

Tolls, Tariff, Facilities & Procedures Committee

Resolution

T2004-02: Credit Requirement Review

Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) supports adoption of the NOVA Gas Transmission Ltd. (NGTL) Gas Transportation Tariff (Tariff) revisions and Credit Procedures as attached. The details of this resolution include:

Credit Tariff Changes: Filed for approval

- Financial Assurance Provisions for Firm Service
 - Existing
 - Expansions
 - Assignments
- Financial Assurance Provisions for IT Service
- Amount of Financial Assurances
- Definition of Gas Lost
- Suspend, Terminate & Withhold Provisions

Credit Procedures: Filed as information

- Determination of Creditworthiness
- Acceptable Financial Assurances
- Amount of Financial Assurances
- Billing Cycle
- Withholding, Suspension and Termination of Service
- Ongoing Review of Financial Assurance Requirements
- Customer Inventory Imbalances
- Information

Background

In 2003, TransCanada conducted an internal review of its Tariff provisions and practices relating to credit and financial assurances. This review was driven, in part, by the increasing significance of credit in today's business environment.

TransCanada's review included the NGTL, Mainline and BC Systems and highlighted the following:

- There may be a need for increased clarity in TransCanada's Tariffs related to credit. TransCanada's current Tariffs may create unnecessary confusion and misunderstandings over credit practices (eg; financial assurance timing, notice periods, consequences of late payment, etc.).
- Substantial differences in Tariff provisions and practices exist across TransCanada's pipelines. This may result in unnecessary complexity and administrative costs for the industry.

In 2004, TransCanada introduced an Issue for adoption at the TTFP to address these issues. The Issue was subsequently adopted at the March 9, 2004 TTFP meeting and a task force was struck to review the existing practices and Tariff language. This Credit Requirement

Review Task Force ("CRRTF") met 11 times which led to the following recommendations for Tariff and/or process changes:

1. Assurance Provisions for Firm Service

A maximum amount of financial assurances is as follows:

- Existing Firm Capacity, 70 days coverage
- FT-D expansion capacity, 70 days coverage plus 1 month of coverage for each remaining year of initial term, to a maximum of 12 months total assurance coverage
- FT-R expansion capacity, coverage for the Customer Authorized facility costs prior to service commencement, and 70 days coverage upon service commencement
- Maximums shall also apply to all assignments.

2. Assurance Provisions for Interruptible Service

The Tariff is to be amended to limit the amount of financial assurances requested for commodity based service to be a maximum of 100 days coverage, based on the daily average of the actual charges incurred during the preceding 12 month period, with initial forecast utilization provided by the Customer.

3. Gas Lost Definition

The Tariff definition of Gas Lost is to be amended to include the Customer Inventory that TransCanada reasonably determines to be unrecoverable and that the Credit Procedures clearly define the Inventory Recovery Procedures (as per the attached).

4. Suspend, Terminate & Withhold Provisions

The Tariff is to be amended to withhold service until any requested assurances are provided. In addition, the Tariff is to be amended to allow termination of any or all Service upon default, provided that the Tariff defined notice periods have elapsed after suspension.

5. Other Procedural Updates

The Credit Procedures include the following provisions with respect to the determination of creditworthiness (as per the attached):

- The creditworthiness of all Customers is assessed by Company using information provided by the Customer, and / or other information pertaining to the creditworthiness of the Customer that is available.
- A list of the various financial, credit, and business information that Company may use in assessing Customer creditworthiness.
- Any Customer determined by Company to be non-creditworthy, including any Customers who do not provide information sufficient for Company to establish the Customer's creditworthiness, will be required to post financial assurances upon request.
- If requested, Company will provide an explanation of its creditworthiness determination to a non-creditworthy Customer.
- If a non-creditworthy Customer experiences a material change in its financial position whereby it believes that Company may determine their financial position to be acceptable, upon request and the receipt of information evidencing the material change, Company will review the financial position of the Customer within 20 Banking Days.
- Upon the expiry or termination of all Service Agreements, Company will return any financial assurances, within four Banking Days, once all amounts payable or which may become payable, including inventory imbalances, are paid in full.

Next Steps

NGTL will file Tariff amendments with the Alberta Energy & Utilities Board (EUB) for approval, and the Credit Review Procedures for information. NGTL is seeking approval from the EUB for implementation for November 1, 2004.

Alberta Transportation Procedures - Credit and Financial Assurances -

Introduction

Nova Gas Transmission Ltd. (“NGTL”) reviews all Customers and potential customers to determine if financial assurances are required. The purpose of obtaining financial assurances is to protect all Customers from unsecured billing losses in case of a default.

The provision of financial assurances, when requested, is a condition for obtaining and continuing service on the NGTL System.

Financial Assurance Requirements

1. Determination of Creditworthiness

The creditworthiness of all Customers and potential customers is assessed by NGTL. All non-creditworthy Customers, as determined by NGTL, are required to post financial assurances upon request.

NGTL determines the creditworthiness of a Customer by using information provided by the Customer, and / or other information pertaining to the creditworthiness of the Customer that is available. (Section 8 outlines the various forms of financial, credit, and business information that NGTL may use in assessing the financial position of a Customer).

