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## TERASEN PIPELINES (TRANS MOUNTAIN) INC. PETROLEUM TARIFF

THE RATES AND CHARGES FOR TRANSPORTATION AND DELIVERY OF PETROLEUM SHALL BE THE FOLLOWING: SUBJECT TO THE RULES AND REGULATIONS PROVIDED HEREIN

TOLLS FOR PETROLEUM HAVING A DENSITY NOT EXCEEDING 904 kg/m <sup>3</sup> at 15°C		
FROM	TO	TOLL \$/m <sup>3</sup>
Edmonton	Sumas	9.170
Edmonton	Burnaby	10.202
Edson	Sumas	7.572
Edson	Burnaby	8.611
Kamloops	Sumas	3.317
Kamloops	Burnaby	4.357

**WESTRIDGE DOCK INCENTIVE TOLL** - No incentive toll for Petroleum loaded over the Westridge marine loading wharf at Burnaby (the "Westridge Dock") is provided under this Tariff.

**TOLL FOR HEAVY PETROLEUM** - Petroleum having a density greater than 904 kg/ m<sup>3</sup> at 15° C will be accepted for transportation at the tolls set out above plus a surcharge of 20%.

**TOLL FOR BUTANE** - Butane blended with other petroleum by direct injection into the pipeline at Edmonton will be transported to Burnaby and Sumas at a toll of \$10.095/ m<sup>3</sup> and \$9.063/ m<sup>3</sup>, respectively.

**WESTRIDGE LOADING CHARGES** - All petroleum loaded over the Westridge Dock will be subject to the Bulk Oil Cargo Fee plus a loading charge of \$0.251/ m<sup>3</sup>.

**RECEIPT CHARGES** - For limited tankage and terminalling services at Edmonton Terminal (for volumes that do not require mainline transportation) the toll is \$0.822/ m<sup>3</sup>.

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**Issued by:**

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## RULES AND REGULATIONS

### 1. DEFINITIONS

- (a) “API” means American Petroleum Institute.
- (b) “Bulk Oil Cargo Fee” means the fee established pursuant to the Canada Shipping Act as published in the Canada Gazette.
- (c) “carrier” means Terasen Pipelines (Trans Mountain) Inc.
- (d) “Force Majeure” means an event which is unforeseen and beyond the control of the shipper that either prevents the shipper from delivering the affected volume to carrier or prevents the shipper from accepting delivery of the affected volume from carrier. The following are the only instances that will be recognized as Force Majeure events: earthquakes; floods; landslides; civil disturbances; sabotage; the acts of public enemies; war; blockades; insurrections; riots; epidemics; the act of any government or other authority or statutory undertaking; the inability to obtain or the curtailment of electric power, water or fuel; strikes, lockouts or other labour disruptions; fires; explosions; breakdowns or failures of pipe, plant, machinery or equipment; and contamination or poisoning of catalyst and/or solvent or biological treatment facilities. For greater certainty, a lack of funds; the availability of a more attractive market; shipper’s inability to purchase crude petroleum; or inefficiencies in operations do not constitute events of Force Majeure. Furthermore, with regard to Westridge Dock movements, failure of a shipper to obtain a vessel or failure of a vessel to meet dock loading standards will not be considered Force Majeure.
- (e) “Heavy petroleum” means petroleum having a density greater than  $904 \text{ kg/ m}^3$  at  $15^\circ \text{ C}$ . The toll for heavy petroleum will not apply where such petroleum forms part of a blend having a density not in excess of  $904 \text{ kg/ m}^3$  at  $15^\circ \text{ C}$  when transported by carrier even though it may have exceeded that density when initially received by carrier.
- (f) “kPa” means kilopascal.
- (g) “ $\text{m}^3$ ” means cubic metre at  $15^\circ \text{ C}$ .
- (h) “month” means calendar month.
- (i) “nomination” means an offer by a shipper to carrier of a stated quantity of petroleum for transportation from a specified receipt point or points to a specific delivery point or points in accordance with these rules and regulations, such quantity to be made available for transportation, on a date or dates specified by carrier, within a period of four calendar weeks not later than the last day of the month following the nomination closing date.
- (j) “Non-Performance Penalty” means the charge and cost referred to in Rule 19.
- (k) “petroleum” means the direct liquid product of oil wells, including stabilized and/or debutanized crude oil and condensate and the indirect unrefined liquid products of oil or gas wells, gas processing plants and oil sands, including stabilized natural gasoline, condensate and liquefied petroleum gases and Imperial special stream. Notwithstanding the foregoing, refined petroleum are deemed to be petroleum where it is:
  - (1) intermixed with petroleum prior to receipt by carrier;
  - (2) delivered to carrier for shipment under carrier’s Refined Petroleum Tariff but subsequently became intermixed with petroleum, or in the case of MTBE or Alkylate with refined petroleum; or
  - (3) tendered for shipment as petroleum under the provisions of this tariff.
- (l) “refined petroleum” means;
  - (1) motor gasoline, diesel fuel, and other distillate products;
  - (2) any product resulting from the partial or incomplete refining of petroleum, but not including synthetic crude oil;
  - (3) methyl tertiary butyl ether (MTBE); or
  - (4) an alkylate material replacing volumes or MTBE formerly transported through carrier’s pipeline.
- (m) “Sumas” means a point on the International Boundary near Sumas, British Columbia, where the pipeline of carrier connects with that of Terasen Pipelines (Puget Sound) Corporation.

