-related work undertaken by Westcoast.~~

ARTICLE 16
LIABILITIES AND INDEMNITIES

16.01 PROPERTY AND EQUIPMENT

Each party assumes full responsibility and liability for the maintenance and operation of its respective properties and equipment and shall indemnify and save harmless the other party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property and equipment of the indemnifying party, or in connection with the presence of gas which is or is deemed to be in the possession and control of the indemnifying party.

16.02 IMPORT BACKHAUL SERVICE

A Shipper which has entered into an Interruptible Service Agreement providing for Import Backhaul Service shall indemnify and hold Westcoast harmless from and against all actions, proceedings, claims, demands, costs and expenses, including all legal costs and expenses, incurred by Westcoast which arise from or are attributable directly or indirectly to the delivery of gas to the Shipper under the Interruptible Service Agreement providing for Import Backhaul Service.

16.03 CURTAILMENT OF SERVICES

~~If~~ Westcoast ~~is~~ shall have no liability to Shipper and no obligation to indemnify and save harmless Shipper, and Shipper shall not be entitled to any relief from its obligation to make monthly payments to Westcoast under a Service Agreement or any of its other obligations under a Service Agreement, if Westcoast is required for any reason to curtail or interrupt service or otherwise fails to provide service~~, a Shipper's sole and exclusive remedy against Westcoast will be the recovery of Contract Demand Credits pursuant to and in accordance with Article 8~~.

16.04 DAMAGES

In no event will either Westcoast or a Shipper be liable to the other for any indirect, special or consequential loss, damage, cost or expense whatsoever including, without limitation, any loss of profits or revenues, the cost of capital, any loss or damage arising out of a failure to purchase, sell or deliver gas, the cancellation of permits or certificates, and the termination of contracts, whether based on breach of contract, negligence or other tort liability, strict liability or otherwise.

ARTICLE 18
FORCE MAJEURE

18.01 DEFINITION

As used in these General Terms and Conditions, the term "*force majeure*" means any event or occurrence not within the control of the party claiming *force majeure* and which by the exercise of due diligence such party is unable to prevent or overcome, including, without limiting the generality of the foregoing, any act of God, strikes, lockouts, or other industrial disturbances, acts of the Queen's enemies, sabotage, vandalism, terrorism, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, tornados, storms, fires, washouts, arrests, 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, cratering, inability to obtain materials or equipment, inability to obtain or interruption or curtailment of the provision of, a supply of electricity, water fuel or other utilities or services, or of any materials machinery or equipment, inability to obtain, or revocation or adverse amendment of any permits, orders, licenses, certificates or other authorizations, order, directive or restraint issued or imposed by any governmental authority, regulatory body or court having jurisdiction.

18.02 FAILURE TO PERFORM

If either party fails to perform any obligation imposed pursuant to a Service Agreement and such failure is 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 obligation. Provided, however, that the settlement of strikes or lockouts shall be entirely within the discretion of each party and that the foregoing requirement that any *force majeure* shall be remedied with the exercise of due diligence shall not require settlement of strikes or lockouts by acceding to the demands of opposing persons when such course is inadvisable in the discretion of the appropriate party.

18.03 OBLIGATIONS

Notwithstanding Section 18.02, *force majeure* shall not:

a) relieve Shipper from its obligation to make monthly payments to Westcoast under a Service Agreement~~ or relieve Westcoast from its obligation to provide Contract Demand Credits in accordance with Article 8 of these General Terms and Conditions~~; or

b) relieve any party from any other obligation unless such party shall give notice or 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 performed its obligations.

Appendix F

2022-2026 Forecast Average Rate Base

	Total Pipeline				
($000)	2022 Test Year	2023 Test Year	2024 Test Year	2025 Test Year	2026 Test Year
Gas Plant in Service	5,856,839	5,986,595	6,236,613	6,455,314	6,679,842
Accumulated Depreciation	(1,592,113)	(1,568,645)	(1,741,033)	(1,935,640)	(2,135,858)
Net Plant In-Service	**4,264,726**	**4,417,951**	**4,495,580**	**4,519,673**	**4,543,984**
Contributions in Aid of Construction	(10,985)	(10,265)	(9,544)	(8,824)	(8,104)
Plant Investment	**4,253,741**	**4,407,686**	**4,486,036**	**4,510,849**	**4,535,880**
Deferred Assets and Cost Recoveries	44,725	42,308	39,890	37,473	35,055
Materials & Supplies	20,822	20,822	20,822	20,822	20,822
Line Pack Gas	4,617	4,617	4,617	4,617	4,617
Prepaid Expenses	(34,240)	(33,391)	(32,473)	(31,485)	(30,530)
Deferrals	17,026	14,517	10,369	6,222	2,074
Deferred Income Taxes	(10,926)	(10,926)	(10,926)	(10,926)	(10,926)
Average Rate Base (before CWC)	**4,295,766**	**4,445,633**	**4,518,336**	**4,537,572**	**4,556,992**
Cash Working Capital	12,083	12,083	12,083	12,083	12,083
Average Rate Base	**4,307,849**	**4,457,717**	**4,530,419**	**4,549,655**	**4,569,076**