

APPENDIX A: REQUEST FOR PROPOSAL (RFP)
FORT McMURRAY TRANSPORTATION BY OTHERS

NOVA GAS TRANSMISSION LTD.

(the "Company")

INVITATION TO BID FOR:

PROJECT NAME: Fort McMurray Transportation By Others
("TBO") Service

PROJECT NUMBER: TBO#0055

CLOSING TIME: 5:00 p.m., Wednesday, April 9, 2003

BIDDER NAME: _____ (the "Bidder")

TABLE OF CONTENTS

Article 1.	INTERPRETATION.....	1
Article 2.	SUBMISSION OF BID	2
Article 3.	DELIVERY OF BID.....	3
Article 4.	MODIFICATION AND WITHDRAWAL OF BIDS	3
Article 5.	AWARD OF CONTRACT.....	4
Article 6.	BID EXECUTION.....	5

INVITATION TO BID TBO# 0055

ARTICLE 1. INTERPRETATION

- 1.1 The terms used in this Invitation to Bid and not defined herein but defined in the letter dated March 28, 2003 (the "Cover Letter") or Appendix 1 shall have the meaning given in the Cover Letter or Appendix 1, as applicable.
- a. "Approvals" means any Company, industry, and regulatory approvals and authorizations, Company determines necessary on terms and conditions satisfactory to Company including, without limitation, approval to recover any and all costs associated with this Invitation to Bid and the TBO Agreements.
 - b. "Bid" means the Bidder's response to this Invitation to Bid and shall consist of the following documents:
 - i. a duly executed copy of this Invitation to Bid; and
 - ii. TBO Bid Document (Appendix 1); and
 - iii. System Capacity Available for TBO with Company (Appendix 3); and
 - iv. Asset Offer Term Sheet (Appendix 4).
 - c. "Bid Revision" means any change to the Invitation to Bid that may be issued by the Company before the Closing Time in accordance with the terms of this Invitation to Bid.
 - d. "Bidders Delivery Point" means points along or the terminus of the Bidder's pipeline as determined by Company.
 - e. "Closing Time" means Monday, the 9th day of April, 2003 at 5:00 p.m., local time at Calgary, Alberta
 - f. "Company Delivery Point" means the interconnect point between Company's and the Bidder's pipeline where Company delivers gas to the Bidder.
 - g. "Contract Documents" means any document in addition to the TBO Agreement and/or Purchase and Sales Agreement that the Company determines necessary to provide the Transportation Service.
 - h. "Invitation to Bid" means this invitation to bid for the Transportation Service and includes the following documents:
 - i. this Invitation to Bid; and

- ii. TBO Bid Document (Appendix 1); and
 - iii. Company Delivery Points (Appendix 2); and
 - iv. System Capacity Available for TBO with Company (Appendix 3); and
 - v. Asset Offer Term Sheet (Appendix 4).
- i. “TBO Agreement” means the firm service gas transportation contract to be entered into between the successful Bidder(s) (if any) and the Company for the Transportation Service.
 - j. “Tariff” means Company’s Gas Transportation Tariff as amended from time to time.
 - k. “Transportation Service” means the provision of gas transportation services on a firm basis by the successful Bidder(s) (if any) to the Company’s customers in and around the Fort McMurray area for all or a portion of bid volume as determined by Company.

ARTICLE 2. SUBMISSION OF BID

- 2.1 The Bidder shall base its Bid on the Invitation to Bid.
- 2.2 The Bid is confidential and the Bidder shall not disclose any part of the Bid to any third party without the Company’s prior written consent. Company may disclose without the consent of Bidder, any information contained in the Bid in order to obtain any Approval.
- 2.3 The Bidder is responsible for reviewing the Invitation to Bid. If the Bidder finds any errors or discrepancies in, or omissions from, the Invitation to Bid or if any part of the Invitation to Bid appears unclear or ambiguous, the Bidder is responsible for requesting clarification or interpretation before submitting the Bid.
- 2.4 The Company is not responsible for undertaking any investigations to assist the Bidder. Any information, plans, drawings, reports or other documents, which are not included or referred to in this Invitation to Bid, form no part of this Bid. The Company assumes no responsibility of any kind whatsoever arising from or relating to such information, plans, drawings, reports or other documents. Bidders who obtain or rely upon such information, plans, drawings, reports pertaining to other documents, do so entirely at their own risk.
- 2.5 All requests for clarifications or interpretations concerning the Invitation to Bid shall be submitted in writing, by fax or e-mail **no later than 24 hours** prior to Closing Time, and shall be directed to Dan Ronsky, Fax # (403) 920-2386, email: dan_ronsky@transcanada.com.
- 2.6 The Bidder shall initial all pages of this Invitation to Bid in the lower right-hand corner and submit them as part of the Bid. The Bidder shall provide satisfactory evidence of the

authority of the Bidder's signatory if requested by the Company. The Bidder shall include a separate summary list of all attachments submitted with this Invitation to Bid.

- 2.7 The Company may issue written Bid Revisions to this Invitation to Bid. If Bid Revisions are issued they will be issued to all parties to whom the Company has sent a copy of the Invitation to Bid.
- 2.8 The Bidder shall provide all information requested in the Invitation to Bid, Appendix 1, Appendix 3 and Appendix 4, and failure to do so may result in rejection of the Bid.
- 2.9 The Bidder assumes all costs incurred in preparing and submitting the Bid.

ARTICLE 3. DELIVERY OF BID

- 3.1 The Bid shall be placed in a sealed package to which the enclosed self-addressed label must be affixed or the enclosed self-addressed envelope used.
- 3.2 Bidders shall submit bids in two copies. The copies shall be priced and complete with all pertinent information, drawings, brochures, data sheets, etc., necessary for a comprehensive technical and commercial evaluation. One of these copies shall be stamped "ORIGINAL" and the other shall be stamped "COPY". The original, plus the copy of the Bid and any modifications or withdrawals, as applicable, shall be delivered to the Company at the following address:

TransCanada PipeLines Limited
450 – 1st Street S.W.
Calgary, AB T2P 5H1

Attention: Steve Clark
Vice President, Gas Development and Director, Sales & Marketing

- 3.3 The Bid must be received by the Company on or before the Closing Time. Bids received after other bids have been opened shall be rejected and returned, unopened.
- 3.4 Failure to comply with any of the above may be cause for rejection of the Bid.

ARTICLE 4. MODIFICATION AND WITHDRAWAL OF BIDS

- 4.1 The Bidder may modify its Bid prior to Closing Time by written notice to the Company to the attention of Steve Clark, Vice President, Gas Development and Director, Sales & Marketing delivered by mail, courier, or by facsimile (to fax number (403) 920-2384) marked **PRIVATE AND CONFIDENTIAL BID ADJUSTMENT**, provided that if the change or modification relates to the Bid price, then such change must only indicate the amount by which there has been an increase or decrease in original Bid price and must not identify the modified total Bid price. Where multiple changes are transmitted covering the same item, the last change shall govern and all previously submitted changes

will be null and void. Any such change shall clearly state the appropriate Invitation to Bid reference.

- 4.2 The Bidder shall take complete responsibility for ensuring that all changes are received prior to Closing Time. The Company will not be responsible for the proper operation or functioning of incoming facsimile equipment and gives no assurance that modifications sent by such means would be received by it prior to Closing Time, even if sent before Closing Time.
- 4.3 The Bidder may withdraw a previously submitted Bid by written notice provided such notice is received by the Company prior to Closing Time. Notice of withdrawal shall be delivered to the address shown in Article 3.2, or to the fax number below and marked to the attention of the person named in Article 3.2.

Fax Number: (403) 920-2384

ARTICLE 5. AWARD OF CONTRACT

- 5.1 The Company reserves the right to alter or terminate these procedures at any time and without notice and the Company shall not be liable to the Bidder or any third party for any costs, claims or expenses incurred by Bidder or any third party, or any demands, losses, costs, damages, suits or proceedings, including without limitation, consequential or indirect damages, that may arise or may be attributable to this Invitation to Bid. Company shall have no liability to Bidder until such time that Company accepts a Bid, Company and Bidder execute the TBO Agreement and/or Purchase and Sale Agreement, and Company receives all Approvals. At such time Company's responsibilities and liabilities to such Bidder will be determined solely in accordance with the terms of the TBO Agreement and/or Purchase and Sale Agreement.
- 5.2 The Company will evaluate all of the Bids on the basis of commercial and technical merit and suitability for the Transportation Service. The Company reserves the right to accept, in its sole discretion, any one or more of the Bids for all or portion of the capacity. The Company also reserves the right, in its sole discretion:
 - a. to not award a contract to the lowest or to any of the Bidders;
 - b. to waive any irregularities, omissions or errors in any Bid;
 - c. to accept a Bid containing exceptions or alternatives; or
 - d. to accept a Bid that is non-compliant with the Invitation to Bid.
- 5.3 After the Closing Time, the Company may invite one or more Bidders to take part in a Bid clarification process. If the Bid is clarified in writing, the Bidder agrees that its clarified Bid shall constitute its Bid which shall remain open for acceptance by the Company for the time and in the manner stated in this Invitation to Bid.

- 5.4 If the Company selects the Bid, it will notify the Bidder in writing. The Bidder will then provide the Company with execution copies of the TBO Agreement and/or Purchase and Sale Agreement which the Company agrees to execute and return to the Bidder.
- 5.5 Notwithstanding anything contained in this Invitation to Bid, no contract shall be formed or be deemed to have been formed between the company and any Bidder arising out of or in respect of this Invitation to Bid unless and until a specific Bid shall be accepted by the Company and the TBO Agreement and/or Purchase and Sale Agreement is executed by both parties.
- 5.6 The TBO Agreement and/or Purchase and Sale Agreement shall be subject to receipt by Company of all Approvals.

ARTICLE 6. BID EXECUTION

- 6.1 The Bidder shall list below any bid revisions issued, and hereby acknowledges receipt, understanding and full consideration of same.

Bid Revisions Numbers * _____

- 6.2 The Bidder accepts all of the terms and conditions of the Invitation to Bid.
- 6.3 In consideration of the Company providing the Invitation to Bid to the Bidder, the Bidder agrees that its Bid shall remain open and valid for 90 calendar days from the Closing Time unless extended or terminated by mutual written consent.
- 6.4 The Bidder certifies that no conflict of interest situation exists between itself and the Company with regard to any aspect of the Bid and hereby offers to perform the Transportation Service in accordance with the Invitation to Bid.

The undersigned hereby represents and warrants that they have the authority to execute the Bid on behalf of the Bidder.

The Bidder hereby executes and submits its bid this ____ day of _____, 2003.

(Name of Company)

Per: _____
(signature) (title)

Per: _____
(signature) (title)

1.0 GAS TRANSPORTATION PATH

Please indicate below, which transportation path the Bidder is providing a bid for. The Company's Delivery Points including legal descriptions and pressures are listed on Appendix 2.

FROM: Company at the following Delivery Points ("Company's Delivery Point"):

Name: _____

Name: _____

TO: Delivery to Company at the following delivery point or terminus of bidders pipeline ("Bidder's Delivery Point"):

Legal Description: _____

2.0 MAXIMUM VOLUME AND MINIMUM DELIVERY PRESSURE

Company requires up to the maximum expected volume, at or near the locations identified in the following table. Bidder may submit bid(s) for any portion or all of their pipeline capacity into the delivery location(s). The capacity tendered must be firm service.

	Location	Minimum Delivery Pressure at Bidder's Delivery Point (kPa)	Maximum Expected Volume (10 ³ m ³ /d)
1	31-94-10 W4	3792	6200
2	7-93-10 W4	4482	11000
3	15-92-10 W4	3792	7300

3.0 GAS COMPOSITION

The composition of the gas delivered from the Bidder's Delivery Point shall conform to Company's tariff specifications for gas composition and quality.

4.0 CUSTODY TRANSFER MEASUREMENT

Custody transfer metering facilities, which meet the reporting requirements for measurement as required by Company, must be constructed at or near the Bidder's Delivery Point. With respect to the Bid, please indicate below the party responsible for providing the custody transfer metering facilities. Note: if the Bidder provides meter station, Company must operate and maintain the facility.

~ Bidder

~ Company

5.0 TBO AGREEMENT TERMS & CONDITIONS

The following are the terms & conditions which will form part of the final TBO Agreement between the successful Bidder and NGTL

- Contractual commencement date of April 01, 2004.
- Volumes will ramp up after contractual commitment date.
- Bids must have a rolling annual renewal clause with price certainty or a fixed price mechanism.
- Company would prefer Bid terms of five years or greater, however Bidder can provide alternative terms.
- Final agreement must include a provision for volumes which exceed firm capacity, i.e. interruptible or overrun service.
- All volumes required must be physically delivered to Bidder at one or more of the Company's Delivery Points listed in Appendix 2.
- Compressor fuel to move TBO volumes will be provided by Company "in-kind".
- TBO Agreement shall be subject to the condition precedent that Company has received all Approvals.

6.0 TBO AGREEMENT TERM OF SERVICE, BID VOLUME, and BID PRICE

Company recognizes that the pipeline system capacity available for TBO may vary according to the delivery pressure that is provided to the Bidder. Company may provide a range of pressures to the delivery points.

In order to determine the overall least cost transportation solution, Company would like Bidders to provide a graph of available capacity on their pipeline system over the range of Company delivery pressures defined in Appendix 2. Using this graph, Company will compare the cost versus capacity provided under a variety of scenarios, and determine the most economic transportation solution for its customers. An example of the information requested in the graph is illustrated in Appendix 3.

Bidder to identify an annual Bid price for the use of the capacity indicated in the graph supplied to Company by the Bidder.

TBO Agreement in-service April 01, 2004, ending (M/D/Y)_____, \$ _____ / year
or _____ cents/Mcf of throughput.

Please identify an estimate of the annual volume of fuel gas required to provide the stated capacity.

Annual fuel requirement to provide the stated capacity _____ e3m3 / year

7.0 ADDITIONAL COMMENTS OR CONDITIONS

If Bidder wishes to document additional comments or conditions associated with Bid please attach your comments.

Appendix 2

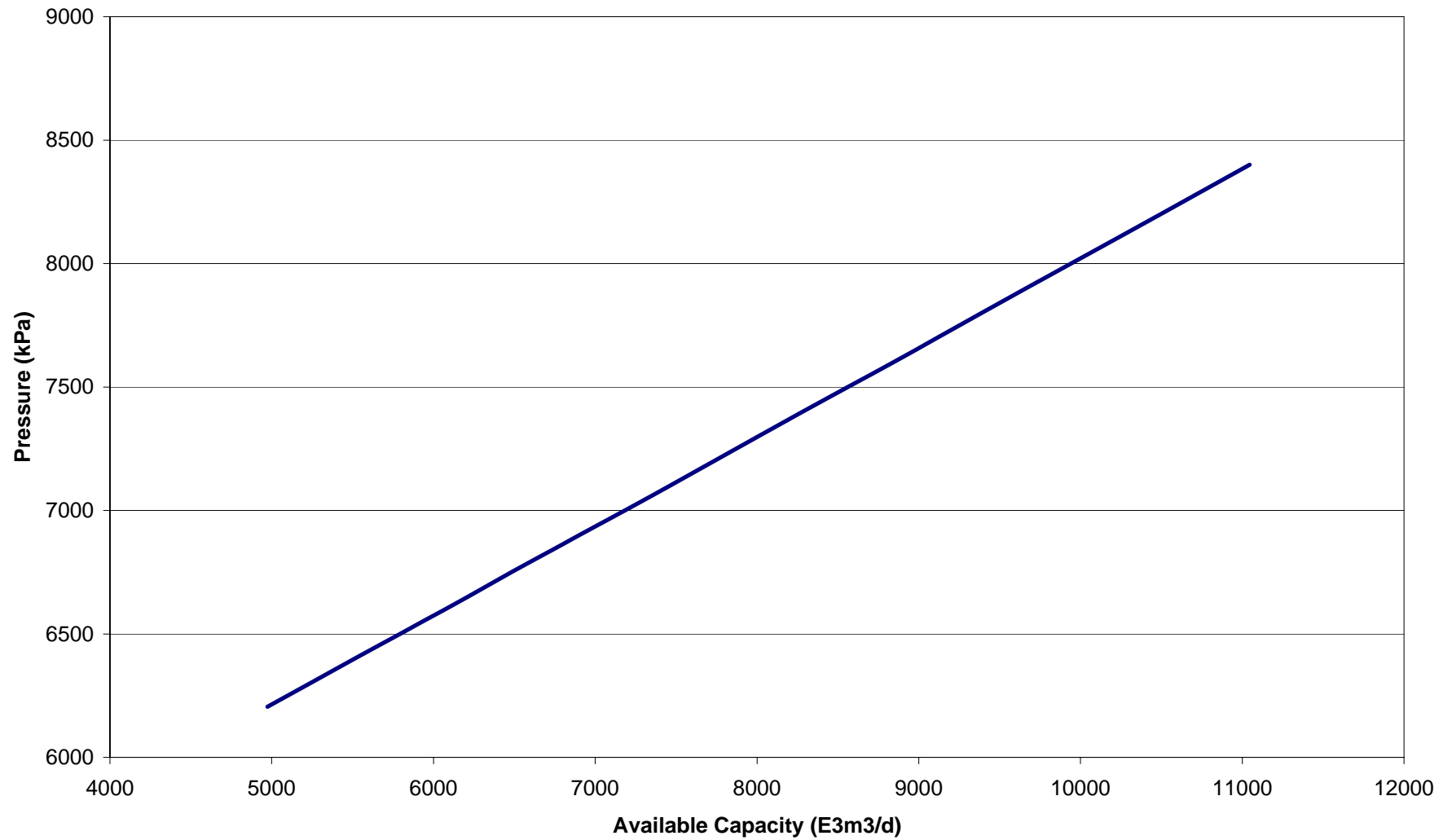
NGTL Delivery Points:

Name	Legal Description	Minimum Delivery Pressure (psi)	Maximum Operating Pressure (psi)
Atmore	SE-32-067-17-W4	940	1225
Atmore B Sales	SE-32-067-17-W4	940	1225
Buffalo Creek	NW-18-086-18-W4	900	1440
Chipewyan River Sales	03-29-092-20-W4	808	1440
Conklin West Sales	09-23-077-09-W4	900	1200
Square Lake	NW-28-068-13-W4	900	1200

Note:

The Minimum Delivery Pressure is the target pressure that a bidder should use as the expected lowest pressure at the identified Company Delivery Points. The actual pressure of gas delivered shall be determined according to section 7.3 of the General Terms and Conditions in the Gas Transportation of NOVA Gas Transmission Ltd.