## 2. DUTY OF CARRIER

Subject to all applicable laws and regulations, carrier will accept tenders for trunk line transportation of petroleum in accordance with the terms of this tariff if arrangements acceptable to carrier have been made to deliver such petroleum into carrier's pipeline system. Carrier will transport petroleum with reasonable diligence, considering the quantities of petroleum and refined petroleum being transported by carrier, the distance of transportation, the safety of operation and other material factors. Carrier may refuse to accept petroleum for transportation unless shipper satisfies carrier that the necessary facilities are available for the prompt receipt of the petroleum by shipper or consignee at destination and, in the case of petroleum for delivery to Sumas, that the shipment complies with all applicable laws of Canada and the United States of America. Where petroleum is scheduled for loading out of Burnaby over carrier's Westridge Dock prior evidence may be required of shipper that arrangements have been made with marine transporters to receive such petroleum from the wharf facilities in accordance with the terms of this tariff. Carrier's tanks are working tanks only and carrier does not furnish storage facilities.

## 3. SPECIFICATIONS AS TO QUALITY RECEIVED

No petroleum will be accepted for transportation except good merchantable petroleum which is readily transportable through carrier's facilities and no petroleum will be accepted the quality of which has been impaired through the character of storage in which it has been held, nor will petroleum be accepted which contains more than 0.5% of basic sediment, water and other impurities as determined by test on representative samples taken either from carrier's tanks or the delivery line entering same. No petroleum will be accepted unless, in the opinion of carrier, its viscosity and other characteristics are such that it will be readily transportable through carrier's existing facilities as a separate batch or in a commingled batch and that it will not materially affect the quality of other shipments or cause disadvantage to carrier or to other shippers under this tariff or carrier's Refined Petroleum Tariff. No petroleum will be accepted which has a vapour pressure in excess of 104 kPa (absolute) at 38° C unless it is to be blended promptly with other petroleum in such proportion that the resultant vapour pressure of the blend does not exceed that limit.

## 4. RESPONSIBILITY FOR QUALITY DELIVERED

Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in density, quality or characteristics while in transit as may result from its mixture with other petroleum or refined petroleum in the facilities of carrier or those of any connected pipeline. Carrier shall not be liable for any consequential loss or damage resulting from any alteration in density or other quality of the petroleum. Carrier shall be under no obligation to make delivery of the identical petroleum but may make delivery out of its common stock. Any revaluations deemed appropriate by reason of difference in grade and quality that may occur between receipt and delivery of petroleum by carrier shall be between and for the account of shippers. Carrier shall have no responsibility in or for such revaluations or settlements other than to furnish data on quantities and densities of the petroleum so received and delivered.