Any Customer determined to be non-creditworthy, including any Customer who does not provide information sufficient for NGTL to establish the Customer’s creditworthiness, will be required to provide NGTL with an acceptable financial assurance within four Banking Days of request, in an amount up to the maximum stipulated in the Tariff (see Section 3).

If requested, NGTL will provide an explanation of its creditworthiness determination to a non-creditworthy Customer.

2. Acceptable Financial Assurances

A non-creditworthy Customer must provide, within four Banking Days of request, a financial assurance such as an irrevocable letter of credit or other form of financial assurance acceptable to NGTL.

Other acceptable forms of financial assurances may include the provision of an acceptable assurance (such as a guarantee) by a creditworthy party on behalf of the Customer.

Alberta Transportation Procedures - Credit and Financial Assurances -

3. Amount of Financial Assurances

Non-creditworthy Customers, including non-creditworthy assignees, are required to provide financial assurances in an amount sufficient to cover the total rates, tolls, charges, and other amounts payable (including taxes) to NGTL over a defined period.

The maximum amount of financial assurances that NGTL may request from a non-creditworthy Customer are as follows:

3a. For Demand Based Charges (excluding FT-D Expansion Capacity)

- financial assurance coverage for the total rates, tolls, charges, and other amounts payable (including taxes) which will be incurred over the 70 day billing cycle (see Section 4 for billing cycle details).

3b. For FT-D Expansion Charges

- financial assurance coverage for the total rates, tolls, charges, and other amounts payable (including taxes) which will be incurred over the 70 day billing cycle plus an additional 30 days of the total rates, tolls, charges, and other amounts payable (including taxes) for each remaining year of initial term, to a total maximum of 1 year worth of financial assurances, recalculated annually.

3c. For Facility Expansions (Prior to Service Commencement)

- for delivery facility additions or expansions, prior to service commencement, non-creditworthy Customers shall, if requested, provide NGTL with an acceptable financial assurance in an amount determined in an agreement between Customer and NGTL, until service commencement.
- for receipt facility additions or expansions, prior to service commencement, non-creditworthy Customers shall, if requested, provide NGTL with an acceptable financial assurance in an amount sufficient to cover up to the Customer authorized facility costs (including taxes), until service commencement.
- Customers are responsible for all authorized costs incurred until service commencement.

3d. For Commodity Based Charges

- financial assurances are required in an amount sufficient to provide for 100 days of billing cycle coverage for all of the rates, tolls, charges and other amounts payable (including taxes), based on the average daily utilization charges observed during the previous 12 months.
- initial financial assurance requirements are based upon forecast utilization charges provided by the non-creditworthy Customer.
- during the initial 12 month forecast period, assurance requirements are based on the greater of the billing cycle utilization forecast or the peak observed billing cycle charges (see attached example).

3e. Assignment Charges

- For all assignments, non-creditworthy assignees shall, if requested, provide financial assurances up to the amounts determined above in Sections 3a, 3b, 3c and 3d.

**Alberta Transportation Procedures
- Credit and Financial Assurances -**

Example - Commodity Based Financial Assurance Requirements:

- New commodity service commencing January 1 (no other executed Service Agreements)

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Customer Forecast Charges	\$10k	\$10k	\$5k	\$5k	\$0k	\$0k	\$0k	\$0k	\$0k	\$0k	\$20k	\$20k
Actual Commodity Charges	\$30k	\$25k	\$25k	\$15k	\$10k	\$5k	\$0k	\$0k	\$5k	\$10k	\$215k	\$20k

i. Initial Commodity Assurance Requirement (based on Customer forecast):

$$= \frac{(\sum (\text{Customer Forecast Charges over 12 Months}))}{12 \text{ months}} / 30.4375 \text{ days/month} * \text{Billing Cycle} + \text{Taxes}$$

$$= \frac{(\$70k / 30.4375 \text{ days/month} * 100 \text{ days} + \text{Taxes})}{12}$$

$$= (\$5.84K / 30.4375 * 100 + \text{GST})$$

$$= (\$19,186.86 + \text{GST}) = \$20,529.94 > \underline{\$21,000.00} \text{ Initial Financial Assurance Requirement}$$

ii. Initial Forecast Period Commodity Assurance Requirements:

During the initial forecast period, assurances are required for the greater of the initial assurance requirement and the greatest observed average commodity usage over a billing cycle.

$$= \frac{(\sum (\text{Total Actual Commodity Charges}))}{\text{Months of Utilization}} / 30.4375 \text{ days/month} * \text{Billing Cycle}$$

