
INCENTIVE TOLL SETTLEMENT AGREEMENT

16th day, of November 2022

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Incentive Toll Settlement Agreement dated 16th day of November, 2022

BETWEEN:

TRANS-NORTHERN PIPELINES INC.

a corporation with offices in Richmond Hill, Ontario (the “**Carrier**”)

- and -

**SHIPPERS ON THE TRANS-NORTHERN PIPELINES SYSTEM WHICH ARE
SIGNATORIES TO THIS AGREEMENT**

RECITALS:

- A. Carrier is a corporation which owns and operates an approximately 850 kilometre refined petroleum products pipeline between Montreal, Quebec and Oakville, Ontario, and between Nanticoke, Ontario and Toronto, Ontario, including related and ancillary transmission assets and terminal assets (the “**TNPI System**”). Carrier is regulated by the CER.
- B. Carrier and the Shippers which are signatories hereto have developed this incentive toll settlement agreement, which shall, subject to the approval of the CER, provide for the settlement of the Revenue Requirement and Tolls for the first Contract Year of the Term, and the settlement of the method for determining the Revenue Requirements and Tolls applicable to the TNPI System for the remainder of the Term.

In consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and adequacy of which are hereby acknowledged), the Carrier and Shippers which are signatories hereto agree as follows:

**ARTICLE 1
INTERPRETATION.**

- 1.1 Definitions.** In this Agreement, including the recitals to this Agreement, unless the context otherwise requires:
 - (1) “**Abandonment Funding**” means the collection, setting aside and management of funds for the purposes of abandoning the TNPI System in accordance with Applicable Law, including the principles and plans contained in CER RH-2-2008 and any subsequent updates, modifications, or replacements.
 - (2) “**Actual Mid-Year Throughput**” means the summation of the total actual throughput volume of each Movement for the first six (6) month period of the current Contract Year.
 - (3) “**Adjusted Nomination**” means a good faith, non-binding, update to a Shipper’s Annual Nomination for each of the remaining six (6) months of the Contract Year, commencing on the first day of July of the Contract Year.

- (4) “**Adjusted Forecast of Annual Throughput**” means an adjustment to the Forecast of Annual Throughput for the period commencing on the first day of July of the Contract Year to the remainder of the current Contract Year.
- (5) “**Adjusted ROE**” means a Return on Equity, effective as of the commencement of each Contract Year after the first Contract Year, equal to (i) the Base ROE; plus (ii) one half of the difference between the Contract Year LCBF and the Base LCBF; plus (iii) one half of the difference between the Contract Year Credit Spread and the Base Credit Spread.
- (6) “**Affiliate**” of any Person means any other Person who directly or indirectly Controls, or is Controlled by, or is under common Control with, such Person.
- (7) “**Agreement**” means this Incentive Toll Settlement Agreement, including all Schedules, Appendices and Exhibits to this Incentive Toll Settlement Agreement, as amended, supplemented, restated and replaced from time to time in accordance with its provisions.
- (8) “**Amended Annual Nomination**” means a revised and updated Annual Nomination submitted by a Shipper to the Carrier in accordance with this Agreement.
- (9) “**Annual Flow Through Expense**” means, in respect of a Contract Year, the aggregate of (i) Carrier’s reasonable estimate of Flow Through Expenses it forecasts to incur in such Contract Year; adjusted by (ii) the Prior Year Flow Through Expense Variance and the Carrying Cost calculated on such Prior Year Flow Through Expense Variance.
- (10) “**Annual Labour Costs**” means (a) for the Initial Term, the fixed amount, in 2023 dollars, set out for each Contract Year of the Initial Term in Schedule [5], with each such corresponding amount to be subject to escalation at the Escalation Rate for each Contract Year between the Effective Date and the commencement of the Contract Year for which the amount applies; or (b) for each Renewal Term, the fixed amount, in dollars corresponding to the first year of that Renewal Term, set out for each Contract Year of that Renewal Term as adjusted pursuant to Section 3.2, with each such corresponding amount to be subject to escalation at the Escalation Rate for each Contract Year between the first year of that Renewal Term and the commencement of the Contract Year for which the amount applies; in each case representing a fixed sum for salary, wages, benefits, and labour including contract labour associated with ongoing operations of the TNPI System (but excluding labour included as a Flow Through Expense),
- (11) “**Annual Nomination**” means a good faith, non-binding forecast of all Movement Nominations of a Shipper for a Contract Year.
- (12) “**Annual Non Flow Through Expense**” means, in respect of the first Contract Year of the Initial Term and the first Contract Year of each Renewal Term, the Non Flow Through Expense Basis, and in respect of each Contract Year thereafter, the Annual Non Flow Through Expense of the prior Contract Year multiplied by the Escalation Rate, provided, however that Annual Labour Costs which have already been subject to escalation at the Escalation Rate shall not be further multiplied by the Escalation Rate.

- (13) **“Annual Shippers Meeting”** means an annual meeting with Carrier and commercial representatives from all Shippers.
- (14) **“Applicable Law”** means:
- (a) any domestic (federal, provincial or municipal) statute, law (including common and civil law), code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise);
 - (b) any judgement, order, writ, injunction, directive, decision, ruling, decree or award;
 - (c) any regulatory policy, practice or guideline;
 - (d) any published administrative position; or
 - (e) any permit;
- of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used, or binding on or affecting the property of that Person, and for greater certainty includes applicable regulatory policies, practices or guidelines of the CER.
- (15) **“Applied For Tolls”** means any Toll that has been filed with the CER but has not yet been approved by the CER.
- (16) **“ASPE”** means the Accounting Standards for Private Enterprises that are in effect from time to time in Canada, as published in Part II of the Handbook of the Canadian Institute of Chartered Accountants or any successor thereof.
- (17) **“Base Credit Spread”** means the difference between the Bloomberg Fair Value Canada 30-Year A-rated Utility Bond index yield and the Long Canada Bond yield calculated in accordance with Schedule [11] for the first Contract Year of the Initial Term; and as adjusted for the first Contract Year of any Renewal Term pursuant to Section 3.2(3).
- (18) **“Base LCBF”** means the Long Canada Bond Forecast calculated in accordance with Schedule [10] for the first Contract Year of the Initial Term; and as adjusted for the first Contract Year of any Renewal Term pursuant to Section 3.2(3).
- (19) **“Base ROE”** means eleven and one-tenth (11.1%) percent for the first Contract Year of the Initial Term, which assumes the Base LCBF and the Base Credit Spread; and as adjusted for the first Contract Year of any Renewal Term pursuant to Section 3.2(3).
- (20) **“Base Toll”** means the Toll for each Forecast Movement effective as of the commencement of each Contract Year.
- (21) **“Business Day”** means any day, except Saturdays and Sundays, on which banks are generally open for business in Toronto, Ontario.
- (22) **“Calendar Year”** means the twelve (12) month period from January 1 to December 31 in a year.

- (23) “**Carrier**” means Trans-Northern Pipelines Inc.
- (24) “**Carrier New Project**” means any investment of capital in a Segment designated as a “Carrier New Project” by Carrier including but not limited to projects required to address long-term consequences of Unforeseen Events, maintenance and repairs, efficiency programs, and implementation of Good Industry Practices.
- (25) “**Carrier New Project Threshold**” means an amount equal to the total of (i) a deemed base capital expenditure amount of twenty million dollars (\$20,000,000) for the first Contract Year of the Initial Term; or as adjusted for the first Contract Year of any Renewal Term pursuant to Section 3.2(3) (for purposes of this definition the “Base New Project Amount”), plus (ii) for the subsequent Contract Year of the Initial Term or Renewal Term, as applicable, the Base New Project Amount multiplied by the Escalation Rate (for purposes of this definition the “Escalated New Project Amount”), plus (iii) for the third and each subsequent Contract Year in the five (5) year period of the Initial Term or Renewal Term as applicable, the Escalated New Project Amount in the prior year multiplied by the Escalation Rate; and for certainty, the Carrier New Project Threshold shall be a single amount calculated at the commencement of the Initial Term or Renewal Term, as applicable. An illustrative calculation of the Carrier New Project Threshold is contained in Schedule [7].
- (26) “**Carrier’s Debt Rate**” means Carrier’s reasonable estimate of its actual cost of debt for the upcoming Contract Year.
- (27) “**Carrying Cost**” means daily weighted average of the twelve (12) monthly bank rates published in the Bank of Canada “Statistical Review” for the Calendar Year in which the variance accrued plus 50 basis points multiplied by any variance as calculated in accordance with this Agreement.
- (28) “**CER**” means the Canadian Energy Regulator established pursuant to the *Canadian Energy Regulator Act* (S.C. 2019, c. 28, s.10) or any successor thereof.
- (29) “**CER Cost Recovery**” means all amounts payable by Carrier to the CER pursuant to the National Energy Board Cost Recovery Regulations (SOR/91-7), and any amendment or replacement of such regulations.
- (30) “**Contract**” means any agreement, contract, indenture, lease, occupancy agreement, deed of trust, licence, or option, other than a Regulatory Approval.
- (31) “**Contract Year**” means the Calendar Year in which the Agreement is in force.
- (32) “**Contract Year Credit Spread**” means the difference between the Bloomberg Fair Value Canada 30-Year A-rated Utility Bond index yield and the Long Canada Bond yield calculated in accordance with Schedule [11] for the Contract Year for which the Adjusted ROE is being calculated.
- (33) “**Contract Year LCBF**” means the Long Canada Bond Forecast for the Contract Year for which the Adjusted ROE is being calculated.

- (34) **“Control”** means one or more of the following:
- (a) a body corporate is controlled by a Person if: (A) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned, directly or indirectly, by such Person; and (B) the votes attached to those securities are sufficient to elect a majority of the directors of the body corporate;
 - (b) an association, partnership, limited liability company, trust or other organization is controlled by a Person if: (A) more than 50% of the ownership interests, however designated, into which the association, partnership, limited liability company, trust or other organization is divided are beneficially owned, directly or indirectly, by such Person; and (B) the Person is able to direct the business and affairs of the association, partnership, limited liability company, trust or other organization;
 - (c) a body corporate, association, partnership, limited liability company, trust or other organization is controlled by a Person if such Person has, directly or indirectly, control in fact of the body corporate, association, partnership, limited liability company, trust or other organization; or
 - (d) a body corporate, association, partnership, limited liability company, trust or other organization that controls (within the meaning of this definition) another body corporate, association, partnership, limited liability company, trust or other organization is deemed to control (within the meaning of this definition) any body corporate, association, partnership, limited liability company, trust or other organization that is controlled or deemed to be controlled (within the meaning of this definition) by the other body corporate, association, partnership, limited liability company, trust or other organization.
- (35) **“COT”** means Carrier’s Conditions of Transportation dated January 2020, attached as Schedule [13] hereto, as amended from time to time, which applies to the provision of services on the TNPI System.
- (36) **“CPI”** means “Consumer Price Index for Canada, All Items excluding Energy and Food” for the prior Calendar Year published by Statistics Canada on “Table 18-10-0005-01, Consumer Price Index, annual average, not seasonally adjusted”.
- (37) **“Critical Interfacial Mixture”** has the meaning ascribed in the COT.
- (38) **“Cubic Meter (m³)”** has the meaning ascribed in the COT.
- (39) **“Depreciation”** means an annual charge incurred by Carrier to reduce its Rate Base and New Project Rate Base in accordance the rates and methodology approved by the CER from time to time to reflect wear and tear, age, obsolescence and replacement of an asset.
- (40) **“Depreciation Study”** means a study of, and potential recommendation to change, Carrier’s current Depreciation rates and methodology.

- (41) “**Destination**” has the meaning ascribed in the COT.
- (42) “**Destination Point**” means a Destination designated as a delivery point in Schedule [1], or such other location approved as a Destination Point by Carrier from time to time.
- (43) “**Direct Expense**” means any Flow Through Expense or Non Flow Through Expense directly related to the provision of services on a specific Segment or in relation to an Idle Facility located in a specific Segment.
- (44) “**Discretionary Expense**” means any additional expense beyond those currently incurred by Carrier that it believes is in the best interest of Carrier or Shippers, including but not limited to drag reducing agent and other similar types of expense.
- (45) “**Discretionary New Project**” means any investment of capital in a Segment that the Carrier believes is in Shippers’ or Carrier’s best interest but Carrier chooses not to classify as a Carrier New Project, including but not limited to expenditure in excess of the Carrier New Project Threshold, non-maintenance projects, and Shipper requested projects.
- (46) “**Dispute**” means any dispute between the Carrier and one or more Shippers arising out of or in connection with this Agreement or the performance of any activities under or in connection with this Agreement, including any dispute regarding the existence, construction, validity, interpretation, enforceability or breach of this Agreement, but excluding Toll Disputes.
- (47) “**Dorval Lateral**” means the pipeline between Montreal and Dorval Airport which comprises a portion of the TNPI System.
- (48) “**Earnings Threshold**” means twenty million dollars (\$20,000,000) escalated annually at the Escalation Rate on the first day of each Contract Year commencing on the first anniversary of the Effective Date.
- (49) “**Effective Date**” means January 1, 2023.
- (50) “**Environmental Compliance Costs**” means the costs to develop and maintain the environmental protection program in compliance with Applicable Law, and the present and future costs to assess, abandon and remediate the TNPI System and contaminated sites associated with the operations of the TNPI System, including Abandonment Funding.
- (51) “**Escalation Rate**” means the sum of one (1) and the greater of CPI and zero (0).
- (52) “**Fire Safety Costs**” means the cost to inspect and maintain fire protection systems, the costs to safeguard Transmission Assets and Terminal Assets and those working for, on behalf of, or in proximity to the TNPI System, and the costs to develop and maintain health and safety, security and emergency management programs in compliance with Applicable Law that protect public as well as TNPI personnel and facilities.
- (53) “**Flow Through Expense**” means any expense incurred by Carrier necessary for the provision of transportation and storage services to Shippers on the TNPI System that are

beyond Carrier's control in its reasonable estimation, including but not limited to CER Cost Recovery, Insurance, Utilities, communications, data lines, pumping power, property and other municipal Taxes, Petroleum gains and losses due to metering differences, evaporation or shrinkage due to normal pipeline operations, Environmental Compliance Costs, Integrity Costs, Land and Right of Way Costs, Fire Safety Costs, and costs and expenses payable pursuant to Contracts entered in the ordinary course of the TNPI System, but expressly excluding any penalties or expenses incurred by Carrier as a result of Carrier fraud or Carrier willful refusal to comply with Applicable Law in contravention of Good Industry Practice.

- (54) **“Forecast of Annual Throughput”** means the forecast of throughput for all Movements in the aggregate, and the Movements for each individual Shipper, on each of the Transmission Assets and Terminal Assets, taking into account the sum of Annual Nominations and Adjusted Nominations from all Shippers, historical shipments, consultations with Shippers, planned maintenance and other factors.
- (55) **“Forecast of Mid Year Throughput”** mean the summation of the total forecast throughput volume for each Movement in the first six (6) month period of the current Contract Year, as described in the Forecast of Annual Throughput.
- (56) **“Forecast Movement”** means any Movement to which a forecasted throughput volume has been nominated or designated in the Forecast of Annual Throughput.
- (57) **“GAAP”** when used in respect of accounting terms or accounting determinations relating to a Person, means ASPE which are in effect from time to time in Canada, as published in Part II of the Handbook of the Canadian Institute of Chartered Accountants or any successor thereof (the **“Handbook”**), provided that if such Person has adopted, or if and when such Person is required, or decides, to adopt, the International Financial Reporting Standards, GAAP shall mean those standards as in effect from time to time in Canada, as published in Part I of the Handbook.
- (58) **“Good Industry Practice”** means, in relation to a function or activity, any of the practices, methods and acts that should be adopted at the relevant time by a Person exercising that degree of knowledge, skill, diligence, prudence and foresight that would reasonably and ordinarily be expected from a skilled and experienced operator engaged in providing the applicable functions or activity, under the same or similar circumstances. Good Industry Practice is not restricted to the optimum practice, method or act to the exclusion of all others but rather comprises the spectrum of acceptable practices, methods and acts applicable to the specific circumstance (and that, for certainty, meet the standard specified in the first sentence of this definition).
- (59) **“Governmental Authority”** means any domestic government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or Taxing power or function of or pertaining to government, including the CER.

- (60) **“Idle Facilities”** means any portion of the TNPI System that has not been used for a consecutive six (6) month period and is not required to meet Annual Nominations submitted by Shippers for the upcoming Contract Year.
- (61) **“Income Sharing”** has the meaning ascribed in Section 6.4(4).
- (62) **“Income Sharing Amount”** means, in the event that the aggregate Return on Rate Base (including, for certainty, the Return on the Montreal West Rate Base and the Return on the Nanticoke East Rate Base) minus the gross up for Carrier’s average combined federal and provincial income tax exceeds the Earnings Threshold in a given Contract Year, the amount by which such aggregate Return on Rate Base minus the gross up for Carrier’s average combined federal and provincial income tax exceeds the Earnings Threshold, multiplied by the Income Sharing Ratio.
- (63) **“Income Sharing Ratio”** means fifty (50%) percent.
- (64) **“Initial Rate Base”** means the net book value of all of Carrier’s assets in service as of the Effective Date.
- (65) **“Initial Term”** means the five (5) year period commencing on the Effective Date and terminating on December 31, 2027.
- (66) **“Insurance”** means insurance of property and potential liability exposures against loss or damage with coverage and amounts that are consistent with Good Industry Practice having regard to the nature of the Carrier’s facilities and operations.
- (67) **“Integrity Costs”** means the costs to: (i) maintain and execute the pipeline integrity management program, including without limitation, in-line inspections, corrosion control and monitoring, hazard management, risk assessments and any associated pipeline repairs meeting the Carrier’s criteria to be expensed; and (ii) maintain and execute the facility integrity management program, including without limitation, ongoing routine maintenance and inspection of tanks, pump stations, metering equipment, and other station equipment.
- (68) **“Land and Right of Way Costs”** means the costs to: (i) acquire, occupy or access lands on which the TNPI System is located or may be approached, including easements, rights of way, rights of access, rights of entry, crossing agreements, and surface leases, licenses and other surface rights, including the costs to comply with the foregoing; (ii) maintain station property; (ii) maintain access and egress to the pipeline right of way including without limitation, removal of vegetation to ensure the ability to access the right of way or to complete visual inspection; and (iii) maintain and execute the damage prevention program, including without limitation, pipeline patrols and encroachment removals.
- (69) **“Legislated Changes”** means new laws, orders, regulations, decisions, decrees or directives made by the CER or other Governmental Authority having jurisdiction over Carrier.
- (70) **“Long Canada Bond Forecast”** means the average of the projected 30-year Canada Government Bond yield from the September issues of RBC Capital Markets (Financial

Markets Monthly) and TD Economics (Latest Forecast Tables) for the four quarters ending Q3 of the next year.