## 5. NOMINATIONS AND MINIMUM VOLUMES

Shippers desiring to nominate petroleum for transportation shall make such nomination to carrier by submitting, on carrier's prescribed Notice of Shipment form, a separate nomination for each calendar month no later than 0700 Mountain Standard Time or Mountain Daylight time (~) on the dates set out below (\*with exception noted):

<b>For Receipt by Carrier</b>	<b>Nomination Date</b>
January 2006	Wednesday, December 19, 2005
February 2006	Thursday, January 19, 2006
March 2006	Friday, February 17, 2006
April 2006	Monday, March 20, 2006
May 2006	Wednesday, April 19, 2006
June 2006	Thursday, May 18, 2006
July 2006	Tuesday, June 20, 2006
August 2006	Wednesday, July 19, 2006
September 2006	Monday, August 24, 2006
October 2006	Wednesday, September 20, 2006
November 2006	Thursday, October 19, 2006
December 2006	Monday, November 20, 2006
January 2007	Monday, December 18, 2006

If space is available and operating conditions permit, carrier may, at its discretion, accept nominations or revised nominations after that date. A nomination will be accepted by carrier, subject to the provisions of Rule 6, provided one of the following conditions is met:

- (a) the petroleum will be delivered into carrier's facilities in lots of not less than 2,500 m<sup>3</sup>, unless carrier's facilities and line operating conditions permit the receipt of smaller lots, for transportation as a single batch of not less than 8,000 m<sup>3</sup> for delivery to one consignee and destination;
- (b) the petroleum will be delivered into carrier's facilities in one lot of not less than 8,000 m<sup>3</sup> for transportation as a single batch for delivery to one consignee and destination; or
- (c) the petroleum will be received in lots of not less than 2,500 m<sup>3</sup>, unless carrier's facilities and line operating conditions permit the receipt of smaller lots, for transportation as a common batch aggregating not less than 8,000 m<sup>3</sup> of the same quality received from other shippers, or of different qualities to be commingled with the agreement of all shippers concerned, for delivery to one or more consignees at one destination.

## **6. ALLOCATION OF PIPELINE CAPACITY**

For purposes of this section, "priority destination" means a refinery, marketing terminal or other facility connected to and capable of receiving deliveries from facilities of carrier or those of carrier's United States subsidiary, Terasen Pipelines (Puget Sound) Corporation, and so designated by the National Energy Board by reason that it is not capable of being supplied economically from alternative sources.

When the combined volume of petroleum and refined petroleum nominated to carrier is more than can be transported currently, carrier will allocate pipeline capacity in accordance with the following priorities and procedures:

- First Priority  
deliveries to priority destinations
- Second Priority  
deliveries to other destinations.

Any allocation required within either priority will be made as follows:

- (a) as soon as is practical following the date specified for receipt of nominations as set out in Rule 5, carrier will determine the hydraulic capacity of the carrier's pipeline system available for the transportation of petroleum and refined petroleum in the following month. The determination of hydraulic capacity will take account of the proportion of heavy petroleum nominations to total nominations for the month
- (b) the hydraulic capacity determined in accordance with Paragraph (a) of this Rule 6 will be allocated among the following categories of destinations:
  - i. capacity available for deliveries to the Westridge Dock (such capacity the "Westridge Dock Capacity");
  - ii. capacity available for deliveries to Burnaby or Kamloops (such destinations the "Domestic Destinations" and such capacity the "Domestic Capacity") and
  - iii. capacity available for deliveries to export markets in Washington State via the connected facilities of Terasen Pipelines (Puget Sound) Corporation (such destinations the "Export Destinations" and such capacity the "Export Capacity").

The Westridge Dock Capacity will be established as being 3,600 m<sup>3</sup>/day, subject to adjustment as provided in Paragraphs (d) and (e) of this Rule 6. The remainder of the hydraulic capacity as determined by carrier will be allocated 56.6% to Domestic Capacity and 43.4% to Export Capacity.

