

**PRECEDENT AGREEMENT  
FOR FIRM NATURAL GAS TRANSPORTATION  
SERVICE COMMENCING DECEMBER 1, 2015**

THIS PRECEDENT AGREEMENT FOR FIRM NATURAL GAS TRANSPORTATION SERVICE ("**Precedent Agreement**") is made effective as of the \_\_\_ day of \_\_\_\_\_, 201\_\_\_, by and between:

**ALLIANCE PIPELINE LIMITED PARTNERSHIP**, an Alberta limited partnership

("**Transporter**")

- and -

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

("**Shipper**")

**RECITALS:**

**WHEREAS** Transporter owns and operates an interprovincial pipeline that transports natural gas and extends from northeast British Columbia to the Canada-United States border near Elmore, Saskatchewan;

**WHEREAS** Transporter proposes to offer natural gas firm transportation services commencing December 1, 2015 (the "**New Services**") that differ in tolls and terms and conditions from the existing transportation services offered by Transporter;

**WHEREAS** Shipper, by the commitments it gives in this Precedent Agreement, indicates its intention and agreement to contract for one or more of the New Services;

**WHEREAS** Transporter intends to apply for all necessary regulatory approvals and authorizations of the New Services when, in Transporter's sole discretion, it has attained sufficient commercial support and commitment, and the commitments given by Shipper in this Precedent Agreement and by other shippers in precedent agreements with Transporter will be used as evidence of such support in Transporter's regulatory applications;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements herein, the receipt and sufficiency as valuable consideration of which is acknowledged and agreed to by each of Transporter and Shipper, Transporter and Shipper agree as follows:

## 1. Effective Date and Term

This Precedent Agreement is effective as of the date first stated above and shall remain in effect until the earlier of: (a) the execution of a firm transportation service agreement (“**TA**”) for each of the New Services selected by Shipper herein; or (b) the date specified in accordance with either Transporter’s or Shipper’s exercise of its termination rights pursuant to this Precedent Agreement. Unless otherwise provided, where Shipper and Transporter execute a TA as referred to herein on or prior to December 1, 2015, the TA shall terminate on October 31 of the year in which the TA is stated to terminate.

## 2. New Services

The New Services include the following natural gas firm transportation services:

- a. Firm Receipt Service, Zone 1 (“**FRS Zone 1**”), which consists of firm transportation service from Transporter’s receipt points downstream of Transporter’s Blueberry compressor station discharge to the Alliance Trading Pool. The minimum term for an FRS Zone 1 transportation service agreement is thirty-five (35) months. Notwithstanding its obligation to pay demand charges as a subscriber to this service, in order for a shipper to utilize its FRS Zone 1 transportation it must comply with the balancing requirements of the Alliance Trading Pool (see Section 7.k. herein);
- b. Firm Receipt Service, Zone 2 (“**FRS Zone 2**”), which consists of firm transportation service from Transporter’s receipt points upstream of Transporter’s Blueberry compressor station discharge to the Alliance Trading Pool. The minimum term for an FRS Zone 2 transportation service agreement is thirty-five (35) months. Notwithstanding its obligation to pay demand charges as a subscriber to this service, in order for a shipper to utilize its FRS Zone 2 transportation it must comply with the balancing requirements of the Alliance Trading Pool (see Section 7.k. herein);
- c. Firm Delivery Service (“**FDS**”), which consists of firm transportation service from the Alliance Trading Pool to Transporter’s delivery point at the Canada-USA border. The minimum term for an FDS transportation service agreement is eleven (11) months. Notwithstanding its obligation to pay demand charges as a subscriber to this service, in order for a shipper to utilize its FDS transportation it must arrange for its supply (including fuel requirement) from, and comply with the balancing requirements of, the Alliance Trading Pool (see Section 7.k. herein), AND either individually or in combination:
  - i) hold a transportation service agreement(s) for transportation service from Transporter’s delivery point at the Canada-USA border to a

- delivery point on Transporter's affiliate's (Alliance Pipeline L.P.) pipeline ("**FT-1 Service**"); or
- ii) have a confirmed receipt nomination from another shipper(s) with FT-1 Service;
- for volume matching the shipper's FDS volume (less the associated FT-1 fuel requirement);
- d. Firm Delivery Service with an Index-Based Rate ("**FDS-IBR**"), which consists of firm transportation service from the Alliance Trading Pool to Transporters' delivery point at the Canada-USA border. The minimum term for an FDS-IBR transportation service agreement is thirty-five (35) months. Notwithstanding its obligations to pay demand charges as a subscriber to this service, in order for an FDS-IBR shipper to utilize its transportation it must arrange for its supply (including fuel requirement) from, and comply with the balancing requirements of, the Alliance Trading Pool (see Section 7.k. herein) AND it (or its affiliate) must hold a transportation service agreement for FT-1 Service with an index-based rate ("**FT-1-IBR**") for volume matching the shipper's FDS-IBR volume (less the associated FT-1 fuel requirement);
- e. Full-Path Service, Zone 1 ("**FPS Zone 1**"), which consists of firm transportation service from Transporter's receipt points downstream of Transporter's Blueberry compressor station discharge to Transporter's delivery point at the Canada-USA border. The minimum term for an FPS Zone 1 transportation service agreement is thirty-five (35) months. Notwithstanding its obligation to pay demand charges as a subscriber to this service, in order for a shipper to utilize its FPS Zone 1 transportation it (or its affiliate) must hold a transportation service agreement for FT-1 Service for volume matching the shipper's Full-Path Service volume; and
- f. Full-Path Service, Zone 2 ("**FPS Zone 2**") which consists of firm transportation service from Transporter's receipt points upstream of Transporter's Blueberry compressor station discharge to Transporter's delivery point at the Canada-USA border. The minimum term for an FPS Zone 2 transportation service agreement is thirty-five (35) months. Notwithstanding its obligation to pay demand charges as a subscriber to this service, in order for a shipper to utilize its FPS Zone 2 transportation it (or its affiliate) must hold a transportation service agreement for FT-1 Service for volume(s) matching the shipper's Full-Path Service volume.