Jan	= Initial Requirement \$21,000.00
Feb	= [(\$30k / 1 month) / 30.4375 * 100 * 1.07] = \$105,432.01 = \$106,000.00 Assurances Required
Mar	= [(\$55k / 2 months) / 30.4375 * 100 * 1.07] = \$96,673.51 = \$106,000.00 Assurances Required
Apr	= [(\$80k / 3 months) / 30.4375 * 100 * 1.07] = \$93,744.01 = \$106,000.00 Assurances Required
May	= [(\$95k / 4 months) / 30.4375 * 100 * 1.07] = \$83,490.76 = \$106,000.00 Assurances Required
Jun	= [(\$105k / 5 months) / 30.4375 * 100 * 1.07] = \$73,823.41 = \$106,000.00 Assurances Required
Jul	= [(\$110k / 6 months) / 30.4375 * 100 * 1.07] = \$64,449.01 = \$106,000.00 Assurances Required
Aug	= [(\$110k / 7 months) / 30.4375 * 100 * 1.07] = \$55,242.01 = \$106,000.00 Assurances Required
Sep	= [(\$110k / 8 months) / 30.4375 * 100 * 1.07] = \$48,336.76 = \$106,000.00 Assurances Required
Oct	= [(\$115k / 9 months) / 30.4375 * 100 * 1.07] = \$44,919.01 = \$106,000.00 Assurances Required
Nov	= [(\$125k / 10 months) / 30.4375 * 100 * 1.07] = \$43,942.51 = \$106,000.00 Assurances Required
Dec	= [(\$340k / 11 months) / 30.4375 * 100 * 1.07] = \$108,657.83 = \$109,000.00 Assurances Required
Jan	= [(\$360k / 12 months) / 30.4375 * 100 * 1.07] = \$105,462.01 = \$109,000.00 Assurances Required

End of Initial Period

(Note: During the initial period, since adequate Customer utilization history is not available, financial assurances are required to cover the greater of peak observed exposure (averaged for the months previous) and the initial forecast requirement. Therefore, assurances requirements can not decrease from month to month during the initial forecast period).

**Alberta Transportation Procedures
- Credit and Financial Assurances -**

Example (Continued) - Commodity Based Financial Assurance Requirements:

iii. Commodity Based Assurance Requirements (based on usage over previous 12 months)

$$= \frac{(\sum (\text{Actual Commodity Charges over previous 12 Months})}{12 \text{ months}} / 30.4375 \text{ days/mth} * \text{Billing Cycle} + \text{Taxes}$$

$$= \frac{(\$360k)}{12} / 30.4375 \text{ days/month} * 100 \text{ days} + \text{Taxes}$$

$$= (\$30K / 30.4375 * 100 + \text{GST})$$

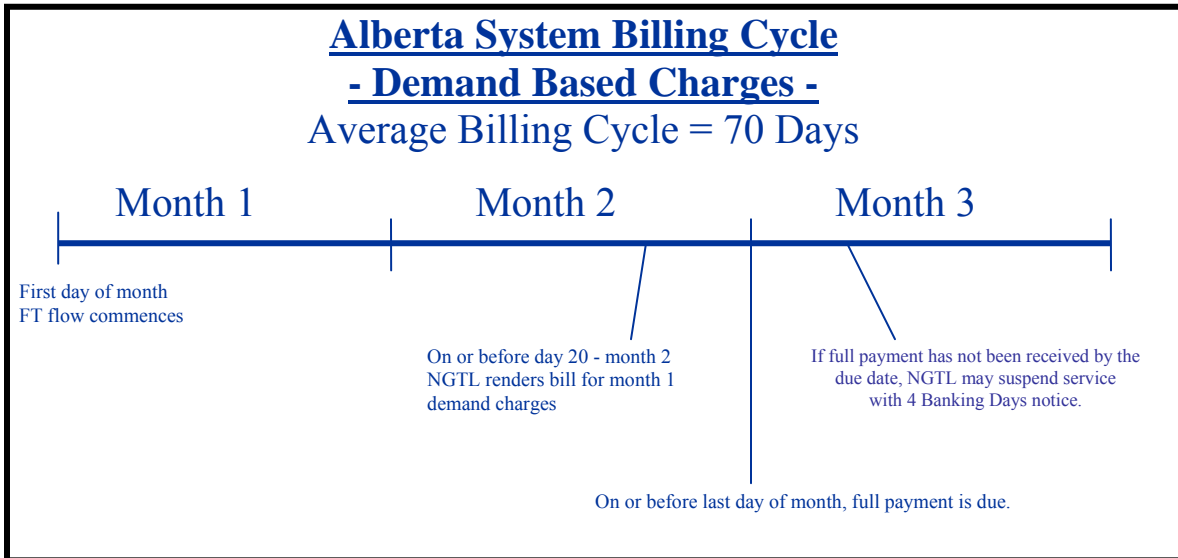
$$= (\$98,562.63 + \text{GST}) = \$105,432.01 > \underline{\$106,000.00} \text{ Commodity Assurance Requirement}$$

4. Billing Cycle

A billing cycle is the average number of days between the first day of a month and the first day on which NGTL may suspend service for failure to pay for the services provided during such time period.