Appendix 3
System Capacity Available for TBO with NGTL (example)



Asset Offer Term Sheet - Appendix 4

Friday, March 28, 2003

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: Mr. Dan Ronsky
Sales & Marketing

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.5581
fax 403.920.2386
email
dan_ronskey@transcanada.com
web www.transcanada.com

Dear Sir / Madam:

Re: Sale of Pipeline Facilities in the Fort McMurray Area

_____ (the “Vendor”) hereby offers (the “Offer”) to sell to NOVA Gas Transmission Ltd. (“Purchaser”) those pipeline assets (the “Pipeline Assets”) for the purchase price (the “Purchase Price”) for such Pipeline Assets both as set out in Schedule “A” hereto, on the following terms and conditions:

1. Purchaser and Vendor shall enter into the Agreement of Purchase and Sale (the “PSA”) which in form and substance is acceptable to both Purchaser and Vendor within five (5) weeks from the acceptance of this Offer by Purchaser.
2. *[Please attach additional comments or conditions if necessary]*

If the “Vendor” **DOES NOT** wish to submit an Offer to Purchaser, please indicate by checking the following box.

☐ Vendor does not wish to submit an Offer.

Yours truly,

(Company Name)

Per: _____

Per: _____

Accepted and agreed to the ____ day of _____, 2003.

NOVA GAS TRANSMISSION LTD.

PER: _____

PER: _____

Asset Offer Term Sheet - Appendix 4

SCHEDULE "A"

to the Offer to Purchase
dated March 28th, 2003

PIPELINE ASSETS EUB LICENCE DESCRIPTION

Pipes

	<u>Licence No.</u>	<u>Line No.</u>	<u>From/To</u> <u>Legal Location</u>	<u>Length (km)</u>	<u>Status</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____
3.	_____	_____	_____	_____	_____

Installations

	<u>Licence No.</u>	<u>Installation</u> <u>No.</u>	<u>Location</u>	<u>Facility</u> <u>Type</u>	<u>Power</u> <u>(KW)</u>
1.	_____	_____	_____	_____	_____
2.	_____	_____	_____	_____	_____

Contractual Obligations

Indicate below if there are existing contractual obligations on the Pipeline.

☐ Yes

☐ No

Purchase Price \$ Cdn.: \$ _____

APPENDIX B: REPLY LETTERS



April 30, 2003

TransCanada Pipelines Limited
450 - 1st Street S.W.
Calgary, Alberta
T2P 5H1

Suncor Energy Marketing Inc.
P.O. Box 38
112 4th Avenue S.W.
Calgary, Alberta T2P 2V5
Tel (403) 269-8100 Fax (403) 269-6200
Website: www.suncor.com

ATTENTION: Dan B. Ronsky
Sales and Marketing

SUBJECT: **REQUEST FOR TRANSPORTATION SERVICE AND PIPELINE
CAPACITY INTO FT. MCMURRAY AREA**

Dan,

Suncor Energy Marketing Inc. ("SEMI"), on behalf of Suncor Energy Inc. ("Suncor"), owner of the Albersun Pipeline, has reviewed the March 28, 2003 letter from NOVA Gas Transmission Ltd. ("NGTL"), and wishes to advise that it will not be submitting a bid to provide Transportation By Others service or offering for sale all or a portion of its pipeline assets and facilities serving the Ft. McMurray area.

Please note that regardless of this decision, SEMI supports NGTL's undertaking to provide regulated transportation service into the Ft. McMurray area and NGTL's bid/offer process for determining and evaluating their service alternatives.

SEMI believes that NGTL has an obligation to provide regulated service for meeting requests for intra-Alberta delivery service into the Ft. McMurray area, and it is in the public interest to have this regulated service provided.

An uninterrupted delivery of natural gas is critical for maintaining bitumen and oil production from this region. Gas transportation is extremely important, and the implications of a delivery disruption cannot be understated. The evaluation of the service alternatives needs to take into consideration all the pertinent factors including reliability (both physical and financial risk), safety, security and overall lowest cost. SEMI supports the selection process, which we understand will be based on lowest cost as well as other related considerations such as integrity.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Lapierre", written over a horizontal line.

Maurice A. Lapierre
Manager, Natural Gas Supply & Sales

c.c. Mr. Mikeal Stec



707 8th Avenue S.W.
Box 6525, Station D
Calgary, Alberta, Canada
T2P 3G7

Bus: (403) 298-6111
Fax: (403) 298-7464

April 30, 2003

NOVA Gas Transmission Ltd.
TransCanada Pipelines Ltd.
450 – 1st Street S.W.
Calgary, AB T2P 5H1

Previously ~ SENT VIA FAX: (403) 920-2386

Attention: Mr. Dan Ronsky
Sales and Marketing

Dear Mr. Ronsky:

Thank you for your Invitation to Bid on project number TBO#0055 (Fort McMurray Transportation By Others Service).

At this time, we are not able to submit a bid due to uncertainties regarding future supply and demand for natural gas transportation services in the area. As you are likely aware, Husky has a significant thermal project in the area which is being considered for development. To date the project size has not been finalized, and as a result, Husky's future gas requirements are under review. Husky is unable to consider a disposition or offer "Transportation by Others" until our long-term requirements are known.

Husky is pleased that TransCanada is interested in providing service to the producers in the area, and we are interested in maintaining ongoing dialogue to learn more about your plans for possibly fulfilling the gas transmission requirements for the area. Once your development plan and terms are fully understood, it is possible that Husky in the future would be interested in making a suitable transaction for the benefit of all key stakeholders.

Please contact me if you have any questions or comments.

Best regards,

HUSKY ENERGY INC.

Brian Hunka
Oil Sands Resource & Development Manager



909- 11 Avenue SW Calgary, AB T2R 1L8 Phone (403) 245-7060 Fax (403) 245-7844

April 28, 2003

NOVA Gas Transmission Ltd.
450 – 1st Street SW
Calgary, AB T2P 5H1

Attention: Dan Ronsky, Sales and Marketing

Dear Sir:

Re: Request for Transportation Service and Pipeline Capacity into Fort McMurray Area

We are writing in response to your letters of March 28, 2003, April 1, 2003 and April 4, 2003, inviting bids for Transportation By Others service or offers to sell pipeline assets in the Fort McMurray area.

While ATCO Pipelines ("ATCO") may well be interested in presenting a bid or offer at the appropriate time, any such action now is premature. As NOVA Gas Transmission Ltd. ("NGTL") is aware, long outstanding NGTL rate design and code of conduct issues must be resolved prior to NGTL being in a position to provide additional intra-Alberta delivery service. The resolution of such rate design issues will impact directly on requests for service in the area and on any bid/offer that ATCO or other parties may tender in response to NGTL's review of alternatives for providing additional service into the Fort McMurray area.

Yours truly,

D.E. Belsheim, P.Eng.
Vice President, Regulatory

cc. G.J. Lidgett

APPENDIX C: FACILITY DETAILS

APPENDIX C: FACILITY DETAILS

- 1.** Simmon's Mainline or Pelican Pipeline consisting of approximately 260.9 km x 406.4 mm (NPS 16) pipeline between NGTL Atmore Meter Station in LSD 01-32-067-17 W4M to the Syncrude plant site boundary in LSD 12-16-092-11 W4M.
- 2.** 16 Inch Backup Loop consisting of approximately 14.3 km x 406.4 mm (NPS 16) pipeline from the Syncrude plant site boundary in LSD 12-16-092-11 W4M to the South Termination site in LSD 13-21-092-10 W4M.
- 3.** Mainline to Syncrude's Pipeline consisting of approximately 12.3 km x 406.4 mm (NPS 16) pipeline from the Syncrude plant site boundary in 12-16-092-11 W4M to Simmons' Mildred Lake Meter Station in LSD 03-07-093-10 W4M.
- 4.** 10 Inch Backup Loop consisting of approximately 7.6 km x 273.1 mm (NPS 10) pipeline and approximately 1.0 km x 406.4 mm (NPS 16) from the South Termination site in LSD 13-21-092-10 W4M to Simmons' Mildred Lake Meter Station in LSD 03-07-093-10 W4M.
- 5.** North Termination or Chevron Connection consisting of approximately 2.6 km x 406.4 mm (NPS 16) pipeline from the North Termination site in LSD 09-05-093-10 W4M to mainline valve 18 Site (MLV18) in LSD 10-06-093-10 W4M.
- 6.** X-tie Site consisting of approximately 0.03 km x 219.1 mm (NPS 8) pipe in LSD 02-07-093-10 W4M.

- 1 **7.** Simmons Mildred Lake Meter Station located in LSD 03-07-093-10 W4M. The
2 Simmons Mildred Lake Meter Station is a dual run delivery meter station, which
3 consists of one NPS 12 Daniel Senior orifice meter and one NPS 12 Rockwell turbine
4 meter.
- 5 **8.** South Termination X-tie Meter Station or as the Simmon's Albersun Meter Station
6 located in LSD 13-21-092-10 W4M consisting of one NPS 8 bi-directional Senior
7 Daniel orifice meter.
- 8 **9.** Leismer Compressor Station consisting of 1.0 MW compressor located in LSD
9 08-04-081-13 W4M. The 1.0 MW unit is a Solar Saturn compressor package with
10 a configuration of C1672FDAP-29AL compressor with T1300 model gas
11 generator.
- 12 **10.** Wandering River Compressor Station consisting of 2.8 MW compressor units located
13 in LSD 06-18-072-16 W4M. The 2.8 MW units consist of three Solar Saturn
14 compressor packages:
- 15
 - Unit #1 C1682 FAA-52A1 compressor with T1200 model gas generator
 - 16 • Unit #2 C1682 FAA-52A1 compressor with T1300 model gas generator
 - 17 • Unit #3 C1602GAA-14B compressor with T1300 model gas generator
- 18 **11.** Wander Lateral consisting of approximately 21.7 km x 168.3 mm (NPS 6) pipeline
19 from the Wander Tower Meter Station in LSD 09-30-072-14 W4M to the Simmons
20 Mainline/Pelican Pipeline in LSD 05-18-072-16 W4M.
- 21 **12.** Wander Tower Meter Station located in LSD 09-30-072-14 W4M. The Wander Tower
22 Meter Station is a receipt meter station consisting of one NPS 4 Senior Daniel orifice
23 meter.

1 **13.** Thornbury North and Albersun Crossover consisting of approximately 0.02 km x 114.3
2 mm (NPS 4) pipe in LSD 07-13-080-14 W4M.

3
4 **14.** Leismer Lateral or the Ptarmigan Pipeline consisting of approximately 57.0 km x 355.6
5 mm (NPS 14) pipeline from Leismer Meter Station in LSD 16-23-077-09 W4M to the
6 Simmons Mainline/Pelican Pipeline LSD 10-24-081-13 W4M and approximately 3.0
7 km x 406.4 mm (NPS 16) from LSD 10-27-080-13 W4M to LSD 03-04-081-13 W4M.

8 **15.** Leismer Meter Station located in LSD 16-23-077-09 W4M. The Leismer Meter Station
9 is a receipt meter station consisting of 2 NPS 8 Senior Daniel orifice meters.

10 **16.** Leismer Lateral Regulating Station located in LSD 03-04-081-13 W4M. The Leismer
11 Lateral Regulating Station consists of 1 NPS 4 regulating valve and NPS 8 by-pass
12 piping.

13 **17.** AOSPL Meter Station located in LSD 14-33-80-13 W4M. The AOSPL Fuel Gas
14 Station is a sales meter station consisting of 2 M900 Roots Meters.

APPENDIX D: SHARE PURCHASE AND SALE AGREEMENT

SHARE PURCHASE AND SALE AGREEMENT

BETWEEN

SIMMONS GROUP INC.

- and -

NOVA GAS TRANSMISSION LTD.

DATED JULY 9, 2003

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS	1
1.1 Specific Definitions	1
1.2 Other Definitional Provisions	6
1.3 Schedules	7
ARTICLE 2 PURCHASE AND SALE OF SHARES	7
2.1 Purchase and Sale of Shares	7
2.2 Closing; Delivery and Payment	8
2.3 Purchase Price.....	8
2.4 Purchase Price Adjustments	9
2.5 Post Closing Adjustment	9
ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLER	9
3.1 Organization and Authority of Seller and Newco	9
3.2 Authority.....	9
3.3 No Conflict	10
3.4 Newco Shares	10
3.5 Newco Subsidiaries	10
3.6 Ownership of the Assets and No Encumbrances	10
3.7 Operation of the Assets.....	10
3.8 Construction of Assets.....	11
3.9 Third Party Interest.....	11
3.10 No Liabilities and No Other Assets	11
3.11 Newco's Business.....	11
3.12 Land Documents.....	11
3.13 Employee	11
3.14 Financial Statements of Seller	12
3.15 Consents and Approvals	12
3.16 Brokers and Financial Advisors.....	12
3.17 UCC.....	12
3.18 Claims and Proceedings.....	12
3.19 Licenses, Permits and Authorizations.....	13
3.20 No Dispute With Customers	13
3.21 Compliance With Law	13
3.22 Non-Resident	13
3.23 No Other Representations or Warranties	13
ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BUYER	13
4.1 Organization and Authority of Buyer	13
4.2 Authority.....	13
4.3 No Conflict	14
4.4 Consent and Approvals.....	14
4.5 No Brokers.....	14
4.6 No Other Representations or Warranties	14
ARTICLE 5 CERTAIN COVENANTS AND AGREEMENTS OF SELLER AND BUYER	14
5.1 Consents.....	14
5.2 Confidentiality	14
5.3 Cancelled Contracts and Remaining Contracts	14
5.4 Stand Still Clause.....	15
5.5 Further Assurances	15
5.6 Incorporation of Newco.....	15

5.7	Filing and Applications	15
5.8	Land Documents.....	15
5.9	Employment Matters	16
5.10	No Shop Clause	17
5.11	Overlap/Joint Use Agreement.....	17
5.12	Right-of-Way Agreement	17
5.13	Transition.....	17
5.14	Environmental Acknowledgement	17
5.15	Imbalance.....	18
ARTICLE 6 CONDITIONS TO CLOSING.....		18
6.1	Conditions to Obligations of Buyer.....	18
6.2	Conditions to Obligations of Seller	19
ARTICLE 7 TERMINATION		20
7.1	Termination	20
7.2	Effects of Termination.....	21
ARTICLE 8 SURVIVAL AND INDEMNIFICATION		21
8.1	Survival of Representations, Warranties, Covenants and Agreements.....	21
8.2	Indemnification for Breaches, Representations, Warranties, Covenants and Agreements.....	22
8.3	Environmental Liabilities and Indemnification	22
8.4	Method of Asserting Claims, etc.	23
8.5	Subrogation Rights	24
8.6	Insurance Proceeds; Tax Effect	24
ARTICLE 9 MISCELLANEOUS		24
9.1	Amendment and Modification; Waiver	24
9.2	Expenses	25
9.3	Assignment	25
9.4	Entire Agreement.....	25
9.5	Parties in Interest; No Third Party Beneficiaries	25
9.6	Counterparts.....	25
9.7	Notices	25
9.8	Governing Law and Attornment.....	26
9.9	Severability.....	26
9.10	Time of Essence.....	27
9.11	Public Announcement	27

SHARE PURCHASE AND SALE AGREEMENT

THIS AGREEMENT made and effective this 9th day of July, 2003,

BETWEEN:

SIMMONS GROUP INC., a company incorporated under
the laws of Alberta
(hereinafter called "Seller")

OF THE FIRST PART

- and -

NOVA GAS TRANSMISSION LTD., a corporation
incorporated under the laws of Alberta,
(hereinafter called the "Buyer")

OF THE SECOND PART

WHEREAS, Buyer desires to acquire the Assets from the Seller;

WHEREAS, Seller desires to sell the Newco Shares;

WHEREAS, Seller has agreed to transfer the Assets to Newco a new corporation to be incorporated by Seller;

WHEREAS, Buyer has agreed to purchase the Newco Shares from Seller on the terms and conditions contained herein;

NOW THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Specific Definitions

As used in this Agreement, the following terms shall have the meaning set forth or as referenced below:

- (a) "Actual Linepack" means the actual volume of gas which is within the Pipeline Assets at the time of Closing calculated using actual pressures, flowing temperatures and flow conditions existing in the Pipeline Assets at such time, with an assumed ground temperature which is appropriate as at such time;
- (b) "Affiliate", with respect to any Person, means any other Person directly or indirectly controlling, controlled by or under common control with that Person. The terms "controlling", "controlled by" and "under common control with" mean the possession

directly or indirectly through one or more intermediaries, of more than 50% of the outstanding voting shares of or the power to direct or cause the direction of the management policies of any Person, whether through ownership of shares, as general partner or trustee, by contract or otherwise;

- (c) “Agreement” means this Agreement and the preamble, schedules and exhibits hereto;
- (d) “Assets” means the Pipeline Assets, Base Linepack and Miscellaneous Interests but excluding the Excluded Assets;
- (e) “Base Linepack” means 3390 e³m³ of gas which is the volume of gas within the Pipeline Assets required to maintain flow conditions of 3930 e³m³ per day with operating pressure of 6,200 kPa at the Simmons Mildred Lake sales station with an assumed temperature of 6°C;
- (f) “Business Day” means any day other than a Saturday, a Sunday or any statutory holiday in Alberta;
- (g) “Buyer” means NOVA Gas Transmission Ltd.;
- (h) “CCRA” means Canada Customs and Revenue Agency;
- (i) “Claim Notice” shall have the meaning set forth in Section 8.4(b);
- (j) “Claims” shall have the meaning set forth in Section 8.2(a);
- (k) “Closing” shall have the meaning set forth in Section 2.2(a);
- (l) “Closing Date” shall have the meaning set forth in Section 2.2(a);
- (m) “Confidentiality Agreement” means the confidentiality agreement dated March 27, 2002 between Seller and Buyer as amended;
- (n) “Encumbrances” means any mortgages, liens, charges, pledges, security interests, adverse claims, activity and use limitations, title defects or other encumbrances other than Permitted Encumbrances;
- (o) “Environmental Audit” means the environmental site assessment report entitled “Phase 1 Environmental Site Assessment ‘Newco’ Pipeline System” dated May 6, 2003, prepared by Northern EnviroSearch Ltd.;
- (p) “Environmental Law” means all common law, law of equity, federal and provincial statutes and regulations and municipal by-laws including all orders, directives, codes, guidelines, permits and licences thereunder respecting the protection or conservation of the environment, the control of contamination or pollution or the investigation, remediation or restoration of soil, air or water (including without limitation, ground water) applicable to the Assets and the businesses of Newco and Seller;
- (q) “Environmental Liability or Liabilities” means any and all environmental damage, contamination or other environmental condition the mitigation, restoration or remediation of which is required by Environmental Law or any changes to Environmental Law and which is directly or indirectly related to the Assets or their operation, whether onsite or offsite and includes all violations, liabilities, penalties, fines, forfeitures, demands,

claims, causes of action, suits and costs and expenses incidental thereto (including reasonable costs of defence and settlement and reasonable legal fees on a solicitor and own client basis) which a party hereto, its present and future officers or directors, officials, employees and agents, or any of them may suffer, incur, be responsible for or pay out as a result of the aforementioned environmental damage, contamination or other environmental condition;

- (r) “EUB” means the Alberta Energy and Utilities Board;
 - (s) “Excluded Assets” means those assets listed in Schedule 1.1(s);
 - (t) “GAAP” means Canadian generally accepted accounting principles as in effect from time to time applied on a consistent basis;
 - (u) “Governmental Authority” means any court, government, regulatory body, legislature, council, government department, commission, board, bureau, agency, instrumentality, arbitrator or other authority of Canada or Alberta or any jurisdiction therein;
 - (v) “GST” means good and service tax as provided for in Part IX of the *Excise Tax Act*, R.S.C. 1985, C. E-15, as amended or any successor or parallel tax;
 - (w) “Indemnified Party” shall have the meaning set forth in Section 8.2(a);
 - (x) “Knowledge” and “to the Knowledge of” means:
 - (i) in the case of Seller and Newco factual information that is known or ought to be known by the individuals identified on Schedule 1.1(x)(i) after independent investigation or due inquiry provided, however, such individuals shall have no personal liability to Buyer, and
 - (ii) in the case of Buyer factual information that is known or ought to be known by individuals identified on Schedule 1.1(x)(ii) after independent investigation or due inquiry provided, however, such individuals shall have no personal liability to Seller.
- “Independent investigation or due inquiry” means inquiry of employees, consultants or third party advisors whom such individuals reasonably believe, to be responsible for the subject matter of the inquiry and a complete review of all files, reports, records and all other documents and materials relating to the Seller, the Assets and Newco Shares in the case of Seller, or relating to the Buyer in the case of Buyer, but shall not include a requirement to conduct any search of public registries in Alberta or physical inspection of the Assets;
- (y) “Indemnifying Party” shall have the meaning set forth in Section 8.2(a);
 - (z) “Law” means any applicable law (including Environmental Law) statute, ordinance, rule or regulation or any ruling, writ, injunction, restriction, order, judgment, decree or other official written act of any Governmental Authority;
 - (aa) “Material Adverse Effect” means:
 - (i) any effect as a result of which a party would be unable to close or materially impaired or delayed from closing the transactions contemplated herein; or

- (ii) any change or effect that results in, or is reasonably likely to result in any losses, deficiencies, damages, judgements, diminution in value, charges, costs, expenses loss of revenue, and/or liabilities of Seller or Newco or of or to the Assets, business, operations or conditions of Seller or Newco that individually or in aggregate exceeds \$1,000,000;

but shall not include any change or effect that:

- (a) directly relates to changes to the natural gas pipeline industry in which Seller operates and not specifically relating to Seller;
 - (b) directly relates to any change in applicable Law or regulatory enforcement policy and not applied specifically to Seller; and
 - (c) directly relates to changes in the national economy or securities or commodities markets in general;
- (bb) “Miscellaneous Interest” means all interests of Seller, Pelican and Ptarmigan in and to all property, assets and rights relating to Newco, the Newco Shares and the Assets (other than the Pipeline Assets themselves and Base Linepack) set out in Schedule 1.1(bb) including, without limitation:
 - (i) those subsisting rights to enter upon, use and occupy the surface of any lands upon which any of the Pipeline Assets are located or of any lands to be crossed in order to gain access to any of the Pipeline Assets;
 - (ii) all licences, permits and authorizations relating to Newco, the Newco Shares and the Pipeline Assets; and
 - (iii) all books, records, maps, plans, reports, inspection data, intellectual property or other material relating to Newco, the Newco Shares and the Assets including, without limitation, any environmental audits;
- (cc) “Newco” means a new company incorporated by Seller before the Closing under the laws of Alberta;
- (dd) “Newco Shares” means 100 common shares being all of the issued and outstanding shares of the Newco;
- (ee) “Notice Period” shall have the meaning set forth in Section 8.4(b);
- (ff) “Pelican” means Pelican Pipelines Ltd.;
- (gg) “Permitted Encumbrances” means the following encumbrances, provided that none of the Permitted Encumbrances individually or in combination with one or more of such Permitted Encumbrances would have a Material Adverse Effect:
 - (i) easements, rights of way, servitudes and similar rights in land and any amendments thereto or postponements thereof and including, but not limited to, rights of way and servitudes for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone, telegraph or cable television conduits, poles, wires and cables;

- (ii) the right reserved to or vested in any government or other public authority by the terms of any lease, licence, franchise, grant or permit forming part of the Assets, or by any statutory provision, to terminate any lease, licence, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance of them;
- (iii) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any of the Assets in any manner and all applicable laws, rules and orders of governmental authorities;
- (iv) the right reserved or vested in any person to create or incur a lien:
 - a) for taxes, assessments or governmental charges which are not due, or
 - b) that is a mechanics' lien, builders' lien or materialmens' lien in respect of services rendered or goods supplied but only to the extent such lien relates to goods or services for which payment is not due;
- (v) liens incurred, created and granted in the ordinary course of business to a public utility, municipality or governmental authority in connection with operations conducted with respect to the Assets, but only to the extent those liens relate to costs and expenses for which payment is not due; and
- (vi) any lien contemplated by subsections (iv) and (v) which has been created or incurred but is being contested in good faith by Seller;
- (hh) "Person" means any individual, company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental or regulatory body or other entity;
- (ii) "Pipeline Assets" means the natural gas pipeline system set out in red in Schedule 1.1(ii) - 1 and all inventory, assets and facilities related directly or indirectly to the ownership, operation and maintenance of such pipeline system and owned by Seller or its Affiliates as of the date of Closing, including without limitation those assets and facilities listed in Schedules 1.1(ii) - 2, 1.1(ii) - 3, 1.1(ii) - 4, 1.1(ii) - 5 and 1.1(ii) - 6;
- (jj) "Preferential Rights" means any rights of first refusals, preferential rights of purchase or similar rights in favor of third parties relating to the Newco Shares or the Assets;
- (kk) "Ptarmigan" mean Ptarmigan Pipelines Ltd.;
- (ll) "Purchase Price" has the meaning set forth in Section 2.3;
- (mm) "Replacement Contracts" means new contracts that Buyer determines are necessary to replace any of the contracts cancelled by Seller;
- (nn) "Seller" means Simmons Group Inc.;
- (oo) "Tax Benefit" means, as to an Indemnified Party, the net present value of the Tax Rate multiplied by the amount of any income tax deduction or allowance in any year arising from any liability, loss or expense that entitles the Indemnified Party to indemnity under this Agreement. In the event that a change in law replaces or otherwise supplements the

federal or provincial income tax on corporations with another method of taxation, Seller and Buyer agree to negotiate in good faith a new definition of Tax Benefit;

- (pp) “Tax and Taxes” means all Canadian or foreign federal, provincial, state or local income, profit, profit share, capital, gross receipts, windfall or excess profits, severance, royalty, property, production, sales, goods and service, value added, use, license, excise, franchise, employment, insurance, withholding or similar taxes or levies, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties;
- (qq) “Tax Liability” means any liability for Tax or Taxes imposed, levied, collected, withheld, assessed, or reassessed by any government of a country, province or state, or to a municipal or public body performing a function of government or an agency of a government of a municipal or public body that had authority to make rules, regulations or by-laws relating to the business of the Seller, Newco, Pelican, Ptarmigan or the Assets;
- (rr) “Tax Rate” means the legislated tax rates applicable for each Tax applicable for the relevant time period;
- (ss) “Transferred Employee” means those Persons listed in Schedule 1.1(ss); and
- (tt) “UCC” means the undepreciated capital cost as defined in subsection 13(21) of the *Income Tax Act (Canada)*.

1.2 Other Definitional Provisions

- (a) The words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references in this Agreement to an Article, Section, Subsection or Schedule shall be to an Article, Section, Subsection or Schedule of or to this Agreement unless the context requires otherwise.
- (b) The terms defined in the singular shall have a comparable meaning when used in the plural and vice versa.
- (c) The terms “dollars” and “\$” mean Canadian dollars.
- (d) The inclusion of any information on any Schedule, and the use of any threshold amount in any representation, warranty or covenant, shall not be deemed to establish a standard of materiality or any other standard for disclosure under this Agreement, and no implication should be drawn that any information included in any Schedule is material or otherwise required to be disclosed.
- (e) It is expressly agreed that this Agreement shall not be construed against any party, and no consideration shall be given or presumption made, on the basis of who drafted this Agreement or any particular provision hereof or who supplied the form of Agreement. Each party agrees that it has been purposefully drawn and correctly reflects their understanding of the transaction that it contemplates. In construing this Agreement:
 - (i) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

- (ii) the word “includes” and its derivatives means “includes, but is not limited to;” and corresponding derivative expressions;
- (iii) a defined term has its defined meaning throughout this Agreement and each Schedule to this Agreement, regardless of whether it appears before or after the place where it is defined;
- (iv) each Schedule to this Agreement is a part of this Agreement, but if there is any conflict or inconsistency between the main body of this Agreement and any Schedule, the provisions of the main body of this Agreement shall prevail; and
- (v) the section and paragraph headings and table of contents contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

1.3 Schedules

The following are the Schedules hereto which are incorporated by reference and deemed to be a part hereof:

Schedule 1.1(s)	-	Excluded Assets
Schedule 1.1(x)(i)	-	Seller’s Representatives
Schedule 1.1(x)(ii)	-	Buyer’s Representatives
Schedule 1.1(bb)	-	Miscellaneous Interest
Schedule 1.1(ii) - 1	-	Map of Pipeline Assets
Schedule 1.1(ii) - 2	-	List of Assets (EUB Licences)
Schedule 1.1(ii) - 3	-	List of Assets and Facilities (Detailed Assets)
Schedule 1.1(ii) - 4	-	List of Assets and Facilities (Connections)
Schedule 1.1(ii) - 5	-	List of Shared Assets
Schedule 1.1(ii) - 6	-	List of Inventory
Schedule 1.1(ss)	-	Transferred Employees
Schedule 3.3	-	Agreement Conflicts – Seller
Schedule 3.7	-	Operation of Assets
Schedule 3.14	-	Financial Statements of Seller
Schedule 3.15	-	Required Consents – Seller
Schedule 4.4	-	Required Consents – Buyer
Schedule 6.1(d)	-	Seller’s Counsel Opinion

ARTICLE 2 PURCHASE AND SALE OF SHARES

2.1 Purchase and Sale of Shares

Subject to the terms and conditions of this Agreement:

- (a) Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, the Newco Shares, in exchange for payment of the Purchase Price by Buyer. Seller shall transfer all of the Newco Shares to Buyer at Closing.
- (b) As consideration for the transfer by Seller of the Newco Shares to Buyer, Buyer agrees to pay to Seller the Purchase Price.

2.2 Closing; Delivery and Payment

- (a) The closing (“Closing”) of the purchase and sale of the Newco Shares shall be held at the Calgary offices of Macleod Dixon LLP at 8:00 a.m. on the day authorized by the EUB as the effective date Buyer is entitled to add the Purchase Price to Buyer’s rate base on terms and conditions satisfactory to Buyer.

The date on which the Closing occurs is hereinafter referred to as the “Closing Date”.

- (b) On the Closing Date all conditions to Closing set out in Article 6 have been satisfied or waived in writing by Seller or Buyer as the case may be and:
 - (i) Seller shall deliver to Buyer:
 - (a) certificates representing the Newco Shares duly endorsed and in form suitable for transfer to Buyer;
 - (b) a receipt for the Purchase Price;
 - (c) the certificates, opinions, transfers and assignments of the Assets, and any other documents or agreements required to be delivered pursuant to Section 6.1; and
 - (ii) Buyer shall:
 - (a) satisfy the Purchase Price by delivering to the Seller
 - i) a certified cheque or bank draft payable to the Canadian Imperial Bank of Commerce in the amount of \$5,000,000;
 - ii) a certified cheque or bank draft payable to the Receiver General Canada of Canada in the amount of \$6,405,018.09 or such greater or lesser amount as disclosed by the Canada Customs and Revenue Agency in the letter referred to in Section 6.1(k) and delivered to the Buyer three (3) days prior to Closing;
 - iii) a certified cheque or bank draft payable to the Alberta Provincial Treasurer in the amount of \$3,544,289.71 or such greater or lesser amount as disclosed by the Alberta Tax and Revenue Administration in the letter referred to in Section 6.1(l) and delivered to the Buyer three (3) days prior to Closing; and
 - iv) a certified cheque or bank draft payable to the Seller in an amount equal to the remaining outstanding balance, if any, of the Purchase Price; and
 - (b) deliver to Seller any documents or agreements required to be delivered pursuant to Section 6.2.

2.3 Purchase Price

Subject to any adjustments pursuant to Sections 2.4 and 2.5, the purchase price (the “Purchase Price”) to be paid by the Buyer to Seller for the Newco Shares shall be Canadian \$21,375,000.00.

2.4 Purchase Price Adjustments

The Purchase Price shall be adjusted as follows:

- (a) Real property taxes and prepaid annual surface rights rentals shall be apportioned between Seller and Buyer as of the Closing Date and shall be added to or deducted from (as the case may be) the Purchase Price; and
- (b) Any adjustment required pursuant to Section 5.4(iii).

Five (5) days prior to the Closing Date, Seller shall prepare and provide to Buyer a statement of adjustments effective as of the Closing together with all documentation supporting and detailing any adjustments to the Purchase Price.

2.5 Post Closing Adjustment

- (a) At 8:00 a.m. on the Closing Date Seller and Buyer shall determine the difference (the "Difference") between the Actual Linepack and the Base Linepack as follows:

The Difference = $[A - B] \times C$

Where:

"A" = Actual Linepack;

"B" = Base Linepack; and

"C" = the average AECO/NGX weighted average intra Alberta natural gas price for the period of five (5) Business Days prior to Closing.

If the Difference is a positive amount, Buyer shall pay such amount to Seller within five (5) days. If the Difference is a negative amount, Seller shall pay such amount to Buyer within five (5) days.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLER

The Seller represents and warrants to the Buyer as follows:

3.1 Organization and Authority of Seller and Newco

Seller is and Seller and Newco each will be at Closing duly organized, validly existing and in good standing under the laws of Alberta and each have all requisite corporate power to own, lease and operate their respective properties and carry on their respective businesses as currently conducted.