By executing and delivering to Transporter this Precedent Agreement, Shipper submits a binding offer to Transporter to contract for the New Services selected in Appendix A to this Precedent Agreement. Shipper's offer cannot be amended or withdrawn other than pursuant to Shipper's termination rights specified in Article 5, or pursuant to the amending provisions in Article 6 hereto.

By executing and delivering to Shipper this Precedent Agreement, Transporter accepts Shipper's binding offer to contract for the New Services selected in Appendix A to this Precedent Agreement. Transporter's acceptance cannot be

amended or revoked other than pursuant to Transporter's termination rights specified in Article 5, or pursuant to the amending provisions in Article 6 hereto.

3. Transporter's Obligations

- a. On or before June 1, 2014, Transporter shall apply to the National Energy Board ("**NEB**") for approval of Transporter's transportation tariff that codifies the tolls and terms and conditions of the New Services.
- b. Subject to Section 5 below and the receipt of the regulatory approval referred to in 3.a., Transporter shall tender to Shipper on or before October 31, 2015, a TA for each of the New Services selected by Shipper in Appendix A to this Precedent Agreement.

4. Shipper's Obligations

- a. Shipper shall execute, within thirty (30) days of tender by Transporter, a TA for each of the New Services selected by Shipper in Appendix A to this Precedent Agreement. The terms of each such TA will reflect Shipper's New Services terms specified in this Precedent Agreement including Appendix A hereto, and such other terms and conditions as are codified in Transporter's transportation tariff approved by the NEB for the New Services.
- b. (i) Shipper or its Guarantor shall possess and maintain such credit as is required by Transporter to satisfy Shipper's financial and contractual obligations under this Precedent Agreement and under every TA executed pursuant to this Precedent Agreement. Transporter shall determine, using financial data supplied by Shipper, whether Shipper or its Guarantor possesses sufficient credit. If Shipper or its Guarantor has a long-term, senior unsecured, non-credit enhanced and non-implied debt rating assigned by any one of the following applicable credit rating agencies: (a) DBRS rating of at least BBB; (b) Moody's rating of at least Baa3; or (c) S&P rating of at least BBB-, Shipper will be considered as possessing the required credit.
  1. "DBRS" means DBRS Limited, DBRS, Inc., or DBRS Ratings Limited, as the case may be, or any of their successors;
  2. "Moody's" means Moody's Investor Service, Inc. or its successor, and
  3. "S&P" means Standard & Poor's Ratings Group (a division of the McGraw-Hill Companies, Inc.), or its successor.
- (ii) Where Shipper must provide security for its financial and contractual obligations under this Precedent Agreement, Shipper shall: a) maintain and demonstrate to Transporter's satisfaction, upon signing of this Precedent Agreement and quarterly thereafter or as agreed to with Transporter and continuing until such time as Shipper has complied with the credit requirements applicable to it pursuant to Section 4.b.(iii) below, the availability of committed but undrawn credit capacity in an amount equal to up to twelve (12) months'

demand charges under all New Services to which Shipper has subscribed; or b) provide security in the form of cash or Letter of Credit which shall not exceed an amount equal to three (3) months' demand charges under all New Services to which Shipper has subscribed.

(iii) Transporter's credit requirements for transportation, as referenced in Section 4(b)(i), shall be codified in Transporter's transportation tariff approved by the NEB, and shall not exceed an amount equal to three (3) months of all tolls and other charges payable for New Services selected under a TA, except for firm services contracted in association with requirements for facilities construction or other capital expenditure requirements by the Transporter, in which case credit requirements may be required in an amount equal to up to twelve (12) months of tolls and other charges payable. If Shipper is required to provide security for its financial and contractual obligations under a TA, Transporter shall require Shipper to furnish such security no earlier than the later to occur of: (A) the date that is twenty (20) days following Shipper's receipt of the TA from Transporter; and (B) September 1, 2015.

- c. Shipper agrees to execute and deliver such other documents and do such other acts as may be reasonably requested by Transporter to effectuate the terms of this Precedent Agreement, and agrees to provide any information that is reasonably requested by Transporter in preparing, submitting, and conducting applications to any regulatory or governmental body in connection with the approval and authorization of the tolls and terms and conditions of the New Services.

## 5. Termination Rights

- a. Transporter shall have the right to terminate this Precedent Agreement, at any time during the term hereof, with no liability to Shipper, by giving Shipper at least thirty (30) days' written notice in the event that:
  - i. Transporter makes the determination, in its sole discretion, that the projected toll revenue from the aggregate firm commitments by shippers for the New Services, or the aggregate firm commitments by shippers for services on the U.S. pipeline of Alliance Pipeline L.P. ("**U.S. Transporter**"), or the combination of aggregate firm commitments by shippers on Transporter's and U.S. Transporter's pipelines, do not support the economic viability of the New Services, provided however that Transporter may only terminate this Precedent Agreement pursuant to this Section 5.a.i. if it serves notice of such termination on the Shipper on or before June 1, 2014;
  - ii. Transporter fails to receive NEB approval for any toll, term, or condition of the New Services, or the U.S. Transporter fails to receive approval from the Federal Energy Regulatory Commission ("**FERC**") for any rate, term or condition of service on the U.S. Transporter's pipeline, or the FERC

attaches a condition to its approval of the services on the U.S. Transporter's pipeline which condition the U.S. Transporter deems unacceptable; or  
iii. Shipper fails to comply with its obligations specified in Article 4 herein.