4a. Demand Based Charges

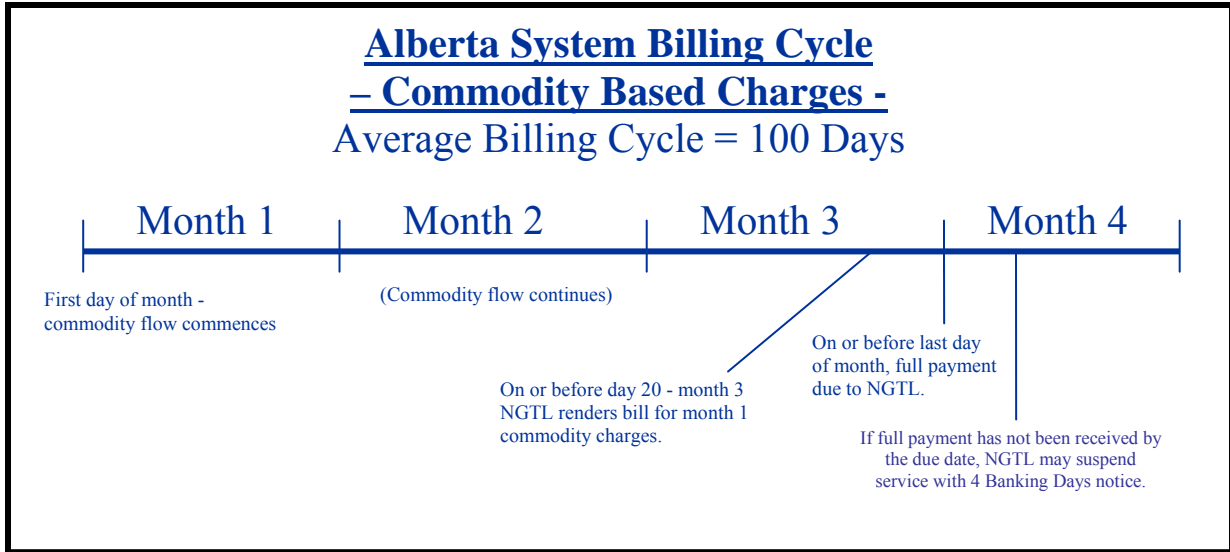
For all demand based charges, given current average billing and payment timelines, the length of the billing cycle is 70 days.



**Alberta Transportation Procedures
- Credit and Financial Assurances -**

4b. Commodity Based Charges

For all commodity based charges, given current average billing and payment timelines, the length of the billing cycle is 100 days.



5. Withholding, Suspension and Termination of Service

5a. For Non-Provision of Assurances

Any requested service may be withheld until requested financial assurances are received by NGTL.

If a Customer fails to provide a financial assurance within four Banking Days of request, NGTL may, with four Banking Days notice, suspend any or all service being or to be provided to Customer. Suspension does not relieve the Customer from any obligation to pay any rate, toll, charge or other amount payable. Suspended service will be reinstated within two Banking Days of the receipt of an acceptable financial assurance, as requested by NGTL.

If a Customer's failure to provide a requested assurance continues after suspension, NGTL may, with an additional four Banking Days notice, terminate any or all service being or to be provided to Customer.

Upon termination, all current and future contractual charges shall become immediately payable to NGTL.

Alberta Transportation Procedures - Credit and Financial Assurances -

5b. For Failure to Pay Bill

In the event a Customer fails to pay the full amount of their bill, including any disputed amounts, by the time payment is due, NGTL may, with four Banking Days notice, suspend any or all service being or to be provided to Customer. Suspension does not relieve the Customer from any obligation to pay any rate, toll, charge or other amount payable. Suspended service shall be reinstated within two Banking Days of the receipt of full payment, including any interest or other amounts owing, by NGTL.

If a Customer's failure to pay continues after suspension, NGTL may, with an additional four Banking Days notice, terminate any or all service being or to be provided to the Customer.

Upon termination, all current and future contractual charges shall become immediately payable to NGTL.

6. Ongoing Review of Financial Assurance Requirements

NGTL reviews, on an ongoing basis, the creditworthiness of all Customers, using information provided by each Customer, and / or other information pertaining to the creditworthiness of the Customer that is available. These ongoing reviews also take into account the Customer's payment record and inventory trends with NGTL.

If at any time a non-creditworthy Customer experiences a material change in its financial position whereby it believes that NGTL may determine the Customer's financial position to be acceptable, upon request and the receipt of information evidencing the material change, NGTL will review the financial position of the Customer within 20 Banking Days. Financial assurances are still required during the review period.

Upon the expiry or termination of all Service Agreements, NGTL will return any financial assurances, within four banking days, once all amounts payable or which may become payable, including inventory imbalances, are paid to NGTL in full.

Alberta Transportation Procedures - Credit and Financial Assurances -

7. Customer Inventory Imbalances

An inventory imbalance is either a positive or negative balance of gas in an Alberta Customer account which remains in place after a Customer has become inactive, or has defaulted on its Service obligations.

Inventory imbalances on the Alberta System originate from either a Customer over / under selling (or over / under producing) their account, and from month end allocations and Prior Period Revisions.

Prior Period Revisions which negatively affect the inventory of an inactive or defaulted Customer are not permitted.

Customers are required to clear any inventory imbalances, in accordance with the terms of the Tariff, when requested by NGTL. Should an inventory imbalance remain on an inactive or defaulted account, NGTL will implement the following actions to recover the imbalance:

NGTL Inventory Recovery Procedures

1. Customer is sent a statement requesting the inventory imbalance be cleared in-kind.
2. If not cleared by Customer, NGTL will invoice Customer for the inventory at the Company Gas Use Price.
3. If the imbalance remains after these recovery attempts, it is determined to be unrecoverable and is charged to Gas Lost.