- (c) the hydraulic capacity will then be adjusted to take account of the operational characteristics of the pipeline system, such as scheduled or anticipated interruptions of service, carry-over of volumes initially scheduled for the prior month. Adjustments to the hydraulic capacity will be made pro rata to each of the designated Capacity categories.
- (d) if nominations for delivery to the Westridge Dock exceed the Westridge Dock Capacity, nominations for delivery to the Westridge Dock will be apportioned by allocating ship loadings as follows:

the carrier will allocate ship loadings on the basis agreed to by shippers concerned, and in the event carrier is unable to obtain such agreement, carrier will allocate ship loadings by drawing lots. The allocation of ship loadings by either of the foregoing methods will be considered "apportionment" for the purposes of Rules 16 and 19.

- (e) if, following any such apportionment, the Westridge Dock Capacity exceeds the nominations for delivery to the Westridge Dock, whether or not the apportionment procedures referred to in Paragraph (c) of this Rule 6 have been used, such excess capacity will, if necessary, be transferred to the Domestic Capacity and to the Export Capacity in proportion to the nominations received for each Destination for the month.
- (f) if nominations for delivery to the Domestic Destinations exceed the Domestic Capacity, nominations for delivery to Domestic Destinations will be apportioned by reducing the requested volumes rateably within all nominations to Domestic Destinations only.
- (g) if the Domestic Capacity, as adjusted in accordance with the provisions of this tariff, exceeds nominations for delivery to the Domestic Destinations such excess capacity will, if necessary, be added first to the Export Capacity and if the Export Capacity then exceeds nominations to Export Destinations, to the Westridge Dock Capacity.
- (h) if nominations for delivery to the Export Destinations exceed the Export Capacity as adjusted in accordance with these provisions, nominations for delivery to Export Destinations will be apportioned by reducing the requested volumes rateably within all nominations to the Export Destinations.
- (i) if the Export Capacity, as adjusted in accordance with the provisions of this tariff, exceeds nominations for delivery to the Export Destinations such as excess capacity will, if necessary, be added first to the Domestic Capacity and if the Domestic Capacity then exceeds nominations to Domestic Destinations, to the Westridge Dock Capacity.
- (j) during an event of Force Majeure, a shipper may reallocate its nominations between the Westridge Dock, Domestic and Export Destinations, provided that any such reallocation does not materially adversely affect the nominations of any other shipper; and
- (k) other than as set out in Paragraph (i) of this Rule 6 or in the case of minimal adjustments for operational reasons, at any time while the provisions of this Rule 6 require that volumes be apportioned, no volumes may be reallocated among the Westridge Dock and Domestic or Export Destinations.
- (l) in the case of an event of Force Majeure affecting carrier's pipeline system, any resulting reduction in pipeline capacity will be allocated pro rata to each of the designated Capacity categories.

## **7. DELIVERIES**

At destinations where carrier has no terminal tankage, carrier will not be obligated to make deliveries in lots of less than 8,000 m<sup>3</sup>, such to be delivered at carrier's full trunk line pumping rate. From its Burnaby tankage carrier will not be obligated to make single continuous deliveries of petroleum in lots of less than 2,500 m<sup>3</sup>; nor will carrier be obligated to deliver occasional shipments of less than 8,000 m<sup>3</sup> other than in single continuous lots.

## **8. TITLE**

No petroleum will be accepted for transportation the title to which is in litigation or as to which a dispute of title exists or the title to which is encumbered by lien or charge of any kind provided, however, that carrier may waive this requirement if satisfactory bond or other surety has been furnished by shipper or consignee.

## **9. GAUGING, TESTING AND VOLUME CORRECTIONS**

Prior to its acceptance for transportation and before it is delivered at destination carrier will test the petroleum and measure its volume. Shipper or consignee or agent may witness such testing and measuring. Volumes will be determined by metering or gauging, as decided by carrier, corrected as to temperature to 15° C. If tank gauges are used, quantities will be determined from regularly compiled 100% tank tables. From the corrected volume a deduction will be made for the amount of basic sediment, water and other impurities as ascertained by centrifuge or other tests selected by carrier. When carrier accepts low density petroleum a further adjustment will be made to cover volumetric shrinkage resulting from partial or

complete mixing thereof with other petroleum. Volumetric shrinkage will be computed in accordance with current API procedures or by such other method as may be agreed upon. The net quantities so determined shall be the quantities deliverable by carrier.