- b. Shipper shall have the right to terminate this Precedent Agreement, at any time during the term hereof by giving Transporter at least thirty (30) days' written notice in the event that Transporter fails to comply with its obligations specified in Article 3 herein. In the event this Precedent Agreement is terminated pursuant to this Section 5.b., neither Transporter nor Shipper shall be liable for any losses that relate to or arise out of this Precedent Agreement or its termination.
- c. If Shipper commits to a Staged Capacity Profile (as that term is defined in Section 7.o. herein) pursuant to this Precedent Agreement, Shipper shall have the right to terminate this Precedent Agreement by delivering written notice to the Transporter, on or before ~~December 31, 2013~~, February 28, 2014, that Shipper has not obtained senior management approval for this Precedent Agreement. This termination right expires and shall not be exercisable by the Shipper on or after ~~January~~ March 1, 2014.
- d. Either party shall have the right to terminate this Precedent Agreement without liability to the other party, by giving the other party written notice of such termination, on or before the expiry of thirty (30) days following issuance by the NEB of its decision approving the application referred to in Section 3.a. herein, in the event that the NEB attaches a condition to its approval of the New Services which condition the terminating party, in its sole discretion, deems unacceptable, provided that any condition upon which such termination is based must be: i) specified by the terminating party in its notice of termination; ii) inconsistent with the terms of the New Services as they are described herein; and iii) materially detrimental to the terminating party. This termination right expires and shall not be exercisable by either party on or after the thirty-first (31<sup>st</sup>) day following the issuance of the NEB's decision.
- e. Notwithstanding anything contained in this Precedent Agreement, neither Transporter nor Shipper shall be liable for consequential losses that relate to or arise out of this Precedent Agreement or its termination regardless of whether such losses arise pursuant to contract, tort, strict liability or other fault of either Transporter or Shipper. Reference herein to "consequential losses" shall include all consequential or indirect losses, loss or anticipated loss of profit, loss or anticipated loss of revenue, loss or anticipated loss of business opportunity or business interruption. In no event shall reference herein to "consequential losses" include direct losses or direct damages.
- f. The failure of either party to pursue any remedy resulting from a breach of this Precedent Agreement by the other party shall not be construed as a waiver of that breach or any subsequent or other breach of this Precedent Agreement.

## 6. Amendments

Subject to Article 5, Shipper's offer and Transporter's acceptance of Shipper's commitment to contract for the New Services selected in Appendix A to this Precedent Agreement may not and shall not be withdrawn, revoked or amended except with the mutual consent of both Shipper and Transporter. Shipper's offer and Transporter's acceptance of Shipper's commitment to pay the fixed toll(s) selected from the New Services Tolls Table in Appendix A herein shall not be amended except in the event that the fixed tolls approved by the NEB for the New Services selected by Shipper are less than the toll(s) selected by Shipper from the New Services Tolls Table in Appendix A, and then, in such case, subject to Section 5.a.i. herein, Section 4.a. herein shall be deemed amended so that Shipper's obligation shall be to execute a TA which reflects the NEB-approved fixed toll for such New Services.

## 7. Tariff Terms

Shipper acknowledges and agrees that Transporter will apply to the NEB for approval of Transporter's revised transportation tariff, and that such tariff will specify existing and additional terms and conditions that apply to the New Services selected by Shipper in Appendix A. Such existing and additional terms and conditions will include, without limitation, the following:

- a. Authorized Overrun Service ("AOS") – AOS will be eliminated;
- b. Priority Interruptible Transportation Zone 1 and Zone 2 – a shipper contracting for FRS can request Priority Interruptible Transportation Service ("**PITS**") at the shipper's contracted receipt point for up to 25% of the firm FRS volume contracted by the shipper at the receipt point. A shipper's PITS volumes will be scheduled to be transported by Transporter after firm volumes of shippers, but in priority to interruptible volumes or volumes diverted to the subject receipt point by shippers. The toll for PITS volumes will be equal to 110% of the shipper's FRS rate for the first 10% of a shipper's PITS volumes, and 125% of the shipper's FRS rate for the next 15% of a shipper's PITS volumes. Revenue from Priority Interruptible Transportation Service will not be credited to firm transportation service shippers' tolls;
- c. Interruptible Transportation - revenue from interruptible transportation service will not be credited to firm transportation service shippers' tolls;
- d. Interconnection Facilities – the tolls for the New Services will not include the cost of any new interconnections to the Alliance Pipeline system, and no new interconnection facilities will be constructed as part of the provision by Transporter of the New Services, except as may be agreed to by a shipper and Transporter pursuant to an interconnection development agreement;
- e. Fuel – shippers will pay fuel in kind for the fuel and lost-and-unaccounted-for gas consumed by Transporter in the provision of the New Services. The fuel rate for

each service will be set annually as a percentage of actual throughput during the preceding twelve (12) months and shall be revised November 1 to reflect changes in such actual fuel consumption. Such fuel rate revisions shall be posted along with documentation supporting the revised fuel rates. Initial fuel rates will be:

FRS Zone 1:	1.5%
FRS Zone 2:	2.0%
FDS:	1.25%
FDS-IBR:	1.25%
FPS Zone 1:	2.75%
FPS Zone 2:	3.25%

Fuel for transportation in FRS Zone 1, FRS Zone 2, FPS Zone 1, and FPS Zone 2 will not be subject to transportation tolls. Fuel for FDS, FDS-IBR, FT-1, and FT-1-IBR transportation will be required to be transported to the respective service receipt point and the transportation of such fuel will be subject to the applicable transportation toll.