NGTL will include unrecovered inventory imbalances as part of the damages when litigating defaulted accounts.

NGTL will report any defaulted customer inventory charged to the Gas Lost account on the monthly Gas Accounting reports.

Alberta Transportation Procedures - Credit and Financial Assurances -

8. Information

NGTL utilizes various sources of financial, credit, and business information in assessing the financial position of a Customer. This information, as provided by Customers or is otherwise available, may include, but is not limited, to the following:

- Audited Financial Statements;
- Annual Report;
- List of Affiliates, Parent Companies, and Subsidiaries;
- Publicly Available Information from Credit Reports of Credit and Bond Rating Agencies;
- Private Credit Ratings, if obtained by the Customer;
- Bank References;
- Trade References;
- Legal Composition;
- Length of Time Business has been in Operation;
- Most recent filed documents with the Securities and Exchange Commission (or an equivalent authority) or such other publicly available information;
- For public entities, the most recent publicly available interim financial statements, with an attestation by its Chief Financial Officer, Controller, or equivalent (CFO) that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with Generally Accepted Accounting Principles (GAAP) or equivalent;
- For non-public entities, including those that are regulated utilities:
 - the most recent available interim financial statements, with an attestation by its CFO that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with GAAP or equivalent;
 - an existing sworn filing, including the most recent available interim financial statements and annual financial reports filed with the respective regulatory authority, showing the shipper's current financial condition;
- For regulated utility local distribution companies, documentation from their respective regulatory commission (or an equivalent authority) of an authorized gas supply cost recovery mechanism which fully recovers both gas commodity and transportation capacity costs and is afforded regulatory asset accounting treatment in accordance with GAAP or equivalent;
- Such other information as may be mutually agreed to by the parties;
- Above information for Affiliates, Parent Companies, and Subsidiaries.

Several amendments to NGTL's Tariff are currently proposed resulting from TTFP Issue T2004-02 - Credit Requirement Review. This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. General Terms and Conditions:

- (i) Amend Article 1.0 Definitions as follows:
 - (a) Add new definitions "Banking Day" and "Financial Assurance";
 - (b) Amend definition of "Gas Lost" to include Customer's Inventory that Company reasonably determines to be unrecoverable; and
 - (c) Renumber definitions as required.
- (ii) Paragraph 5.7 [Disputed Bills], subparagraph 5.7.2 – replace with new subparagraph to include shorter suspension provisions and add termination provisions.
- (iii) Renamed Article 10.0 [Financial Assurances].
- (iv) Paragraph 10.1 [Financial Information] – delete entire paragraph.
- (v) Renumbered paragraph 10.1 [Financial Assurance for Performance of Obligations] – amend to include definition of a Financial Assurance acceptable to Company and in an amount in accordance with paragraph 10.3.
- (vi) Add new paragraph 10.2 [Failure to Provide Financial Assurance] – includes provisions for withholding, suspension and termination of service for failure to provide a requested Financial Assurance.
- (vii) Add new paragraph 10.3 [Amount of Financial Assurance] – defines the maximum amount of a Financial Assurance that Customer may be required to provide.

GENERAL TERMS AND CONDITIONS**1.0 DEFINITIONS**

In this Tariff:

- 1.1** “Act” shall mean the *Gas Utilities Act*, R.S.A. 1980, c. G-4, as amended.
- 1.2** “Alberta Delivery Point” shall mean the point in Alberta where gas that is not to be removed from Alberta is delivered to Customer by Company under a Schedule of Service.
- 1.3** “Annual Plan” shall mean a document submitted annually to the Board by Company outlining the Company’s planned Facility additions and major modifications.
- 1.4** “Banking Day” shall mean any day that the Royal Bank of Canada, Main Branch, Calgary, Canada, or other financial institutions agreed to by Company, conducts business.
- 1.41.5** “Billing Commencement Date” shall mean the earlier of:
- (a) the Ready for Service Date; and
 - (b) the date Company commences to provide Service to Customer pursuant to a Service Agreement or Schedule of Service.
- 1.51.6** “Billing Month” shall mean that month which immediately precedes the month in which Company is required to send a bill for Service.
- 1.61.7** “Block Period” shall have the meaning attributed to it in paragraph 3.2 of Rate Schedule

parts thereof for the receiving, gathering, treating, transporting, storing, distributing, exchanging, handling or delivering of gas.

1.351.36 “Final ERC Adjustment” shall have the meaning attributed to it in Appendix “G” of the Tariff.

1.37 “Financial Assurance” shall have the meaning attributed to it in paragraph 10.1.

1.361.38 “Flow” shall mean, with respect to a Receipt Point, the rate in $10^3\text{m}^3/\text{d}$ or GJ/d, as the case may be, that gas is being delivered into Company’s Facilities through such Receipt Point at any point in time and means with respect to a Delivery Point, the rate in $10^3\text{m}^3/\text{d}$ or GJ/d, as the case may be, that gas is being delivered off Company’s Facilities through such Delivery Point at any point in time.

1.371.39 “FT-A Rate” shall mean the FT-A Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-A.

1.381.40 “FT-D Demand Rate” shall mean the FT-D Demand Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-D.

1.391.41 “FT-DW Demand Rate” shall mean the FT-DW Demand Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-DW.