- (71) **“Material Change in Business Circumstances”** means a material, non-transitory, change in business, economic or fiscal circumstances, regulatory requirements or policies, operating or competitive environment, or Applicable Law, which is not otherwise contemplated in this Agreement, that has or is expected to, materially impair, prejudice, or render more costly or risky, a Party’s ability to perform its obligations under this Agreement, or which materially adversely affects a Party’s reasonably expected benefits or returns under this Agreement, including without limitation, Legislated Changes affecting safety, integrity, environmental practices, or land use zoning; material changes in inflation, general recessions or depressions; significant adverse impacts to supply chains or the ability to procure materials or access labour; and substantial loss of demand for Petroleum transportation or terminal services, including due to an existing or anticipated extended or permanent loss of availability or use of all or a significant portion of the TNPI System.
- (72) **“Metro Line”** means the pipeline between Nanticoke and North Toronto which comprises part of the TNPI System.
- (73) **“Mid-Year Adjusted Tolls”** means the change in the dollars per Cubic Meter of the Base Toll which is required in order to yield the Mid-Year Revenue Requirement.
- (74) **“Mid-Year Revenue Requirement”** means the difference between the Revenue Requirement for the Contract Year and actual Toll revenue generated in the first six (6) months of that Contract Year.
- (75) **“Mid-Year Shortfall”** means the volume by which Actual Mid-Year Throughput is less than the Forecast of Mid-Year Throughput.
- (76) **“Mid Year Variance Report”** has the meaning ascribed in Section 7.4.
- (77) **“Montreal Line”** means the pipeline between Montreal and Farran’s Point including the tank farm at Farran’s Point which comprises part of the TNPI System.
- (78) **“Montreal West”** means Dorval Lateral, Montreal Line, Ottawa Lateral, and the West Line, including or excluding such facilities as Carrier and Segment Shippers mutually agree to include or exclude, from time to time, pursuant to Section 6.4(1)(h).
- (79) **“Montreal West Rate Base”** has the meaning ascribed thereto in Section 6.4(1)(c)
- (80) **“Movement”** means Origin Point and Destination Point pairs identified in Schedule 1] where Carrier will accept nominations to transport Petroleum from the Origin Point to the Destination Point.
- (81) **“Movement Nomination”** means, with respect to a Shipper, and for each Movement, a statement describing for each month in a Contract Year, the volume and type of Petroleum

to be transported, the designated Origin Point and the Destination Point, which statement shall be a Nomination in accordance with the COT.

- (82) **“MW Segment RR”** has the meaning ascribed in Section 6.1(2)(b).
- (83) **“MW Terminal Proportion”** means the proportion that the Terminal Assets in Montreal West on a Volume Basis bears to the Terminal Assets of the entire TNPI System on a Volume Basis.
- (84) **“MW Transmission Proportion”** means the proportion that the Transmission Assets in Montreal West on a Volume Distance Basis bears to the Transmission Assets of the entire TNPI System on a Volume Distance Basis.
- (85) **“Nanticoke East”** means the Metro Line and Toronto Airport Lateral including or excluding such facilities as Carrier and Segment Shippers mutually agree to include or exclude, from time to time, pursuant to Section 6.4(1)(h).
- (86) **“Nanticoke East Rate Base”** has the meaning ascribed thereto in Section 6.4(1)(c).
- (87) **“NE Segment RR”** has the meaning ascribed in Section 6.1(2)(b).
- (88) **“NE Terminal Proportion”** means the proportion that the Terminal Assets in Nanticoke East on a Volume Basis bears to the Terminal Assets of the entire TNPI System on a Volume Basis.
- (89) **“NE Transmission Proportion”** means the proportion that the Transmission Assets in Nanticoke East on a Volume Distance Basis bears to the Transmission Assets of the entire TNPI System on a Volume Distance Basis.
- (90) **“New Capital Projects”** means one or a combination of Nondiscretionary New Projects, Carrier New Projects, and Discretionary New Projects as the context requires.
- (91) **“New Project Rate Base”** means the net book value of all of New Capital Projects Carrier’s assets in service assigned to specific Segments provided that such New Capital Projects have been placed into service and will be adjusted annually by Depreciation in accordance with Carrier’s practices as approved by CER.
- (92) **“Nomination”** has the meaning ascribed in the COT.
- (93) **“Nomination Adjustment Request Notice”** has the meaning ascribed in Section 7.4.
- (94) **“Nondiscretionary New Project”** means any investment of capital in a Segment reasonably required to comply with Legislated Changes, with the covenants of Carrier in a Contract, or to address the immediate consequences of Unforeseen Events, including but not limited to modifications required to comply with new laws or regulations, mandated pipeline rerouting, and urgent repairs necessary to maintain current service levels.

- (95) **“Non Flow Through Expense”** means any expense incurred by Carrier necessary or incidental to the provision of service on the TNPI System that is within Carrier’s control in its reasonable estimation including but not limited to Annual Labour Costs, materials and supplies costs, outside services costs, professional fees, and rent.
- (96) **“Non Flow Through Expense Basis”** means Carrier’s reasonable estimate of actual Non Flow Through Expense applying to the first Contract Year of the Initial Term, as may be adjusted for any subsequent Renewal Terms.
- (97) **“Non Routine Expense”** means (i) expenses reasonably required to comply with Legislated Changes, the covenants of Carrier in a Contract, or Unforeseen Events, in excess of sixty-thousand dollars (\$60,000) per occurrence including but not limited to Direct Expenses and Shared Expenses required to comply with new regulatory requirements, emergency repairs, and other similar expenses and (ii) prudent third party expenses reasonably incurred for project or business development activities for the benefit of the TNPI System,.
- (98) **“Origin”** has the meaning ascribed in the COT.
- (99) **“Origin Point”** means the Origin designated as an origin point in Schedule [1], or such other location approved as an Origin Point by Carrier from time to time.
- (100) **“Other Asset”** means any asset required to provide service on Carrier’s facilities with the exception of those assets classified as Terminal Assets or Transmission Assets. Other Assets include but are not limited to land, communications equipment, office furniture and equipment, vehicles, capitalized leases, and other capitalized items associated with project development and software.
- (101) **“Ottawa Lateral”** means the pipeline between Farran’s Point and Ottawa which comprises part of the TNPI System.
- (102) **“Party”** means a Person bound by this Agreement.
- (103) **“Person”** is to be broadly interpreted and includes an individual, a corporation, a partnership, a joint venture, a trust, an association, a syndicate, an unincorporated organization, a Governmental Authority, an executor or administrator or other legal or personal representative, or any other juridical entity.
- (104) **“Petroleum”** has the meaning ascribed in the COT.
- (105) **“Prior Settlement Agreement”** means the settlement agreement that came into effect on January 1, 1996, and approved by CER pursuant to decision RHW-3-96.
- (106) **“Prior Year Flow Through Expense Variance”** means the difference, whether positive or negative, between the Flow Through Expenses actually incurred by Carrier in the prior Contract Year (including any adjustments to eliminate the amount of any Flow Through Expenses actually paid or satisfied from another source such as by rebate or Abandonment Funding and including any Non Routine Expenses or portions thereof that are a treated as

Flow Through Expense pursuant to Section 10.1) and Carrier's estimate of Flow Through Expenses forecasted to be incurred prior to the commencement of that prior Contract Year pursuant to Section 6.3(1).

- (107) **"Prior Year Revenue Variance"** means the difference, whether positive or negative, between the actual transportation revenue during the prior Contract Year and the Revenue Requirement during such prior Contract Year.
- (108) **"Rate Base"** has the meaning ascribed thereto in Section 6.4(1).
- (109) **"Rate of Return on Rate Base"** means the greater of (i) the sum of fifty-five percent (55%) of the Return on Equity and forty-five percent (45%) of Carrier's Debt Rate and (ii) the Return on Rate Base Floor.
- (110) **"Readily Accessible Resource Level"** means an amount consistent with CER requirements for readily accessible resources for Carrier in accordance with Section 4.4 of the *CER Pipeline Financial Requirements Guidelines*.
- (111) **"Regulatory Application"** means an application to secure Regulatory Approval for Tolls, this Agreement, or any other matter from the CER or other Governmental Authority.
- (112) **"Regulatory Approval"** means the approval of any Regulatory Application by the CER or other applicable Governmental Authority.
- (113) **"Renegotiation Notice"** means notice provided by any Party to commence renegotiation of the Agreement.
- (114) **"Renewal Term"** means a period of five (5) Contract Years following the Initial Term or any subsequent Renewal Term.
- (115) **"Representatives"** means, with respect to any Party, its Affiliates and, if applicable, its and their respective directors, officers, employees, agents and other representatives and advisors.
- (116) **"Return on Equity"** means the Base ROE in the first Contract Year of the Initial Term, and for each subsequent Contract Year of the Initial Term, the Adjusted ROE, and for any Renewal Term the Return on Equity as adjusted pursuant to Section 3.2(3).
- (117) **"Return on Rate Base"** means (i) during the Unsegmented Phase, the product of the Rate of Return on Rate Base and the Rate Base, then grossed up to reflect Carrier's reasonable estimate of its average combined federal and provincial income tax rate; and (ii) during the Segmented Phase, the product of the Rate of Return on Rate Base and Montreal West Rate Base for Montreal West, or the product of the Rate of Return on Rate Base and the Nanticoke East Rate Base for Nanticoke East, as applicable, in each case grossed up to reflect an allocation of Carrier's reasonable estimate of its average combined federal and provincial income tax rate in accordance with Section 6.4(2)(a)(ii).
- (118) **"Return on Rate Base Floor"** means seven point five percent (7.5%).

- (119) “**Revenue Requirement**” is the revenue required by Carrier to generate sufficient funds to meet its expenses and to generate a reasonable return on rate base.
- (120) “**Segment**” means either one or combination of Montreal West or Nanticoke East as the context requires.
- (121) “**Segmented Phase**” means the period of the Term on and after January 1, 2025 to the expiry or termination of the Term.
- (122) “**Segment Shipper**” means any Shipper that has tendered Petroleum on a Segment at any time during the previous twelve (12) months prior to the current month or a Shipper that has assets that could reasonably deliver Petroleum to or receive Petroleum from the Segment.
- (123) “**Segment V/D Basis**” means the Volume Distance Basis allocation method where costs are allocated based on the ratio of (1) throughput volume multiplied by distance for a component in a given Segment receiving an allocation and (2) the sum of the throughput volume multiplied by the distance for all components in a given Segment receiving an allocation.
- (124) “**Segment Volume Basis**” means the Volume Basis allocation method where costs are allocated based on the ratio of (1) throughput volume for a component in a given Segment receiving an allocation and (2) the total throughput volume of all components in the given Segment receiving an allocation.
- (125) “**Shared Expense**” means any expense incurred by Carrier for the provisions of services on Carrier’s system where the expense is not a Direct Expense and includes Environmental Compliance Costs and Flow Through Expense impacting the Carrier’s entire TNPI System.
- (126) “**Shared Expense Ratio**” means fifty percent (50%), representative of Carrier’s good faith estimate of the equitable allocation of Shared Expense on Volume-Distance Basis with the remainder allocated on a Volume Basis.
- (127) “**Shipper**” means any Person tendering Petroleum for shipment on Carrier’s system in accordance with Carrier’s COT in the previous twelve (12) months; and “**Shippers**” means such Persons collectively.
- (128) “**System RR**” has the meaning ascribed thereto in Section 6.1(1).
- (129) “**System V/D Basis**” means the Volume Distance Basis allocation method where costs are allocated based on the ratio of (1) throughput volume multiplied by distance for all components in a given Segment receiving an allocation and (2) the sum of the throughput volume multiplied by the distance for all components in the TNPI System receiving an allocation.
- (130) “**System Volume Basis**” means the Volume Basis allocation method where costs are allocated based on the ratio of (1) throughput volume for all components in a given

Segment receiving an allocation and (2) the total throughput volume of all components in the TNPI System receiving an allocation.

- (131) **“Taxes”** means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof (including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, gains, capital stock, production, gift, wealth, environment, net worth, utility, sales, goods and services, harmonized sales, use, consumption, valued-added, excise, stamp, withholding, premium, business, franchising, property, employer health, payroll, employment, health, social services, education and social security taxes, surtaxes, customs duties and import and export taxes, development, occupancy, social services, licence, franchise and registration fees and employment insurance, health insurance and Canada, Québec and other government pension plan premiums or contributions), and **“Tax”** has a corresponding meaning.
- (132) **“Term”** shall mean the Initial Term and any Renewal Term(s).
- (133) **“Terminal Asset”** means Carrier facilities required to deliver Petroleum to other pipeline systems and facilities including but not limited to buildings, pumping equipment, station oil lines, oil tanks, and other station equipment.
- (134) **“TNPI System”** has the meaning ascribed thereto in the preamble to this Agreement, and expressly excludes unrelated transmission or terminal assets owned or operated by the Carrier including the Alberta Products Pipe Line system.
- (135) **“Toll”** means the charge Shippers pay to transport Petroleum on the Carrier’s system.
- (136) **“Toll Audit”** means an audit undertaken by Shippers to ensure that Tolls are set in accordance with this Agreement.
- (137) **“Toll Dispute”** means any reasonable situation where one or more Shippers do not believe that current or proposed Tolls are consistent with this Agreement.
- (138) **“Toronto Airport Lateral”** means the pipeline between Toronto Airport Junction and Toronto Pearson International Airport, which comprises part of the TNPI System.
- (139) **“Total Shared Expense (Terminal)”** has the meaning ascribed in Section 6.3(2)(a)(ii)(B).
- (140) **“Total Shared Expense (Transmission)”** has the meaning ascribed in Section 6.3(2)(a)(ii)(B).
- (141) **“Transmission Asset”** means Carrier facilities required to receive Petroleum from other pipeline systems and facilities, and to transport Petroleum between Terminal Assets including but not limited to mainline pumping equipment, pipelines, rights-of-way, tanks and other ancillary facilities at Farran’s Point, and buildings, station oil lines, and other station equipment at receipt facilities.

- (142) “**Unforeseen Event**” means an incident that Carrier could not and did not reasonably expect to occur.
- (143) “**Unsegmented Movement RR**” has the meaning ascribed thereto in Section 6.1(1).
- (144) “**Unsegmented Phase**” means the period of the Term between January 1, 2023 and December 31, 2024.
- (145) “**Unsegmented Rate Base**” has the meaning ascribed in Section 6.4(1).
- (146) “**Utilities**” means electric power, water, fuel and other utilities.
- (147) “**Volume Basis**” means the allocation method where costs are allocated based on the ratio of throughput volume for each component receiving an allocation and the total throughput volume of all components receiving an allocation.
- (148) “**Volume Distance Basis**” means the allocation method where costs are allocated based on the ratio of throughput volume multiplied by distance for each component receiving an allocation and the sum of the throughput volume multiplied by the distance for all components receiving an allocation.
- (149) “**West Line**” means the pipeline between Farran’s Point and Oakville which comprises part of the Pipeline.

1.2 Construction. This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 Certain Rules of Interpretation. In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Article , Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
 - (ii) “including” or “includes” means “including (or includes) but is not limited to” and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;

- (iii) “the aggregate of”, “the total of”, “the sum of”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”;
- (iv) references to contracts are deemed to include all present amendments, supplements, restatements and replacements to those contracts;
- (v) references to any legislation, statutory instrument or regulation or a Section thereof, are references to the legislation, statutory instrument, regulation or Section as amended, restated and re-enacted from time to time; and
- (vi) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.4 Computation of Time. In this Agreement, unless specified otherwise or the context otherwise requires:

- (a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;
- (b) all references to specific dates mean 11:59 p.m. on the dates;
- (c) all references to specific times are references to Eastern Standard time; and
- (d) with respect to the calculation of any period of time, references to “from” mean “from and excluding” and references to “to” or “until” mean “to and including”

1.5 Performance on Business Days. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.6 Currency and Payment. In this Agreement, unless specified otherwise references to dollar amounts or “\$” are to Canadian dollars.

1.7 Accounting Terms. In this Agreement, unless specified otherwise, each accounting term has the meaning assigned to it under GAAP.

1.8 Schedules. The following Schedules are attached to and form part of this Agreement:

- Schedule [1] Origin Point and Destination Points.
- Schedule [2] First Contract Year System RR, Unsegmented Movement RR and Base Toll, and Sample Base Toll Calculation.
- Schedule [3] First Contract Year Flow Through Expense Calculation and Sample Flow Through Expense Calculation.

Schedule [4]	First Contract Year Non Flow Through Expense Calculation and Sample Non Flow Through Expense Calculation.
Schedule [5]	Categories of Non Flow Through Expenses.
Schedule [6]	Initial Rate Base estimate.
Schedule [7]	Sample Carrier New Project Threshold Calculation.
Schedule [8]	First Contract Year Annual Nomination and Forecast of Annual Throughput.
Schedule [9]	Carrying Cost, Escalation, Tax, Rate of Return of Rate Base.
Schedule [10]	Long Canada Bond Forecast Calculation.
Schedule [11]	Credit Spread Calculation.
Schedule [12]	Toll Dispute Resolution Procedure.
Schedule [13]	Conditions of Transportation.

In the event of conflict or inconsistency between a provision in the body of this Agreement and a provision in any of the Schedules, the provision in the body of this Agreement shall prevail to the extent of the conflict or inconsistency.

ARTICLE 2 PRINCIPLES

- 2.1 Overall Settlement.** This Agreement was developed by the Carrier and the Shippers which are signatories hereto to provide an overall settlement of the first Contract Year Revenue Requirement and Base Tolls, and the method of determining the Revenue Requirement and Tolls for the TNPI System for the remainder of the Term. This Agreement is to be viewed as a whole and no element or component of it is to be considered as acceptable to any Party in isolation from other aspects of this Agreement. No element or component of this Agreement shall form a precedent, nor prejudice the position of any Party in future discussions, negotiations or proceedings, including proceedings for matters not addressed by this Agreement. This Agreement is intended to facilitate competitive tolls achieving a sustainable throughput while maintaining Carrier financial viability including maintenance of the Readily Accessible Resource Level.

ARTICLE 3 TERM

- 3.1 Term of Settlement.** Subject to Section 4.1, the term of the settlement will commence on the Effective Date and continue during the Term, unless a Renegotiation Notice has been issued in accordance with Section 3.3 or this Agreement is earlier terminated hereunder.

3.2 Renewals. Unless a Renegotiation Notice has been issued in accordance with Section 3.3, or this Agreement is earlier terminated hereunder, upon expiry of the Initial Term or any Renewal Term, this Agreement shall be automatically and without further notice extended for a further Renewal Term. On or prior to June 1 in the last Calendar Year of the Initial Term or June 1 of the last Calendar Year of any subsequent Renewal Term, as applicable,, Carrier will review and consult with Shippers regarding the adjustments to the following items, to be effective during the forthcoming Renewal Term:

- (1) the Non Flow Through Expense Basis applicable to the first Contract Year in the Renewal Term;
- (2) the Shared Expense Ratio;
- (3) the components of Capital Recovery, including Return on Rate Base, Base ROE, Base LCBF and Base Credit Spread; and
- (4) Carrier New Project Threshold.