## **10. EVIDENCE OF RECEIPTS AND DELIVERIES**

Petroleum received and delivered shall, in each instance, be evidenced by tickets showing either the metered total or opening and closing tank gauges, temperature, basic sediment and water, and any other data essential to the determination of quantity. Tickets shall be jointly signed by carrier and shipper or consignee or agent, as appropriate, and shall constitute full receipt for the petroleum received or delivered.

## **11. DEMURRAGE**

Upon 24 hours' notice by carrier, shipper or consignee shall accept and remove its shipment from carrier's destination tankage. If shipment is not being removed in a reasonable manner after expiration of the 24 hours, a demurrage charge of \$0.025/ m<sup>3</sup>/day or part thereof shall accrue on all petroleum not removed.

## **12. PAYMENT OF TARIFF CHARGES AND LIEN FOR UNPAID CHARGES**

Shipper shall pay all applicable transportation charges, cargo rates, harbour dues and other lawful charges accruing on petroleum delivered to and accepted by carrier for shipment, and, if required, shall pay the same before delivery at destination. Charges remaining unpaid 14 days after notice and demand therefore shall bear interest, payable to carrier, at a rate two percent greater than the rate established by the Canadian Imperial Bank of Commerce as its prime rate in effect from time to time. Carrier shall have a lien on all petroleum in its possession to secure the payment of any and all unpaid transportation or other lawful charges, including interest as aforesaid, that are due to carrier and may withhold such petroleum from delivery until such charges have been paid. If such charges remain unpaid 14 days after notice and demand therefore, or even in the absence of unpaid charges when there shall be a failure to take petroleum within 14 days after the expiration of notice given by carrier pursuant to Rule 11, carrier shall have the right, directly or through an agent, to sell such petroleum by public auction, at carrier's office in Calgary, Alberta, on any day not a legal holiday, after 3 consecutive days publication of notice of such sale in a daily newspaper of general circulation published in that city, stating the time, place of sale, and the quantity and location of the petroleum to be sold. At such sale carrier shall have the right to bid, and, if the highest bidder, to become the purchaser. From the proceeds of such sale carrier will pay itself the transportation and all other lawful charges, including interest, reasonable storage charges pending the sale and expenses incident to the sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

## **13. LIABILITY OF CARRIER**

Carrier while in possession of any of the petroleum herein described shall not be liable for any loss thereof, damage thereto or delay caused by fire, storm, flood, earthquake, epidemics, acts of God, riots, insurrection, rebellion, sabotage, strikes, labour disturbances, shortage of labour or breakdown of transportation or storage facilities, war, or acts of the Queen's enemies, or from quarantine, or authority of law or from any order, requisition, interest or necessity of the Government of Canada or any Province thereof, default of the owner, shipper or consignee, or from any cause whatsoever, whether enumerated herein or not, except by its own direct negligence. In case of the loss of petroleum from any cause other than the direct negligence of carrier, shipper shall bear a loss in such proportion as the amount of its shipment, already delivered to carrier, bears to all the petroleum and refined petroleum then in the custody of carrier, and shipper shall be entitled to have delivered only such portion of its shipment as may remain after deduction of its due proportion of such loss.

## **14. CLAIMS, SUITS AND TIME FOR FILING**

As a condition precedent to recovery, claims for loss, damage, or delay in connection with the shipment of petroleum tendered for shipment under the terms of this tariff must be filed in writing with carrier within one month after delivery of the petroleum, or, in the case of failure to make delivery, then within three months after a reasonable time for delivery has elapsed; and suits arising out of such claims must be instituted against carrier within six months from the day when notice in writing is given by carrier that it has disallowed the claim or any part or parts thereof specified in the notice. In causing petroleum to be transported under this tariff, shipper agrees to be bound by the provisions of this Rule 14 and waive any rights which it might have, at common law or otherwise, to make a claim after the expiration of the said period of one month or the said period of three months as the case may be or to bring an action after the expiration of the said period of six months.