1.401.42 “FT-P Customer Account” shall mean an account established by Company for Customer to record Customer’s transactions related to Service under Rate Schedule FT-P.

1.411.43 “FT-P Demand Rate” shall mean the FT-P Demand Rate for the distance between the particular Receipt Points and the particular Alberta Delivery Point in the Table of

Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-P.

1.421.44 “FT-R Demand Rate” shall mean the FT-R Demand Rate for a particular Receipt Point in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-R.

1.431.45 “FT-RN Demand Rate” shall mean the FT-RN Demand Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-RN for a particular Receipt Point.

1.441.46 “Gas” or “gas” shall mean all natural gas both before and after it has been subjected to any treatment or process by absorption, purification, scrubbing or otherwise, and includes all fluid hydrocarbons other than hydrocarbons that can be recovered from a pool in liquid form by ordinary production methods.

1.451.47 “GIA” shall mean the Electricity and Gas Inspection Act, R.S.C. 1985, c. E-4, as amended, and all Regulations issued pursuant to it.

1.461.48 “Gas Lost” shall mean that volume of gas determined by Company to be the aggregate of:

- (i) the total volume of gas lost as a result of a Facilities rupture or leak; and**
- (ii) any Customer’s Inventory that Company reasonably determines to be unrecoverable.**

1.471.49 “Gas Used” shall mean that volume of gas determined by Company to be the total volume of gas used by Company in the operation, maintenance and construction of the Facilities.

5.7 Disputed Bills

5.7.1 In the event Customer disputes any part of a bill, Customer shall nevertheless pay to Company the full amount of the bill when payment is due.

5.7.2 ~~In the event Customer fails to pay the full amount of any bill within thirty (30) days after payment is due, Company, in addition to any other remedy it may have, may suspend Service until full payment is made. Such suspension shall not relieve Customer from any obligation to pay any rate, toll, charge or other amount payable to Company.~~

If Customer fails to pay the full amount of any bill when payment is due, Company may upon four (4) Banking Days written notice immediately suspend any or all Service being or to be provided to Customer provided however that such suspension shall not relieve Customer from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Customer pays the full amount payable to Company, Company shall within two (2) Banking Days recommence such suspended Service.

Following suspension, Company may, in addition to any other remedy that may be available to it, upon four (4) Banking Days written notice to Customer immediately:

- (i) terminate any or all Service being or to be provided to Customer; and
- (ii) declare any and all amounts payable now or in the future by Customer to Company for any and all Service to be immediately due and payable as liquidated damages and not as a penalty.

5.7.3 In the event that it is finally determined that Customer's monthly bill was incorrect and that an overpayment has been made, Company shall make reimbursement of such overpayment. Company shall pay interest on the overpayment to Customer, commencing from the date such overpayment was made and continuing until the date reimbursement is

If there is an ERC Event, Company shall determine Customer's Final ERC Adjustments in accordance with the Terms and Conditions Respecting Emergency Response Compensation set forth in Appendix "G" of the Tariff.

10.0 FINANCIAL ~~INFORMATION AND SECURITY~~ ASSURANCES

~~10.1~~ Financial Information

~~Customer shall provide Company with any financial information Company reasonably requests prior to Company providing Service in order that Company may establish Customer's credit worthiness.~~

~~10.2~~ 10.1 Financial Assurance ~~Security~~ for Performance of Obligations

Company may request that Customer (or any assignee) at any time and from time to time provide Company with ~~a performance bond, an~~ irrevocable letter of credit or other ~~security assurance~~ acceptable to Company, ~~(the "security") in an amount and~~ in form and substance satisfactory to Company and in an amount determined in accordance with paragraph 10.3 (the "Financial Assurance").

10.2 Failure to Provide Financial Assurance

Company may withhold the provision of new Service until Company has received a requested Financial Assurance.

If Customer fails to provide ~~such security~~ a requested Financial Assurance to Company within ~~ten-four (104)~~ Banking Days of Company's request, Company may upon four (4) Banking Days ~~written notice at its option~~ immediately suspend any or all Service being or to be provided to Customer provided however that any such suspension shall not

relieve Customer from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Customer provides such Financial Assurance to Company, Company shall within two (2) Banking Days recommence such suspended Service.

If Customer fails to provide such Financial Assurance during such suspension, Company may, in addition to any other remedy that may be available to it, upon four (4) Banking Days written notice to Customer immediately:

- (i) terminate any or all Service being or to be provided to Customer; and
- (ii) declare any and all amounts payable now or in the future by Customer to Company for any and all Service to be immediately due and payable as liquidated damages and not as a penalty.

10.3 Amount of Financial Assurance

The maximum amount of Financial Assurance Company may request from a Customer (or assignee) shall be as determined by Company an amount equal to:

- (i) for the provision of all Services, other than for Service referred to in paragraph (ii), the aggregate of all rates, tolls, charges or other amounts payable to Company for a period of seventy (70) Days. Provided however, the amount of Financial Assurance for all rates, tolls and charges other than demand charges shall be for a period of one hundred (100) Days, based on the daily average of the actual charges billed for Service for the preceding twelve (12) Month period with the initial forecast to be provided by Customer; and
- (ii) for the provision of Service under subparagraph 5.1(ii) of Rate Schedule FT-D, the aggregate of all rates, tolls, charges or other amounts payable to Company for

a period of seventy (70) Days plus one (1) Month for each remaining year of the term of such Service, up to a maximum of twelve (12) Months total.