3.3 Renegotiation. A Renegotiation Notice may be delivered by Carrier to all Shippers or by any Shipper to Carrier who shall then notify all other Shippers on or prior to June 30 of the last Calendar Year of the Initial Term or June 30 the last Calendar Year of any subsequent Renewal Term, as applicable, failing which this Agreement shall be extended for the next Renewal Term. In the event that a Renegotiation Notice is delivered, Carrier and Shippers will use good faith and reasonable efforts to negotiate a successor agreement to this Agreement to commence on the first day of the Calendar Year immediately following the end of the Initial Term or subsequent Renewal Term, as applicable, or such later date as can reasonably be achieved. In the event that the Carrier and the Shippers have not negotiated a successor agreement to this Agreement prior to the expiry of the Initial Term or Renewal Term as applicable, the Carrier and Shippers may, provided they continue to use good faith and reasonable efforts to negotiate a successor agreement, extend this Agreement for one (1) additional Contract Year (or such other period of time as the Carrier and Shippers may mutually agree) on the terms and conditions contained herein.

ARTICLE 4 CONDITIONS PRECEDENT

4.1 Conditions Precedent. The obligations of the Carrier and the Shippers under this Agreement (save and except for those set forth in Section 5.1 and Article 14) are subject to the satisfaction or waiver by the Carrier in its sole discretion, of the following condition precedent:

- (1) The Carrier shall have received and accepted approval of the CER and any other applicable Governmental Authority, of this Agreement and its application to the Shippers, the first Contract Year Base Toll and the Toll design for the TNPI System for the Term and all other related matters necessary to implement this Agreement, all in form and substance, and on terms and conditions, acceptable to the Carrier in its sole discretion.

- 4.2 Prior Settlement.** Subject to satisfaction or waiver of Carrier's conditions precedent in Section 4.1, this Agreement shall supersede the Prior Settlement Agreement, retroactive to the Effective Date.

ARTICLE 5 REGULATORY APPROVALS

- 5.1 Regulatory Approval of Agreement.** Upon execution of this Agreement, and subject to the terms and conditions of this Agreement, the Carrier shall proceed with due diligence and in good faith to seek to obtain Regulatory Approval of the Agreement and its application to Shippers, including, without limitation, approval of the Revenue Requirement, toll design and Base Tolls for the first Contract Year, and the method for determining the Revenue Requirement, toll design, Base Tolls and Applied For Tolls for each subsequent Contract Year, to have effect as of the Effective Date.
- 5.2 Regulatory Approval of Tolls.** Subject to the terms and conditions of this Agreement, the Carrier shall proceed with due diligence and in good faith to obtain Regulatory Approvals for the Tolls applicable to each Contract Year of the Term. The Carrier will use reasonable efforts to file with the CER by March 1 of each Contract Year the statement of Revenue Requirement and Applied For Tolls for the TNPI System (and each Segment if applicable) and each Movement for such Contract Year, such Revenue Requirement and Applied For Tolls to be retroactive to the beginning of that Contract Year. As of the Effective Date, the Revenue Requirement shall be the System RR and the Base Tolls set out in Schedule [2] (which includes an adjustment for the estimated costs, charges, settlements and reconciliations related to the termination of the Prior Settlement Agreement) shall be the interim refundable Tolls pending Regulatory Approval of the Applied For Tolls for the first Contract Year. The Base Tolls set out in Schedule [2] (as adjusted for the final costs, charges, settlements or reconciliation related to the termination of the Prior Settlement Agreement) shall be the Applied For Tolls for the first Contract Year. From and after the commencement of the second Contract Year, the Revenue Requirement and Tolls applicable to the prior Contract Year shall be considered interim refundable Tolls pending Regulatory Approval of such current Contract Year Revenue Requirement and Applied For Tolls. Following Regulatory Approval of the current Contract Year Revenue Requirement and Applied For Tolls, any reconciliation of the interim refundable Tolls and approved Applied For Tolls shall be credited or deducted on a future invoice as soon as reasonably possible.
- 5.3 Failure to receive Regulatory Approvals.** In the event that any provision of this Agreement, or the discharge and performance of the Carrier and Shipper hereunder, or the Tolls applicable to a Contract Year, do not receive Regulatory Approval, or the terms of this Agreement or any Toll is altered by the decision of a Governmental Authority that renders this Agreement or the Tolls non-manageable or unacceptable to Carrier or the Shippers, acting reasonably, the Carrier and Shippers shall meet and discuss such matter using reasonable efforts to review and rectify this Agreement, failing which Carrier may terminate this Agreement and any Shipper that is a Party may withdraw from this Agreement.

- 5.4 Support on Proceedings.** Shippers that are Parties hereto shall support and cooperate with Carrier in obtaining all or any portion of the Regulatory Approvals contemplated in Section 5.1 (including approval of the first Contract Year Tolls). Shippers that are Parties hereto shall support and cooperate with Carrier in obtaining all or any portion of the Regulatory Approvals contemplated in Section 5.2, provided, however, Shippers that are Parties hereto shall have the discretion to support or challenge the reasonableness, prudence and timing of Flow Through Expenses in their sole determination. Such support and cooperation shall include the provision of information reasonably requested by the Carrier in preparing and prosecuting applications for the Regulatory Approvals (excluding information that is commercially sensitive or confidential to a Shipper unless adequate protections can be put in place to safeguard its confidentiality) and information required by the CER or any other Governmental Authority to be submitted during review of such applications. Nothing contained in this Section 5.4 is intended to, or shall be construed as a waiver of, or limitation on, a Shipper's right to oppose, intervene against, or protest any applications for Regulatory Approvals that are inconsistent with this Agreement, or require a Shipper to act or not act in a manner that would be inconsistent with Applicable Law. Nothing in this Section 5.4 obligates Shippers to take any course of action for any other regulatory matter that does not directly pertain to Tolls including any position taken with regards to a Depreciation Study.
- 5.5 COT.** Within a reasonable time following the Effective Date, Carrier shall consult in good faith with Shippers on any proposed amendments or revisions to the COT and Carrier shall proceed with due diligence and in good faith to seek Regulatory Approval of such proposed amendments or revisions to the COT from the CER prior to the end of the first Contract Year.

ARTICLE 6 REVENUE REQUIREMENT

6.1 Revenue Requirement for System, Segment and Forecast Movements

- (1) During the Unsegmented Phase, the Carrier shall calculate and circulate to the Shippers at the Annual Shipper Meeting a reasonable estimate of the Revenue Requirement for the TNPI System (the "**System RR**") using the calculation in Section 6.2; and a reasonable estimate of the Revenue Requirement for each Forecast Movement of the TNPI System (each an "**Unsegmented Movement RR**") using the calculation in Section 6.2 and the applicable allocations, calculations and adjustments set out in Sections 6.3(2)(a)(i), 6.4(1)(b), 6.4(2)(a)(i), 6.4(3)(a)(i), 6.4(4)(b) and 6.5(1)(a). The Carrier and Shippers agree that the System RR and the Unsegmented Movement RR for the first Contract Year are as set out in Schedule [2], subject to the reconciliations and adjustments thereto expressly provided in this Agreement.
- (2) During the Segmented Phase, the Carrier shall calculate and circulate to the Shippers at the Annual Shipper Meeting a reasonable estimate of:
 - (a) the System RR;

- (b) a Revenue Requirement for each of Montreal West (the “**MW Segment RR**”) and for Nanticoke East (the “**NE Segment RR**”) and for each Forecast Movement (each a “**Segment Movement RR**”) using the calculation in Section 6.2 and the applicable allocations, calculations and adjustments set out in Sections 6.3(2)(a)(ii), 6.4(1) (c) to (g); 6.4(2)(a)(ii), 6.4(3)(a)(ii), 6.4(4)(b), and 6.5(1)(b).

6.2 Revenue Requirement Calculation. The total cost of service incurred by Carrier in each Contract Year for the transportation and handling of Petroleum in the TNPI System, a Segment or a Forecast Movement, which is to be recovered through the Tolls, shall be calculated, in each case, as:

RR= (AFTE+NFTE)+CR + (PYRV+CC), where:

RR= Revenue Requirement

AFTE= Annual Flow Through Expenses as calculated and determined in accordance with Section 6.3

NFTE= Non Flow-Through Expenses as calculated and determined in accordance with Section 6.3.

CR= Capital Recovery as calculated and determined in accordance with Section 6.4

PYRV= Prior Year Revenue Variance as calculated and determined in accordance with Section 6.5 so that if the Prior Year Revenue Variance is a negative number, an equivalent amount shall be credited to the Revenue Requirement, and if the Prior Year Revenue Variance is a positive number, an equivalent amount shall be debited from the Revenue Requirement; and

CC= Carrying Cost of the Prior Year Revenue Variance.

6.3 Annual Flow Through Expenses and Non-Flow Through Expenses

(1) Determination of Annual Flow Through Expenses and Non-Flow Through Expenses

- (a) The Carrier and Shippers agree that the Non Flow Through Expense Basis for the first Contract Year of the Initial Term is as set out in Schedule [4]. Carrier shall prepare and circulate to the Shippers a statement of the adjustment to the Non Flow Through Expense Basis applicable to the first Contract Year of a Renewal Term in accordance with Section 3.2(1). Prior to filing the statement of Revenue Requirement and Tolls with the CER pursuant to Section 5.2 in the second Contract Year, and annually thereafter, Carrier shall prepare the statement of Annual Non Flow Through Expenses applicable for the Contract Year.
- (b) As part of the statement of Revenue Requirement and Tolls to be filed with the CER pursuant to Section 5.2, Carrier shall include a reasonable estimate of the Flow Through Expenses it forecasts to incur for the Contract Year. A sample calculation of Flow Through Expenses is provided in Schedule [3]. The Carrier and Shippers

agree that the forecast of Flow Through Expenses for the first Contract Year is as set out in Schedule [3]. Prior to filing the statement of Revenue Requirement and Tolls with the CER pursuant to Section 5.2 the Carrier shall prepare and circulate to the Shippers a statement of the Flow Through Expenses actually incurred in the prior Contract Year and a calculation of the resulting Prior Year Flow Through Expense Variance and Carrying Cost thereon. The Prior Year Flow Through Expense Variance and the Carrying Cost thereon shall be added or subtracted, as applicable, in determining the Annual Flow Through Expense for the current Contract Year.

(2) Allocation of Expenses

- (a) For purposes of determining the System RR, each Unsegmented Movement RR, the MW Segment RR, the NE Segment RR and each Segmented Movement RR and calculating the Toll of a particular Movement, all Flow Through Expenses and Non Flow Through Expenses shall first be classified according to whether such expenses are Direct Expenses or Shared Expenses, and
 - (i) during the Unsegmented Phase:
 - (A) Direct Expenses shall be aggregated and Direct Expenses related to Transmission Assets shall be allocated to each Forecast Movement on a Volume Distance Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and Direct Expenses related to Terminal Assets shall be allocated to each Forecast Movement on a Volume Basis (using the Forecast of annual throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine the volume of a Forecast Movement).
 - (B) Shared Expenses shall be aggregated and multiplied by the Shared Expense Ratio, and the product shall be allocated to each Forecast Movement on a Volume Distance Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine the volume of a Forecast Movement), and the remaining proportion of such Shared Expenses shall be allocated to each Forecast Movement on a Volume Basis (using the Forecast of annual throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine the volume of a Forecast Movement)

- (ii) during the Segmented Phase:
- (A) Direct Expenses directly related to services in Montreal West shall be allocated to Montreal West and thereafter Direct Expenses related to Transmission Assets in Montreal West shall be allocated to Forecast Movements in Montreal West on a Segment V/D Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and Direct Expenses related to Terminal Assets in Montreal West shall be allocated to Forecast Movements in Montreal West on a Segment Volume Basis (using the Forecast of annual throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine the volume of a Forecast Movement).
 - (B) Direct Expenses directly related to services in Nanticoke East shall be allocated to Nanticoke East and thereafter Direct Expenses related to Transmission Assets in Nanticoke East shall be allocated to Forecast Movements in Nanticoke East on a Segment V/D Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and Direct Expenses related to Terminal Assets in Nanticoke East shall be allocated to Forecast Movements in Nanticoke East on a Segment Volume Basis (using the Forecast of annual throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine the volume of a Forecast Movement).
 - (C) Shared Expenses shall be aggregated and allocated between Transmission Assets and Terminal Assets by assigning a proportion of such aggregate Shared Expenses equivalent to the Shared Expense Ratio to Transmission Assets (“**Total Shared Expenses (Transmission)**”) and the remainder of such Shared Expenses to Terminal Assets (“**Total Shared Expenses (Terminal)**”) and thereafter:
 - I) for the purposes of calculating the MW Segment RR and the Segment Movement RR for each Forecast Movement in Montreal West:
 - a. a portion of the Total Shared Expenses (Transmission) equivalent to the MW Transmission Proportion shall be allocated to Montreal West and shall thereafter be allocated to each Forecast Movement in Montreal West on a Segmented V/D

Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and

- b. a portion of the Total Shared Expenses (Terminal) equivalent to the MW Terminal Proportion shall be allocated to Montreal West and shall thereafter be allocated to each Forecast Movement in Montreal West on a Segment Volume Basis (using the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement)
- II) for the purposes of calculating the NE Segment RR for Nanticoke East and the Segment Movement RR for each Forecast Movement in Nanticoke East:
- c. a portion of the Total Shared Expenses (Transmission) equivalent to the NE Transmission Proportion shall be allocated to Nanticoke East and shall thereafter be allocated to each Forecast Movement in Nanticoke East on a Segmented V/D Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and
 - d. a portion of the Total Shared Expenses (Terminal) equivalent to the NE Terminal Proportion shall be allocated to Nanticoke East and shall thereafter be allocated to each Forecast Movement in Nanticoke East on a Segment Volume Basis (using the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement).

6.4 Capital Recovery

- (1) Determination of Rate Base Carrier shall prepare and circulate to the Shippers at the Annual Shippers Meeting an estimated calculation of the then applicable net book value of the fixed and intangible assets which are used and useful for providing service on the Carrier's facilities (the "**Rate Base**") in accordance with this Section 6.4(1). The Carrier and Shippers agree that the estimated Initial Rate Base is as set out in Schedule [6]. Carrier

shall prepare and circulate to Shippers within ninety (90) days of the Effective Date, the final calculation of the Initial Rate Base.

- (a) Unsegmented Rate Base. The Rate Base during the Unsegmented Phase (the “**Unsegmented Rate Base**”), shall be calculated as:
- (i) the opening net book value of the Initial Rate Base minus the aggregate accumulated Depreciation thereon to the date of calculation; plus
 - (ii) any capital investments in the Initial Rate Base, including any New Project Rate Base, which has been completed and placed into service or otherwise commences to benefit the Carrier facilities during the Contract Year minus the aggregate accumulated Depreciation thereon to the date of calculation; minus
 - (iii) the net book value of any Idle Facilities.
- (b) Allocation of Unsegmented Rate Base. For purposes of determining the System RR and calculating the Toll of a particular Movement during the Unsegmented Phase, the Carrier shall designate the assets in service in the Unsegmented Rate Base as Transmission Assets, Terminal Assets or Other Assets, and:
- (i) The Unsegmented Rate Base of the Transmission Assets shall be allocated to each Forecast Movement on a Volume Distance Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement)
 - (ii) The Unsegmented Rate Base of the Terminal Assets shall be allocated to each Forecast Movement on a Volume Basis (using the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and
 - (iii) The Unsegmented Rate Base of Other Assets shall be allocated:
 - (A) to the Unsegmented Rate Base of the Transmission Assets in the proportion that (1) the Unsegmented Rate Base of the Transmission Assets bears to (2) the aggregate of the Unsegmented Rate Base of the Transmission Assets plus the Unsegmented Rate Base of the Terminal Assets; and thereafter allocated to Forecast Movements in accordance with Section 3.4(1(b)(i)); and
 - (B) to the Unsegmented Rate Base of the Terminal Assets in the proportion that (1) the Unsegmented Rate Base of the Terminal Assets bears to (2) the aggregate of the Unsegmented Rate Base of the Transmission Assets plus the Unsegmented Rate Base of the

Terminal Assets; and thereafter allocated to Forecast Movements in accordance with Section 3.4(1(b)(ii)

- (c) Segmented Rate Base. At the commencement of the Segmented Phase, the Carrier shall designate the assets in service in the Rate Base as Transmission Assets, Terminal Assets or Other Assets, and shall then calculate and allocate the Rate Base of such designated assets to each of Montreal West (the “**Montreal West Rate Base**”) and Nanticoke East (the “**Nanticoke East Rate Base**”) as follows:

Montreal West Rate Base

- (i) the Rate Base of Transmission Assets shall be allocated to the Montreal West Rate Base on a System V/D Basis (using the Origin Points and Destination Points and throughput of actual shipments in Montreal West between 2015 and 2019 as a proportion of the aggregate distance and volume of actual shipments on the TNPI System between 2015 and 2019); and
- (ii) the Rate Base of Terminal Assets shall be allocated to the Montreal West Rate Base on a System Volume Basis (using the throughput of actual shipments in Montreal West between 2015 and 2019 as a proportion of the aggregate volume of actual shipments on the TNPI System between 2015 and 2019); and
- (iii) the Rate Base of Other Assets shall be allocated to the Montreal West Rate Base as follows:
 - (A) to the Montreal West Rate Base of the Transmission Assets in the proportion that (1) the Montreal West Rate Base of the Transmission Assets bears to (2) the aggregate of the Montreal West Rate Base of the Transmission Assets plus the Montreal West Rate Base of the Terminal Assets; and
 - (B) to the Montreal West Rate Base of the Terminal Assets in the proportion that (1) the Montreal West Rate Base of the Terminal Assets bears to (2) the aggregate of the Montreal West Rate Base of the Transmission Assets plus the Montreal West Rate Base of the Terminal Assets.