3.2 Authority

The Seller has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated herein. This Agreement has been duly authorized, executed and delivered by the Seller and constitutes a legal, valid and binding obligation of the Seller, enforceable in accordance with its terms, subject to bankruptcy, insolvency,

reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles.

3.3 No Conflict

Except as otherwise indicated on Schedule 3.3, neither the sale of the Assets to Newco, the execution and delivery of this Agreement by Seller nor the consummation of the transactions contemplated herein by the Seller will:

- (a) violate any provision of Seller's constating documents nor Newco's constating documents at Closing;
- (b) conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under or give rise to any right of termination, cancellation or acceleration (whether after the giving of notice or the lapse of time or both) of, any note, indenture, mortgage, lease or other agreement, contract or instrument to which Seller, Newco or their Affiliates is or will be at Closing be a party or by which Seller, Newco or their Affiliates or any of its or their respective properties or the Assets are or will be at Closing be bound or affected;
- (c) violate in any material respect any Law in effect on the date hereof;
- (d) create or result in any Encumbrance, lien or defect in title on the Assets, the Newco Shares or assets of Seller; nor
- (e) create or result in any Preferential Rights relating to Newco, Newco Shares or the Assets.

3.4 Newco Shares

At Closing the Newco Shares will be duly authorized and issued and will be legally and beneficially owned by the Seller as fully paid and non-assessable and free and clear of all Encumbrances or other defect in title, rights and options and no other Person will have any right or option to acquire any interest in the Newco Shares. The Newco Shares owned by the Seller will not have been pledged or assigned to any Person, and will not be subject to any Preferential Rights or restrictions on transferability other than those imposed by this Agreement.

3.5 Newco Subsidiaries

At Closing Newco will not have any subsidiaries or any stock or other equity interest (controlling or otherwise) in any corporation, limited liability corporation, joint venture or other entity.

3.6 Ownership of the Assets and No Encumbrances

At Closing Newco will legally and beneficially own the Assets and have good and marketable title to the Assets, free and clear of all Encumbrances other than the Permitted Encumbrances and no Person will have any Preferential Right to acquire any interest including, but not limited to, a leasehold interest or other right in and to the Newco Shares or the Assets.

3.7 Operation of the Assets

To the Knowledge of Seller, the Assets have at all times been operated in a good and prudent manner in accordance with good industry practices and in accordance with all applicable Law in all material respects, and to the Knowledge of Seller, are free from all defects (patent and latent),

have been maintained in accordance with normal industry practice, are in good operating condition, subject to reasonable wear and tear and are suitable for the purposes for which the Assets are currently used, except as provided for in Schedule 3.7.

3.8 Construction of Assets

To the Knowledge of Seller, the Assets were constructed to meet all rules, guidelines, industry practices and Laws in place at the time of construction and have been maintained in a manner that is consistent with standards and practices of a prudent operator for pipelines in Canada and to the Knowledge of Seller the Assets have been modified to appropriately reflect changes in standards, Laws and regulations over the life of the Assets and supported with documentation.

3.9 Third Party Interest

From the date it acquires the Assets to the Closing Date, Newco will not have sold, transferred or otherwise disposed of or encumbered the Assets in any manner whatsoever and at the time of Closing no Person will have any Preferential Right or other right to acquire any interest in and to the Assets.

3.10 No Liabilities and No Other Assets

At Closing Newco will have no liabilities (including Tax Liabilities), indebtedness or obligations absolute, accrued, contingent or otherwise, save and except the obligation to execute and file (if necessary) the Section 85(1) election and Section 167 GST election with respect to the transfer of the Assets by Seller to Newco and reclamation obligations which may arise upon the ultimate abandonment of the Pipeline Assets. At Closing Newco will have no assets other than the Assets.

3.11 Newco's Business

From the date of its incorporation to the time of Closing, Newco shall not have carried on any business other than that directly related to the acquisition of the Assets.

3.12 Land Documents

To the Knowledge of Seller, it has in all respects complied with, performed, observed and satisfied all covenants, terms, conditions, obligations and liabilities, including damages which have arisen or may arise under the provisions of any crossing agreements, permits, licences, easements, rights of way, leases, joint-use agreements, contracts or other agreements of any kind or nature whatsoever dealing with or relating to Newco, the Newco Shares and the Assets. At Closing Newco owns or holds a valid leasehold, licence or other interest in or right-of-way easement through all real property necessary for the conduct of its business as currently conducted.

3.13 Employee

- (a) From March 16, 2003 until the Closing Date, without the prior written consent of the Buyer which consent will not be unreasonably withheld, the Seller has not modified the terms and conditions of employment including wages, salaries, benefits or other forms of compensation, for any of the Transferred Employees.

- (b) Neither Pelican nor Ptarmigan currently have nor have ever had any employees or employment related liabilities. At Closing Newco shall never have had any employees or employment related liabilities.
- (c) Subject to Section 5.9, all employment related obligations and liabilities relating to, arising from or attributable to any and all employees of the Seller shall remain with the Seller after Closing.
- (d) Neither Pelican nor Ptarmigan have any consulting contracts or arrangements. At Closing Newco will have no consulting contract or arrangements.
- (e) The Seller is not party to, nor bound by, any labour or collective bargaining agreements, nor is the Seller the subject of any representation or certification proceedings or organizing activities with respect to any of the Seller's employees.

3.14 Financial Statements of Seller

The consolidated unaudited financial statements (true and correct copies of which are set out in Schedule 3.14) of Seller present fairly in all respects, in accordance with GAAP, the financial condition, results of operation and cash flows of Seller as of the respective dates thereof and for the periods set forth therein.

3.15 Consents and Approvals

Except as set forth on Schedule 3.15, the execution, delivery and performance of this Agreement by Seller, the transfer of Assets to Newco and the transfer of Newco Shares to Buyer will not require Seller or Newco to obtain any consent, waiver, authorization or approval of, or make any filing with or give notice to, any Person or Governmental Authority.

3.16 Brokers and Financial Advisors

Neither the Seller nor any Affiliate has retained any financial advisor, broker, agent or finder or agreed to pay any financial advisor, broker, agent or finder on account of the Agreement or any transaction contemplated hereby.

3.17 UCC

At the time Buyer acquires Newco Shares, Newco's UCC of Class 1 and Class 2 shall not be less than \$6,083,601 and \$6,578,744 respectively.

3.18 Claims and Proceedings

There are no claims, proceedings, actions, lawsuits, or administrative, regulatory or arbitration proceedings against or in respect of Newco, the Newco Shares or the Assets. To the Knowledge of Seller there are no potential or threatened investigations, claims, proceedings, actions, lawsuits, or administrative, regulatory or arbitration proceedings against or in respect of or involving Newco, the Newco Shares or the Assets. Seller and Newco are not subject to any judgement, order, writ, injunction, decree, award in any action to which Seller, Newco or their Affiliates is a named party in respect of the Assets.

3.19 Licenses, Permits and Authorizations

Seller, Pelican and Ptarmigan (either individually or collectively) have and at Closing Newco will have all licences, permits and authorizations that are required under all Laws in order to own and operate the Assets and that the present ownership and operation of the Assets does not result in a violation of any such licenses, permits or authorizations.

3.20 No Dispute With Customers

Seller is not and Seller and Newco will not be as at Closing involved in any material dispute with any customer of Seller or Newco as the case may be.

3.21 Compliance With Law

To the Knowledge of Seller, Seller has and Seller and Newco as at Closing will have complied with all Laws and to the Seller's Knowledge, no event has occurred or is continuing which violates or would after passage of time or notice would violate any Law and Seller and Newco have not received any notice and no claim is pending alleging any violation of Law.

3.22 Non-Resident

Seller is not a "non-resident person" with the meaning of Section 116 of the *Income Tax Act (Canada)*.

3.23 No Other Representations or Warranties

Except for the representations and warranties contained in this Article 3, neither Seller nor any other Person makes any other express or implied representation or warranty on behalf of Seller. The representations and warranties contained in this Article do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements and information contained in this Article not misleading.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BUYER

The Buyer represents and warrants to the Seller as follows:

4.1 Organization and Authority of Buyer

The Buyer is a corporation duly organized, validly existing and in good standing under the laws of Alberta.

4.2 Authority

The Buyer has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated herein. This Agreement has been duly authorized, executed and delivered by the Buyer and constitutes a legal, valid and binding obligation of the Buyer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting creditors' rights and to general equity principles.

4.3 No Conflict

The execution and delivery of this Agreement and the consummation of the transactions contemplated herein by the Buyer will not violate any provision of the constating documents of the Buyer or constitute a default under or be in violation of any agreement, judgement, decree, order to which Buyer is subject.

4.4 Consent and Approvals

Except as set forth on Schedule 4.4, the execution, delivery and performance of this Agreement by the Buyer, the acquisition of the Assets by Newco and the acquisition of the Newco Shares by Buyer, will not require the Buyer to obtain any consent, waiver, authorization or approval of, or make any filing with or give notice to, any Person other than those which are not material.

4.5 No Brokers

Neither the Buyer nor any of its Affiliates has retained any financial advisor, broker, agent or finder or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement or any transaction contemplated hereby.

4.6 No Other Representations or Warranties

Except for the representations and warranties contained in this Article 4, neither Buyer nor any other Person makes any other express or implied representation or warranty on behalf of Buyer. The representations and warranties contained in this Article do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements and information contained in this Article not misleading.

ARTICLE 5 CERTAIN COVENANTS AND AGREEMENTS OF SELLER AND BUYER

5.1 Consents

The Seller and the Buyer shall cooperate and use their respective commercially reasonable efforts to fulfill the conditions precedent to the other party's obligations hereunder, including, without limitation, securing as promptly as practicable all consents, approvals, waivers and authorizations required, necessary or desirable in connection with the transactions contemplated hereby.

5.2 Confidentiality

The parties acknowledge and agree that the Confidentiality Agreement shall remain in full force and effect in accordance with its terms.

5.3 Cancelled Contracts and Remaining Contracts

Buyer and Seller shall fully co-operate with each other to cancel contracts on terms and conditions satisfactory to Seller and enter into Replacement Contracts prior to the Closing Date on terms and conditions satisfactory to Buyer. For greater certainty, all contracts among Buyer, Seller and Affiliates will be cancelled at Closing.

5.4 Stand Still Clause

From and after the date of this Agreement to the time of Closing, Seller and its Affiliates shall:

- (i) operate the Assets and conduct and maintain business in the ordinary course of business consistent with past practices;
- (ii) perform covenants in all contracts, keep permits in place, keep employees, and keep insurance up to date; and
- (iii) maintain inventory and tool levels in accordance with Seller's past practice and if any of the inventory listed in Schedule 1.1(ii) - 6 is utilized by Seller prior to Closing, the Purchase Price shall be decreased by the replacement cost of such inventory.

5.5 Further Assurances

At any time after the Closing Date, each of the Seller and the Buyer shall promptly execute, acknowledge and deliver any other assurances or documents reasonably requested by the Seller or the Buyer, as the case may be, and necessary for each of the Seller and the Buyer, as the case may be, to satisfy its obligations hereunder or obtain the benefits contemplated hereby.

5.6 Incorporation of Newco

Prior to Closing, Seller shall incorporate the Newco and shall cause all title, rights and interest in and to the Assets to be transferred to Newco other than by way of amalgamation or windup and the only consideration to be granted by Newco for the Assets will be the Newco Shares.

5.7 Filing and Applications

Seller shall co-operate fully and shall furnish any necessary information required in connection with the preparation and filing of all regulatory applications (including, but not limited to the pipeline licence transfer to Newco and the addition of the Purchase Price to Buyer's rate base). Seller shall assist and support Buyer in attaining any regulatory approval and Seller shall not oppose such approval or approval process. Buyer shall use commercially reasonable efforts to obtain such regulatory approval.

5.8 Land Documents

Seller shall prepare and provide on or before December 31, 2003 all documents acceptable to Buyer in its sole discretion (acting reasonably) required to transfer the Assets to Newco and to transfer the Newco Shares to Buyer. Seller shall use Buyer's standard form agreements for any third party transfer or land documents not in existence for the Assets. Buyer may fifteen (15) days after receipt of such documents, give written notice to Seller describing any deficiencies in any land documents that, in the opinion of Buyer, materially and adversely affect the value of the Newco Shares and/or Assets or its decision to buy the Newco Shares hereunder. Buyer and Seller shall agree upon a course of action and timeframe to address such deficiencies in any land document or documents and if they fail to do so within five (5) days Buyer may elect to terminate this Agreement.

5.9 Employment Matters

- (a) The Buyer or its Affiliate shall offer employment to the Transferred Employees subject to the following:
 - (i) the terms and conditions of such employment with the Buyer shall be no less favorable in the aggregate than those currently provided by the Seller, but in any event shall not be more favorable than those provided to employees of the Buyer who perform similar functions;
 - (ii) such employment shall be effective upon Closing and shall be conditional upon the Transferred Employees being engaged in active service at that time. If a Transferred Employee is not engaged in active service at the time of Closing (active service shall not include situations where the Transferred Employee is on short term disability, long term disability, or maternity or parental leave of absence), the Seller shall remain responsible for all liabilities associated with such Transferred Employee until such time that the Transferred Employee can commence active service with the Buyer;
 - (iii) the Seller shall reimburse the Buyer or any of its Affiliates for any current calendar year's outstanding vacation or other benefits or compensation which have accrued in favour of such Transferred Employees prior to the Closing Date;
 - (iv) the Seller agrees to terminate the employment of the Transferred Employees at Closing or upon commencement of active service with the Buyer as applicable; and
 - (v) the Buyer shall recognize each Transferred Employee's most recent hire date with the Seller as their hire date with the Buyer or its Affiliates for the purposes of determining vacation entitlement, benefits eligibility, vesting of pension benefits accrued under the pension plan of the Buyer or its Affiliates, and future severance calculations, if applicable.
- (b) Subject to 5.9(a), on Closing the Seller shall remain liable with respect to the Transferred Employees for any and all liabilities, claims by or on behalf of such Transferred Employees which relate to the Transferred Employees' employment prior to the Closing Date. Such liability shall include wages, salaries, overtime pay, benefits, incentive compensation, bonuses, prior years' outstanding vacation accruals or other forms of compensation which have accrued prior to the Closing Date and the Seller shall indemnify and save harmless the Buyer or any of its Affiliates with respect of any such liabilities.
- (c) After Closing the Buyer shall be liable with respect to the Transferred Employees for any and all liabilities, claims by or on behalf of such Transferred Employees which relate to the Transferred Employees' employment with the Buyer subsequent to the Closing (subject to Section 5.9(e) including, but not limited to, all severance liability for the Transferred Employees following the Closing) and shall indemnify and save harmless the Seller or any of its Affiliates with respect of any such liabilities.
- (d) The Seller and the Buyer agree to co-operate with each other on all Transferred Employee related transition matters, including the sharing of any and all employment related information, communications to the Transferred Employees related to the terms

and conditions of employment, and conveyance of documentation relating to termination of employment from the Seller and employment with the Buyer or its Affiliates.

- (e) Subject to 5.9(a), in the event, for any reason whatsoever, any Transferred Employee does not accept the offer of employment or commence employment with the Buyer, all liabilities associated with such employee, including severance and termination pay shall remain the responsibility of the Seller.

5.10 No Shop Clause

Upon execution of this Agreement by Buyer and Seller, Seller shall not enter into any discussions or negotiations with any other Person regarding the sale, lease, joint venture or any other type of arrangement or transaction concerning the Assets or the Newco Shares.

5.11 Overlap/Joint Use Agreement

Seller shall use commercially reasonable efforts to ensure that Seller and Alberta Oil Sands Pipeline Limited have prior to Closing entered into an overlap agreement or an agreement for the joint use of the right-of-way at the House River crossing located at SE-16-78-15-W4M and the Athabasca River crossing located at SW-35-87-12-W4M and all other areas where there is overlap or joint use of rights of way between Seller and Alberta Oil Sands Pipeline Limited on terms and conditions acceptable to Buyer.

5.12 Right-of-Way Agreement

Seller shall use commercially reasonable efforts to ensure that the Right-of-Way Agreements dated January 14, 1993 and July 4, 1994 between Seller and Syncrude Canada Ltd. have been amended prior to Closing on terms and conditions satisfactory to Buyer to include all changes and amendments thereto since their respective dates of execution.

5.13 Transition

From the date of this Agreement to six (6) months after the Closing Date, Seller and its employees shall provide assistance on any transitional matters Buyer determines necessary, provided however:

- (i) Seller shall not be required to provide any transitional assistance of its employees in excess of ten (10) hour per week unless Buyer provides reasonable compensation for such assistance; and
- (ii) Seller shall not be required to retain employees to provide such transitional assistance.

5.14 Environmental Acknowledgement

Buyer acknowledges receipt of the Environmental Audit and agrees it will not seek redress against the Seller for the liabilities specifically identified in section 11 "Findings" and section 12 "Identified Liabilities" on pages 29 to 33 of the Environmental Audit, excluding, however, any liabilities identified on pages 30 and 32 in the following references:

“Reports reviewed from the Wandering River Compressor Station concluded that a leak was the suspected cause of a groundwater influx into a UST scrubber tank on April 4, 1998. No soil sampling could be completed around the tank at depth to confirm the presence of hydrocarbons in the soil.”; and

“The indication of a leaking UST at Wandering River C/S creates a potential source for hydrocarbons to enter the soil. Investigation into the presence of hydrocarbons around this tank is recommended.”