The Financial Assurances for any new Facilities required to be installed or constructed by Company shall be determined in accordance with an agreement between Company and Customer for such Facilities.

11.0 INTERRUPTIONS AND CURTAILMENTS

11.1 Planned Interruptions

Provided that Company shall have given Customer at least forty-eight (48) hours notice, Company may interrupt, curtail or reduce Service for such periods of time as it may reasonably require for the purpose of effecting any repairs, maintenance, replacement or upgrading or other work related to the Facilities.

11.2 Unplanned Interruptions

Notwithstanding paragraph 11.1, in the event of unforeseen circumstances Company may interrupt, curtail or reduce Service for such periods of time as it may reasonably require without giving Customer the notice provided for in paragraph 11.1 provided that Company shall give notice of such interruption, curtailment or reduction as soon as is reasonably possible.

11.3 Notice of Change in Operations

Customer and Company shall give each other as much notice as is reasonably possible in the circumstances of expected temporary changes in the rates of delivery or receipt of gas, pressures or other operating conditions, together with the expected duration and the

GENERAL TERMS AND CONDITIONS**1.0 DEFINITIONS**

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- 1.3** “Annual Plan” shall mean a document submitted annually to the Board by Company outlining the Company’s planned Facility additions and major modifications.
- 1.4** “Banking Day” shall mean any day that the Royal Bank of Canada, Main Branch, Calgary, Canada, or other financial institutions agreed to by Company, conducts business.
- 1.5** “Billing Commencement Date” shall mean the earlier of:
- (a) the Ready for Service Date; and
 - (b) the date Company commences to provide Service to Customer pursuant to a Service Agreement or Schedule of Service.
- 1.6** “Billing Month” shall mean that month which immediately precedes the month in which Company is required to send a bill for Service.
- 1.7** “Block Period” shall have the meaning attributed to it in paragraph 3.2 of Rate Schedule

exchanging, handling or delivering of gas.

- 1.36** “Final ERC Adjustment” shall have the meaning attributed to it in Appendix “G” of the Tariff.
- 1.37** “Financial Assurance” shall have the meaning attributed to it in paragraph 10.1.
- 1.38** “Flow” shall mean, with respect to a Receipt Point, the rate in $10^3\text{m}^3/\text{d}$ or GJ/d, as the case may be, that gas is being delivered into Company’s Facilities through such Receipt Point at any point in time and means with respect to a Delivery Point, the rate in $10^3\text{m}^3/\text{d}$ or GJ/d, as the case may be, that gas is being delivered off Company’s Facilities through such Delivery Point at any point in time.
- 1.39** “FT-A Rate” shall mean the FT-A Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-A.
- 1.40** “FT-D Demand Rate” shall mean the FT-D Demand Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-D.
- 1.41** “FT-DW Demand Rate” shall mean the FT-DW Demand Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-DW.
- 1.42** “FT-P Customer Account” shall mean an account established by Company for Customer to record Customer’s transactions related to Service under Rate Schedule FT-P.
- 1.43** “FT-P Demand Rate” shall mean the FT-P Demand Rate for the distance between the particular Receipt Points and the particular Alberta Delivery Point in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate

Schedule FT-P.

- 1.44** “FT-R Demand Rate” shall mean the FT-R Demand Rate for a particular Receipt Point in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-R.
- 1.45** “FT-RN Demand Rate” shall mean the FT-RN Demand Rate in the Table of Rates, Tolls and Charges which has been fixed by Company or the Board for Service under Rate Schedule FT-RN for a particular Receipt Point.
- 1.46** “Gas” or “gas” shall mean all natural gas both before and after it has been subjected to any treatment or process by absorption, purification, scrubbing or otherwise, and includes all fluid hydrocarbons other than hydrocarbons that can be recovered from a pool in liquid form by ordinary production methods.
- 1.47** “GIA” shall mean the Electricity and Gas Inspection Act, R.S.C. 1985, c. E-4, as amended, and all Regulations issued pursuant to it.
- 1.48** “Gas Lost” shall mean that volume of gas determined by Company to be the aggregate of:
- (i) the total volume of gas lost as a result of a Facilities rupture or leak; and
 - (ii) any Customer’s Inventory that Company reasonably determines to be unrecoverable.
- 1.49** “Gas Used” shall mean that volume of gas determined by Company to be the total volume of gas used by Company in the operation, maintenance and construction of the Facilities.
- 1.50** “Gas Year” shall mean a period of time beginning at eight hours (08:00) Mountain

in which the actual information became available shall be adjusted to reflect the difference between the actual and estimated information as if such information related to such later month. Neither Company nor Customer shall be entitled to interest on any adjustment.

5.6 Corrections

Notwithstanding any provision contained in this Tariff to the contrary, the correction of an error in a bill for Service rendered in a prior month, shall be made to the bill in accordance with the appropriate provision of this Tariff in effect at the time that the error was made. Company shall proceed with such correction in the month following the month that Company confirms the error. In the case of a disputed bill the provisions of paragraph 5.7 shall apply.