Nanticoke East Rate Base

- (iv) the Rate Base of Transmission Assets shall be allocated to the Nanticoke East Rate Base on a System V/D Basis (using the Origin Points and Destination Points and throughput of actual shipments in Nanticoke East between 2015 and 2019 as a proportion of the aggregate distance and volume of actual shipments on the TNPI System between 2015 and 2019); and

- (v) the Rate Base of Terminal Assets shall be allocated to the Nanticoke East Rate Base on a System Volume Basis (using the throughput of actual shipments in Nanticoke East between 2015 and 2019 as a proportion of the aggregate volume of actual shipments on the TNPI System between 2015 and 2019); and
- (vi) the Rate Base of Other Assets shall be allocated to the Nanticoke East Rate Base as follows:
 - (A) to the Nanticoke East Rate Base of the Transmission Assets in the proportion that (1) the Nanticoke East Rate Base of the Transmission Assets bears to (2) the aggregate of the Nanticoke East Rate Base of the Transmission Assets plus the Nanticoke East Rate Base of the Terminal Assets; and
 - (B) to the Nanticoke East Rate Base of the Terminal Assets in the proportion that (1) the Nanticoke East Rate Base of the Terminal Assets bears to (2) the aggregate of the Nanticoke East Rate Base of the Transmission Assets plus the Nanticoke East Rate Base of the Terminal Assets.
- (d) From and after the commencement date of the Segmented Phase, the Montreal West Rate Base shall be calculated as:
 - (i) the opening net book value of the Transmission Assets in the Montreal West Rate Base (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus any capital investments, including New Project Rate Base, in the Transmission Assets in Montreal West Rate Base which have been completed and placed into service or otherwise commences to benefit Montreal West during the Contract Year (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus
 - (ii) the opening net book value of the Terminal Assets in the Montreal West Rate Base (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus any capital investments, including New Project Rate Base, in the Terminal Assets in Montreal West Rate Base which have been completed and placed into service or otherwise commences to benefit Montreal West during the Contract Year (minus the aggregate accumulated Depreciation thereon to the date of calculation) plus
 - (iii) the opening net book value of the Other Assets in the Montreal West Rate Base (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus any capital investments, including New Project Rate Base, in the Other Assets in Montreal West Rate Base which have been completed and placed into service or otherwise commences to benefit Montreal West during the Contract Year (minus the aggregate accumulated Depreciation thereon to the date of calculation); minus

- (iv) the net book value of any Idle Facilities in Montreal West.
- (e) From and after the commencement date of the Segmented Phase, the Nanticoke East Rate Base shall be calculated as:
 - (i) the opening net book value of the Transmission Assets in the Nanticoke East Rate Base (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus any capital investments, including New Project Rate Base, in the Transmission Assets in Nanticoke East Rate Base which have been completed and placed into service or otherwise commences to benefit Nanticoke East during the Contract Year (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus
 - (ii) the opening net book value of the Terminal Assets in the Nanticoke East Rate Base (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus any capital investments, including New Project Rate Base, in the Terminal Assets in Nanticoke East Rate Base which have been completed and placed into service or otherwise commences to benefit Nanticoke East during the Contract Year (minus the aggregate accumulated Depreciation thereon to the date of calculation) plus
 - (iii) the opening net book value of the Other Assets in the Nanticoke East Rate Base (minus the aggregate accumulated Depreciation thereon to the date of calculation); plus any capital investments, including New Project Rate Base, in the Other Assets in Nanticoke East Rate Base which have been completed and placed into service or otherwise commences to benefit Nanticoke East during the Contract Year (minus the aggregate accumulated Depreciation thereon to the date of calculation); minus
 - (iv) the net book value of any Idle Facilities in Nanticoke East.
- (f) Allocation of Montreal West Rate Base. For purposes of determining the MW Segment RR, each Segment Movement RR in Montreal West, and calculating the Toll of a particular Movement during the Segmented Phase, the Carrier shall designate the assets in service in the Montreal West Rate Base as Transmission Assets, Terminal Assets or Other Assets, and:
 - (i) The Montreal West Rate Base of the Transmission Assets shall be allocated to each Forecast Movement on a Segment V/D Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement)
 - (ii) The Montreal West Rate Base of the Terminal Assets shall be allocated to each Forecast Movement on a Segment Volume Basis (using the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and

- (iii) The Montreal West Rate Base of Other Assets shall be allocated:
 - (A) to the Montreal West Rate Base of the Transmission Assets in the proportion that (1) the Montreal West Rate Base of the Transmission Assets bears to (2) the aggregate of the Montreal West Rate Base of the Transmission Assets plus the Montreal West Rate Base of the Terminal Assets; and thereafter allocated to Forecast Movements in accordance with Section 3.4 1(f)(i); and
 - (B) to the Montreal West Rate Base of the Terminal Assets in the proportion that (1) the Montreal West Rate Base of the Terminal Assets bears to (2) the aggregate of the Montreal West Rate Base of the Transmission Assets plus the Montreal West Rate Base of the Terminal Assets; and thereafter allocated to Forecast Movements in accordance with Section 3.4 1(f)(ii)

- (g) Allocation of Nanticoke East Rate Base. For purposes of determining the NE Segment RR, each Segment Movement RR in Nanticoke East, and calculating the Toll of a particular Movement during the Segmented Phase, the Carrier shall designate the assets in service in the Nanticoke East Rate Base as Transmission Assets, Terminal Assets or Other Assets, and:
 - (i) The Nanticoke East Rate Base of the Transmission Assets shall be allocated to each Forecast Movement on a Segment V/D Basis (using the Origin Point and Destination Point to determine the distance of a Forecast Movement and the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement)
 - (ii) The Nanticoke East Rate Base of the Terminal Assets shall be allocated to each Forecast Movement on a Segment Volume Basis (using the Forecast of Annual Throughput or Adjusted Forecast of Annual Throughput (as applicable) to determine volume of a Forecast Movement); and
 - (iii) The Nanticoke East Rate Base of Other Assets shall be allocated:
 - (A) to the Nanticoke East Rate Base of the Transmission Assets in the proportion that (1) the Nanticoke East Rate Base of the Transmission Assets bears to (2) the aggregate of the Nanticoke East Rate Base of the Transmission Assets plus the Nanticoke East Rate Base of the Terminal Assets; and thereafter allocated to Forecast Movements in accordance with Section 3.4 1(g)(i); and
 - (B) to the Nanticoke East Rate Base of the Terminal Assets in the proportion that (1) the Nanticoke East Rate Base of the Terminal Assets bears to (2) the aggregate of the Nanticoke East Rate Base of the Transmission Assets plus the Nanticoke East Rate Base of the Terminal Assets; and thereafter allocated to Forecast Movements in accordance with Section 3.4 1(g)(ii)

- (h) Revised Allocations. Notwithstanding the allocations described in Section 6.4(1)(c) to 6.4(1)(g), above, whole or partial assets or sections of Segments may be re-assigned to other Segments upon the consent of the Carrier and all Segment Shippers, such consent not to be unreasonably withheld.

- (2) Determination of Return on Rate Base
 - (a) Carrier shall prepare and circulate to the Shippers at each Annual Shippers Meeting, a calculation of the then applicable Return on Rate Base in accordance with this Section 6.4(2):
 - (i) during the Unsegmented Phase, the Return on Rate Base shall be calculated using the Rate Base (determined as the simple average of the end of month Rate Base over the thirteen months ending December 31 during the Contract Year) then grossed up to reflect Carrier's reasonable estimate of its consolidated average combined federal and provincial income tax, and reduced by the Income Sharing Amount, if applicable.
 - (ii) during the Segmented Phase, the Return on Rate Base shall be calculated for each of Montreal West and Nanticoke East as follows:
 - (A) the Return on Rate Base for Montreal West shall be calculated using the Montreal West Rate Base (determined as the simple average of the end of month Montreal West Rate Base over the thirteen months ending December 31 during the Contract Year), then grossed up to reflect a proportion of Carrier's reasonable estimate of its consolidated average combined federal and provincial income tax that is equivalent to the proportion that the Montreal West Rate Base bears to the aggregate Rate Base, and then reduced by a proportion of the Income Sharing Amount, if applicable, equivalent to the amount that the net income in the prior Contract Year from Montreal West bears to the net income on all Segments.
 - (B) the Return on Rate Base for Nanticoke East shall be calculated using the Nanticoke East Rate Base (determined as the simple average of the end of month Nanticoke East Rate Base over the thirteen months ending December 31 during the Contract Year), then grossed up to reflect a proportion of Carrier's reasonable estimate of its consolidated average combined federal and provincial income tax that is equivalent to the proportion that the Nanticoke East Rate Base bears to the aggregate Rate Base, and then reduced by a proportion of the Income Sharing Amount, if applicable, equivalent to the amount that the net income in the prior Contract Year from Nanticoke East bears to the net income on all Segments.

(3) Determination of Depreciation

- (a) Carrier shall prepare and circulate to the Shippers at each Annual Shippers Meeting, a calculation of the forecast annual Depreciation charge in accordance with this Section 6.4(3):
 - (i) during the Unsegmented Phase, the estimated Depreciation charge for the Contract Year shall be calculated using the Rate Base.
 - (ii) during the Segmented Phase, the estimated Depreciation charge for the Contract Year shall be calculated and allocated to each of Montreal West and Nanticoke East as follows:
 - (A) the Depreciation charge for Montreal West shall be calculated using the Montreal West Rate Base; and
 - (B) the Depreciation charge for Nanticoke East shall be calculated using the Nanticoke East Rate Base.

(4) Determination of Income Sharing

- (a) In the event that the estimated aggregate Return on Rate Base (including, for certainty, the Return on the Montreal West Rate Base and the Return on Nanticoke East Rate Base) for the forthcoming Contract Year, prepared in accordance with Section 6.4(2) minus the gross up for Carrier's average combined federal and provincial income tax, is projected to exceed the Earnings Threshold, the Carrier shall calculate the forecasted Income Sharing Amount and such forecasted Income Sharing Amount shall be deducted from the applicable Return on Rate Base in accordance with Section 6.4(2)(a)(i), or 6.4(2)(a)(ii), as applicable;
 - (b) Following a Contract Year and prior to filing the statement of Revenue Requirement and Tolls with the CER in the next Contract Year pursuant to Section 5.2, Carrier shall calculate the actual Income Sharing Amount using the actual aggregate Return on Rate Base (including, for certainty, the Return on the Montreal West Rate Base and the Return on Nanticoke East Rate Base) for the prior Contract Year minus the gross up for Carrier's average combined federal and provincial income tax, and the amount, if any, by which such actual Income Sharing Amount exceeds the forecast Income Sharing Amount calculated in accordance with Section 6.4(4)(a) shall be deducted from the applicable Return on Rate Base for the current Contract Year, or the amount, if any, by which such actual Income Sharing Amount is less than the forecast Income Sharing Amount calculated in accordance with Section 6.4(4)(a) shall be added to the applicable Return on Rate Base for the current Contract Year, in each case in accordance with Section 6.4(2)(a)(i), or 6.4(2)(a)(ii), as applicable.
- (5) Prior to filing the statement of Revenue Requirement and Tolls with the CER in each Contract Year pursuant to Section 5.2, the Carrier shall recalculate the Capital Recovery in accordance with this Section 6.4 to reflect any actual capital additions to Rate Base during

the prior Contract Year, the actual capital cost of the additions, and the date upon which they were added to the Rate Base, and, in addition, to reconcile Carrier's actual cost of debt incurred during the prior Contract Year with the Carrier's Debt Rate for such Contract Year. Any variance between the actual and the estimated additions to Rate Base utilized for the Tolls during that Contract Year (and Carrying Costs thereon), and any reconciliation of Carrier's actual cost of debt to Carrier's Debt Rate, shall be added or subtracted, as applicable, to the Revenue Requirement for the subsequent Contract Year.

6.5 Prior Year Revenue Variance

- (1) Prior to filing the statement of Revenue Requirement and Tolls with the CER in each Contract Year pursuant to Section 5.2, the Carrier shall prepare a calculation of the Prior Year Revenue Variance and the Carrying Cost thereon calculated in accordance with this Section 6.5:
 - (a) during the Unsegmented Phase the Carrier shall calculate the Prior Year Revenue Variance using the actual transportation revenue derived from the Tolls in the prior Contract Year and the System RR for the prior Contract Year;
 - (b) during the Segmented Phase, the Carrier shall calculate the Prior Year Revenue Variance for each Segment using, in the case of Montreal West, the actual transportation revenue derived from the Tolls for all Movements of Montreal West in the prior Contract Year and the MW Segment RR for the prior Contract Year, and in the case of Nanticoke East, the actual transportation revenue derived from the Tolls for all Movements of Nanticoke East in the prior Contract Year and the NE Segment RR for the prior Contract Year;
- (2) The Prior Year Revenue Variance will be allocated to Movements on a Volume Distance Basis and a Volume Basis during the Contract Year in the same proportion as the total current Contract Year Revenue Requirement is allocated to Movements excluding the Prior Year Revenue Variance.

ARTICLE 7 FORECASTING

7.1 Forecasting Throughput.

- (1) Shipper Annual Nomination. The Carrier and Shippers agree that the Annual Nominations for the first Contract Year shall be as set out in Schedule [8]. Not later than ninety (90) days prior to the commencement of each subsequent Contract Year; each Shipper shall deliver to Carrier in writing its Annual Nomination. In the event that the Shipper fails to deliver its Annual Nomination within the time prescribed in this Section 7.1(1), Shipper shall be deemed to have submitted an Annual Nomination using the same forecast of Petroleum for each Movement during each month as contained in the last Annual Nomination delivered by such Shipper. On or prior to ten (10) Business Days following the Annual Shippers Meeting, each Shipper may, but shall not be obligated to, deliver to Carrier an Amended Annual Nomination, and the event such Shipper delivers an Amended Annual Nomination, such Amended Annual Nomination shall thereafter supersede and

replace the previously delivered Annual Nomination. An Annual Nomination or Amended Annual Nomination provided pursuant to this Section 7.1(1) shall comply with the provisions of Section 3(a) of the COT.

7.2 Forecast of Annual Throughput. The Carrier and Shippers agree that the Forecast of Annual Throughput for the first Contract Year shall be as set out in Schedule [8]. For each subsequent Contract Year, Carrier shall prepare and deliver to the Shippers at each Annual Shippers Meeting, the Forecast of Annual Throughput for the TNPI System and for each Segment, and prepare and deliver to each Shipper the Forecast Movement for such Shipper. Carrier shall update such Forecast of Annual Throughput thirty (30) days prior to the commencement of each Contract Year if appropriate following receipt of Amended Annual Nominations

7.3 Forecasting Tolls. From and after the Commencement Date, Carrier shall prepare, and shall present at the Annual Shippers Meeting, a calculation of the estimated Base Tolls calculated in accordance with this Agreement along with a statement of interim accounting including any reports identified elsewhere in this Agreement. Shippers acknowledge and agree that such estimated Base Tolls may be derived from budget and other cost information that has not been finalized or approved and may be subject to change prior to final submission of Base Tolls in the Regulatory Application. Carrier shall advise Shippers on a timely basis of any material variances in the underlying data used to calculate the estimated Base Tolls.

7.4 Mid Year Throughput Review.

(1) On or prior to June 15th of each Contract Year, Carrier will prepare and distribute to each Shipper a report (the “**Mid Year Variance Report**”) comparing the Actual Mid-Year Throughput for each Movement with the Forecast Mid Year Throughput for such Movement. In the event that the TNPI System during the Unsegmented Period, or a Segment during the Segmented Period, incurs a Mid Year Shortfall, Carrier may, in its sole discretion, deliver to the Shippers a summary of the Mid Year Variance Report and a notice (the “**Nomination Adjustment Request Notice**”) requesting that each Shipper deliver to Carrier, not later than ten (10) Business Days following the date of such Nomination Adjustment Request Notice, any Adjusted Nomination for the remainder of the Contract Year. In the event that a Shipper fails to deliver an Adjustment Nomination within such ten (10) Business Day Period, such Shipper shall be deemed to have confirmed its Annual Nomination, and waived any right to amend, update or alter its Annual Nomination for the remainder of the Contract Year. In the event a Shipper delivers an Adjusted Nomination, such Adjusted Nomination shall thereafter supersede and replace the previously delivered Annual Nomination for the remainder of the Contract Year. Nothing contained in this Section 7.4 nor any Adjusted Nomination shall have any retroactive effect or amend, alter, or replace any Nominations or rights or obligations to transportation on the Carriers system in the first six (6) months of the Contract Year.

(2) In the event that Mid Year Shortfall for a Segment exceeds fifteen (15%) percent of the Forecast of Mid Year Throughput for such Segment, the Carrier may, in its sole discretion

- (a) calculate the Mid Year Revenue Requirement for such Segment; and
- (b) calculate and file with the CER, the Mid-Year Adjusted Tolls for each Movement in such Segment, to be effective retroactively to the first day of July of the Contract Year

provided, however that a determination by the Carrier not to calculate and file Mid-Year Adjusted Tolls shall not prejudice or preclude Carrier from recovering a Mid Year Revenue Requirement as part of a Prior Year Revenue Variance.

7.5 Forecast Mid Year Throughput. On or before the first (1st) day of July of each Contract Year; Carrier shall prepare and deliver in writing to the Shippers, the Adjusted Forecast of Annual Throughput, taking into account all Adjusted Nominations, Movements in the first six (6) months of the Contract Year, consultations with Shippers and such other information as Carrier may reasonably take into account, and Carrier and prepare and deliver to each Shipper an Adjusted Forecast of Annual Throughput.

ARTICLE 8 CALCULATION OF TOLLS

8.1 Calculation of Tolls

- (a) Base Toll Carrier shall calculate a Base Toll, published in Canadian dollars per Cubic Metre, for each Movement noted in Schedule [1] and such other Movements that Carrier may establish from time to time, which Base Toll will be effective as of the commencement of the Contract Year. The Base Toll for each Movement shall be (1) the Revenue Requirement for that Movement for the Contract Year (as calculated in accordance with Section 6.2 and using the allocation of Expenses in accordance with Section 6.3(2) and the allocation of Rate Base to Movements in accordance with Section 6.4(1)(b) 6.4(1)(f) and 6.4(1)(g) as applicable,) divided by (2) the forecast of the aggregate volume of throughput for such Movement for the Contract Year as described in the Forecast of Annual Throughput. If such Movement has not been assigned or designated any volume of throughput, a Base Toll will be calculated in the proportion that distance between the Origin Point and Destination Point of such Movement bears to the greatest distance between the Origin Point and Destination Point of any other Movement provided that the Carrier may adjust such Base Toll if Carrier determines in its sole discretion that such calculation does not result in a reasonable toll. A sample calculation of a Base Toll is provided in Schedule [2]. The Carrier and Shippers agree that the Base Tolls for the first Contract Year shall be as set out in Schedule [2], subject to a Mid Year Adjustment Toll if applicable, and subject to the other reconciliations and adjustments to such Base Tolls expressly provided in this Agreement.
- (b) Mid Year Adjustment Toll The Mid Year Adjustment Toll, if applicable, shall be calculated and filed in accordance with Section 7.4(2).
- (c) Payments of Tolls. Carrier shall invoice and Shippers shall pay Tolls in accordance with the COT.