- f. Extraction Rights – the terms of Shipper’s extraction rights agreement (as defined below) will reflect the terms and conditions of Transporter’s transportation tariff in effect on the effective date of this Precedent Agreement. All FRS Zone 1, FRS Zone 2, FDS, FDS-IBR, FPS Zone 1, and FPS Zone 2 shippers shall enter into an agreement with Aux Sable Liquid Products LP (an “**extraction rights agreement**”) whereby shipper grants to Aux Sable Liquid Products LP the exclusive right to extract and take title to natural gas liquids contained in the shippers’ gas, and Transporter’s sole obligation to shippers at Transporter’s delivery points is to balance the total energy of receipts and deliveries (net of fuel gas and lost-and-unaccounted-for gas). FDS, FDS-IBR, FPS Zone 1 and FPS Zone 2 shippers may not deliver to any FT-1 Service shipper unless such FT-1 Service shipper is party to an extraction rights agreement;
- g. Renewal Rights – shippers with contract terms of thirty-five (35) months or more shall have the right to renew their TA’s for the same volume or a lower volume under their TA at the date of expiry of their TA, without pro ration, at the same receipt point(s), for a minimum of one year, at the then-prevailing toll (prevailing at the time of the election to renew), by providing Transporter with one year’s advance written notice. There is no limitation on the number of times such shippers may exercise this right, provided that where any provision of this Precedent Agreement (including this Section 7(g)) requires that shipper have a contract term of at least thirty-five (35) months or of fifty-nine (59) months, as applicable, the initial term of such shipper’s original contract (and not the duration of the renewal term) shall be used for the purpose of applying such provision;



- h. Receipt Point Flexibility – Scheduling Diversions - FRS Zone 1, FRS Zone 2, FPS Zone 1, and FPS Zone 2 shippers with contract terms of thirty-five (35) months or more may, at Transporter's sole discretion, divert their volumes to an alternate ("**diverted-to**") receipt point. Such diversions will be scheduled daily after existing firm services and interruptible services are scheduled at the diverted-to receipt point, and provided the diverted volumes meet the gas quality specification of the diverted-to receipt point. In-path diversions (i.e. a diversion to a diverted-to receipt point that is between the shipper's contracted receipt point and contracted delivery point) will be scheduled in priority to out-of-path diversions (i.e. a diversion to a diverted-to receipt point that is not between the shipper's contracted receipt point and contracted delivery point). If requests for diversions to a particular receipt point exceed the available capacity, shippers will be allocated the available capacity on a pro-rata basis. FRS Zone 1 and FPS Zone 1 shippers diverted to a receipt point in Zone 2 will pay Zone 2 tolls for the term of the diversion. FRS Zone 2 and FPS Zone 2 shippers diverted to a receipt point in Zone 1 will continue to pay Zone 2 tolls for the term of the diversion;
- i. Receipt Point Flexibility – Contract Relocations - FRS Zone 1, FRS Zone 2, FPS Zone 1, and FPS Zone 2 shippers with contract terms of thirty-five (35) months or more may, at any time after execution of this Precedent Agreement, request the relocation of all or a portion of their receipt point contract capacity on a temporary or permanent basis, and such requests will be honored at Transporter's sole discretion. Any temporary relocation of receipt point contracts will be for a duration of one month, and may be re-applied for on a month-to-month basis. Receipt point capacity will be allocated and relocated during a monthly capacity offering on a pro-rata basis, in the following order of priority:
- i) new contract capacity;
  - ii) permanent relocations, in-path;
  - iii) temporary relocations, in-path;
  - iv) permanent relocations out-of-path;
  - v) temporary relocations, out-of-path.

FRS Zone 1 and FPS Zone 1 shippers relocated to a receipt point in Zone 2 will pay Zone 2 tolls for the term of the relocation. FRS Zone 2 and FPS Zone 2 shippers relocated to a receipt point in Zone 1 will continue to pay Zone 2 tolls for the term of the relocation;

- j. Demand Charge Credits and Force Majeure – Demand Charge Credits will be payable immediately for outages caused by events within Transporter's control, and will be payable for any period following a 10-day safe harbor period for each outage caused by events of Force Majeure. Transporter shall be limited to no more than two (2) 10-day safe harbor periods per calendar year. Transporter shall, as soon as practicable, post to Transporter website notice of any outage that is the result of an event of Force Majeure. "**Force Majeure**" means any

event or circumstance which is beyond the control of any applicable party and which by the exercise of due diligence such party is unable to prevent or overcome, and subject to the foregoing includes without limitation landslides, lightning, earthquakes, explosions, fires, storms, floods, washouts, breakage or accidents to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, freezing of lines of pipe, inability to obtain materials, supplies, permits or labour, any act of God, war, civil disturbances, acts of public enemy, strikes, lockouts or other industrial disturbances, accidents, blockades, insurrections, riots, epidemics and arrests, and restraints of governments and people. The settlement of strikes, lockouts or other labour disputes shall be entirely within the discretion of the party having the difficulty. The following shall not be events of Force Majeure: (i) insufficiency of Shipper's Gas supplies, (ii) inadequate or uneconomic markets for Shipper's Gas, (iii) Shipper's lack of funds, (iv) curtailment or disruption of service, for any reason whatsoever, on facilities upstream of Receipt Points; for greater certainty, "**upstream of Receipt Points**" shall mean upstream of the inlet side of Transporter's Receipt Points; or (v) curtailment or disruption of service, for any reason whatsoever, on facilities which are not part of Transporter's pipeline system, provided however that a curtailment or disruption of service on facilities operated by Alliance Pipeline L.P. shall constitute an event of Force Majeure on Transporter's system;

- k. Alliance Trading Pool Account Imbalances – each day, the sum of a shipper's energy receipts into the Alliance Trading Pool, plus or minus any difference between nominated and common stream operator-allocated energy, plus or minus any title transfers, minus deliveries out of the Alliance Trading Pool, should equal zero. Any surplus or deficit constitutes an Alliance Trading Pool imbalance. Each shipper shall ensure on a daily basis that its Alliance Trading Pool account is within the acceptable tolerance. Under normal operating conditions, for all transportation contracts ~~with a term of thirty-five (35) months or more~~, the acceptable level of tolerance for account imbalances will be a maximum of 4% ~~of daily contracted capacity on receipts and 1% on deliveries.~~ ~~For contracts with a term of less than thirty-five (35) months, the acceptable imbalance tolerance level will be a maximum of 500 GJ's.~~ Failure by a shipper to keep its Alliance Trading Pool account within the acceptable tolerance will result in park and loan tolls, balancing fees, or curtailment of service in accordance with Transporter's tariff;
- l. Alliance Trading Pool Imbalance Management – subject to Transporter's then-prevailing pipeline operational conditions and the availability, in Transporter's sole discretion, of park and loan capacity, Transporter will provide the following services to facilitate the management by FRS Zone 1, FRS Zone 2, FDS, and FDS-IBR shippers of their Alliance Trading Pool account imbalances:

Automatic Park and Loan (APAL) – all shipper imbalances within the acceptable tolerance (as determined pursuant to Section 7.k. herein by the term of contract)

will be moved into an Automatic Park and Loan contract. APAL service is provided at no charge. A shipper has until the end of the third gas day following the creation of the imbalance to remove the imbalance from its APAL account by adjusting its transportation nomination(s), by title transfer(s), or by transferring the imbalance to a Term Park and Loan contract if Transporter's pipeline operational conditions permit. If the imbalance held in a shipper's APAL account has not been corrected or been moved to a TPAL account by the end of the third gas day, the imbalance will be transferred to a Balancing Park and Loan contract.

Term Park and Loan (TPAL) – subject to Transporter's then-prevailing pipeline operational conditions and the availability, in Transporter's sole discretion, of park and loan capacity, shippers may enter a Term Park and Loan agreement for a fixed term. TPAL is a biddable service with a floor toll of \$0.00/GJ/day and a ceiling of \$0.54/GJ/day.

Balancing Park and Loan (BPAL) – any Alliance Trading Pool imbalance exceeding the acceptable tolerance of a shipper's contract, any APAL account balance that has not been moved to a TPAL account by the end of the third gas day following creation of the imbalance, and any TPAL account imbalance that remains at expiry of the TPAL agreement term, will be transferred into a Balancing Park and Loan contract. The toll for Balancing Park and Loan service shall be the greater of \$0.16/GJ and the highest bid TPAL toll for the current gas day. If an imbalance held in a BPAL account is not corrected after five (5) gas days, the shipper's gas account surplus or deficit will be assumed by Transporter and the shipper will be assessed Balancing Fees.

- m. Balancing Fees – a shipper BPAL account with a draft imbalance will be charged, and a shipper BPAL account with a pack imbalance will be credited, the following Balancing Fees calculated as a percentage of the NGX AB-NIT Same Day Index 1, or if such NGX AB-NIT Same Day Index 1 ceases to be available or is reasonably judged by Transporter to no longer represent a reasonable measure for use in calculation of Balancing Fees in accordance with this provision, then such replacement index as reasonably determined by Transporter to be used for the calculation of Balancing Fees in accordance with this provision:

Total account imbalance on day six of BPAL contract	Draft imbalance charge (% of index price on day in which imbalance originates)	Pack imbalance credit (% of index price on day in which imbalance originates)
0% Up to 1%	115%	85%
>1% Up to 4%	115%	85%
>4% Up to 10%	115%	85%
>10% Up to 15%	130%	70%
>15% Up to 20%	140%	60%

>20%	150%	50%
------	------	-----

- n. Hydrocarbon Dewpoint – Transporter will receive, from an FRS Zone 1, FRS Zone 2, FPS Zone 1, or FPS Zone 2 shipper, gas with a hydrocarbon dewpoint equal to or less than minus five degrees Celsius (-5°C) at the prevailing operating pressure at the applicable receipt point (“**HCDP spec**”), provided that such gas satisfies all other applicable gas quality specifications of Transporter’s Gas Tariff. Transporter may, from time to time, post on its website a revised hydrocarbon dewpoint specification that is above minus five degrees Celsius (-5°C) (“**Enhanced HCDP spec**”) for specified receipt points in the Canadian Gathering system (thereby creating an “**Authorized Rich Gas Overrun**”). The Enhanced HCDP spec for Authorized Rich Gas Overrun will at all times be subject to reduction or revocation to accommodate prevailing operating conditions. Transporter will receive, from an FRS Zone 1, FRS Zone 2, FPS Zone 1, or FPS Zone 2 shipper, gas that does not meet the HCDP spec or an Enhanced HCDP spec if a Transporter-approved pairing arrangement (“**Shipper Pairing Arrangement**”) is in effect for that shipper at that shipper’s receipt point, or if the shipper is party to a firm service agreement for gas richer than the HCDP spec (“**Firm Rich Gas Service**”);

Shipper Pairing Arrangements - Transporter will receive gas from an FRS Zone 1, FRS Zone 2, FPS Zone 1, or FPS Zone 2 shipper whose gas does not meet the HCDP spec if such shipper contractually pairs its gas with an upstream shipper whose gas meets the HCDP spec, or self-pairs its own upstream gas supplies so that the combined supply meets the HCDP spec. Every such pairing arrangement requires pre-approval of Transporter based on its analysis of the location of the paired receipt point locations and the quality specifications of the resultant commingled stream. Demand Charge Credits will not be available to the downstream shipper with gas that exceeds the HCDP spec when such shipper is curtailed because of a curtailment of the paired, upstream, lean-gas shipper’s gas. Shippers interested in pairing arrangements will be permitted to post relevant data on Transporter’s customer service website;

Firm Rich Gas Service – Transporter will receive gas from an FRS Zone 1, FRS Zone 2, FPS Zone 1, or FPS Zone 2 shipper whose gas does not meet the HCDP spec if such shipper contracts to pay Transporter a Firm Rich Gas Service surcharge to be paid to Transporter as a demand charge (i.e. on a take or pay basis). Initial eligibility for, and the availability of, Firm Rich Gas Service will be determined by Transporter in its sole discretion at the time Firm Rich Gas Service in association with firm service is applied for. Once Firm Rich Gas Service is granted to a shipper, the terms and availability to that shipper of Firm Rich Gas Service shall not be subject to redetermination by Transporter for the term of the corresponding firm transportation agreement. The surcharge for Firm Rich Gas Service will be \$0.01/mcf/°C for each degree that shipper’s gas exceeds the HCDP spec;