5.7 Disputed Bills

5.7.1 In the event Customer disputes any part of a bill, Customer shall nevertheless pay to Company the full amount of the bill when payment is due.

5.7.2 If Customer fails to pay the full amount of any bill when payment is due, Company may upon four (4) Banking Days written notice immediately suspend any or all Service being or to be provided to Customer provided however that such suspension shall not relieve Customer from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Customer pays the full amount payable to Company, Company shall within two (2) Banking Days recommence such suspended Service.

Following suspension, Company may, in addition to any other remedy that may be available to it, upon four (4) Banking Days written notice to Customer immediately:

- (i) terminate any or all Service being or to be provided to Customer; and
- (ii) declare any and all amounts payable now or in the future by Customer to Company for any and all Service to be immediately due and payable as liquidated damages and not as a penalty.

5.7.3 In the event that it is finally determined that Customer's monthly bill was incorrect and that an overpayment has been made, Company shall make reimbursement of such overpayment. Company shall pay interest on the overpayment to Customer, commencing from the date such overpayment was made and continuing until the date reimbursement is actually made, at a rate per annum equal to the Prime Rate plus one (1) percent.

6.0 POSSESSION AND CONTROL

6.1 Control

Gas received by Company shall be deemed to be in the custody and under the control of Company from the time it is received into the Facilities until it is delivered out of the Facilities.

6.2 Warranty

Customer warrants and represents it has the right to tender all gas delivered to Company.

7.0 GAS PRESSURES

7.1 The Gas Pressure At Receipt Points

The pressure of gas tendered by Customer to Company at any Receipt Point shall be the

9.8 Uniform Flow Rate

All deliveries of gas to Company at a Receipt Point shall be made in uniform hourly quantities to the extent practicable.

9.9 Emergency Response Compensation Event

If there is an ERC Event, Company shall determine Customer's Final ERC Adjustments in accordance with the Terms and Conditions Respecting Emergency Response Compensation set forth in Appendix "G" of the Tariff.

10.0 FINANCIAL ASSURANCES**10.1 Financial Assurance for Performance of Obligations**

Company may request that Customer (or any assignee) at any time and from time to time provide Company with an irrevocable letter of credit or other assurance acceptable to Company, in form and substance satisfactory to Company and in an amount determined in accordance with paragraph 10.3 (the "Financial Assurance").

10.2 Failure to Provide Financial Assurance

Company may withhold the provision of new Service until Company has received a requested Financial Assurance.

If Customer fails to provide a requested Financial Assurance to Company within four (4) Banking Days of Company's request, Company may upon four (4) Banking Days written notice immediately suspend any or all Service being or to be provided to Customer

provided however that any such suspension shall not relieve Customer from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Customer provides such Financial Assurance to Company, Company shall within two (2) Banking Days recommence such suspended Service.

If Customer fails to provide such Financial Assurance during such suspension, Company may, in addition to any other remedy that may be available to it, upon four (4) Banking Days written notice to Customer immediately:

- (i) terminate any or all Service being or to be provided to Customer; and
- (ii) declare any and all amounts payable now or in the future by Customer to Company for any and all Service to be immediately due and payable as liquidated damages and not as a penalty.

10.3 Amount of Financial Assurance

The maximum amount of Financial Assurance Company may request from a Customer (or assignee) shall be as determined by Company an amount equal to:

- (i) for the provision of all Services, other than for Service referred to in paragraph (ii), the aggregate of all rates, tolls, charges or other amounts payable to Company for a period of seventy (70) Days. Provided however, the amount of Financial Assurance for all rates, tolls and charges other than demand charges shall be for a period of one hundred (100) Days, based on the daily average of the actual charges billed for Service for the preceding twelve (12) Month period with the initial forecast to be provided by Customer; and
- (ii) for the provision of Service under subparagraph 5.1(ii) of Rate Schedule FT-D, the aggregate of all rates, tolls, charges or other amounts payable to Company for

a period of seventy (70) Days plus one (1) Month for each remaining year of the term of such Service, up to a maximum of twelve (12) Months total.

The Financial Assurances for any new Facilities required to be installed or constructed by Company shall be determined in accordance with an agreement between Company and Customer for such Facilities.

11.0 INTERRUPTIONS AND CURTAILMENTS

11.1 Planned Interruptions

Provided that Company shall have given Customer at least forty-eight (48) hours notice, Company may interrupt, curtail or reduce Service for such periods of time as it may reasonably require for the purpose of effecting any repairs, maintenance, replacement or upgrading or other work related to the Facilities.

11.2 Unplanned Interruptions

Notwithstanding paragraph 11.1, in the event of unforeseen circumstances Company may interrupt, curtail or reduce Service for such periods of time as it may reasonably require without giving Customer the notice provided for in paragraph 11.1 provided that Company shall give notice of such interruption, curtailment or reduction as soon as is reasonably possible.

11.3 Notice of Change in Operations

Customer and Company shall give each other as much notice as is reasonably possible in the circumstances of expected temporary changes in the rates of delivery or receipt of gas, pressures or other operating conditions, together with the expected duration and the