**ARTICLE 9
NEW CAPITAL PROJECTS**

- 9.1 Nondiscretionary New Projects.** Carrier shall be entitled to undertake a Nondiscretionary New Project on the schedule, at the costs, and on the terms and conditions determined by Carrier in its sole discretion. Carrier shall not be required to notify Shippers in advance of any Nondiscretionary New Project (except to the extent it may materially impact transportation or terminalling services available to the Shippers) and shall not be required to obtain the consent or approval of Shippers for any Nondiscretionary New Project. Carrier may provide status updates to Shippers of any Nondiscretionary New Project in Carrier's discretion, acting reasonably. Carrier reserves the right to require commercially reasonable financial assurances and commercial support prior to evaluating and approving any Nondiscretionary New Project.
- 9.2 Discretionary New Project.** Carrier shall be authorized to undertake and complete a Discretionary New Project provided that it has notified and obtained the approval of all impacted Segment Shippers, such approval not to be unreasonably withheld or delayed. In the event that any impacted Segment Shipper refuses to approve a Discretionary New Project, Carrier may, but shall not be obligated to, propose a commercial arrangement that applies only to the Segment Shippers that have approved the Discretionary New Project provided that the commercial arrangement for the Discretionary New Project does not adversely impact any non-approving Shippers' cost to use the Segment or access to the Segment without such non-approving Shipper's consent, such consent not to be unreasonably withheld or delayed. Carrier reserves the right to require commercially reasonable financial assurances and commercial support from one or more Segment Shippers prior to evaluating or approving any Discretionary New Project or commercial arrangement for a Discretionary New Project.
- 9.3 Carrier New Project.** Carrier shall identify and designate each Carrier New Project in accordance with Good Industry Practice. From and after the Effective Date, Carrier shall be authorized to designate, and in its discretion, to undertake and complete, or to terminate and abandon, a Carrier New Project without prior Shipper approval provided that the total cost of all Carrier New Projects designated by Carrier for the entire TNPI System within the Initial Term does not exceed the Carrier New Project Threshold in such period, and the total cost of all Carrier New Projects designated by Carrier for the entire TNPI System within a Renewal Term does not exceed the Carrier New Project Threshold in such period. In the event that the designation of a Carrier New Project will result in the total cost of all Carrier New Projects designated by the Carrier for the entire TNPI System during the Initial Term or a Renewal Term, as applicable, exceeding the Carrier New Project Threshold for such term, the Carrier will review and discuss such proposed Carrier New Project with the Shippers. Effective as of the commencement of each Renewal Term, the total cost of all Carrier New Projects designated and undertaken by Carrier shall reset to zero, and the Carrier New Project Threshold shall be recalculated.. Carrier will exercise reasonable care to ensure fair and equitable treatment of all Segments and Shippers when determining which Carrier New Projects to pursue

9.4 No Restriction. Nothing in this Article 9 shall:

- (1) restrict Carrier's ability to undertake any Segment modification, investment or project, for any reason provided that such modification, investment or project does not unreasonably increase Shippers' cost to use the Segment, other than as provided herein, or adversely affect Shipper's access to the Segment, excepting commercially reasonable interruptions necessary to undertake such modification, investment or project; or
- (2) restrict Carrier's ability to undertake business or project development activities in the normal course of its business prior to determining whether such business or project development activities and costs will be classified as a Nondiscretionary New Project, Discretionary New Project, Carrier New Project or otherwise, provided that such activities do not unreasonably increase Shippers' cost to use Carrier facilities and provided that evidence of such determination is provided to the Shippers upon request; or
- (3) subject to Section 9.4(1) and 9.4(2), fetter Carrier's discretion to pursue, terminate or manage the development or timing of, any modification, investment, project or business development activities.

**ARTICLE 10
AUTHORIZED EXPENSES**

10.1 Non Routine Expenses. Carrier shall be entitled to incur reasonable Non Routine Expenses in its sole discretion, and shall not be required to seek the approval of, or provide advance notice to, the Shippers prior to incurring such Non Routine Expenses or taking actions related thereto, provided, however, Carrier shall provide the Shippers with reasonable notice after becoming aware of significant Unforeseen Events and shall notify the Shippers of the nature, amount, duration and timing of significant Non Routine Expenses. In the event that a Non Routine Expense, or any portion thereof, is a Flow Through Expense, Carrier will include and recover such Non Routine Expense as part of the Prior Year Flow Through Expense Variance in the year following the end of the Contract Year in which it was incurred. In the event that a Non Routine Expense, or any portion thereof, is a Non Flow Through Expense, or is a material and continuing expenditure, Carrier may, but shall not be required to, designate such Non Routine Expense as a Material Change in Business Circumstances and the Carrier and Shippers shall meet and discuss whether all or part of such Non Routine Expense should be re-characterized as a Flow Through Expense, a Non Discretionary New Project, or recovered as a surcharge to the Toll.

10.2 Discretionary Expenses. In the event that Carrier proposes or recommends incurring a Discretionary Expense, Carrier shall notify each Shipper which is or may be affected (adversely or beneficially) by such Discretionary Expense providing reasonable detail of the nature, amount, duration and timing of, and actions required in relation to, the Discretionary Expense. Carrier shall not incur such Discretionary Expense, or take further actions in relation thereto, without the prior approval of such affected Shippers, provided, however, if some, but not all, affected Shippers have approved such Discretionary Expense within thirty (30) days following Carrier's notice thereof, Carrier may proceed with the

Discretionary Expense for and on behalf of, and for the account of, the approving Shippers provided such Discretionary Expense and the actions related thereto do not unreasonably adversely impact the non-approving Shippers, including access to and cost to use, Carrier facilities.

- 10.3 Other Expenses.** Nothing contained in this Article 10 impairs or restricts Carrier's authority to incur additional operating or other expenses provided such additional expenses do not unreasonably impair the Shipper's access to, or increase the cost to use, Carrier's facilities. To the extent that Carrier undertakes prudent business or project development activities in the normal course of its business prior to determining whether such business or project development activities and costs will be classified as a Nondiscretionary New Project, Discretionary New Project, Carrier New Project or otherwise, or to the extent that the Carrier ultimately determines not to pursue a project or business development activity, any prudent third party expenses reasonably incurred associated with such activities shall be included as Non Routine Expenses and recovered from Shippers through the Tolls. Upon completion of a business or project development activity, any portion of expenses that can be capitalized will be capitalized and any credit from expenses will be reimbursed to Shippers through the Tolls.

ARTICLE 11 DEPRECIATION STUDY

- 11.1 Commissioning.** Carrier may, but shall not be obligated to, commission a Depreciation Study on or before December 31, 2026. The cost of the Depreciation Study will be added to the Revenue Requirement as a Flow Through Expense. Upon completion of the Depreciation Study, Carrier will file the Depreciation Study with the CER. If the Depreciation Study recommends a change in Carrier's current depreciation schedule, Carrier's filing with the CER will include a request for approval to modify Carrier's depreciation schedule accordingly. In the event that the CER approves a revision to Carrier's current depreciation schedule, Carrier will, subject to the terms and conditions of such CER approval, adjust the Capital Recovery in accordance with the approved depreciation schedule for the Contract Years following such CER approval.

ARTICLE 12 ANNUAL SHIPPERS MEETING

12.1 Annual Shippers Meeting

- (1) Annual Shippers Meeting: On or prior to October 31 of each Contract Year and at such other times as Carrier may reasonably designate, Carrier shall constitute, and serve as chairperson of, an Annual Shippers Meeting. The Carrier, plus one (1) commercial representative from each Shipper, shall be entitled to attend each Annual Shipper Meeting, provided, however, that Carrier and Shipper may invite such additional Representatives as may be reasonably necessary to assist in the matters of the Annual Shippers Meeting. Attendees of the Annual Shippers Meeting shall be subject to the provisions of Section 14.1.

- (2) Purpose of the Annual Shipper Meeting: The purpose of the Annual Shipper Meeting will be to facilitate the effective, efficient and timely exchange of information among Carrier, and each Shipper as it relates to the transportation and storage of Petroleum and the operations of the TNPI System, and for Carrier to consult with, and make reasonable efforts to accommodate modifications, recommendations, and concerns raised by the Shippers. Without limiting the foregoing, the Annual Shipper Meeting may:
- (a) present and review the projected Revenue Requirement, the Forecast of Annual Throughput, and forecasted Toll for each Contract Year prepared by Carrier;
 - (b) discuss other operational issues impacting Shippers (or any of them), including operating programs, and integrity and environmental compliance programs;
 - (c) review and discuss any Carrier New Project, Discretionary New Project, or Non Discretionary New Project;
 - (d) discuss and negotiate changes to the Agreement to address Material Changes in Business Circumstances; and
 - (e) discuss and negotiate replacement of any publication, price source, rate or index that has ceased to be published or used, or is materially modified so as to changes it economic objective and effect, such that the intent and benefits of this Agreement between the Carrier and Shippers in connection with that publication, price source, rate or index is maintained.

provided, however, Shippers acknowledge and agree that information presented to an Annual Shippers Meeting may be preliminary or subject to Carrier board or management approval, or CER approval, and Carrier shall not be bound to accept or accommodate all modifications, recommendations, or concerns raised by Shippers.

ARTICLE 13 AUDIT

- 13.1 Toll Audit.** At such time during the Calendar Year as the Carrier and Shipper may mutually agree, acting reasonably each Shipper shall have the right, subject to Section 13.2, on providing not less than ninety (90) days prior written notice to the Carrier, or such shorter period as the Carrier may agree, during normal business hours, to audit the books, records and accounts maintained by the Carrier for purposes of conducting a Toll Audit, with respect to the prior Contract Year or two prior Contract Years only, at such Shipper's sole cost and expense.
- 13.2 Audit Process.** Audits may be conducted by employees of the auditing Shipper or by an independent auditing firm acceptable to Carrier, acting reasonably. Auditors may be required by Carrier to sign a nondisclosure agreement restricting the disclosure of any confidential, commercially sensitive, or Shipper-specific information. Where two or more Shippers desire to conduct an audit, they shall make every reasonable effort to do so jointly or simultaneously in a manner which will result in a minimum of inconvenience to the Carrier. Issues identified during an Audit must be reported to Carrier no later than ninety

(90) days following completion of the Audit. The auditing Shipper(s) and the Carrier shall endeavour to settle outstanding matters expeditiously. Should any issue remain unresolved after one hundred and eighty (180) days following report of the issue, the unresolved issue shall be considered a Dispute and referred to the Dispute resolution procedure. All adjustments resulting from an audit agreed between the Carrier and the auditing Shipper(s) or pursuant to the Dispute resolution procedure shall be promptly reflected in the records by the Carrier and reported to the Shippers.

ARTICLE 14 GENERAL

14.1 Confidentiality of Information.

- (a) For the purposes of this Section 14.1, “**Confidential Information**” of a Party at any time means all information relating to that Party which at the time is of a confidential nature (whether or not specifically identified as confidential), is known or should be known by the other Parties or their Representatives as being confidential, and has been or is from time to time made known to or is otherwise learned by the other Parties or any of their Representatives as a result of the matters provided for in this Agreement.

Notwithstanding the foregoing, Confidential Information does not include any information that at the time has become generally available to the public other than as a result of a disclosure by the other Parties or any of their Representatives, any information that was available to the other Parties or their Representatives on a non-confidential basis before the date of this Agreement or any information that becomes available to the other Party or its Representatives on a non-confidential basis from a Person (other than the Party to which the information relates or any of its Representatives) who is not, to the knowledge of the other Parties or their Representatives, otherwise bound by confidentiality obligations to the Party to which the information relates in respect of the information or otherwise prohibited from transmitting the information to the other Parties or their Representatives.

- (b) Each Party shall (and shall cause each of its Representatives to) hold in strictest confidence and not use in any manner, other than as expressly contemplated by this Agreement, all Confidential Information of each other Party.
- (c) Subject to Section 14.2, Section 14.1(b) shall not apply to the disclosure of any Confidential Information where that disclosure is required by Applicable Law. In that case, the Party required to disclose (or whose Representative is required to disclose) shall, as soon as possible in the circumstances, notify the Party to which the Confidential Information relates of the requirement of the disclosure including the nature and extent of the disclosure and the provision of Applicable Law pursuant to which the disclosure is required. To the extent possible, the Party required to make the disclosure shall, before doing so, provide to the Party to which the Confidential Information relates the text of any disclosure. On receiving the notification, the Party to which the Confidential Information relates may take any

reasonable action to challenge the requirement, and the Party required to disclose shall (or shall cause the applicable Representative to), at the expense of the Party to which the Confidential Information relates, assist it in taking that reasonable action.

- (d) Following the termination of this Agreement each Party shall (and shall cause each of its Representatives to) promptly, on a request from the Party to which the Confidential Information relates, return to the requesting Party all copies of any tangible items (other than this Agreement), if any, that are or that contain Confidential Information of the requesting Party, except that
 - (i) if the Party so obligated to return Confidential Information or its Representatives have prepared notes, analyses, compilations, studies or summaries containing or concerning any Confidential Information, then that Party may, instead of returning the notes, analyses, compilations, studies or summaries, destroy them and provide a certificate to that effect to the requesting Party; and
 - (ii) a Party's computer systems may automatically back-up Confidential Information disclosed to it under this Agreement and to the extent that such computer back-up procedures create copies of the Confidential Information, the Party may retain such copies in its archival or back-up computer storage for the period it normally archives backed-up computer records, which copies shall be maintained confidential pursuant to the provisions of this Agreement notwithstanding any termination of this Agreement until the same are destroyed, and shall not be accessed by the Party during such period of archival or back-up storage other than as might be required by this Agreement.

14.2 Public Announcements. Neither the Carrier nor any Shipper shall make any public statement or issue any press release concerning the transactions contemplated by this Agreement except as agreed by the Carrier and Shippers acting reasonably or as may be necessary, in the opinion of counsel to the Party making that disclosure, to comply with the requirements of all Applicable Law. If any public statement or release is so required, the Party making the disclosure shall consult with the Carrier and other Shippers before making that statement or release, and the Carrier and Shippers shall use reasonable efforts, acting in good faith, to agree on a text for the statement or release that is satisfactory to the Carrier and Shippers.

14.3 Disclosure. Before any public statement or press release concerning the transactions contemplated by this Agreement, no Party shall disclose this Agreement or any aspect of these transactions except to its board of directors, its senior management, its legal, accounting, financial or other professional advisors, or as may be required by any Applicable Law or as agreed by the Carrier and Shippers.

14.4 Books and Records. The Carrier shall, in accordance with Good Industry Practice, keep and maintain at its head offices, complete and accurate books, records and accounts of

TNPI System operations and shall keep all such books and records available for such period as may be required by Applicable Laws. The Carrier shall keep and maintain corporate records in compliance with GAAP and applicable CER accounting regulations.

- 14.5 No Third Party Beneficiary.** This Agreement is solely for the benefit of the Carrier and the Shippers and no third party accrues any benefit, claim or right of any kind pursuant to, under, by or through this Agreement.
- 14.6 Entire Agreement.** This Agreement together with the COT and the other agreements to be entered into as contemplated by this Agreement (the “**Other Agreements**”) constitute the entire agreement between the Carrier and the Shippers pertaining to the subject matter of this Agreement, the COT and the Other Agreements and supercede all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. Unless otherwise expressly provided, if there is any inconsistency between this Agreement, the COT or the Other Agreements, the terms of this Agreement shall prevail. Except as specifically set out in this Agreement, the COT or the Other Agreements, there are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral, statutory or otherwise, that form part of or affect this Agreement, the COT or the Other Agreements or which induced any Party to enter into this Agreement, the COT or the Other Agreements. No reliance is placed on any representation, warranty, opinion, advice or assertion of fact made either prior to, concurrently with, or after entering into, this Agreement, the COT or any Other Agreement, or any amendment or supplement thereto, by any Party to this Agreement, the COT or any Other Agreement or its Representatives, to any other Party or its Representatives, except to the extent the representation, warranty, opinion, advice or assertion of fact has been reduced to writing and included as a term in this Agreement, the COT or that Other Agreement, and none of the Parties to this Agreement, the COT or any Other Agreement has been induced to enter into this Agreement, the COT or any Other Agreement or any amendment or supplement by reason of any such representation, warranty, opinion, advice or assertion of fact. There is no liability, either in tort or in contract, assessed in relation to the representation, warranty, opinion, advice or assertion of fact, except as contemplated in this Section 14.6.
- 14.7 Time of Essence** Time is of the essence of this Agreement.
- 14.8 Amendment** This Agreement may be supplemented, amended, restated or replaced only by written agreement signed by each Party, and subject to any required approvals of a Governmental Authority.
- 14.9 Waiver of Rights** Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

14.10 Disputes All Toll Disputes will be finally resolved in accordance with the Toll Dispute Resolution Procedure in Schedule 12. All Disputes, other than Toll Disputes, arising out of, or in connection with, this Agreement, or in respect of any legal relationship associated with it or derived from it, will be finally resolved by arbitration administered by the Alternative Dispute Resolution Institute of Canada Inc. under its National Arbitration Rules. The seat of arbitration will be Calgary, Alberta. The language of the arbitration will be English.

14.11 Governing Law. This Agreement is governed by, and interpreted and enforced in accordance with, the law of the Province of Alberta and the laws of Canada applicable in that province, excluding the choice of law rules of that province.

14.12 Notices

(1) Any notice, demand or other communication (in this Section 14.12, a “**notice**”) required or permitted to be given or made under this Agreement must be in writing and is sufficiently given or made if:

- (a) delivered in person and left with a receptionist or other responsible employee of the relevant Party at the registered address of the relevant Party;
- (b) sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail to the relevant Party at its registered address; or
- (c) sent electronically (return receipt requested) to the email addresses of a designated officer of the relevant Party.

(2) Any notice sent in accordance with this Section 14.12 shall be deemed to have been received:

- (a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
- (b) if sent by mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth Business Day after cessation of that disruption;
- (c) if sent electronically, on the date of transmittal (return receipt requested); or
- (d) if sent in any other manner, on the date of actual receipt;

except that any notice delivered in person or sent by mail or electronically not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, is deemed to have been received on the next succeeding Business Day in the place where the notice is received.

14.13 Assignment. Neither Carrier nor any Shipper may assign or transfer all or any part of its rights or obligations under this Agreement to any Person without the prior written consent

of the Carrier, in the case of a Shipper assignment or transfer, and the Shippers, in the case of a Carrier assignment or transfer, which consent shall not be unreasonably withheld or delayed, provided, however, Carrier or any Shipper may assign or transfer all or any part its rights or obligations under this Agreement to an Affiliate without consent of, but upon notice to, Carrier, the case of a Shipper assignment or transfer, and the Shippers, in the case of a Carrier assignment or transfer, provided the original assignor remains bound. Any assignment pursuant to this Section 14.13 must include a concurrent, corresponding assignment by the assignor of its rights and obligations in and to service on the TNPI System and the COT.

- 14.14 Further Assurances.** Each Party shall promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that any other Party may reasonably require, for the purposes of giving effect to this Agreement.
- 14.15 Severability.** If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, that provision will, as to that jurisdiction, be ineffective only to the extent of that restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement, without affecting the validity or enforceability of that provision in any other jurisdiction and, if applicable, without affecting its application to the other Parties or circumstances. The Carrier and the Shippers shall engage in good faith negotiations to replace any provision which is so restricted, prohibited or unenforceable with an unrestricted and enforceable provision, the economic effect of which comes as close as possible to that of the restricted, prohibited or unenforceable provision which it replaces.
- 14.16 Successors and Permitted Assigns.** This Agreement is binding on, and enures to the benefit of, the Carrier and the Shippers and their successors and permitted assigns.
- 14.17 Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together constitute one agreement. Each Party agrees that any electronic signature of a Party to this Agreement is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including without limitation in a tagged image format file (TIFF) or portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first above written.

TRANS-NORTHERN PIPELINES INC.