FDS Rich Gas Credit – FDS and FDS-IBR shippers will pay a volumetric toll that is calculated using an energy conversion factor fixed by Transporter in its sole discretion. The minimum energy conversion factor for FDS New Services will be 41 MJ/m<sup>3</sup>. The energy conversion factor for the FDS toll (“ConvF”) will be compared quarterly to a calculated gross heating value of the commingled stream downstream of the Alliance Trading Pool (“GHV”), excluding that portion of the commingled stream contributed by FPS Zone 1 and FPS Zone 2 shippers. If the quarterly average GHV exceeds the ConvF, the FDS and FDS-IBR shipper will receive an FDS Rich Gas Credit on its invoice for the fourth month following the measured quarter (e.g. Q1 credit would appear on August 9 invoice for July transportation). The FDS Rich Gas Credit will be calculated as the difference between the FDS toll and a notional FDS toll that is calculated using the GHV. If the quarterly average GHV is less than the ConvF, the FDS shipper will be assessed an FDS rich gas debit which will carry forward to subsequent quarters and be applied against any future FDS Rich Gas Credit.

The formulas for calculating the FDS Rich Gas Credit are:

$$NT = FDSToll \times ConvF / GHV$$

Where:

“NT” = Notional FDS Toll in \$/10<sup>3</sup>m<sup>3</sup>/mo.

“FDSToll” = current FDS toll in \$/10<sup>3</sup>m<sup>3</sup>/mo.

“ConvF” = fixed ATP heating value conversion factor of 41MJ/m<sup>3</sup>

“GHV” = Gross Heating Value for volumes flowing through ATP for the current quarter

The Quarterly Rich Gas Credit for all FDS volumes will be determined as follows:

$$QC = (FDSToll - NT) \times AMFV \times 3$$

Where:

“QC” = The Quarterly Rich Gas Credit/(Debit) for all FDS shippers for the current quarter

“NT” = Notional FDS Toll in \$/10<sup>3</sup>m<sup>3</sup>/mo.

“FDSToll” = current FDS Toll in \$/10<sup>3</sup>m<sup>3</sup>/mo.

“AMFV” = average monthly contracted FDS volumes for the current quarter

The Quarterly Shipper Rich Gas Credit will be determined as follows:

$$SRC = (QC - \sum QD) \times SFV / MFV$$

Where:

“SRC” = Shipper’s portion of total rich gas credit applied on invoice

“QC” = Quarterly rich gas credit

“ $\sum QD$ ” = Sum of any outstanding rich gas debits

“SFV” = shipper FDS volumes in month in which credit is applied

“MFV” = total FDS volumes in month in which credit is applied

The SRC applies only to a shipper's FDS invoice and therefore a shipper whose FDS transportation service agreement has expired without renewal cannot receive an FDS Rich Gas Credit;

- o. Staged Contract – FRS Zone 1 and FRS Zone 2 shippers who contract for fifty-nine months or more for capacity averaging 1,400 10<sup>3</sup>m<sup>3</sup>/d (50 mmcf/d) or more for the term of the Transportation Agreement at one or more receipt points may stage their contracted capacity in periodic tranche capacity commitments, provided that: ~~(i) the Shipper~~ shipper commits to the staged capacity profile ("Staged Capacity Profile") at the commencement of the term of the Precedent Agreement which provides the volumetric commitments for each tranche for the term and the time at which each such tranche will begin and end during the term, ~~and (ii) Such Staged Capacity Profile shall provide that: (i) the first tranche of the Staged Capacity Profile shall commence December 1, 2015, and (ii) subsequent tranches in the Staged Capacity Profile shall commence on November 1 of each subsequent gas year for the term and/or on one other date during each gas year for the term as specified by Shipper in subsequent years; provided that a shipper shall be entitled to specify one non-November 1 tranche commencement date for each gas year during the term of the Staged Contract instead of or in addition to the November 1 date, as well as one additional non-November 1 tranche commencement date that may be applied to any single gas year during the term of the Staged Capacity Profile Contract.~~

Notwithstanding the ~~Shipper~~ shipper's average capacity over the term of the Transportation Agreement, each year Transporter shall only be required to transport for ~~Shipper~~ the shipper the volume committed by shipper in its Staged Capacity Profile for that year. The FRS Zone 1 or FRS Zone 2 toll for Staged Contracts will be the volume weighted average price for all tranches over the term of the contract.

For example a shipper with the following production profile (volumes in 10<sup>3</sup>m<sup>3</sup>/d):

Start Date	End Date	# Months	Volume
Dec 1/2015	Oct 31/2020	59	1,000
Nov. 1/2016	Oct. 31/2020	48	500
May 1/2017	Oct 31/2020	42	300
Nov 1/2017	Oct 31/2018	12	200
Annual Average			1,634

would be deemed to have a 4-stage contract: a fifty-nine (59) month tranche for 1,000 10<sup>3</sup>m<sup>3</sup>/d, a forty-eight (48) month tranche for 500 10<sup>3</sup>m<sup>3</sup>/d, a forty-two (42) month tranche for 300 10<sup>3</sup>m<sup>3</sup>/d and a twelve (12) month tranche for 200 10<sup>3</sup>m<sup>3</sup>/d. The toll for the staged contract would be the volume weighted average for the three stages as per the formula below:

$$SCT = \frac{(5yrVol \times 5YrToll) + (3yrVol \times 3YrToll) + (1yrVol \times 1YrToll)}{(5yrVol + 3YrVol + 1yrVol)}$$