(the “Wandering River Potential Liabilities”).

Prior to Closing, Buyer shall be entitled to further investigate the Wandering River Potential Liabilities. If Buyer determines in its sole discretion that such liabilities adversely affect the value of the Assets or its decision to buy the Assets, Buyer and Seller shall mutually agree upon a course of action and time frame to address such liabilities (including without limitation clean-up or adjustment to the Purchase Price), or Buyer may elect to terminate the Agreement.

5.15 Imbalance

Seller shall use all commercially reasonable efforts to minimize any gas imbalances in the Pipeline Assets at the Closing.

ARTICLE 6 CONDITIONS TO CLOSING

6.1 Conditions to Obligations of Buyer

The sale by the Seller and the purchase by the Buyer of the Newco Shares are subject to the satisfaction of the following conditions, which are for the exclusive benefit of the Buyer (and may only be waived by the Buyer in writing) to be performed or complied with at or prior to the Closing:

- (a) Each of the representations and warranties of the Seller contained in this Agreement shall be true in all material respects when made and as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date (except representations and warranties that are made as of a specific date need be true, only as of such date); each of the covenants and agreements of the Seller to be performed on or prior to the Closing Date shall have been duly performed in all material respects and the Buyer shall have received at Closing, certificates to that effect dated as of the Closing Date and executed on behalf of the Seller by any of its Vice Presidents and its Secretary;
- (b) All approvals, waivers, authorizations and consents set out in Schedule 4.4 have been obtained on terms and conditions acceptable to Buyer and all legally imposed waiting periods applicable to the transactions contemplated in this Agreement shall have expired;
- (c) No action, suit, proceeding or investigation by or before any court or other Governmental Authority shall have been taken, instituted or, to the Knowledge of the Buyer threatened against the Buyer, to restrain, prohibit, invalidate or delay any of the transactions contemplated in this Agreement or which would, if adversely determined, adversely

affect the right of Buyer to exercise all ownership rights with respect to the Newco Shares or the ability of Newco or Buyer to exercise all ownership rights in respect of the Assets, after the Closing Date;

- (d) The Buyer shall have received an opinion of counsel to the Seller to the effect described in Schedule 6.1(d);
- (e) Since March 16, 2003, no event, change or condition shall have occurred which, alone or in the aggregate, shall have had or could reasonably be expected to have a Material Adverse Effect in respect of the Newco, the Assets or Seller's business;
- (f) Seller has delivered all documents transferring the Assets to Newco and the Newco Shares to Buyer on terms and conditions acceptable to Buyer;
- (g) No bankruptcy or insolvency proceedings having been instituted or threatened against or by any of the Seller, Ptarmigan or Pelican and none of the Seller, Ptarmigan or Pelican having taken any steps to initiate such a proceeding;
- (h) Seller has on terms and conditions satisfactory to Buyer fully updated all records related to the Assets with the EUB, including without limitation those related to abandoned portions of pipeline;
- (i) Seller has discharged Utility Right-of-Way Mortgage registered by Crown Trust against the Assets;
- (j) Seller has discharged all caveats and other encumbrances registered by CU Engineering Limited against the Assets;
- (k) CCRA has provided Buyer with a letter setting out the outstanding tax arrears liability of Seller four (4) Business Days prior to Closing;
- (l) The Alberta Provincial Treasurer has provided Buyer with a letter setting out the outstanding tax arrears liability of Seller four (4) Business Days prior to Closing;
- (m) Seller has provided Buyer with a Section 167 GST election form executed by Seller and Newco;
- (n) The Canadian Imperial Bank of Commerce has provided Buyer with a discharge statement in respect of all indebtedness secured by an interest in the Assets or alternatively a letter confirming it has no security interest in the Assets; and
- (o) Seller has acquired from Alberta Oil Sands Pipeline Limited the 20" pipeline (plan 8122745) in which the 10" pipeline (plan 0122979, licence 11809, line #33) has been constructed and all land rights associated therewith, including without limitation rights to enter upon, use and occupy the surface of any lands upon which such pipelines are located or of any lands to be crossed in order to gain access to such pipelines.

6.2 Conditions to Obligations of Seller

The sale by the Seller and the purchase by the Buyer of the Newco Shares are subject to satisfaction of the following conditions, which are for the exclusive benefit of the Seller (and may only be waived by the Seller in writing) to be performed or complied with at or prior to Closing:

- (a) Each of the representations and warranties of the Buyer contained in this Agreement shall be true in all material respects when made and as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date (except representations and warranties that are made as of a specific date need be true, only as of such date); each of the covenants and agreements of the Buyer to be performed on or prior to the Closing Date shall have been duly performed and the Seller shall have received at the Closing a certificate to that effect dated as of the Closing Date and executed on behalf of the Buyer by any of its Vice Presidents and its Secretary or any of its Assistant Secretaries;
- (b) All approvals, waivers, authorizations and consents set out in Schedule 3.15 shall have been obtained on terms and conditions acceptable to Seller and all legally imposed waiting periods applicable to the transactions contemplated in this Agreement shall have expired;
- (c) No action, suit, proceeding or investigation by or before any court or other Governmental Authority shall have been taken, instituted or, to the Knowledge of the Seller or its Affiliates threatened against the Seller or any of its Affiliates, to restrain, prohibit or invalidate or delay any of the transactions contemplated in this Agreement or which would, if adversely determined, adversely affect the right or ability of the Seller, after the Closing Date, to operate its business or any substantial part thereof; and
- (d) Seller and Syncrude Canada Ltd. or the Syncrude participants have entered into a consent agreement on or before July 21, 2003 regarding the transactions contemplated herein, such consent being subject (inter alia) to Syncrude Canada Ltd. receiving regulated gas transportation service on the Pipeline Assets commencing on the Closing Date and Syncrude Canada Ltd. receives such regulated gas transportation service from Buyer on the Closing Date.

ARTICLE 7 TERMINATION

7.1 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by written agreement signed by the Seller and the Buyer;
- (b) by the Seller or the Buyer, by giving written notice of such termination to the other party hereto, if:
 - (i) any condition to the terminating party's obligations hereunder shall not have been satisfied or waived prior to November 14, 2004 or any event occurs or condition exists which would render impossible the satisfaction of such conditions; and
 - (ii) the closing shall not have occurred on or prior to November 14, 2004;
- (c) by the Buyer or the Seller if there has been a breach of any representation, warranty, covenant or agreement made to or for the benefit of the terminating party in this

Agreement and which cannot be or has not been cured within thirty (30) days after the giving of written notice to the breaching party of such breach; or

(d) by Buyer in accordance with Sections 5.8 and 5.14.

7.2 Effects of Termination

In the event of the termination of this Agreement in accordance with Section 7.1 hereof, except with respect to Sections 5.2, 7.2, 9.2, 9.8 and 9.11, this Agreement shall thereafter become void and have no effect, and no party hereto (or any of their respective Affiliates, representatives, directors, officers or employees) shall have any liability to the other party hereto; provided, however, that nothing herein will relieve any party from liability for any breach of this Agreement prior to such termination.

ARTICLE 8 SURVIVAL AND INDEMNIFICATION

8.1 Survival of Representations, Warranties, Covenants and Agreements

Notwithstanding any otherwise applicable statute of limitations, the representations, warranties, covenants and agreements included or provided for herein shall, subject to Section 8.3, survive Closing:

- (i) forever in respect of Sections 3.1, 3.2, 3.3, 3.4, 3.5, 4.1, 4.2, 4.3 and 4.4;
- (ii) until the fifth (5th) anniversary of the Closing Date for all other representations, warranties, covenants and agreements included or provided for herein except Section 3.10 insofar as it relates to Tax Liabilities; and
- (iii) until the expiration of the last applicable limitation periods (including in respect of all periods of reassessment and appeals therefrom) contained in or under any applicable Laws with respect to Section 3.10 insofar as it relates to Tax Liabilities.

provided, however, that any covenant or agreement that by its express terms cannot be performed within such time period shall survive Closing until the date that is thirty (30) days following the date or time specified therein. Notwithstanding the foregoing sentence, if prior to Closing either party has knowledge of an exception to or a breach of a representation or warranty of the other party that has not been disclosed in any Schedule, then the party with such knowledge shall promptly give the other party written notice thereof and, within fifteen (15) days after delivery of such notice, either the parties shall reach a mutually agreeable resolution to the matter giving rise to such breach or the party receiving such notice shall remedy such breach. Neither the period of survival nor the liability of either party with respect to such party's representations and warranties shall be reduced by any investigation made at any time by or on behalf of the other party. If written notice of any claim has been given prior to the expiration of the applicable survival period, then the relevant representation, warranty, covenant or agreement shall survive as to such claim until such claim has been finally resolved.

8.2 Indemnification for Breaches, Representations, Warranties, Covenants and Agreements

- (a) Subject to Sections 8.2(c) and (d) and 8.3, for a period commencing on the Closing Date and ending, as the case may be, upon the expiration of the period specified in Section 8.1, the Seller on the one hand, or the Buyer, on the other hand (the “Indemnifying Party”), shall, subject to the limitations set forth in Section 8.1, indemnify respectively the Buyer and its Affiliates, on the one hand, or the Seller and its Affiliates, on the other hand, as the case may be (the “Indemnified Party”), against and in respect of all liabilities, obligations, losses, claims, actions, proceedings, demands, damages, costs and expenses (including reasonable attorneys’ fees and expenses incurred in investigating, preparing or defending any claims covered hereby) (the “Claims”) sustained or incurred arising out of any breaches of the Indemnifying Party’s representations, warranties, covenants and agreements set forth in this Agreement. Any payments pursuant to this Section 8.2 shall be treated as an adjustment to the Purchase Price for all tax purposes.
- (b) An Indemnified Party shall be entitled to make any claim under Section 8.2(a) for any Claims incurred by the Indemnified Party as a result of any misrepresentations and breaches of representations and warranties of the Indemnifying Party contained in this Agreement or contained in any document or certificate given in association herewith and the non-fulfilment of covenants contained in this Agreement or contained in any document or certificate given in order to carry out the transactions contemplated hereby.
- (c) The maximum cumulative liability of the Indemnifying Party in aggregate in respect of all Claims by the Indemnified Party will be limited, in respect of misrepresentations and breaches of the representations and warranties and the non-fulfilment of covenants which the Indemnifying Party is obligated to complete, to \$14 million dollars provided, however, any Tax Liabilities, Environmental Liabilities and any claim from the wilful default of the Indemnifying Party shall not be included in the \$14 million dollar cap.
- (d) Subject to Section 8.3, the indemnity provided for in this Section 8.2 shall, from and after the Closing, be the sole and exclusive remedy of the parties hereto, their Affiliates, successors and assigns with respect to any and all Claims sustained or incurred arising out of this Agreement any misrepresentations and any breaches or non-fulfilment of any representations, warranties or covenants contained in this Agreement or any document or certificate given in association herewith, or the operations, Assets or properties of Newco and the transactions contemplated by this Agreement; provided, however, that in the case of the breach by any party of Section 5.2, the non-breaching party may seek specific performance thereof.

8.3 Environmental Liabilities and Indemnification

- (a) This Section 8.3 shall survive Closing until the tenth (10th) anniversary of the Closing Date; and
- (b) Notwithstanding any other provision of this Agreement, Seller shall:
 - (i) be solely liable for any Environmental Liability that occurs or arises prior to or on the Closing Date, regardless of when discovered; and
 - (ii) indemnify Buyer, from and against any Environmental Liability that occurs or arises prior to or on the Closing Date, regardless of when discovered.

- (c) Notwithstanding any other provision of this Agreement, Buyer shall:
 - (i) be solely liable for any Environmental Liability that occurs or arises after the Closing Date, regardless of when discovered; and
 - (ii) indemnify Seller, from and against any Environmental Liability that occurs or arises after the Closing Date, regardless of when discovered.
- (d) Buyer shall indemnify Seller for any reclamation costs which may arise upon the ultimate abandonment of the Pipeline Assets provided such reclamation costs are not Environmental Liabilities that occurred or arose prior to or on the Closing Date.

8.4 Method of Asserting Claims, etc.

- (a) All claims for indemnification by any Indemnified Party hereunder shall be asserted and resolved as set forth in this Section 8.4.
- (b) In the event that any written claim or demand for which an Indemnifying Party would be liable to any Indemnified Party hereunder is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall promptly notify the Indemnifying Party, in writing, of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not in any manner prejudice the right of the Indemnified Party to indemnification to the fullest extent provided hereunder) (the “Third Party Claim Notice”) and in the event that an Indemnified Party shall assert a claim for indemnity under this Article 8 not including a third party claim, the Indemnified Party shall notify the Indemnifying Party, in writing within thirty (30) days following its discovery of the fact or circumstances giving rise thereto (together with a Third Party Claim Notice, a “Claim Notice”); provided, however, that the failure to notify on the part of the Indemnified Party in the manner set forth herein shall not foreclose any rights otherwise available to such Indemnified Party hereunder, except to the extent that the Indemnifying Party is prejudiced by such failure to notify. The Indemnifying Party shall have thirty (30) days from the personal delivery or mailing of the Claim Notice (the “Notice Period”) to notify the Indemnified Party (i) whether or not the Indemnifying Party disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such claim or demand and (ii) with respect to a Third Party Claim Notice, whether or not it desires to defend the Indemnified Party against such claim or demand. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such claim or demand, (excluding Tax Liability or any Claim arising from any Tax Liability) the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings and by counsel reasonably acceptable to the Indemnified Party. If any Indemnified Party desires to participate in, but not control, any such defense or settlement, it may do so at its sole cost and expense. The Indemnified Party shall not settle a claim or demand without the consent of the Indemnifying Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction, decree or agreement or arrangement which would restrict the future activity or conduct of the Indemnified Party or any subsidiary or Affiliate thereof. To the extent the Indemnifying Party shall control or participate in the defense or settlement of any third party claim or demand, the Indemnified Party will give to the Indemnifying Party and its counsel reasonable access to all business records and other documents relevant to such defense or settlement. The

Indemnified Party shall use its reasonable efforts in the defense of all such claims, and in connection therewith shall be entitled to reimbursement by the Indemnifying Party of expenses directly related to efforts undertaken at the specific request of the Indemnifying Party.

8.5 Subrogation Rights

If the Indemnified Party has a right against a Person (other than one of the other parties to be indemnified by the Indemnifying Party) with respect to any damages or other amounts paid by the Indemnifying Party, then the Indemnifying Party shall, to the extent of such payment, be subrogated to the right of such Indemnified Party. Notwithstanding anything herein to the contrary, no Indemnifying Party shall be subrogated to any insurance rights of any Indemnified Party.

8.6 Insurance Proceeds; Tax Effect

In determining the amount of any loss, liability or expense for which any party is entitled to indemnification under this Article 8, the gross amount thereof shall be:

- (a) reduced by any insurance proceeds actually received by such party from third party insurers (and the Indemnified Party agrees to use its reasonable efforts to secure payment of any insurance proceeds to which it may be entitled in connection with any matter for which it makes a claim for indemnity hereunder);
- (b) to the extent that any recovery of insurance proceeds covered by clause (a) above directly causes an increase in insurance premiums paid by Indemnified Party, increased by the amount of such increase in the following year's insurance premium directly attributable to such event; and
- (c) reduced by any net Tax Benefit realized by such party in connection with such loss, liability or expense to the extent such Tax Benefit results directly from the occurrence of such loss, liability or expense.

If any applicable tax authority does not respect the characterization of indemnification payments under this Section 8.6 as adjustments to the Purchase Price, the amount of indemnification shall include an amount equal to any Taxes incurred by the indemnified party by virtue of inclusion of such indemnification payment in taxable income or as a reduction of cost; provided, however, that no indemnification payment with respect to such taxes shall be payable until final settlement of such Tax liability with the relevant tax authority, and only upon receipt by the indemnifying party of a copy of an official communication issued by the relevant tax authority which evidences such final settlement of tax liability.

ARTICLE 9 MISCELLANEOUS

9.1 Amendment and Modification; Waiver

This Agreement may be amended or modified only in writing, signed by the Seller and the Buyer.

9.2 Expenses

Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, the parties shall bear their own respective expenses (including, but not limited to, all compensation and expenses of counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with this Agreement and the transactions contemplated hereby. Seller shall be responsible for all costs and expenses incurred to transfer the Assets to Newco.

9.3 Assignment

No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto; provided, however, that:

- (a) Buyer may assign this Agreement or any of its rights hereunder to an Affiliate of Buyer without the prior written consent of Seller so long as the Person to whom such assignment is to be made shall expressly assume, by an instrument reasonably satisfactory to the Seller, the performance and observance of all of Buyer's obligations, covenants and agreements in this Agreement.

9.4 Entire Agreement

This Agreement and the Confidentiality Agreement dated March 27, 2002 between Buyer and Seller contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

9.5 Parties in Interest; No Third Party Beneficiaries

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than Seller, Buyer or the Newco or their successors or permitted assigns any rights or remedies under or by reason of this Agreement.

9.6 Counterparts

This Agreement and any amendments hereto may be executed in one or more counterparts, each of which shall be deemed to be an original by the parties executing such counterpart, but all of which shall be considered one and the same instrument.