By: *M. Speagle*
Name: Michael Speagle
Title: Director, Business Services

By: *Jane Keast*
Name: Jane Keast
Title: President & CEO

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first above written.

TRANS-NORTHERN PIPELINES INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Per: ALISDAIR HUTCHINSON
Name: ALISDAIR HUTCHINSON
Title: Logistics Optimization BD Manager
Imperial oil.

Per: Jason Coady
Name: Jason Coady
Title: Manager RT & JV Operations
Shell Canada Energy

Per: _____
Name:
Title:

Per: _____
Name:
Title:

**SCHEDULE 1.
ORIGIN AND DESTINATION POINTS**

Origin	Destination	Distance km
Montreal West		
Montreal	Montreal	0.00
Montreal	Dorval	41.28
Montreal	Ottawa	215.09
Montreal	Maitland	210.04
Montreal	Kingston	297.57
Montreal	Belleville	366.18
Montreal	North Toronto	546.18
Montreal	Clarkson	585.87
Montreal	Oakville	600.32
Clarkson	Oakville	16.70
North Toronto	Clarkson	39.69
North Toronto	Oakville	54.14
Nanticoke East		
Nanticoke	Oakville	79.58
Nanticoke	Clarkson	94.03
Nanticoke	Toronto Airport	123.50
Nanticoke	North Toronto	133.72
Oakville	North Toronto	54.14
Oakville	Toronto Airport	43.92
Oakville	Clarkson	16.70
Clarkson	North Toronto	39.69
Clarkson	Toronto Airport	29.47
TAJ	Toronto Airport	3.22

SCHEDULE 2.

**FIRST CONTRACT YEAR SYSTEM RR, UNSEGMENTED MOVEMENT RR
AND BASE TOLL, AND SAMPLE BASE TOLL CALCULATION**

Phase 1 Revenue Requirement- Contract Year 2023

Origin	Destination	Flow Through Expense		Non Flow Through Expense		Capital Recovery		Revenue Requirement			PY Revenue	
		m3*km	m3	m3*km	m3	m3*km	m3	m3*km	m3	Total	Variance	Total
Montreal	Montreal	\$0	\$2	\$0	\$2	\$0	\$0	\$0	\$5	\$5	\$0	\$5
Montreal	Dorval	\$2,372,376	\$2,086,286	\$584,933	\$2,527,521	\$858,898	\$343,995	\$3,816,207	\$4,957,802	\$8,774,009	\$0	\$8,774,009
Montreal	Ottawa	\$15,845,147	\$2,674,274	\$3,906,778	\$3,239,866	\$5,736,595	\$440,945	\$25,488,521	\$6,355,085	\$31,843,606	\$0	\$31,843,606
Montreal	Maitland	\$3,266,423	\$564,547	\$805,369	\$683,945	\$1,182,580	\$93,085	\$5,254,372	\$1,341,577	\$6,595,949	\$0	\$6,595,949
Montreal	Kingston	\$3,426,696	\$418,038	\$844,886	\$506,451	\$1,240,605	\$68,928	\$5,512,186	\$993,417	\$6,505,603	\$0	\$6,505,603
Montreal	Belleville	\$6,601,035	\$654,406	\$1,627,551	\$792,809	\$2,389,846	\$107,901	\$10,618,432	\$1,555,116	\$12,173,548	\$0	\$12,173,548
Montreal	North Toronto	\$27,921,067	\$1,855,778	\$6,884,216	\$2,248,263	\$10,108,575	\$305,988	\$44,913,858	\$4,410,030	\$49,323,888	\$0	\$49,323,888
Montreal	Clarkson	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Montreal	Oakville	\$2,099,756	\$126,974	\$517,716	\$153,829	\$760,198	\$20,936	\$3,377,669	\$301,739	\$3,679,408	\$0	\$3,679,408
Clarkson	Oakville	\$71,892	\$156,276	\$17,726	\$189,327	\$26,028	\$25,767	\$115,645	\$371,371	\$487,016	\$0	\$487,016
North Toronto	Clarkson	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
North Toronto	Oakville	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nanticoke	Oakville	\$2,792,056	\$1,273,650	\$688,409	\$1,543,018	\$1,010,839	\$210,004	\$4,491,304	\$3,026,673	\$7,517,977	\$0	\$7,517,977
Nanticoke	Clarkson	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Nanticoke	Toronto Airport	\$897,167	\$263,716	\$221,205	\$319,490	\$324,811	\$43,483	\$1,443,184	\$626,688	\$2,069,872	\$0	\$2,069,872
Nanticoke	North Toronto	\$19,917,511	\$5,407,152	\$4,910,860	\$6,550,729	\$7,210,958	\$891,553	\$32,039,330	\$12,849,434	\$44,888,763	\$0	\$44,888,763
Oakville	North Toronto	\$1,602,336	\$1,074,398	\$395,072	\$1,301,626	\$580,111	\$177,151	\$2,577,519	\$2,553,175	\$5,130,694	\$0	\$5,130,694
Oakville	Toronto Airport	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oakville	Clarkson	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clarkson	North Toronto	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clarkson	Toronto Airport	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TA Junction	Toronto Airport	\$100,498	\$1,133,002	\$24,779	\$1,372,624	\$36,384	\$186,814	\$161,661	\$2,692,439	\$2,854,100	\$0	\$2,854,100
Total System		\$86,913,960	\$17,688,500	\$21,429,500	\$21,429,500	\$31,466,429	\$2,916,550	\$139,809,889	\$42,034,550	\$181,844,438	\$0	\$181,844,438

Phase 1 Toll Calculation- Contract Year 2023

Movement		Distance km	Throughput m3	Revenue Requirement	Toll \$/m3	Interim Toll Calculations (\$/m3)			
Origin	Destination					Initial	Greatest	Distance	Interpolated
Montreal	Montreal	0.00	1	\$5	\$4.642	\$4.642	-	-	-
Montreal	Dorval	41.28	1,068,000	\$8,774,009	\$8.215	\$8.215	-	-	-
Montreal	Ottawa	215.09	1,369,000	\$31,843,606	\$23.260	\$23.260	-	-	-
Montreal	Maitland	210.04	289,000	\$6,595,949	\$22.823	\$22.823	-	-	-
Montreal	Kingston	297.57	214,000	\$6,505,603	\$30.400	\$30.400	-	-	-
Montreal	Belleville	366.18	335,000	\$12,173,548	\$36.339	\$36.339	-	-	-
Montreal	North Toronto	546.18	950,000	\$49,323,888	\$51.920	\$51.920	-	-	-
Montreal	Clarkson	585.87	0	\$0	\$55.244	\$0.000	-	-	\$55.24
Montreal	Oakville	600.32	65,000	\$3,679,408	\$56.606	\$56.606	\$56.61	600.32	-
Clarkson	Oakville	16.70	80,000	\$487,016	\$6.088	\$6.088	-	-	-
N. Toronto	Clarkson	39.69	0	\$0	\$3.743	\$0.000	-	-	\$3.74
N. Toronto	Oakville	54.14	0	\$0	\$5.105	\$0.000	-	-	\$5.11
Nanticoke	Oakville	79.58	652,000	\$7,517,977	\$11.531	\$11.531	-	-	-
Nanticoke	Clarkson	94.03	0	\$0	\$11.404	\$0.000	-	-	\$11.40
Nanticoke	Toronto Airport	123.50	135,000	\$2,069,872	\$15.332	\$15.332	-	-	-
Nanticoke	North Toronto	133.72	2,768,000	\$44,888,763	\$16.217	\$16.217	\$16.22	133.72	-
Oakville	North Toronto	54.14	550,000	\$5,130,694	\$9.329	\$9.329	-	-	-
Oakville	Toronto Airport	43.92	0	\$0	\$5.326	\$0.000	-	-	\$5.33
Oakville	Clarkson	16.70	0	\$0	\$6.946	\$0.000	-	-	\$6.95
Clarkson	North Toronto	39.69	0	\$0	\$4.813	\$0.000	-	-	\$4.81
Clarkson	Toronto Airport	29.47	0	\$0	\$8.495	\$0.000	-	-	\$8.49
TAJ	Toronto Airport	3.22	580,000	\$2,854,100	\$4.921	\$4.921	-	-	-

**Trans-Northern Pipelines Inc.
Proposed Interim Net Tariff 71**

The rates named in this tariff apply on the transportation of refined petroleum products and are subject to Trans-Northern's Conditions of Transportation with any supplements and/or revisions thereto which may be issued from time to time.

RATES IN DOLLARS PER CUBIC METRE

DESTINATION	POINTS OF ORIGIN					Toronto
	Montreal East Quebec	Nanticoke Ontario	Oakville Ontario	Clarkson Ontario	North Toronto Ontario	Airport Junction Ontario
Montreal, Quebec	4.642					
Dorval, Quebec (Jet)	8.215					
Cornwall, Ontario						
Ottawa, Ontario	23.260					
Maitland, Ontario	22.823					
Kingston, Ontario	30.400					
Belleville, Ontario	36.339					
North Toronto, Ontario	51.920	16.217	9.329	4.813		
Toronto Airport, Ontario		15.332	5.326	8.495		4.921
Clarkson, Ontario	55.244	11.404	6.946		3.743	
Oakville, Ontario	56.606	11.531		6.088	5.105	

EFFECTIVE JANUARY 1, 2023

Trans-Northern Pipelines Inc.
45 Vogell Road, Suite 310
Richmond Hill, Ontario L4B 3P6

SCHEDULE 3.
FIRST CONTRACT YEAR FLOW THROUGH EXPENSE CALCULATION
AND SAMPLE FLOW THROUGH EXPENSE CALCULATION- CONTRACT YEAR 2023

Type	Current Year Allocation												
	Montreal West	Nanticoke East											
Volume Distance	70.88%	29.12%											
Volume	48.26%	51.74%											

Segment	Item	Current Year Budget		Segment Budget		Prior Year Reconciliation		Variance†		Carrying Costs		Total	
		Budget	Shared Allocation	m3	m3*km	Budget	Actual	m3	m3*km	m3	m3*km	m3	m3*km
Shared	m3*km	\$16,088,500				\$102,210,000	\$86,310,000	(\$15,900,000)		(\$395,540)	\$0	(\$16,295,540)	\$0
	m3	\$16,088,500				\$0	\$0		\$0	\$0	\$0	\$0	\$0
	Subtotal	\$32,177,000				\$102,210,000	\$86,310,000						
Montreal	Direct m3*km	\$73,007,398		\$73,007,398		\$0	\$0	\$0		\$0			
West	Direct m3	\$1,270,400			\$1,270,400	\$0	\$0		\$0	\$0			
	Shared m3*km		\$11,403,488	\$11,403,488				(\$11,269,879)		(\$280,358)			
	Shared m3		\$7,764,412		\$7,764,412				\$0	\$0			
	Segment Expense	\$74,277,798	\$19,167,900	\$84,410,886	\$9,034,812	\$0	\$0	(\$11,269,879)	\$0	(\$280,358)	\$0	\$72,860,649	\$9,034,812
Nanticoke	Direct m3*km	\$14,113,602		\$14,113,602		\$0	\$0	\$0		\$0			
East	Direct m3	\$329,600			\$329,600	\$0	\$0		\$0	\$0			
	Shared m3*km		\$4,685,012	\$4,685,012				(\$4,630,121)		(\$115,182)			
	Shared m3		\$8,324,088		\$8,324,088				\$0	\$0			
	Segment Expense	\$14,443,202	\$13,009,100	\$18,798,614	\$8,653,688	\$0	\$0	(\$4,630,121)	\$0	(\$115,182)	\$0	\$14,053,312	\$8,653,688
	System Expense	\$120,898,000	\$32,177,000	\$103,209,500	\$17,688,500	\$102,210,000	\$86,310,000	(\$15,900,000)	\$0	(\$395,540)	\$0	\$86,913,960	\$17,688,500

† Negative value is an over-recovery owed Shippers; positive value is an under-recovery owed Carrier

SCHEDULE 4.
FIRST CONTRACT YEAR NON FLOW THROUGH EXPENSE CALCULATION
AND SAMPLE NON FLOW THROUGH EXPENSE CALCULATION- CONTRACT YEAR 2023

Segment	Item	Base Values		Current Year		
		Basis	Prior Year Value	Segment	Shared	Total
Total Shared Costs						
	m3*km	\$21,429,500	n/a			\$21,429,500
	m3	\$21,429,500	n/a			\$21,429,500
	System Expense	\$42,859,000	n/a			\$42,859,000
Phase 2 Allocations						
Montreal	m3*km	\$0	n/a	\$0	\$15,189,175	\$15,189,175
West	m3	\$0	n/a	\$0	\$10,342,013	\$10,342,013
	Segment Expense	\$0	n/a	\$0	\$25,531,187	\$25,531,187
Nanticoke	m3*km	\$0	n/a	\$0	\$6,240,325	\$6,240,325
East	m3	\$0	n/a	\$0	\$11,087,487	\$11,087,487
	Segment Expense	\$0	n/a	\$0	\$17,327,813	\$17,327,813
† System expense applies to toll calculations during Phase 1 and segment expense during Phase 2						

SCHEDULE 5.
CATEGORIES OF NON FLOW THROUGH EXPENSES

Non Flow Through Expense Categories		
Initial Term		2023 to 2027
Category	Year	Value
Annual Labour Cost	2023	\$25,849,000
All Other	All Years	\$17,010,000

**SCHEDULE 6.
INITIAL RATE BASE ESTIMATE**

Asset Type	Asset Value†	Depreciation		Net Book Value‡	Other Assets Allocation			Depreciation	Rate Base		
		Annual	Accumulated‡		Ratio	Book Value‡	Depreciation		Year Open	13 Month Avg	Year Close
Transmission	\$326,893,229	(\$7,844,762)	(\$153,731,236)	\$173,161,993	91.2%	\$2,956,677	(\$853,925)	(\$8,698,687)	\$176,118,670	\$171,769,327	\$167,419,983
Terminal	\$24,499,230	(\$491,315)	(\$7,713,567)	\$16,785,663	8.8%	\$286,609	(\$82,776)	(\$574,091)	\$17,072,272	\$16,785,227	\$16,498,181
System	\$13,794,474	(\$936,701)	(\$10,551,188)	\$3,243,286	n/a						
System Total	\$365,186,933	(\$9,272,778)	(\$171,995,991)	\$193,190,942		\$3,243,286	(\$936,701)	(\$9,272,778)	\$193,190,942	\$188,554,553	\$183,918,164
<u>Phase 2 Allocations</u>											
Montreal West											
Transmission (m3*km)					76.5%	<i>of total system m3*km</i>		(\$6,657,105)		\$131,455,066	
Terminal (m3)					67.3%	<i>of total system m3</i>		(\$386,134)		\$11,289,744	
Segment Total					75.7%			(\$7,043,239)		\$142,744,809	
Nanticoke East											
Transmission (m3*km)					23.5%	<i>of total system m3*km</i>		(\$2,041,582)		\$40,314,261	
Terminal (m3)					32.7%	<i>of total system m3</i>		(\$187,957)		\$5,495,483	
Segment Total					24.3%			(\$2,229,539)		\$45,809,744	
† Total value of original rate base additions											
‡ Total value as of prior calendar year end											

NEW PROJECT RATE BASE

Segment	Project	Sanctioning			Value		In Service Date	Depreciation			Rate Base		
		Year	Category	Asset Type	Sanctioned	RB Addition		Full Year	Accum.†	Current Yr	Open	13-Month Avg	Close
Montreal	Doval Tunnel	2021	Pre-2023	Transmission	\$9,000,000	\$9,000,000	2023-04-01	(\$225,000)	\$0	(\$168,750)	\$9,000,000	\$6,165,865	\$8,831,250
West	Block Values	2022	Pre-2023	Transmission	\$1,500,000	\$1,500,000	2023-04-01	(\$37,500)	\$0	(\$28,125)	\$1,500,000	\$1,027,644	\$1,471,875
	Other Projects	2022	Pre-2023	Transmission	\$350,000	\$350,000	2023-07-01	(\$8,750)	\$0	(\$4,375)	\$350,000	\$160,361	\$345,625
	Pipeline Integrity	2023	Carrier	Transmission	\$2,175,000	\$2,175,000	2023-07-01	(\$54,375)	\$0	(\$27,188)	\$2,175,000	\$996,526	\$2,147,813
	Tanks / IFR	2023	Carrier	Terminal	\$825,000	\$825,000	2023-07-01	(\$20,625)	\$0	(\$10,313)	\$825,000	\$377,993	\$814,688
	Scada / IT	2023	Carrier	Terminal	\$475,000	\$475,000	2023-07-01	(\$11,875)	\$0	(\$5,938)	\$475,000	\$217,632	\$469,063
	Other Projects	2023	Carrier	Terminal	\$725,000	\$725,000	2023-07-01	(\$18,125)	\$0	(\$9,063)	\$725,000	\$332,175	\$715,938
Subtotal					\$15,050,000	\$15,050,000		(\$376,250)	\$0	(\$253,750)	\$15,050,000	\$9,278,197	\$14,796,250
	Transmission (m3*km)				\$13,025,000					(\$228,438)		\$8,350,397	\$12,796,563
	Terminal (m3)				\$2,025,000					(\$25,313)		\$927,800	\$1,999,688
Nanticoke	Block Values	2021	Pre-2023	Transmission	\$1,500,000	\$1,500,000	2023-01-01	(\$37,500)	\$0	(\$37,500)	\$1,500,000	\$1,403,365	\$1,462,500
East	Other Projects	2022	Pre-2023	Transmission	\$350,000	\$350,000	2023-01-01	(\$8,750)	\$0	(\$8,750)	\$350,000	\$327,452	\$341,250
	Pipeline Integrity	2023	Carrier	Transmission	\$2,175,000	\$2,175,000	2023-07-01	(\$54,375)	\$0	(\$27,188)	\$2,175,000	\$1,011,166	\$2,147,813
	Tanks / IFR	2023	Carrier	Terminal	\$825,000	\$825,000	2023-07-01	(\$20,625)	\$0	(\$10,313)	\$825,000	\$383,546	\$814,688
	Scada / IT	2023	Carrier	Terminal	\$475,000	\$475,000	2023-07-01	(\$11,875)	\$0	(\$5,938)	\$475,000	\$220,829	\$469,063
	Other Projects	2023	Carrier	Terminal	\$725,000	\$725,000	2023-07-01	(\$18,125)	\$0	(\$9,063)	\$725,000	\$337,055	\$715,938
Subtotal					\$36,150,000	\$6,050,000		(\$151,250)	\$0	(\$352,500)	\$6,050,000	\$12,961,611	\$20,747,500
	Transmission (m3*km)				\$4,025,000					(\$73,438)		\$2,741,983	\$3,951,563
	Terminal (m3)				\$2,025,000					(\$25,313)		\$941,430	\$1,999,688
Total System					\$51,200,000	\$21,100,000		(\$527,500)	\$0	(\$606,250)	\$21,100,000	\$22,239,808	