Where:

- “SCT” = Staged contract toll in  $10^3\text{m}^3/\text{mo}$ .
- “5YrVol” = Sum of volumes for tranches 5 years (59 months) or longer
- “3YrVol” = Sum of volumes for tranches of at least 3 years (35 mos.) but less than 59 months
- “1YrVol” = Sum of volumes for tranches of at least 1 year (11 mos.) but less than 3 years (35 months) long
- “5YrToll” = Applicable FRS toll for terms 5 years or longer in  $\$/10^3\text{m}^3/\text{mo}$ .
- “3YrToll” = Applicable FRS toll for terms 3 years (35 mos.) but less than five years in  $\$/10^3\text{m}^3/\text{mo}$ .
- “1YrToll” = Applicable FRS toll for terms of at least 1 year (11 mos.) but less than 3 years (35 mos.) in  $\$/10^3\text{m}^3/\text{mo}$ .

For the example above the weighted average toll would be  $\$466.48/10^3\text{m}^3/\text{mo}$ ;

- p. Recoverable Cost Variances – Transporter will apply a surcharge to all transportation tolls to recover i) costs that are incurred by Transporter in excess of forecasted amounts for pipeline integrity costs, property taxes, NEB cost recovery charges, and environmental levies that are identified in Appendix B to this Precedent Agreement, and ii) new costs that are imposed upon Transporter by governmental authority, including without limitation pipeline abandonment charges, fuel and carbon taxes, and environmental levies for GHG emissions. Transporter will provide to shippers supporting information in respect of any surcharge it seeks to impose;
- q. Toll Derivation – the tolls offered in Appendix A to this Precedent Agreement represent negotiated tolls applicable solely to subscriptions for the New Services commencing December 1, 2015. Transporter reserves the right to apply to the NEB for higher future tolls and for maximum tolls which may be discounted to reflect market conditions;

and Shipper agrees to be bound by each of such terms and conditions as are approved by the NEB for the New Services.

## 8. Assignment

This Precedent Agreement may be assigned by Transporter to an affiliated entity without the requirement of Shipper’s consent. Shipper may assign this Precedent Agreement to any party that satisfies Transporter’s creditworthiness requirements, but then only upon Transporter’s prior written consent, which consent shall not be unreasonably withheld.

## 9. Choice of Law

This Precedent Agreement shall be interpreted, construed and governed by the laws of the Province of Alberta, Canada, including the laws of Canada applicable therein.

#### 10. Further Assurances

Transporter and Shipper shall enter into such additional agreements as may be necessary in furtherance of this Precedent Agreement.

#### 11. Counterpart Execution

This Precedent Agreement may be executed in any number of counterparts (which may be evidenced by electronic copies of counterpart execution pages), no one of which needs to be executed by both parties, and when both parties have executed a counterpart hereof, all such counterparts shall together comprise one and the same agreement and this Precedent Agreement shall be binding upon the parties, with the same force and effect as if both parties had signed the same document, and each such signed counterpart shall constitute an original of this Precedent Agreement.

#### 12. Notices

Notices under this Precedent Agreement shall be addressed:

To Transporter:  
Alliance Pipeline Ltd.  
800, 605 – 5<sup>th</sup> Ave. S.W.  
Calgary, AB, Canada T2P 3H5  
Attention: Vice President, Business Development

To Shipper:

---

---

---

---

#### 13. Currency

Unless expressly stated to the contrary, all dollar references contained in this Precedent Agreement refer to Canadian dollars.

#### ~~13.~~ 14. Entire Agreement



This Precedent Agreement represents the entire agreement between the parties with respect to the matters specified herein and supersedes and cancels any prior or contemporaneous arrangements, understandings, or agreements, whether written or oral, between the parties relative to the subject matter hereof. No amendments may be made to this Precedent Agreement except by an amendment in writing signed by both parties.

This Precedent Agreement is offered for Transporter's acceptance by Shipper as of the date first stated above, by:

\_\_\_\_\_

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted and agreed to by Transporter as of the date first stated above, by:

**ALLIANCE PIPELINE LIMITED PARTNERSHIP,**  
by its General Partner, **ALLIANCE PIPELINE LTD.**

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Appendix A  
to Precedent Agreement for Firm Natural Gas Transportation Service  
Commencing December 1, 2015

Between:  
Alliance Pipeline Limited Partnership (“Transporter”)  
- and -

\_\_\_\_\_ (“Shipper”)

Shipper’s New Services terms:

<b>Service</b>	<b>Term</b> (commencing Dec. 1, 2015)	<b>Toll*</b> (\$/10 <sup>3</sup> m <sup>3</sup> /month)	<b>Contract Quantity</b> (10 <sup>3</sup> m <sup>3</sup> /d)	<b>Receipt Point</b>	<b>Delivery Point</b>
FRS Zone 1					Alliance Trading Pool
FRS Zone 2					Alliance Trading Pool
FDS				Alliance Trading Pool	Canada-USA border
FDS-IBR				Alliance Trading Pool	Canada-USA border
FPS Zone 1					Canada-USA border
FPS Zone 2					Canada-USA border

\* In addition to this toll, Shipper agrees to pay all surcharges that are required to: i) recover costs that are incurred by Transporter for pipeline integrity costs, property taxes, NEB cost recovery charges, and environmental levies that exceed the forecasted amounts identified in Appendix B to this Precedent Agreement, and ii) recover new costs that are imposed upon Transporter by governmental authority, including without limitation pipeline abandonment charges, fuel and carbon taxes, and environmental levies for GHG emissions. Transporter will advise shippers on an ongoing basis of historical expenditures and forecasted amounts for costs that contribute to such surcharge.

