

Attachment 2
Rate Schedule FCS
Clean Version

ATTACHMENT 1

Attached to and Forming Part of Schedule of Service No. •

1.0 DEFINITIONS

1.1 The capitalized terms used in this Attachment 1 have the meanings attributed to them in the General Terms and Conditions of the Tariff unless otherwise defined in this Attachment 1.

2.0 INTRODUCTION

2.1 For Service provided annually during the period commencing January 1 and ending December 31 (the “Year”), Company will determine the FCS Charge, if any, payable by Customer to Company for Service under Rate Schedule FCS.

3.0 Calculation of FCS Charge

3.1 Following the completion of each Year, Company will calculate the FCS Charge using the following six steps:

- (i) determine the annual cost of service of the Facilities required to provide Service under the Schedule of Service (“ACS”) as described in paragraph 3.2;
- (ii) determine the minimum annual volume of gas Company is to measure (“MAV”) at the Delivery Point set out in the Schedule of Service as described in paragraph 3.3;

- (iii) determine the MAV component of the FCS Charge as described in paragraph 3.4;
- (iv) if such Delivery Point, other than a Storage Delivery Point, is associated with a Facility which extends Company's Facilities ("Extension Facility"), determine in accordance with paragraph 3.5 a minimum annual volume of gas Company is to measure ("EAV") at such Delivery Point and as set out in the Schedule of Service under Additional Conditions;
- (v) determine the EAV component of the FCS Charge as described in paragraph 3.6;
and
- (vi) calculate the FCS Charge as described in paragraph 3.7.

3.2 Determination of ACS

The ACS is equal to the sum of the components in paragraphs (i) through (v):

(i) Operating and Maintenance ("O&M")

O&M expense is an estimate of O&M costs of the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year, and may vary from Year to Year.

(ii) Municipal Taxes

Municipal tax expense is the actual municipal taxes paid for the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year, and may vary from Year to Year.

(iii) Depreciation

Depreciation expense is calculated on a straight-line basis using Company's system average depreciation rates, which may vary from time to time.

(iv) Income Taxes

Income tax expense is calculated on a flow-through basis. The income tax rate used is computed by applying the current combined federal and provincial income tax rates.

(v) Return on Rate Base

Return on rate base is calculated by applying Company's current rate of return to the average of the opening and closing balances in the rate base account related to the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year. The rate of return may vary from time to time as determined by Company.

The opening balance in the rate base is equal to the capital cost of the Facilities used to provide Service under the Schedule of Service under Rate Schedule FCS for the Year, less accumulated depreciation, as reflected in the rate base account on the last day of the preceding Year, plus a working capital adjustment.

3.3 Determination of MAV

The MAV will be calculated each Year for each type of Delivery Point as follows:

(i) **Delivery Points other than Storage Delivery Points:**

If Service under Rate Schedule FCS is at a Delivery Point other than a Storage Delivery Point, the MAV will be calculated as follows:

$$\text{MAV} = \frac{\text{ACS}}{2 \times \text{B}}$$

Where:

“B” = the FT-A Rate.

(ii) **Storage Delivery Points:**

If Service under Rate Schedule FCS is at a Storage Delivery Point, the MAV will be calculated as follows:

$$\text{MAV} = \frac{\text{ACS}}{\text{UC}}$$

Where:

“UC” = the firm service unit cost, as determined by Company as the sum of the firm transportation receipt revenue requirement and firm transportation delivery revenue requirement divided by the sum of the FT-R and FT-D billing determinants.

3.4 Determination of the MAV Component of the FCS Charge

The MAV component of the FCS Charge will be calculated each Year for each Schedule of Service as follows:

$$\text{FCS Charge} = \left(\frac{\text{MAV} - \text{C}}{\text{MAV}} \right) \times \text{ACS}$$

Where:

“MAV Charge” = the MAV component of the FCS Charge; and

“C” = the actual volume of gas delivered by Company for Customer, as determined by Company, at the Delivery Point as set out in the Schedule of Service for the Year.

If C is greater than or equal to MAV, the MAV component of the FCS Charge is zero.

3.5 Determination of EAV

If the Delivery Point as set out in the Schedule of Service, other than a Storage Delivery Point, is associated with an Extension Facility, Company and Customer shall determine Customer’s portion of the EAV for such Extension Facility, provided that the aggregate of EAV for all Delivery Points associated with such Extension Facility (“Associated Delivery Points”) is no less than:

- (a) 1,028,350.0 10^3m^3 (36.5 Bcf) per year for a minimum term of three (3) years; or

- (b) 3,085,050.0 10^3m^3 (109.5 Bcf) over a maximum term of five (5) years, provided that at least one of the year's EAV is no less than 1,028,350.0 10^3m^3 (36.5 Bcf).

3.6 Determination of the EAV Component of the FCS Charge

The EAV component of the FCS Charge for a Delivery Point, other than a Storage Delivery Point, will be calculated each Year for each Schedule of Service as follows:

$$\text{EAV Charge} = (D - E) \times S \times R$$

Where:

- “EAV Charge” = the EAV component of the FCS Charge;
- “D” = the aggregate EAV for the Delivery Point and all the Associated Delivery Points as set out in the Schedule of Service for the Year;
- “E” = the aggregate of the actual volume of gas delivered by Company, as measured by Company, at such Delivery Point and Associated Delivery Points for the Year;
- “S” = the Customer's share of the EAV Charge, determined as follows:

$$\left(\frac{\text{EAV} - V}{F} \right)$$

Where:

“V” = the actual volume of gas delivered by Company, as measured by Company, at the Delivery Point and each of the Associated Delivery Points for the Year;

“F” = the aggregate shortfall of such Delivery Point and the Associated Delivery Points, determined by Company as the aggregate of EAV minus V at each Associated Delivery Point for the Year.

If V is greater than or equal to EAV for an Associated Delivery Point, EAV minus V at such Delivery Point or Associated Delivery Point is set to zero; and

“R” = the Average Firm Service Receipt Price as set out in the Table of Rates, Tolls and Charges converted to a daily rate.

If E is greater than or equal to D or if V is greater than EAV for the Delivery Point for such Year, the EAV component of the FCS Charge is zero.

3.7 Calculation of the FCS Charge

The FCS Charge will be calculated each Year for each Schedule of Service as:

- i) the sum of the amounts calculated in accordance with paragraphs 3.4 and 3.6 , for Service under Rate Schedule FCS at a Delivery Point other than a Storage Delivery Point; or
- ii) the amount calculated in accordance with paragraphs 3.4, for Service under Rate Schedule FCS at a Storage Delivery Point.