† Accumulated depreciation as of prior calendar year end

CAPITAL RECOVERY

Category	Average Rate Base			Rate Base Depreciation			Return on Rate Base			Net Income Share		
	Initial	New Project	Total	Initial	New Project	Total	After Tax	Gross Up	Total	Ratio	Allocation	Total
Montreal West												
m3*km	\$131,455,066	\$8,350,397	\$139,805,462	\$6,657,105	\$228,438	\$6,885,542	\$12,624,433	\$4,551,666	\$17,176,100	65%	\$0	\$24,061,642
m3	\$11,289,744	\$927,800	\$12,217,544	\$386,134	\$25,313	\$411,446	\$1,103,244	\$397,768	\$1,501,013	6%	\$0	\$1,912,459
Total Segment	\$142,744,809	\$9,278,197	\$152,023,006	\$7,043,239	\$253,750	\$7,296,989	\$13,727,677	\$4,949,435	\$18,677,112	71%	\$0	\$25,974,101
Nanticoke East												
m3*km	\$40,314,261	\$2,741,983	\$43,056,244	\$2,041,582	\$73,438	\$2,115,019	\$3,887,979	\$1,401,788	\$5,289,767	25%	\$0	\$7,404,786
m3	\$5,495,483	\$941,430	\$6,436,914	\$187,957	\$25,313	\$213,270	\$581,253	\$209,568	\$790,821	4%	\$0	\$1,004,091
Total Segment	\$45,809,744	\$3,683,413	\$49,493,158	\$2,229,539	\$98,750	\$2,328,289	\$4,469,232	\$1,611,356	\$6,080,588	29%	\$0	\$8,408,877
Total System												
m3*km	\$171,769,327	\$11,092,380	\$182,861,706	\$8,698,687	\$301,875	\$9,000,562	\$16,512,412	\$5,953,455	\$22,465,867	90%	\$0	\$31,466,429
m3	\$16,785,227	\$1,869,231	\$18,654,458	\$574,091	\$50,625	\$624,716	\$1,684,498	\$607,336	\$2,291,833	10%	\$0	\$2,916,550
Total System	\$188,554,553	\$12,961,611	\$201,516,164	\$9,272,778	\$352,500	\$9,625,278	\$18,196,910	\$6,560,791	\$24,757,700		\$0	\$34,382,978

Net Income Share Calculation	
Component	Value
Threshold	
Base Threshold	\$20,000,000
Prior Year Value	n/a
Current Escalation	0.00%
Adjusted Threshold	\$20,000,000
Net Income Share	50%
Return on Rate Base	\$18,196,910
Above Threshold	\$0
Shipper Share (AT)	\$0
Tax Gross Up	\$0
Adjustment	\$0

SCHEDULE 7.
SAMPLE CARRIER NEW PROJECT THRESHOLD CALCULATION- CONTRACT YEAR 2023

Contract Year	Escalation†	Base Value	Adjusted Value
Threshold			
2023		\$20,000,000	\$20,000,000
2024	2.0%	\$20,000,000	\$20,400,000
2025	2.0%	\$20,400,000	\$20,808,000
2026	2.0%	\$20,808,000	\$21,224,160
2027	2.0%	\$21,224,160	\$21,648,643
Total Threshold			\$104,080,803
Sanctioned			\$8,400,000
Balance			\$95,680,803
†Escalation from prior year reflects escalation rate relevant annual CER toll application for current and past years and Carrier's forecast for future years			

**SCHEDULE 8.
FIRST CONTRACT YEAR ANNUAL NOMINATION
AND FORECAST OF ANNUAL THROUGHPUT- CONTRACT YEAR 2023**

Origin	Destination	Distance km	2023 Forecast		Phase 1 Allocation	
			m3	m3*km	m3	m3*km
Montreal West						
Montreal	Montreal	0.00	1	0	0.00%	-
Montreal	Dorval	41.28	1,068,000	44,087,040	11.79%	2.73%
Montreal	Ottawa	215.09	1,369,000	294,458,210	15.12%	18.23%
Montreal	Maitland	210.04	289,000	60,701,560	3.19%	3.76%
Montreal	Kingston	297.57	214,000	63,679,980	2.36%	3.94%
Montreal	Belleville	366.18	335,000	122,670,300	3.70%	7.59%
Montreal	North Toronto	546.18	950,000	518,871,000	10.49%	32.12%
Montreal	Clarkson	585.87	0	0	-	-
Montreal	Oakville	600.32	65,000	39,020,800	0.72%	2.42%
Clarkson	Oakville	16.70	80,000	1,336,000	0.88%	0.08%
North Toronto	Clarkson	39.69	0	0	-	-
North Toronto	Oakville	54.14	0	0	-	-
Segment Total			4,370,001	1,144,824,890		
Nanticoke East						
Nanticoke	Oakville	79.58	652,000	51,886,160	7.20%	3.21%
Nanticoke	Clarkson	94.03	0	0	-	-
Nanticoke	Toronto Airport	123.50	135,000	16,672,500	1.49%	1.03%
Nanticoke	North Toronto	133.72	2,768,000	370,136,960	30.57%	22.92%
Oakville	North Toronto	54.14	550,000	29,777,000	6.07%	1.84%
Oakville	Toronto Airport	43.92	0	0	-	-
Oakville	Clarkson	16.70	0	0	-	-
Clarkson	North Toronto	39.69	0	0	-	-
Clarkson	Toronto Airport	29.47	0	0	-	-
TAJ	Toronto Airport	3.22	580,000	1,867,600	6.41%	0.12%
Segment Total			4,685,000	470,340,220		
Total System			9,055,001	1,615,165,110		

SCHEDULE 9.
CARRYING COSTS, ESCALATION, TAX, RATE OF RETURN ON RATE BASE

Carrying Costs				
Month		Rate†	Days	
1	Jan 2022	0.50%	31	
2	Feb 2022	0.50%	28	
3	Mar 2022	0.75%	31	
4	Apr 2022	1.25%	30	
5	May 2022	1.25%	31	
6	Jun 2022	1.75%	30	
7	Jul 2022	1.75%	31	
8	Aug 2022	2.75%	31	
9	Sep 2022	2.75%	30	
10	Oct 2022	3.50%	31	<i>Estimate; Oct 1-12=3.5%</i>
11	Nov 2022	3.50%	30	<i>Estimate</i>
12	Dec 2022	3.50%	31	<i>Estimate</i>
Annual Weighted Average		1.99%	365	
Premium		0.50%		
Carrying Cost Rate		2.49%		
† Month average Bank of Canada rates per Bank of Canada Statistical Review				
Escalation Factor				
Item		Rate		
2020	<i>Index; 2002 = 100</i>	132.0	Not available. Escalation does not apply to first year tolls.	
2021		135.1		
CPI‡		2.35%		
Floor		0.00%		
Escalation Factor		2.35%		
‡ Canada, All Items excluding Energy and Food. Source: Statistics Canada, Table 18-10-0025-01, annual average, not seasonally adjusted.				
Corporate Average Tax Rate		26.50%		
Rate of Return on Rate Base				
Component	Ratio	Return	Comments	
Return on Equity				
Basis		11.10%		
Return on Equity	55%	11.10%	After tax return	
Debt Rate	45%	6.50%	Estimated cost of debt	
Weighted Average		9.03%		
Floor		7.50%		
Return on Rate Base		9.03%	After tax return	

SCHEDULE 10.
LONG CANADA BOND FORECAST

$$LcBF = \frac{[10CBF3,t + 10CBF12,t]}{2} + \frac{[\sum_i (30CB_{i,t} - 10CB_{i,t})]}{I}$$

Where:

10CBF3,t is the 3-month forecast of the 10-year Government of Canada bond yield as published in Consensus Forecasts three (3) months in advance of the implementation date for rates;

10CBF12,t is the 12-month forecast of the 10-year Government of Canada bond yield as published in Consensus Forecasts three (3) months in advance of the implementation date for rates;

30CB_{i,t} is the benchmark bond yield rate for the 30-year Government of Canada bond at the close of day i of the month that is three (3) months in advance of the implementation date for rates, as published by the Bank of Canada [Cansim Series V39056];

10CB_{i,t} is the benchmark bond yield rate for the 10-year Government of Canada bond at the close of day i of the month that is three (3) months in advance of the implementation date for rates, as published by the Bank of Canada [Cansim Series V39055];

I is the number of business days for which Government of Canada and A-rated Utility bond yield rates are published in the month three (3) months in advance of the implementation date for rates.

SCHEDULE 11.
CREDIT SPREAD CALCULATION

$$\text{Credit Spread} = \frac{\sum_i ({}_{30}\text{UtilBonds}_{i,t} - {}_{30}\text{CB}_{i,t})}{I}$$

Where:

${}_{30}\text{UtilBonds}_{i,t}$ is the average 30-year A-Rated Canadian Utility bond yield rate, from Bloomberg L.P., for business day i of the month that is three (3) months in advance of the implementation date for rates [Series C29530Y];

${}_{30}\text{CB}_{i,t}$ is the benchmark bond yield rate for the 30-year Government of Canada bond at the close of day i of the month that is three (3) months in advance of the implementation date for rates, as published by the Bank of Canada [Cansim Series V39056]

I is the number of business days for which Government of Canada and A-rated Utility bond yield rates are published in the month three (3) months in advance of the implementation date for rates

SCHEDULE 12.
TOLL DISPUTE RESOLUTION PROCEDURE

1. **Toll Disputes.** The Carrier and the Shippers agree that any Toll Disputes, including any dispute, disagreement, or controversy as to whether a current or proposed Toll is consistent with this Agreement, or as to the manner of calculating or interpreting this Agreement with respect to any Tolls, shall be resolved between or among them using the procedure set out in this Schedule 12]

2. **Dispute Notice**
 - (a) If a Toll Dispute arises, the Carrier or any Shipper may initiate the Toll Dispute Resolution Procedure described in this Schedule 12] by giving written notice of the Toll Dispute (the “**Toll Dispute Notice**”) to all other Parties to this Agreement.
 - (b) The Toll Dispute Notice shall:
 - (i) contain a brief statement of the nature of the Toll Dispute, including the alleged inconsistency of a current or proposed Toll with this Agreement, or any alleged miscalculation or misinterpretation in the application of this Agreement;
 - (ii) set out the relief requested; and
 - (iii) request the Carrier convene a working group comprised of a representative of each Shipper and Carrier, having the knowledge and expertise to resolve the Toll Dispute and the authority to bind the Party which appoints such representative.
 - (c) Each Party that receives the Toll Dispute Notice shall give notice to all other Parties within 5 Business Days of receiving the Toll Dispute Notice, (i) that it wishes to participate in the Dispute Working Group, and the name of its appointed representative; and (ii) of any additional Toll Dispute(s) other than those identified in the Toll Dispute Notice in relation to the same subject matter that it wishes to resolve together with the Toll Dispute identified in the Toll Dispute Notice in accordance with this Toll Dispute Resolution Procedure.
 - (d) Any Shipper that does not elect to participate in the Dispute Working Group within the time prescribed pursuant to Section 2(c): (i) may elect, by notice in writing to the Carrier, to continue to receive all written submissions of the Dispute Working Group, including any memorialization of a resolution of the Toll Dispute, and; (ii) regardless of whether such Shipper has elected to receive the written submissions of the Dispute Working Group, agrees to be bound by any negotiated resolution to the Toll Dispute reached by the Dispute Working Group.
 - (e) On the expiry of the 15th Business Day from the date of issuance of the Toll Dispute Notice, the Carrier shall deliver to all participating Shippers a notice (the “**Toll Dispute Confirmation Notice**”) (i) confirming the nature of the Toll Dispute to be

resolved and any additional Toll Disputes raised pursuant to Section 2(c); and (ii) a date or series of dates, commencing not earlier than five Business Days, and not later than thirty Business Days following delivery of such Toll Dispute Confirmation Notice, for the representative of the Carrier and the representatives of the participating Shippers (collectively the “**Dispute Working Group**”) to meet, using good faith efforts, to attempt to resolve the Toll Dispute through negotiation, information exchange and discussion outside of formal regulatory proceedings pursuant to the procedure set out in this Schedule 12].

- (f) **Negotiation.** Upon the date or dates designated in the Toll Dispute Confirmation Notice, the Dispute Working Group shall, diligently and in good faith, using commercially reasonable efforts, discuss and attempt to resolve all Toll Disputes within 90 Days or such longer period as mutually agreed by the Dispute Working Group (the “**Dispute Resolution Period**”). If the Dispute Working Group unanimously agrees upon a resolution of a Toll Dispute, such resolution will be memorialized in writing in a form acceptable to the Dispute Working Group and shall be binding upon all the Carrier and Shippers, subject only to CER approval if required.

3. Referral to Regulator

- (a) Nothing contained in this Schedule 12] is intended to, or shall be construed as a waiver of, or limitation on, Carrier or a Shipper’s right to oppose, intervene against or protest any applications for Regulatory Approvals of a current or proposed Toll that is inconsistent with this Agreement, or require Carrier or a Shipper to act, or not act, in a manner inconsistent with any Applicable Law.
- (b) Subject to Section 4 of this Schedule 12], if, following the expiration of the Dispute Resolution Period, the Dispute Working Group has been unable to resolve the Toll Dispute, Carrier or any Shipper, may refer the Toll Dispute, or any aspect thereof, to the CER for review and resolution, with the request that the CER review and resolve the Toll Dispute on an expedited basis. If neither the Carrier or any Shipper has referred the Toll Dispute to the CER for review and resolution within fifteen (15) Business Days following the expiration of the Dispute Resolution Period, the Toll Dispute shall be deemed to have been resolved without change, and the Carrier and Shippers shall be deemed to have waived any right or recourse to refer the Toll Dispute to the CER.
- (c) Subject to Section 4 of this Schedule 12], if the Dispute Working Group unanimously agrees upon a resolution of a Toll Dispute, subject to review and approval by a Governmental Authority (including the CER if applicable) each of the Shippers, including Shippers that did not elect to participate in the Dispute Working Group, shall provide support to and cooperate with (including stipulating their position with respect to the issues), and not oppose or intervene against, the Carrier in obtaining review and approval of such resolution of the Toll Dispute from the applicable Governmental Authority.

4. Confidentiality and Non-Disclosure

- (a) The members of the Dispute Working Group:
 - (i) shall keep confidential, in accordance with Section 14.1 of the Agreement, the existence and outcome of any negotiations of the Dispute Working Group pursuant Toll Dispute Resolution Procedure, which information shall be deemed to be Confidential Information;
 - (ii) shall use such Confidential Information disclosed to them by other members of the Dispute Working Group in connection with the Toll Dispute Resolution Procedure, solely for the purposes of the Toll Dispute Resolution Procedure
 - (iii) agree that all discussions, proposals and communications exchanged or conducted at the Dispute Working Group shall be considered “without prejudice”, and shall not be filed, referred to or quoted from, or sought through an information request or cross examination in any hearing or other proceedings before any Governmental Authority, including the CER unless one of the following applies:
 - (A) the members of the Dispute Working Group consent in writing;
 - (B) the members of the Dispute Working Group unanimously consent to a resolution of the Toll Dispute subject to review, and approval of the resolution by a Governmental Authority, including the CER; or
 - (C) if required by Applicable Law, including in response to a directive of a Governmental Authority, including the CER.

5. Performance To Continue

The Carrier and Shippers agree that performance under this Agreement shall continue during the Dispute Resolution Period under this Toll Dispute Resolution Procedure.

**SCHEDULE 13.
CONDITIONS OF TRANSPORTATION**



Trans-Northern

**TRANS-NORTHERN
PIPELINES INC.**

**CONDITIONS OF
TRANSPORTATION**

Jan 2020

TRANS-NORTHERN PIPELINES INC.

CONDITIONS OF TRANSPORTATION

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APPENDIX I

- Definitions

APPENDIX II

- Pressure, Flow Rate, and Receipt Temperature Requirements for Delivery to the Pipeline

APPENDIX III

- TNPI Pipeline Overview

SCHEDULES

- I. TARIFFS (as amended from time to time)

TRANS-NORTHERN PIPELINES INC.

**CONDITIONS OF
TRANSPORTATION**

1. Preamble

All petroleum accepted for transportation will be subject to the conditions contained in these Conditions of Transportation as amended from time to time. Cost for transportation will be as detailed in "Schedule I, Tariff", attached hereto as amended from time to time. Definitions of Terms used in this document are contained in Appendix I, attached.

2. Shippers' and Consignees' Facilities

- (a) Petroleum will be accepted for transportation only after the Shipper has provided the necessary facilities to deliver the Petroleum to the Carrier at Origin and the Consignee has provided the necessary facilities to receive the Petroleum from the Carrier at the Destination, without restricting the full flow capability of the pipeline. The Shipper shall deliver Petroleum uniformly at rates of flow required by the Carrier and shall maintain at all times the minimum pressure at Origin, as required by the Carrier, as specified in Appendix II.

Unless otherwise agreed, facilities providing flow of Petroleum at Origin will be remotely controlled by the Carrier. Such facilities are to be maintained to the satisfaction of the Carrier.

Where the Shipper's/Consignee's facilities at the destination are remotely controlled or monitored by the Carrier, for the purpose of making a delivery, a separate agreement detailing facility requirements and establishing protocols, and operating procedures will be entered into by the Carrier and the Shipper/Consignee prior to commencement of any deliveries.

- (b) In pipeline segments which may be subject to Backhaul, the Shipper or the Consignee shall provide sufficient Petroleum to displace normal tenders out of the pipeline segment involved prior to commencement of the Backhaul.

3. Estimates and Nominations

- (a) The Shipper shall furnish to the Carrier upon request, an estimate of the Petroleum quantity the Shipper intends to nominate for transportation through the pipeline for a 12- month period. The estimate is to include the quantities of Gasoline, Middle Distillate and Aviation Turbine Fuel by month, for each Origin and each Destination. Where a Shipper has a supply agreement with another Shipper(s), the volume of product to be supplied to the other Shipper(s), by source shall be identified.

- (b) The Shipper shall furnish to the Carrier, in writing, a monthly volume nomination to include individual product distribution, on or before the 20th day of the month preceding the month during which the Shipper intends to deliver Petroleum to the Carrier for transportation. If the 20th is not a business day, the nomination is due on the last business day prior to the 20th. The Carrier will endeavour to provide the Shipper in writing, within 2 business days of receiving the Shipper's nomination, a schedule of intended acceptance, showing the extent to which the Carrier intends, in accordance with section 4, to accept those nominations and setting out the timing of Tenders. If a Shipper's nomination is not provided by the day specified, the volumes nominated by that Shipper in the previous month will be used. The Carrier will not accept nominations which exceed the available capacity of the system. Any such nominations shall be reduced to the available capacity by the Carrier.
- (c) A schedule of intended injection and delivery Tenders will be confirmed by the Shipper as requested from time to time to allow for the preparation of a detailed Carrier cycle of injections and deliveries.