New Services Tolls Table (\$/10<sup>3</sup>m<sup>3</sup>/month):

<b>Service</b>	<b>Contract Term</b>		
	<b>11- 34 mos.</b>	<b>35-58 mos.</b>	<b>59+ mos.</b>
FRS Zone 1	N/A <sup>1</sup>	\$473.58	\$449.90
FRS Zone 2	N/A <sup>1</sup>	\$653.61	\$620.93
FDS <sup>2</sup>	\$279.65	\$279.65	\$279.65
FDS-IBR (25% index share floor rate) <sup>2,3</sup>	N/A	\$266.40	\$266.40
FDS-IBR (50% index share floor rate) <sup>2,3</sup>	N/A	\$252.94	\$252.94
FPS Zone 1	N/A	\$753.23	\$729.55
FPS Zone 2	N/A	\$933.26	\$900.58

<sup>1</sup> For purposes of a staged contract only, FRS Zone 1 and 2 tolls for 11-34 months are \$520.93 and \$718.97 respectively.<sup>2</sup> Assigned energy conversion factor of 1100 Btu/scf (41 MJ/m<sup>3</sup>).

<sup>3</sup> Actual rate will vary depending on basis levels. See Schedule 1 below for the calculation.

Staged Capacity Profile - Tranche Capacity Commitments:<sup>1</sup>

<b>Start Date</b>	<b>End Date</b>	<b># Months</b>	<b>Contract Quantity (10<sup>3</sup>m<sup>3</sup>/d)</b>
Dec 1/2015			
Annual Average			

<sup>1</sup> For purposes of FRS Zone 1 and FRS Zone 2 shippers who contract for fifty-nine months or more for capacity averaging 1,400 10<sup>3</sup>m<sup>3</sup>/d (50 mmcf/d) or more for the Term at one or more receipt points as described in Section 7.o. of the Precedent Agreement.

Schedule 1

Index Based Rates: The monthly toll paid by the FDS-IBR shipper will be determined as follows:

$$\text{FDS-IBR Toll } (\$/10^3\text{m}^3/\text{mo.}) = (\text{FDSFloor}(\$/\text{Dth}) + \text{FDS Index Share } (\$/\text{Dth})) / \text{FX Rate} \times 365 / 12 \times \text{ConvF} / 1.055056$$

Where:

FX Rate = \$USD/\$CAD noon rate as posted on the Bank of Canada on the last business day of the prior gas month

ConvF = Fixed ATP heating value conversion factor of 41MJ/m<sup>3</sup>

FDSFloor = Applicable IBR floor toll as provided in Appendix A converted to \$U.S./Dth, according to Conversion Formula (below)

$$\text{Conversion Formula } (\$/10^3\text{m}^3/\text{mo. to } \$/\text{U.S.}/\text{Dth}) = \text{input amount} \times 12 / 365 \times \text{FX Rate} \times 1.055056 / \text{ConvF}$$

$$\text{FDS Index Share } (\$/\text{U.S.}/\text{Dth}) = ((\text{Basis} - (\text{FDSFloor} + \text{FT1Floor})) \times \text{FDS Allocation} \times \text{IBR Share } \%), \text{ where FDS Index Share} > 0$$

Where:

Basis = NGI Chicago CG Bidweek Price (\$U.S./Dth) – (CGPR AECO-C forward month price (\$C/GJ) x 1.055056 x FX Rate)

FT1Floor = Applicable FT-1 IBR Floor rate in \$U.S./Dth

FDS Allocation = FDS proportion of full IBR toll from ATP to U.S. delivery points assuming par \$USD/\$CAD rate (0.37)

IBR Share % = Applicable IBR index sharing percentage (25% or 50%)

Appendix B  
to Precedent Agreement for Firm Natural Gas Transportation Service  
Commencing December 1, 2015

Between:

Alliance Pipeline Limited Partnership (“Transporter”)

- and -

\_\_\_\_\_ (“Shipper”)

Transporter will apply a surcharge to all transportation tolls to recover i) costs that are incurred by Transporter in excess of forecasted amounts for pipeline integrity costs, property taxes, NEB cost recovery charges, and environmental levies, and ii) new costs that are imposed upon Transporter by governmental authority, including without limitation pipeline abandonment charges, fuel and carbon taxes, and environmental levies for GHG emissions.

The table below shows the forecasted amounts for the recoverable costs identified in i) above that have been included in the Transporter’s tolls.

(Millions of \$'s)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FRS-Zone 1*	\$11.2	\$11.8	\$12.2	\$12.6	\$13.0	\$13.5	\$14.0	\$14.4	\$15.0	\$15.5
FRS-Zone 2*	\$15.3	\$16.0	\$16.6	\$17.1	\$17.7	\$18.2	\$18.9	\$19.5	\$20.1	\$20.8
FDS*	\$13.9	\$15.3	\$16.3	\$17.1	\$18.1	\$19.4	\$20.2	\$21.0	\$21.8	\$23.5
Total	\$40.4	\$43.1	\$45.0	\$46.8	\$48.8	\$51.1	\$53.0	\$54.9	\$56.9	\$59.7

\*The forecasted amounts for the recoverable costs identified in i) above that have been included in the Transporter’s tolls for FPS service are the sum of the forecasted amounts for the applicable FRS Zone and for FDS.

Document comparison by Workshare Compare on Wednesday, January 29, 2014 4:47:23 PM

Input:	
Document 1 ID	file://H:\My Documents\Re-Contracting\Precedent Agreements\Precedent Agreement - Canada v3 Nov 15 2013.docx
Description	Precedent Agreement - Canada v3 Nov 15 2013
Document 2 ID	file://H:\My Documents\Re-Contracting\Precedent Agreements\Precedent Agreement - Canada v4 Jan 29 2014.docx
Description	Precedent Agreement - Canada v4 Jan 29 2014
Rendering set	Standard

Legend:	
<a href="#">Insertion</a>	
<del>Deletion</del>	
<del>Moved from</del>	
<a href="#">Moved to</a>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	19
Deletions	17
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	36