## **15. APPLICATION OF RATES AND CHARGES**

Petroleum accepted for transportation shall be subject to the rates, fees, and charges in effect on the date of delivery of such petroleum by carrier, irrespective of the date of nomination or tender. Such rates and charges will be assessed only on the net quantities of such petroleum delivered. If petroleum is accepted for transportation from any point on carrier's line not named in this tariff, the toll published herein for transportation from the nearest upstream specified receipt point will apply.

## **16. DIVERSION AND RECONSIGNMENT**

Diversion or reconsignment may be made without charge if requested in writing by shipper sufficiently in advance of scheduled delivery at original destination, subject to the rates and charges, rules and regulations applicable from original receipt point to final delivery point, upon condition that no backhaul movement will be made, provided that if volumes are subject to apportionment pursuant to Rule 6, such diversions or reconsignments may only be made within volumes allocated to Domestic Destinations, within volumes allocated to Export Destinations, or within volumes allocated to the Westridge Dock.

## **17. EXPORT OF PETROLEUM**

Shippers of petroleum destined for export via Sumas or carrier's Westridge Dock shall make all necessary arrangements with concerned government authorities to accommodate such export. Carrier will permit government representatives to witness the testing and measurement of deliveries into marine vessels.

## **18. WESTRIDGE DOCK INCENTIVE TOLL**

- (a) Petroleum, other than Heavy Petroleum, nominated for loading over the Westridge Dock is subject to a minimum vessel volume of 40,000 m<sup>3</sup>.
- (b) the incentive Toll will be discontinued for the remainder of the year after a total of 730,000 m<sup>3</sup> has been loaded over the Westridge Dock.

## **19. NON-PERFORMANCE**

- (a) A Non-Performance Penalty of \$17.00 per cubic metre will be charged in accordance with the provisions outlined below, Paragraphs (b) through (f) of this Rule 19.
- (b) In months in which volumes nominated to Domestic Destinations or Export Destinations are subject to apportionment under Rule 6, all nominations to Domestic Destinations or Export Destinations shall have the Non-Performance Penalty applied to that portion of shortfall in receipts by a shipper that exceeds five (5) percent of that shipper's apportioned volume. However, the Non-Performance Penalty will not be applied to that portion of shortfalls caused by Force Majeure events or carrier imposed restrictions on feeder pipeline deliveries into the carrier.
- (c) In months in which volumes nominated to Domestic Destinations or Export Destinations are subject to apportionment under Rule 6, or in which volumes nominated to the Westridge Dock are subject to apportionment under Rule 6, all nominations to the Westridge Dock shall have the Non-Performance Penalty applied to that portion of shortfall in receipts by a shipper that exceeds five (5) percent of that shipper's apportioned volume. However, the Non-Performance Penalty will not be applied to that portion of shortfalls caused by Force Majeure events or carrier imposed restrictions on feeder pipeline deliveries into the carrier.
- (d) The shipper shall provide the carrier with written notice of the Force Majeure event within four (4) business days of the event. Such notice shall state the nature of the event, the estimated duration of the event, and the volume affected. The shipper shall use reasonable due diligence to remedy the Force Majeure event as quickly and safely as reasonably practicable and shall keep carrier informed as to the progress in the efforts to remedy the event; provided the shipper shall not be required to settle strikes, lockouts or other labour disruptions contrary to its wishes.
- (e) At any time up to thirty (30) calendar days following the receipt of the notice referred to in Paragraph (d) of this Rule 19 the carrier will issue written notice to the shipper informing the shipper in the event the carrier disputes all

or a portion of the shipper's claim of Force Majeure. The carrier shall invoice the shipper for the amount of the Non-Performance Penalty calculated in accordance with this Rule 19, and the shipper shall be obligated to make payment of the invoiced amount.

- (f) The carrier shall publish, on at least a monthly basis, a summary of all Force Majeure notices issued pursuant to Paragraphs (d) and (e) of this Rule 19, which shall contain only the name of the shipper claiming Force Majeure, volume affected, the amount of the Non-Performance Penalty disputed and/or undisputed, and the status of all disputed claims.
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