4. Allocation

- (a) The Carrier may, subject to the allocation provisions in sections 4(b), (c) and (d), at its sole discretion and without liability, allocate available capacity for any month in which nominated volumes exceed the pipeline's capacity (see Appendix II - Pressure, Flow Rate, and Receipt Temperature Requirements for Delivery to the Pipeline) to Shippers in proportion to their monthly nominations submitted on the 20th of the previous month in accordance with section 3(b).

Any reduction in pipeline capacity caused by pipeline failure or equipment breakdown will be borne by Shippers in proportion to accepted volume nominations.

- (b) Allocation will be by area of restriction or line segment and notification of allocation will be made in the Shipper's schedule of intended acceptance issued in accordance with 3(b). Line segments and allocation rules for each are identified below:

- (i) Montreal Line:

Allocation of capacity will be conducted in accordance with 4(a) subject to the priority access and allocation provisions of the Priority Access Agreement or the Facility Service Agreement.

- (ii) Metro Line:

Allocation of capacity will be conducted in accordance with 4(a).

- (iii) West Line:

Capacity is allocated in the following order;

- 1) The allocation provisions of Priority Access Agreement or the Facility Service Agreement.
 - 2) Mid-Line terminal volumes that do not pass Belleville in accordance with 4(a)
 - 3) Spot volumes in accordance with 4(a) with the provision that no spot Shipper may nominate a monthly volume greater than 900m³.
- (c) If a Shipper fails, except as a result of an event of Force Majeure, to deliver to the Carrier the Tender volumes allocated for transportation during any month, the Carrier may, at its sole discretion, do either or both of the following:
- (i) to the extent the Carrier offsets the shortfall with injections from other Shippers, reduce Shipper's allocation in the succeeding month under allocation by the amount of allocated capacity not utilized or,
 - (ii) to the extent the Carrier does not offset the shortfall with injections from other Shippers, charge the Shipper the tariff for the full Tender volumes less the offsetting injections from other Shippers.
- (d) The Carrier may, at its sole discretion deem, for the purpose of section 3(b), a Shipper's nomination to be equal to that Shipper's prior 12-month rolling average of actual historical deliveries for up to three (3) months immediately following a month in which the pipeline capacity was materially reduced as a result of the detrimental conduct of that Shipper.

5. Quality, Specifications and Testing

Petroleum must be free from water, dirt, and other impurities which may materially affect the Carrier's facilities or other shipments, and the Shipper shall indemnify the Carrier from any claims arising by reason of such impurities in the Petroleum.

The Petroleum shall not have a temperature greater than indicated in Appendix II at point of Origin, nor a Reid Vapor Pressure in excess of 110 kPa @ maximum product temperature in accordance with Appendix II; nor a density greater than 930 kg per m³. A complete list of petroleum specifications is available on the Carriers website.

The Shipper shall supply the Carrier with the Material Safety Data Sheets and other necessary information with respect to the safe handling procedures for the Petroleum prior to delivering the Petroleum for transportation.

The Shipper shall supply the Carrier with the following information in advance of scheduled movements:

- (a) Gasolines - Tank number, product designation, and density.

- (b) Middle Distillates - Tank number, product designation, and density.
- (c) Aviation Turbine Fuel (For Delivery to Dorval, Mirabel, and Toronto Airports) - Tank number, density, flash point, temperature, and a complete Certificate of Analysis from an accredited laboratory.

Waivers from these specifications will only be allowed upon agreement of the Airlines' Fueling Committee.

- (d) For products subject to substitution per terms in section 10, Ottawa specifications will govern.
- (e) Unmarketable Products must be certified prior to shipment. Testing of marketable products following shipment of Unmarketable Products will also be conducted to ensure that the shipment of Unmarketable Products is not causing a contamination problem in the pipeline.

Note:

- (i) Carrier will not accept any unmarketable product for shipment until satisfactory protocols and testing have been arranged.
- (ii) Carrier will suspend shipment of unmarketable product if testing indicates a pipeline contamination problem is developing.
- (iii) Carrier, if conditions warrant, will adjust the required protocols and testing requirements for Unmarketable Products.

6. Delivery Timing

The Shipper shall have required volumes available for injection as scheduled or as otherwise agreed upon. If a Shipper fails to meet this requirement, CARRIER may, at its option, cancel the Tender in whole or in part.

7. Interruption of Normal Flow

The Shipper(s) shall take all necessary steps to provide uninterrupted flow and delivery, and any loss in throughput caused by such interruption may apply against the Tender volume(s) scheduled for that(those) Shipper(s).

If the pipeline Capacity is interrupted or reduced, the Carrier will inform the Shippers as soon as possible. Any loss in Capacity will be divided equitably among the Spot and Priority Access (PA) Shippers.

8. Interfacial Mixtures

- (a) Normal co-mingling which occurs between Tenders will be divided as equally as possible between the Shippers of those Tenders. A separate meter ticket will be prepared by the Carrier to cover all Critical Interfacial Mixtures.
- (b) Whenever the Carrier creates a contamination as a result of a specific request of a Shipper, the contamination created will be assigned solely to that Shipper.
- (c) The Carrier will maintain a record of contaminations in order to ensure equitable balance among Shippers. This record will be made available for inspection upon request.
- (d) Shippers agree to hold Carrier free and harmless of any and all claims regarding contamination that occurs as a result of normal operations. Carrier will not make adjustments to ticketed volumes solely for the purpose of balancing financial impact between Shippers due to such contamination.

9. Minimum Deliveries

Minimum deliveries will be volumes as prescribed in Appendix II unless requested and approved by the Carrier and may be composed of the volumes from more than one Shipper.

10. Identity of Petroleum

The Carrier will use reasonable care to maintain the separate identity of each Petroleum Tender which it has agreed with the Shipper to segregate but will accept no liability for failure to deliver the identical product. Since it is impractical to maintain the absolute identity of all Tenders, substitution of Petroleum having the same product designation is permissible.

Aviation turbine fuel delivered to the Toronto, Mirabel, and Dorval airport jet fuel terminals will be stored in common tankage.

11. Measurement

- (a) Petroleum transported will be measured by meter by the Carrier in accordance with the API Manual of Petroleum Measurement Standards, chapters 4 and 5. Petroleum temperatures used will be rounded to the nearest 0.5°C. The measured volume, density and temperature will be corrected to 15°C by application of factors taken from Tables 53-B and 54-B of the API Manual of Petroleum Measurement Standards.
- (b) If, for any reason volume measurement by the Carrier becomes impractical as determined by the Carrier, tank gauging or an alternate method approved by the Carrier will be used for all or part of the affected Tender.

- (c) Tanks from which or into which deliveries are made will be calibrated, and tank strapping tables satisfactory to Carrier are to be available and furnished on request.
- (d) All measurement will be documented by Carrier showing net corrected volume received or delivered.
- (e) A representative of the Shipper or the Consignee may be present to witness the measurement process applicable to its shipments if so required. Meter tickets are prima facie evidence of the amount of Petroleum received or delivered, whether or not the Shipper or the Consignee witnesses the measurement.
- (f) Carrier can make, or the Shipper can request corrections and/or adjustments to prior tickets for measurements within the last twelve months. Adjustments will not be allowed for volumetric measurements dated beyond the 12-month limit. All non-measurement related correction or adjustment requests are limited to 3 months from date of issue.

12. Adjustments for Over and Under Deliveries

Monthly settlements for over and under deliveries will be based on the Oil Price Information (OPIS) subscription-based service (or agreed upon substitute) that updates daily posted wholesale terminal rack product prices. Carrier will collect the posted wholesale rack prices from OPIS for Montreal and Toronto and will derive monthly average prices by product using prices posted on the 5th, 11th, and 17th days of the month. Carrier will use Montreal pricing for products injected in the Province of Quebec and Toronto pricing for products injected in Ontario.

13. Liens

The Shipper's Petroleum is to be free from all liens and charges, and the Shipper shall indemnify the Carrier from all claims resulting from any such liens or charges.

14. Tariffs

Transportation charges are assessed based on the Carrier's current tariff per Schedule I as amended from time to time.

Transportation charges are invoiced once a month for all deliveries made during the month. Transportation charges are to be paid by a Shipper within 10 days from the date of billing, provided that the Carrier may, in any instance, require pre-payment of transportation charges by a Shipper. A late payment charge calculated on an annual rate of 10% will be applied to all amounts outstanding after 10 days.

Any change in tariff will apply to all deliveries made after the date the change takes effect.

15. Liability of Carrier

- (a) The Carrier will accept no liability for any delay in delivery of, loss of or damage to Petroleum occasioned by an event of Force Majeure.
- (b) The Carrier will accept no liability for any delay in delivery of, loss of, or damage to, a Shipper's Petroleum whether caused by a third party or itself, unless such delay in delivery, loss, or damage be caused by the negligence or willful misconduct of Carrier's employees, servants or agents, and written notification of such delay, loss, or damage, including the specific amount of the claim arising therefrom, has been received by Carrier at its Head Office within 30 calendar days of such event. Actions arising out of such claims must be instituted against the Carrier within 180 days from the day when notice in writing is given by the Carrier that it has disallowed the claim, or any parts thereof specified in the notice. The Shipper waives any rights which it might otherwise have, at common law or otherwise, to make claim after the said period of 30 days or to bring an action after the said period of 180 days. The Shipper shall indemnify the Carrier from time to time against any such Claim which may be made by its Consignee after the expiration of the said period of 30 days or any such action which may be brought by its Consignee after the expiration of the said period of 180 days.

The Carrier will accept no liability for Petroleum allegedly contaminated by the Carrier that is delivered out of Shipper's/Consignee's storage to third parties which results in claims against the Shipper/Consignee. Shipper/Consignee will hold the Carrier and the employees and agents of the Carrier free and harmless at all times from and against any and all such Claims.

- (c) In the event of loss to Shippers caused by delay in delivery of or damage to Petroleum for which the Carrier is not liable, the Shippers shall assume such loss in the proportion to the volume of their Petroleum in the pipeline section as of the time such loss was occasioned.

16. Liability of the Shipper

If a Shipper is unable, except as a result of an event of Force Majeure, to provide Petroleum nominated for supply to the pipeline or accept delivery from the pipeline and a disruption of the Carrier's operation results, the Shipper shall be responsible for all costs associated with such disruption, including loss of revenue resulting therefrom.

APPENDIX I

Definitions

In these Conditions, the following terms shall have the following meanings:

- (a) “A.P.I.” means American Petroleum Institute;
- (b) A Priority Access Shipper means a Shipper with whom CARRIER has signed a Facilities Support Agreement (FSA) or a Priority Access Agreement (PAA);
- (c) A Spot Shipper means a Shipper that has no contract with CARRIER to transport products on the pipeline or volumes nominated by a Priority Access Shipper that are in excess of its PAA volumes;
- (d) “Aviation Turbine Fuel” means petroleum conforming to Canadian General Standards Board specification CAN 2 - 3.23 or latest revision for Kerosene type, commonly called Jet A or Jet A-1;
- (e) “Backhaul” means reversal of a section of line from its normal flow direction;
- (f) “Capacity” means the volume of product that can be pumped through the pipeline in a given time frame;
- (g) “Carrier” means Trans-Northern Pipelines Inc.;
- (h) “Claim” means any and all claims, liabilities, expenses, losses, demands, damages and causes of action of every kind and character, made, incurred, sustained or initiated by any Person;
- (i) “Consignee” means a company to which petroleum is consigned by a Shipper and whose facilities comply with Section 2 hereof;
- (j) “Critical Interfacial Mixture”, also known as “contamination”, means the interfacial mixture occurring between gasoline and middle distillate;
- (k) “Cubic Meter (m³)” means that volume of petroleum at a temperature of 15° Celsius and a pressure of 101.325 kPa;
- (l) “Cycle” means the period of time (currently 7 days) required to complete a scheduled pumping of each grade of gasoline, middle distillate and aviation turbine fuel, and which may be subject to modification by the Carrier from time to time;
- (m) “Destination” means the point where the Shipper’s petroleum leaves the Carrier’s facilities and enters the Shipper’s/Consignee’s facilities;
- (n) “Detrimental conduct” means requests for changes by a Shipper less than 48 hours prior to the scheduled intended acceptance of Shipper’s Tender as set out in Section 3(b) that results in a material reduction of pipeline capacity; “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/Consignee 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.

- (o) “Gasoline” means a refined petroleum product with a density of 780 kg/m³ or less;
- (p) “Middle Distillate” means a refined petroleum product with a density of more than 780 kg/m³, but less than 930 kg/m³;
- (q) “Nomination” means an offer by a Shipper to the Carrier in accordance with this tariff for the transportation of a stated quantity of petroleum product in accordance with Section 3.
- (r) “Origin” means that point where the Shipper’s petroleum leaves the Shipper’s facilities and enters the “pipeline”;
- (s) “Person” means a person, firm or corporation;
- (t) “Petroleum” means gasoline, middle distillate or aviation turbine fuel, or mixtures thereof;
- (u) “Shipper” means a company which has the use of facilities which comply with Section 2, and whose petroleum is accepted for transportation by the Carrier;
- (v) “Tender” means that portion of a Nomination that is accepted, subject to the allocation provisions of Section 4, and scheduled for transportation through the pipeline as a numbered unit;
- (w) “Unmarketable Products” means partially refined products transported between refining centers for further processing;

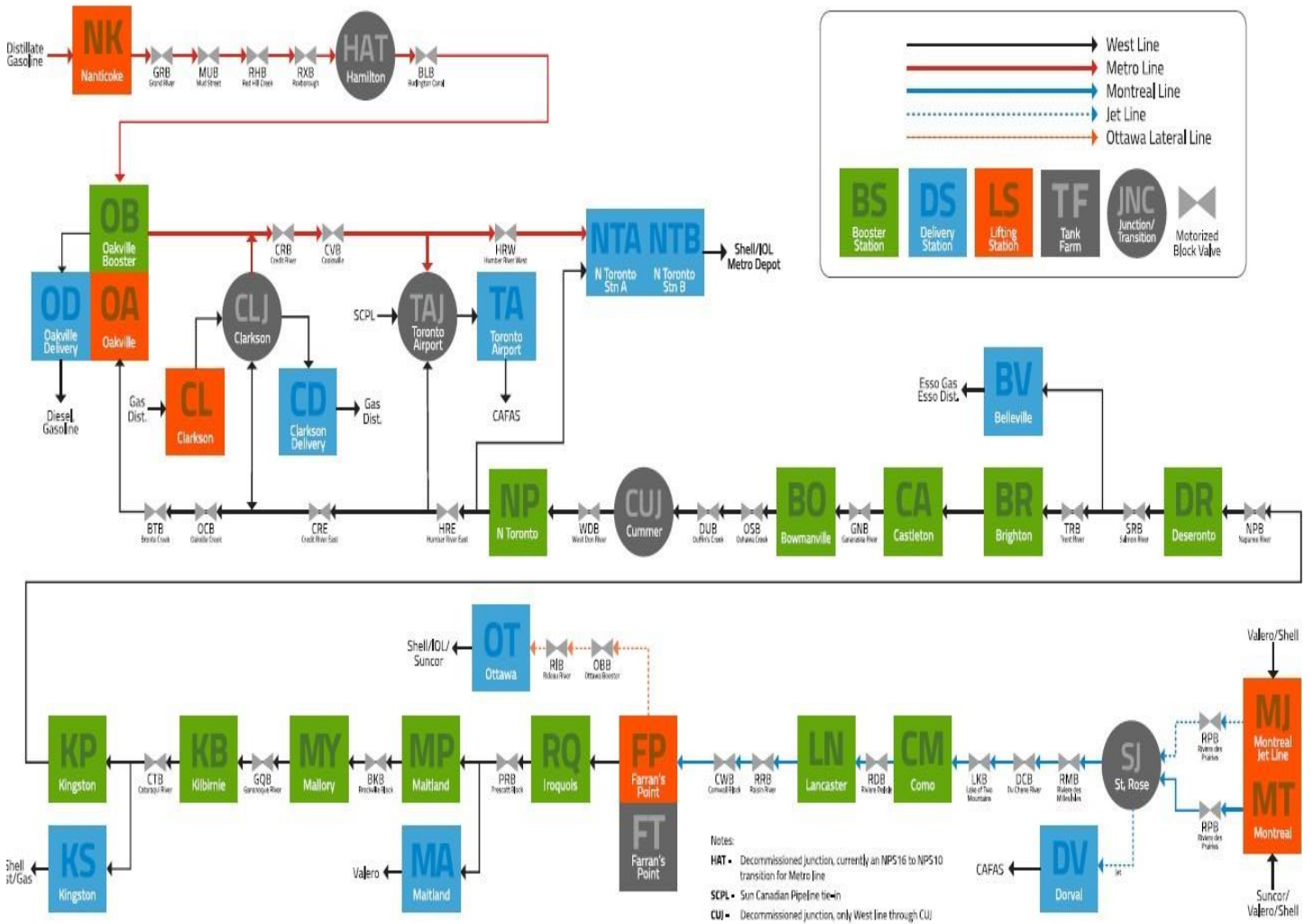
APPENDIX II

Pressure, Flow Rate, and Receipt Temperature Requirements for Delivery to the Pipeline

<u>70/30 Commodity Ratio (gas/oil)</u>				
Location	Receipt Pressure (kPa)	Flow (m3/hour)	Capacity (m3/day)	Maximum Allowable Product receipt Temperature (°C)
METRO	350	540	13,000	
Nanticoke				40
Oakville				38
Clarkson				38
WEST	350		7,470	38
MONTREAL	350	520	12,500	38
Montreal Jet	350	310	7440	38
Minimum deliveries volumes shall not be less than 250m3 except for Aviation fuel. The minimum delivery volume for Aviation fuel shall not be less than 1600m3.				

APPENDIX III

TNPI pipeline overview



SCHEDULE I TARIFFS

Trans-Northern Pipelines Inc. Proposed Interim Net Tariff 67

Schedule B

The rates named in this tariff apply on the transportation of refined petroleum products and are subject to Trans-Northern's Conditions of Transportation with any supplements and/or revisions thereto which may be issued from time to time.

RATES IN DOLLARS PER CUBIC METRE

DESTINATION	POINTS OF ORIGIN					Toronto
	Montreal	Nanticoke Ontario	Oakville Ontario	Clarkson Ontario	North	Airport
	East Quebec				Toronto Ontario	Junction Ontario
Montreal, Quebec	0.940					
Dorval, Quebec (Jet)	4.466					
Cornwall, Ontario	10.454					
Ottawa, Ontario	17.762					
Maitland, Ontario	17.367					
Kingston, Ontario	24.213					
Belleville, Ontario	29.579					
North Toronto, Ontario	43.656	11.398	5.174	4.044		
Toronto Airport, Ontario	45.525	11.669	5.445	4.315	2.809	2.262
Clarkson, Ontario	46.761	8.294	2.246		4.044	
Oakville, Ontario	47.891	7.164		2.246	5.174	

EFFECTIVE JANUARY 1, 2019

Trans-Northern Pipelines Inc.
45 Vogell Road, Suite 310
Richmond Hill, Ontario L4B 3P6



TRANS-NORTHERN PIPELINES INC.

CONDITIONS OF TRANSPORTATION

Jan 2020

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