9.7 Notices

All notices hereunder shall be deemed given if in writing and delivered personally or sent by facsimile, telex or telegram or by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other addresses as shall be specified by like notice):

(a) if to the Buyer, to:

NOVA Gas Transmission Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 4K5

Attention: Senior Vice-President, Customer Sales & Services
Facsimile: (403) 920-2317

With a copy to: Vice-President, Operations and Engineering Law
Facsimile: (403) 920-2422

if to the Seller, to:

Attention: Vice-President, Operations
Facsimile: (403) 245-5156

With a copy to:

Macleod Dixon LLP
3700 Canterra Tower
400 Third Avenue S.W.
Calgary, Alberta T2P 4H2

Attention: Orville Pyrcz
Facsimile: (403) 264-5973

Any notice given by mail, telegram or facsimile shall be effective when received.

9.8 Governing Law and Attornment

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta (without regard to conflicts of the laws rules). For the purpose of all legal proceedings, this Agreement shall be deemed to have been performed in the Province of Alberta and the courts of the Province of Alberta shall have jurisdiction to entertain any action arising under this Agreement. The Seller and the Buyer each hereby attorns to the jurisdiction of the courts of the Province of Alberta. Each of the parties further agrees that service of any process, summons, notice or document by personal delivery to such party's address in the Province of Alberta set forth above shall be effective service of process for any action, suit or proceeding brought against such party in any such court. Each of the parties hereby irrevocably and unconditionally waives any objection to the laying of the venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Alberta and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

9.9 Severability

The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or entity or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provisions

shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision to other persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

9.10 Time of Essence

Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.


9.11 Public Announcement

Except as required by Law or stock exchange requirement, no party to this Agreement shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other party and the parties shall cooperate as to the timing and contents of any such press release or public announcement.

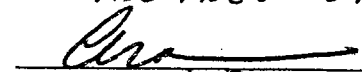
IN WITNESS WHEREOF, this Agreement has been signed by a duly authorized officer and on behalf of each of the parties hereto as of the date first written above.

SIMMONS GROUP INC.

By:

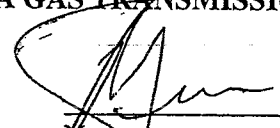

Name: LORANCE PASIECHNYK
Title: VICE PRES - OPERATIONS

By:



Name: Chris Reimel
Title: Director

NOVA GAS TRANSMISSION LTD.

By:


Name:
Title:

By:


Name:
Title:



Schedule 1.1(s)

Excluded Assets

See attached.

Schedule 1.1(x)(i)

Seller's Representatives

Victor Redekop
Lorance Pasiechnyk
Chris Reimchen

Schedule 1.1(s) – Excluded Assets

Page 1 of 3 07/09/03

Tower South Lateral and Meter Station

Tract No.	Legal	Owner	Eub License No.	Registered Plan No.	Comments
1	SE-14-75-16-W4M	Crown	License # 12408 Abandoned as per Simmons; Operating as per EUB license	Plan 782 1455	PLA 770097 Pelican (Tower South P/L and M/S)

Tower North Lateral and Meter Station

Tract No.	Legal	Owner	Eub License No.	Registered Plan No.	Comments
1	SW-14-76-15-W4M	Crown	License # 12409 Shut-in	Plan 7821471	PLA 770098 Pelican (Tower North P/L and M/S)
2	S/2-15-76-15-W4M	Crown	License # 12409 Shut-in	Plan 7821471	PLA 770098 Pelican
3	S/2-16-76-15-W4M	Crown	License # 12409 Shut-in	Plan 7821471	PLA 770098 Pelican
4	S/2-17-76-15-W4M	Crown	License # 12409 Shut-in	Plan 7821471	PLA 770098 Pelican
5	SE-18-76-15-W4M	Crown	License # 12409 Shut-in	Plan 7821471	PLA 770098 Pelican

Mildred Lake Pipeline Relocation

1	North portion NW 21-92-10-W4	Crown	License # 11809	Plan 8721464	Abandoned pipe removed Rec Cert #A-94-001
2	W ½ 28-92-10-W4	Crown	License # 11809	Plan 8721464	Abandoned pipe removed Rec Cert #A-94-001
3	NE 29-92-10-W4	Crown	License # 11809	Plan 8721464	Abandoned pipe removed Rec Cert #A-94-001
4	E ½ 32-92-10-W4	Crown	License # 11809	Plan 8721464	Abandoned pipe removed Rec Cert #A-94-001
5	SE 5-93-10-W4	Crown	License # 11809	Plan 8721463	Abandoned pipe removed Rec Cert #A-94-001
6	portion NE 5-93-10- W4	Crown	License # 11809	portion of Plan 8721463	Abandoned some pipe removed (Rec Cert #A-94-001) and some left in place

Pipeline Right-of-Way in 92 & 93-10-W4

1	Portion NW 31-92- 10-W4	Crown	License # 11809	Plan 9520526	Abandoned pipe in place no Rec Certificate
2	S ½ 6-93-10-W4	Crown	License # 11809	Plan 9520526	Abandoned – some pipe in place and some removed no Rec Certificate
3	N ½ 6-93-10-W4	Crown	License # 11809	Plan 9520526	Abandoned – some pipe in place and some removed no Rec Certificate

2002 Relocation Sec 2-93-11-W4

1	Portion SW 2-93- 11-W4	Crown	License # 11809 Line # 25	Plan 9420911	Abandoned; some pipe removed and some in place (line #25) No Rec Certificate
2	NW 2-93-11-W4	Crown	License # 11809 Line # 25	Plan 9420911	Abandoned and pipe removed (line #25) No Rec Certificate
3	Portion NE 2-93-11 W4	Crown	License # 11809	Plan 9420911	Abandoned and pipe removed (line #25) No Rec Certificate

1994 Re-route in 92-11-W4

1	NW 16-92-11-W4		License # 11809 Line #	Plan 7820837	Abandoned; pipe left in place (line #18) Rec Cert #P-144
2	W ½ 21-92-11-W4		License # 11809	Plan 7820822	Abandoned; pipe left in place (line #18) No Rec Certificate

Schedule 1.1(s) – Excluded Assets

Page 2 of 3 07/09/03

3	S ½ 28-92-11-W4		License # 11809	Plan 7820822	Abandoned; pipe removed (#18) No Rec Certificate
4	NE 28-92-11-W4		License # 11809	Plan 7820822	Abandoned; pipe removed (line #18) Rec Cert P-144
5	E ½ 33-92-11-W4		License # 11809	Plan 7820822	Abandoned; pipe removed (line #18) Rec Cert P-144
6	N ½ 34-92-11-W4		License # 11809	Plan 7820822	Abandoned; pipe removed (line #13) Rec Cert P-144
7	NW 35-92-11-W4		License # 11809	Plan 7820822	Abandoned; pipe removed (line #13) Rec Cert P-144
8	S ½ 2-93-11-W4		License # 11809	Plan 7820822	Abandoned; pipe removed (line #13) Rec Cert P-144
9	S ½ 1-93-11-W4		License # 11809	Plan 7820822	Abandoned; pipe removed (line #13) Rec Cert P-144
10	W ½ 6-93-10-W4		License # 11809	Plan 7820822	Abandoned; pipe removed Rec Cert A-84-2
11	portion NE 6-93-10-W4		License # 11809	Plan 7820822	Abandoned; pipe removed Rec Cert A-84-2

1981 Relocation in 93-10 & 11-W4 (Plan 8122744)

1	SE 1-93-11-W4		License # 11809 Line # 17	Plan 8122744 (cancelled – no longer exists)	Abandoned as a result of 1990 PLA cancellation
8	NE 1-93-11-W4		License # 11809 Line # 17	Plan 8122744 (cancelled – no longer exists)	Abandoned as a result of 1990 PLA cancellation
9	NW 6-93-10-W4		License # 11809 Line # 17	Plan 8122744 (cancelled – no longer exists)	Abandoned as a result of 1990 PLA cancellation
10	NE 6-93-10-W4		License # 11809 Line # 17	Plan 8122744 (cancelled – no longer exists)	Abandoned as a result of 1990 PLA cancellation

Kandex Access Road (LOC 780140)

1	<p><u>Excluding</u> the following lands:</p> <p><u>Twp 79, Rge 13, W 4</u> N ½ 1 N ½ 20 NE 11 N ½ 21 W ½ 12 SE 21 N ½ 14 SW 22 SE 14 SW 29 N ½ 15 S ½ 30 SE 15</p> <p><u>Twp 79, Rge 14, W 4</u> S ½ 25 N ½ 26 SE 26 N ½ 27 SW 34</p>	LOC acquired in name of Kandex Resources & Developments Ltd., now Simmons Group Inc.	LOC 780140 dated January 31, 1978
---	---	--	-----------------------------------

Miscellaneous

1. METSO SCADA System
2. GMS System
3. EMS System
4. SCADA Hardware/Software
5. Office Furniture (Calgary Office)
6. Producer-owned metering facilities including communications equipment at those locations

Simmons Abandoned Pipelines and Replacement Pipelines within Syncrude site

<u>Line #</u>	<u>Legals</u>	<u>KM</u>	<u>Status</u>	<u>Plan No.</u>	<u>Replaced by</u>
13	LSD 08-33-092-11 W4M to LSD 07-01-093-11 W4M	3.42 km	abandoned (1987)	7820822	9420912, 9420911
14	LSD 07-01-093-11 W4M to LSD 10-06-093-10 W4M	2.04 km	abandoned (1987)	7820822	n/a
17	LSD 07-01-093-11 W4M to LSD 10-06-093-10 W4M	2.38 km	abandoned (1981)	8122744	n/a
18	LSD 12-16-092-11 W4M to LSD 08-33-092-11 W4M	5.6 km	abandoned (1987)	7820822	9420912
25	LSD 06-02-093-11 W4M to LSD 10-02-093-11 W4M	0.99 km	abandoned (2002)	9420911	0322496
30	LSD 14-31-092-10 W4M to LSD 10-06-093-10 W4M	1.6 km	abandoned (2001)	9520526	0122979
31	LSD 13-21-092-10 W4M to LSD 09-05-093-10 W4M	4.92 km	abandoned (1993)	8721464, 8721463	n/a

Schedule 1.1(x)(ii)

Buyer's Representatives

Don Bell
Peter Ewing
Michael Moschopedis

Schedule 1.1(bb)

Miscellaneous Interest

Information Technology

1. CONFIRMED TELECOM EQUIPMENT

Terminal servers in TransCanada Ft. McMurray office
DSD bridges in TransCanada Ft. McMurray office
Leased line modems from TransCanada Ft. McMurray office to Telus data radio hubs
Hub radios, associated hardware, and radio system components
Remote radios, associated hardware, and radio system components
Mike radios in office and field

2. NON-CONFIRMED, TYPICAL TELECOM EQUIPMENT

Protocol converters at hub or remote radio locations
Onsite telephones and/or telephone systems
Onsite dial modems
Mobile radios in field trucks

3. SYSTEM INFORMATION DATA

NO hardware from Head Office, only burned on to CDs.
All SCADA info and measurement info for as long back as it was exported out to flat file comma delimited preferred.
Any Land or pipeline records. Any pipeline Customer information.

Schedule 1.1(ii) – 1
Map of Pipeline Assets

See attached.

**Placeholder
Oversize Attachments**

Available in hard-copy
Contact: Bev Leggett at 920-2749
Or by e-mail: Beverley_Leggett@transcanada.com

Schedule 1.1(ii) – 2

List of Assets

EUB Licence No.	Company Code	Company Name	Line No.'s	Installation No.'s	Comments
11809	OW79	Pelican Pipelines Ltd.	All, excluding line no.'s 13,14,17,18,25,30 & 31	All	Pelican Pipeline
14980	OAK7	Simmons Group Inc.	All	All	Leismer Lateral
12407	OW79	Pelican Pipelines Ltd.	All	All	Wander Lateral
13181	OW79	Pelican Pipelines Ltd.	All	All	Marianna Interconnection

Schedule 1.1(ii) – 3

List of Assets and Facilities (Detailed Assets)

See Attached.

**Placeholder
Oversize Attachments**

Available in hard-copy
Contact: Bev Leggett at 920-2749
Or by e-mail: Beverley_Leggett@transcanada.com

Schedule 1.1(ii) – 4

List of Assets and Facilities (Connections)

See attached.

SIMMONS GROUP INC

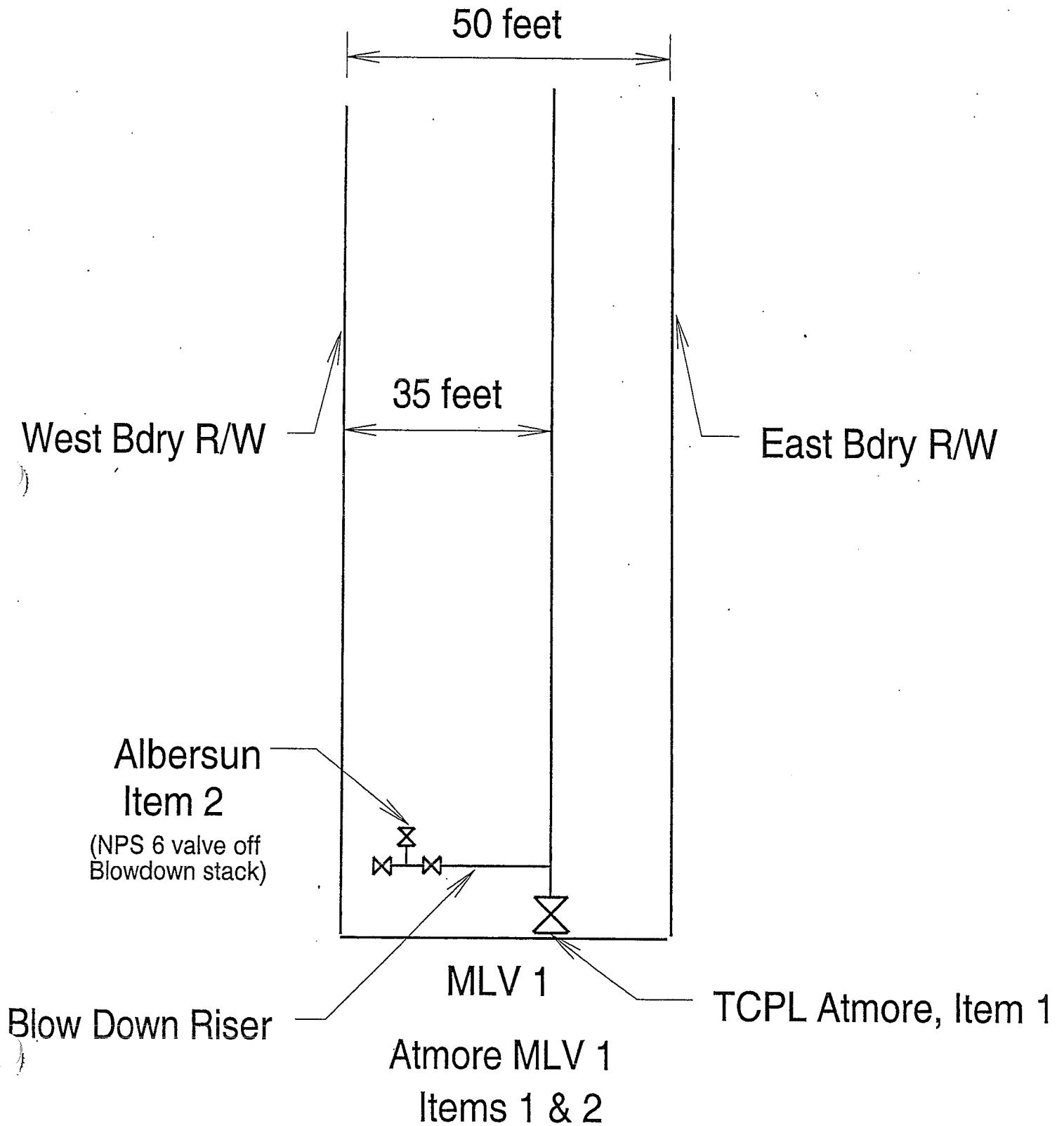
CONNECTIONS TO SIMMONS PIPELINE SYSTEM

May 12, 2003

Item	Location	Legal	Simmons Ownership Termination Description
1	TCPL Atmore	08-32-67-17-W4M	MLV1, South Flange of 12 NPS Gate Valve
2	Albersun Atmore	08-32-67-17-W4M	MLV1 Blowdown riser, 6 NPS Valve off tee
3	EOG Resources	13-34-69-17-W4M	Hot Tap connection, 4 NPS top valve
4	Wander Tower	09-30-72-14-W4M	Meter Station upstream isolation valve, 6 NPS
5	Corrigal Lake	04-01-73-17-W4M	Hot tap connection, 4 NPS top valve
6	Tower South	03-14-75-16-W4M	No above ground facilities, operations discontinued 3 NPS station isolation valve above ground.
7	Tower North	06-14-76-15-W4M	No above ground facilities, operations discontinued 3 NPS station isolation valve above ground
8	West Duncan	08-18-76-15-W4M	Hot Tap, 4 NPS top valve, disconnected
9	North Duncan	04-04-78-15-W4M	MVL7 side valve off blowdown crossover, 4 NPS
10	Thornbury West	05-28-79-14-W4M	Hot Tap connection, 4 NPS top valve
11	House River	08-33-79-14-W4M	Side Valve, 12 NPS on Simmons 16 NPS and a NPS 12 flange attached to a check valve off the TCPL NPS 12 Liege Lateral.
12	Thornbury South	10-03-80-14-W4M	Hot Tap connection, 4 NPS top valve, discontinued
13	Thornbury North	08-13-80-14-W4M	Connection to existing Albersun crossover, 4 NPS valve at R/W edge of the mainline.
14	Thornbury Mariana	03-04-81-13-W4M	MLV9 blowdown valve riser crossover, 6 NPS side valve.
15	Leismer Meter Stn (3 connections)	16-23-77-09-W4M	BP Canada, 8 NPS buried valve inside stn fence Devon, 8 NPS valve, outside stn fence TCPL Conklin, 8 NPS side valve, downstream of meter station.
16	Clyden	04-36-77-11-W4M	Lsm Lateral Valve L2, Blowdown Crossover with 4 NPS side valve.
17	North Thornbury	09-14-79-12-W4M	Lsm Lateral Valve L3, Blowdown Crossover with 4 NPS side valve.
18	Thornbury East	15-12-80-13-W4M	Hot Tap connection, 3 NPS top valve

19	AOSPL Fuel Gas	03-04-81-13-W4M	Meter Station downstream flange, 2 NPS
20	AOSPL Taps	20a SE-07-90-11-W4M	Pin Tee connection
		20b SE-03-88-12-W4M	Pin Tee connection, riser isolation Valve
		20c NE 23-87-12-W4M	Pin Tee connection
		20d SE-02-87-12-W4M	Pin Tee connection
		20e SE-19-83-11-W4M	Pin Tee connection, riser isolation Valve
		20f NE-16-78-15-W4M	Pin Tee connection, riser isolation Valve
		20g NW-33-77-15-W4M	1 NPS guage tap connection off riser MLV 7
		20h SW-02-75-16-W4M	Pin Tee connection, riser isolation Valve
		20i SE-13-73-17-W4M	Pin Tee connection,
		20j SW-12-73-17-W4M	Pin Tee connection, riser isolation Valve
		20k NW-10-70-17-W4M	Pin Tee connection, riser isolation Valve
		20L NW-21-68-17-W4M	Pin Tee connection, riser isolation Valve
21	AG Hangingstone	05-16-82-12-W4M	Hot Tap connection, 6 NPS above ground valve
22	Devon Hangingstone	09-19-83-11-W4M	6 NPS side valve off the Blowdown risers crossover MLV 10.
23	Burnt Pine	01-19-83-11-W4M	Existing side valve, 4 NPS
24	JACOS	11-19-84-11-W4M	6 NPS top valve off the 16 NPS Mainline, hot tap
25	Devon Dover	11-16-92-11-W4M	8 NPS side valve MLV16A off the 16 NPS South loop pipeline.
26	Buffalo	04-21-92-10-W4M	12 NPS side valve off the 16 NPS South loop. Two connection valves, one on each side of MLV17.
27	South Terminal	13-21-92-10-W4M	8 NPS station isolation valve ST2
28	Chevron	09-05-93-10-W4M	10 NPS side valve off the 16 NPS Backup Loop
29	ATCO	09-05-93-10-W4M	2 NPS top valve off the 16 NPS Backup Loop.
30	North Terminal	15-06-93-10-W4M	8 NPS valve, NT2
31	Mildred Lake	03-07-93-10W4M	Station downstream Flange outside of meter station.
32	Old X-tie	02-7-93-10-W4M	Flange on 8 NPS pipe from S/S1 to S/S4 and Flange on upstream side of S/S2.

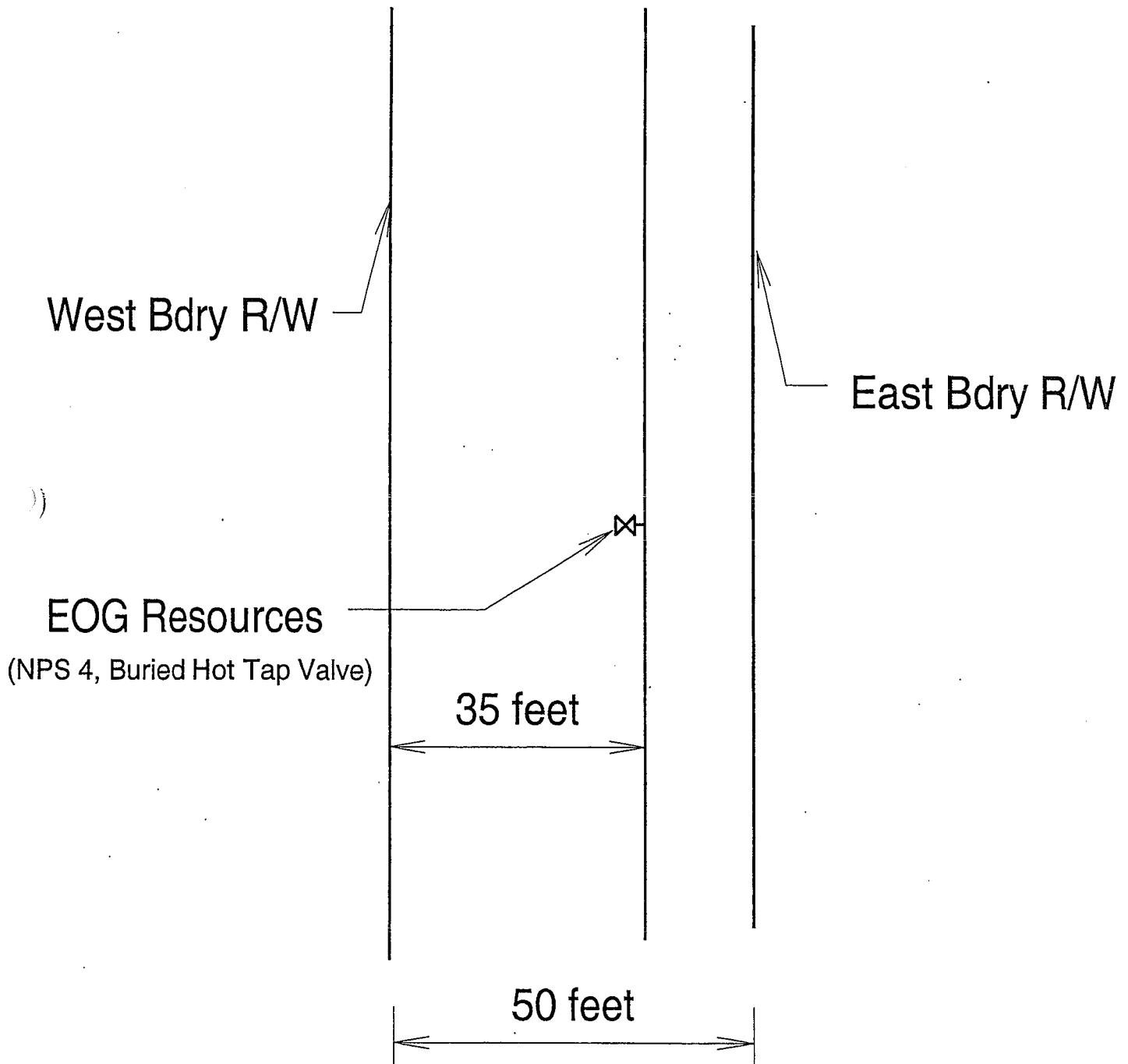
Connections to Simmons Pipeline



08-32-67-17-W4M

July 8 2003

Connections to Simmons Pipeline



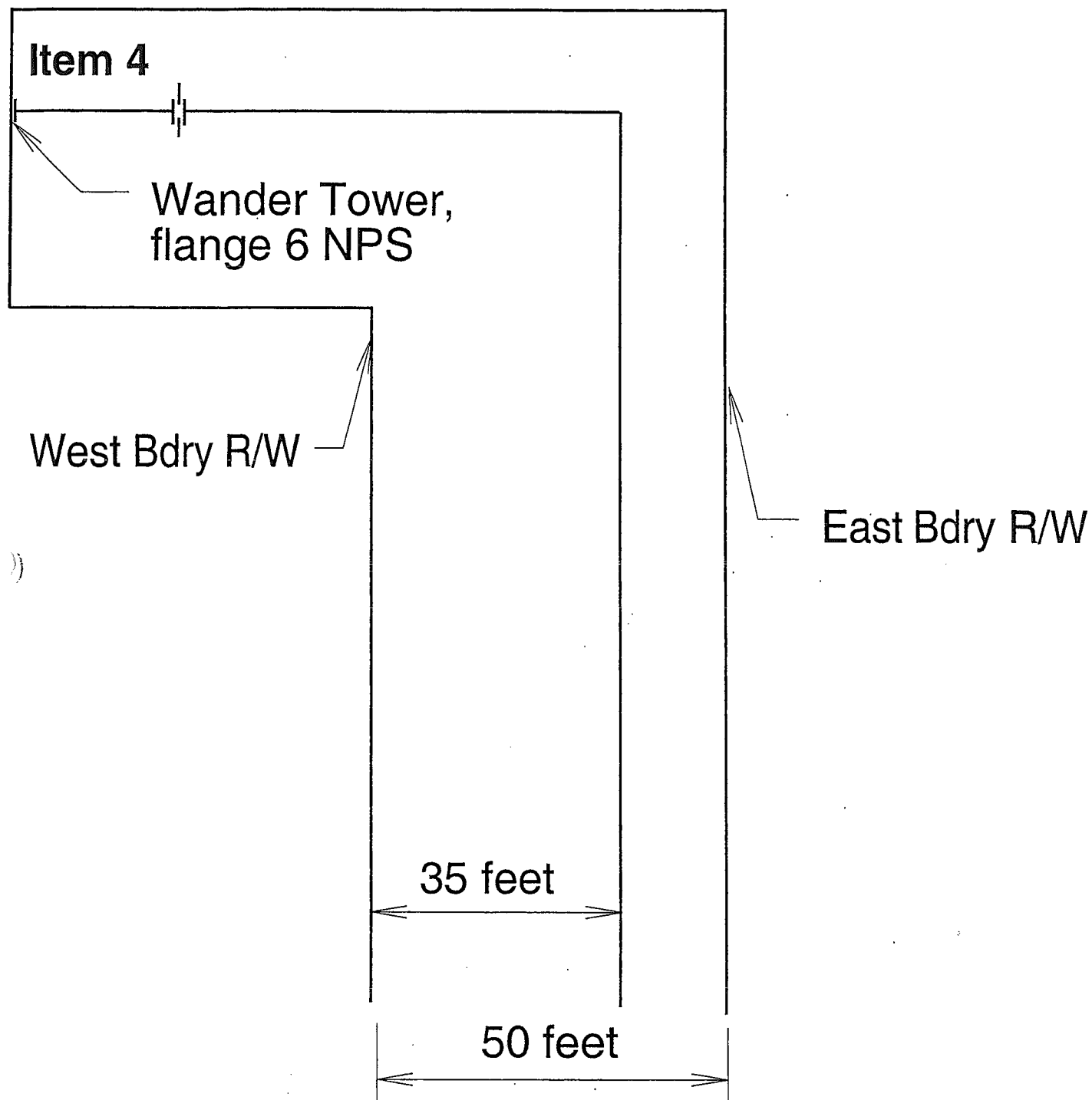
EOG Resources

Item 3

14-34-69-17-W4M

July 8 2003

Connections to Simmons Pipeline

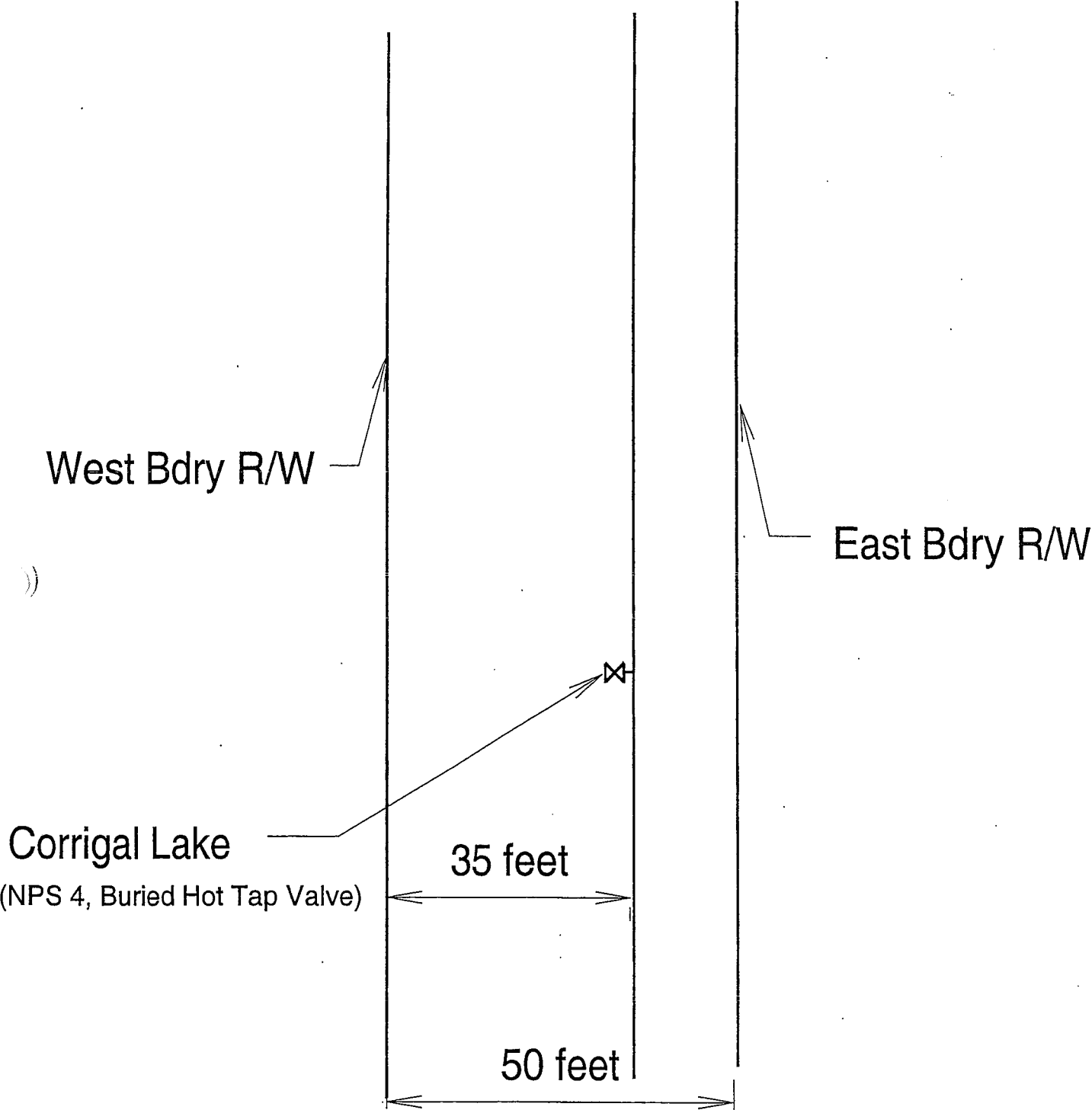


Wander Tower
Item 4

09-30-72-14-W4M

July 8 2003

Connections to Simmons Pipeline



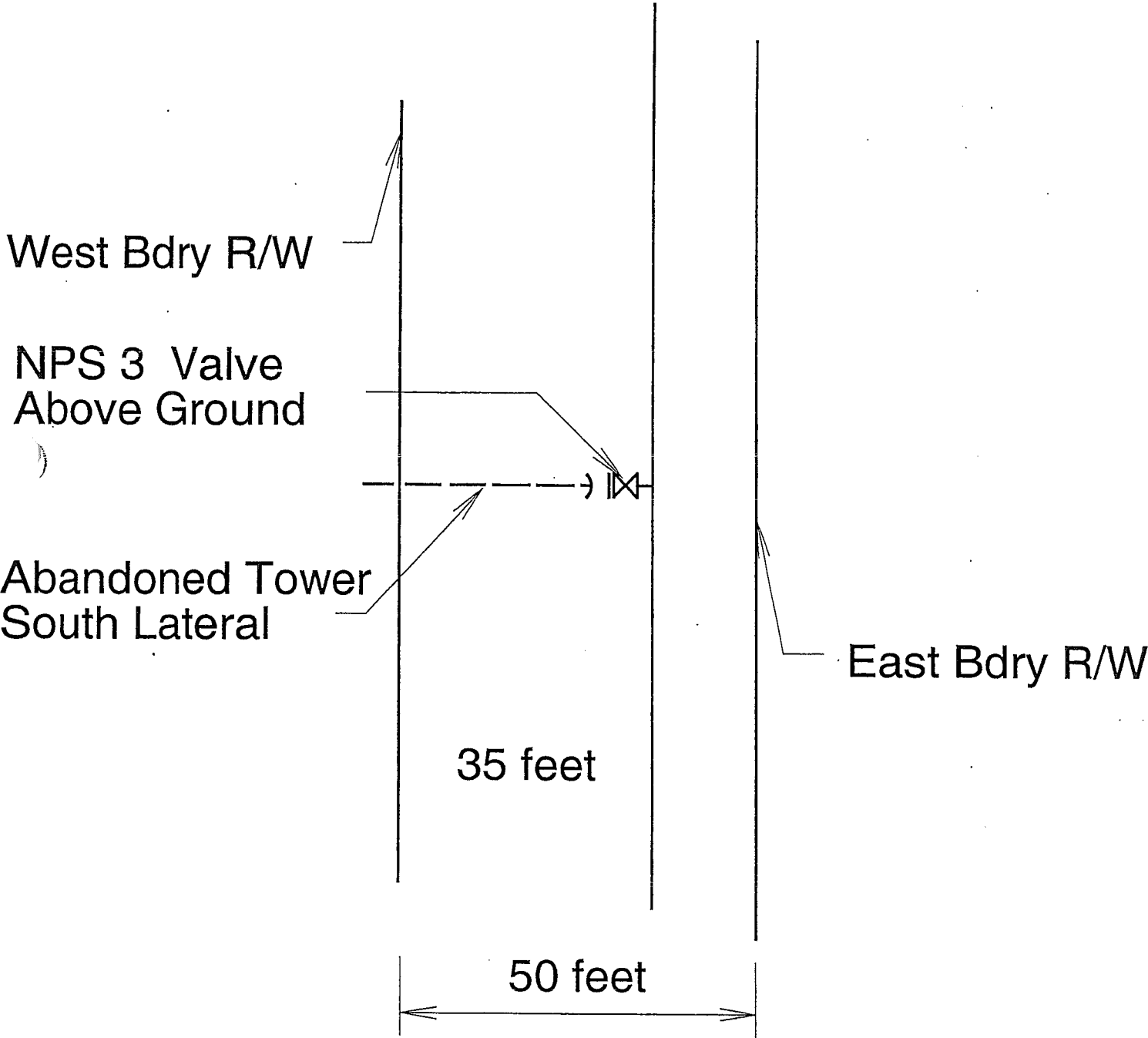
Corrigal Lake

Item 5

04-01-73-17-W4M

July 8 2002

Connections to Simmons Pipeline

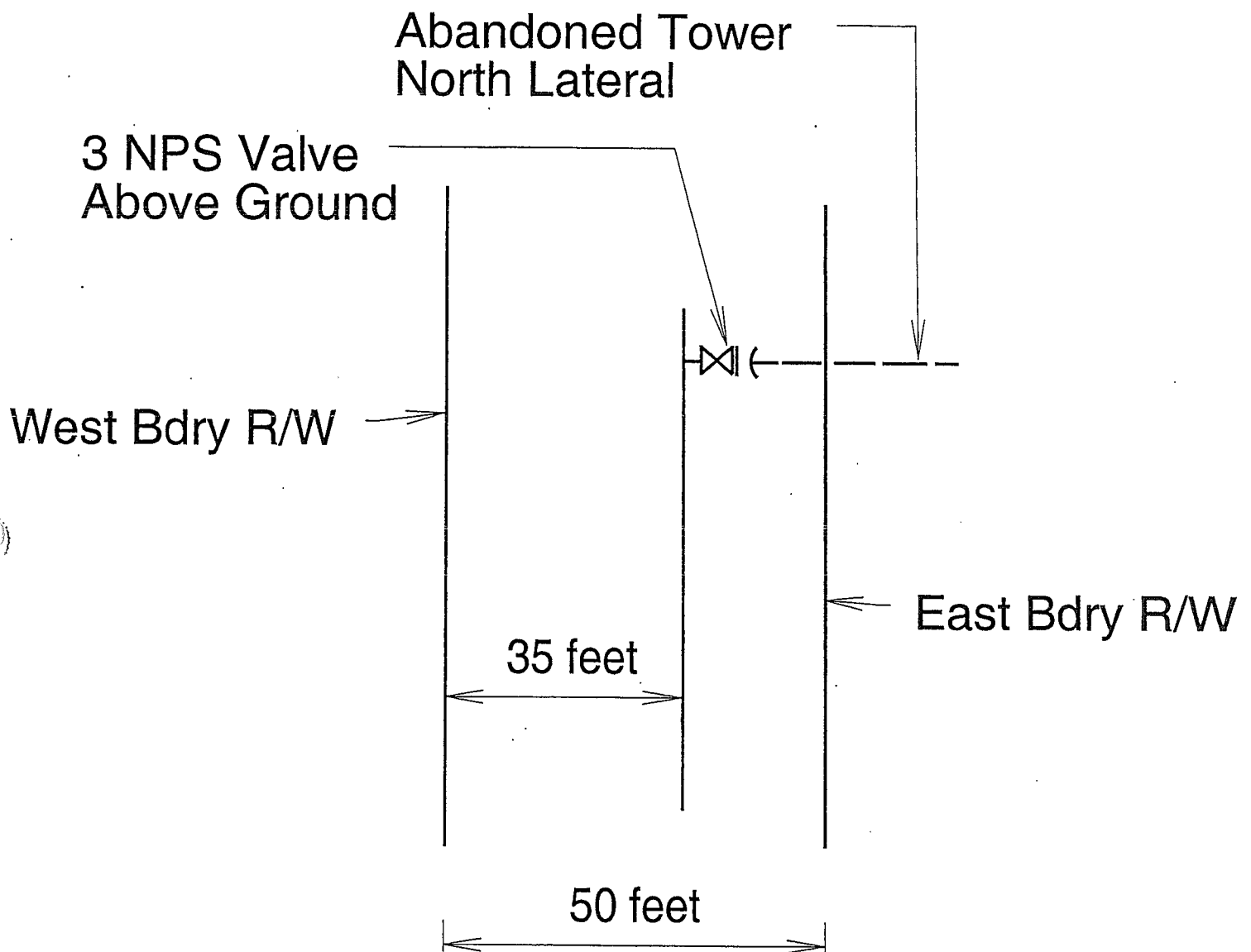


Tower South
Item 6

03-14-75-16-W4M

July 8 2003

Connections to Simmons Pipeline



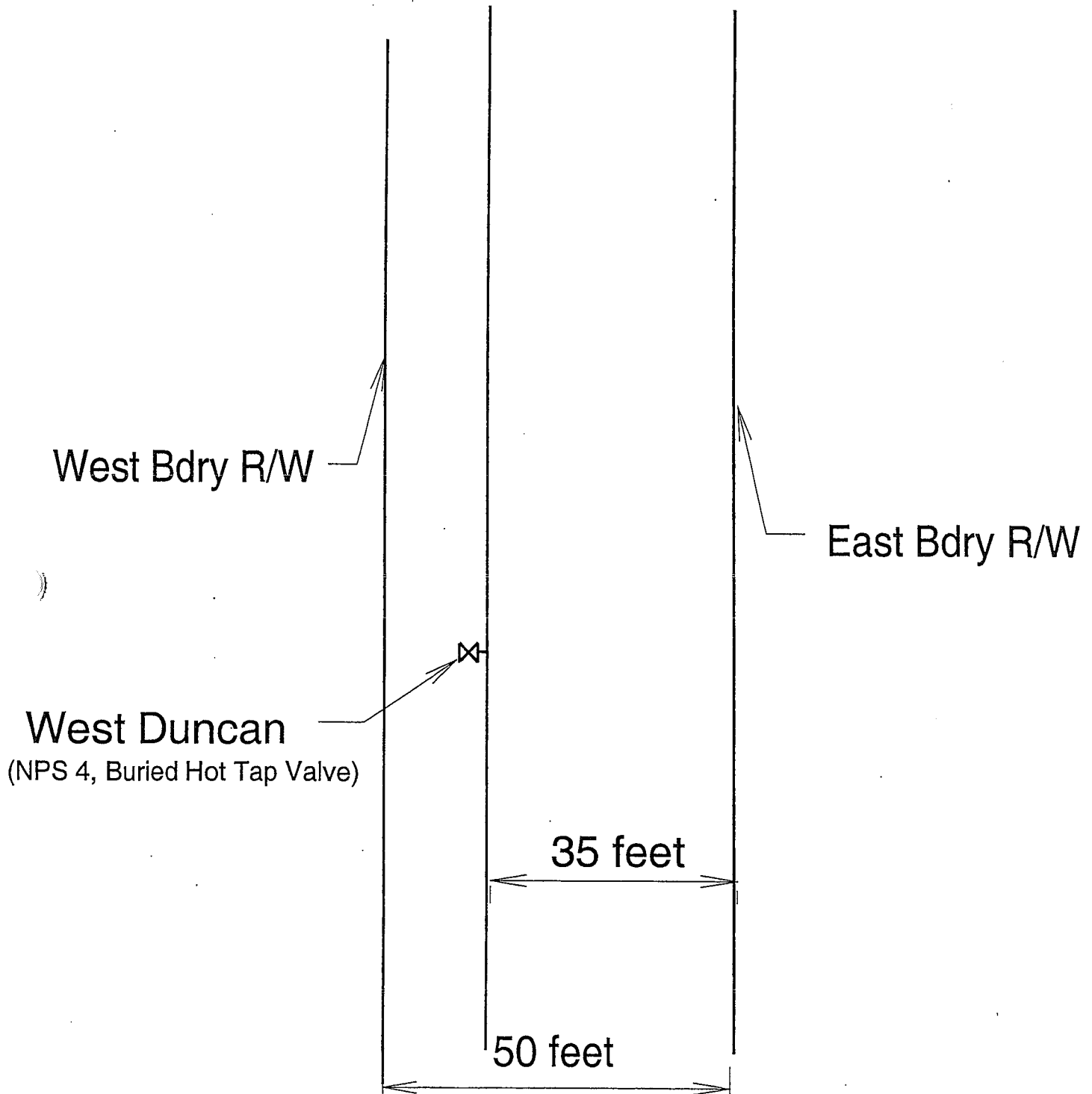
Tower North

Item 7

6-14-76-15-W4M

July 8 2003

Connections to Simmons Pipeline



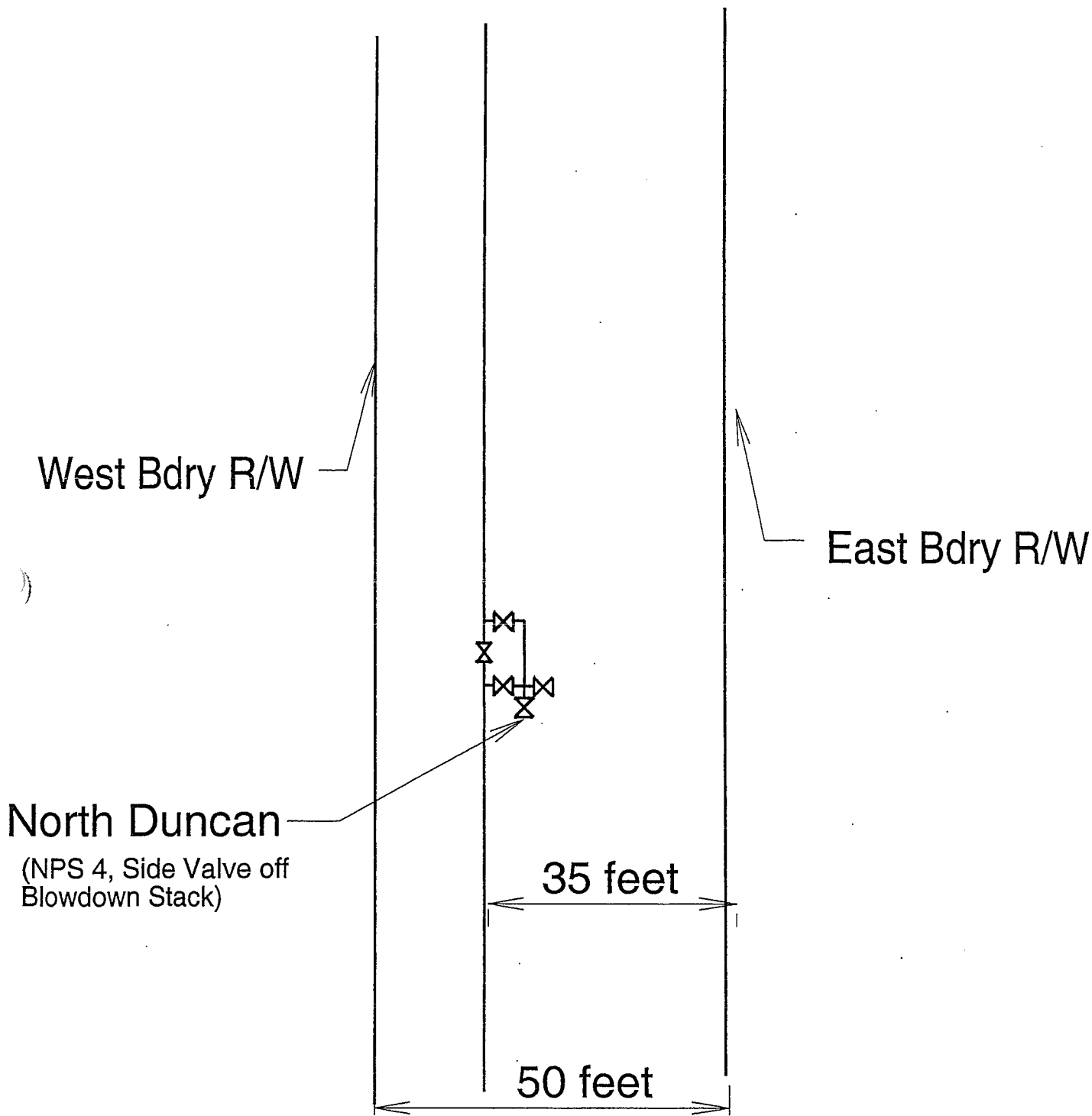
West Duncan

Item 8

08-18-76-15-W4M

July 8 2003

Connections to Simmons Pipeline



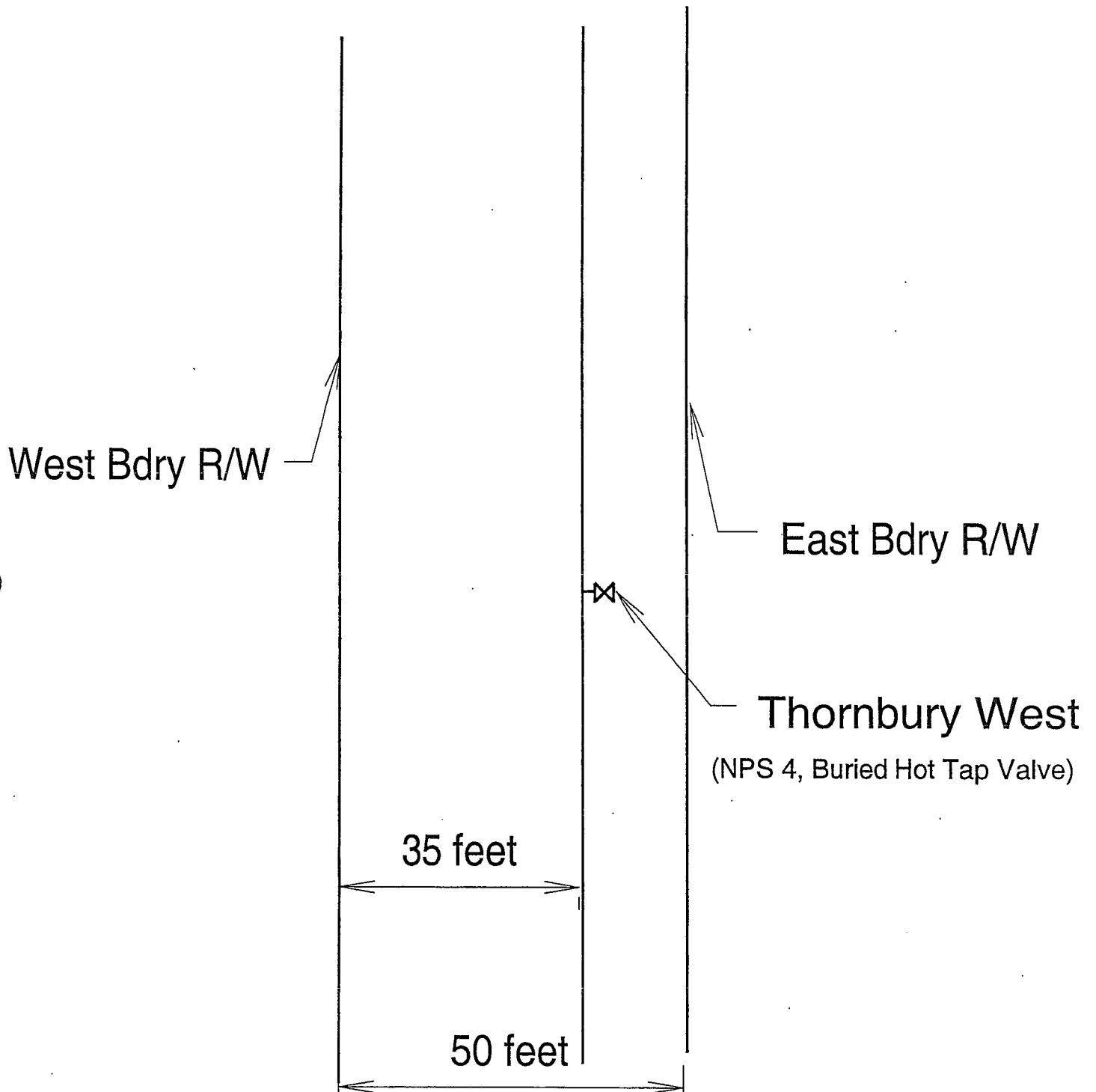
North Duncan

Item 9

04-04-78-15-W4M

July 8 2003

Connections to Simmons Pipeline



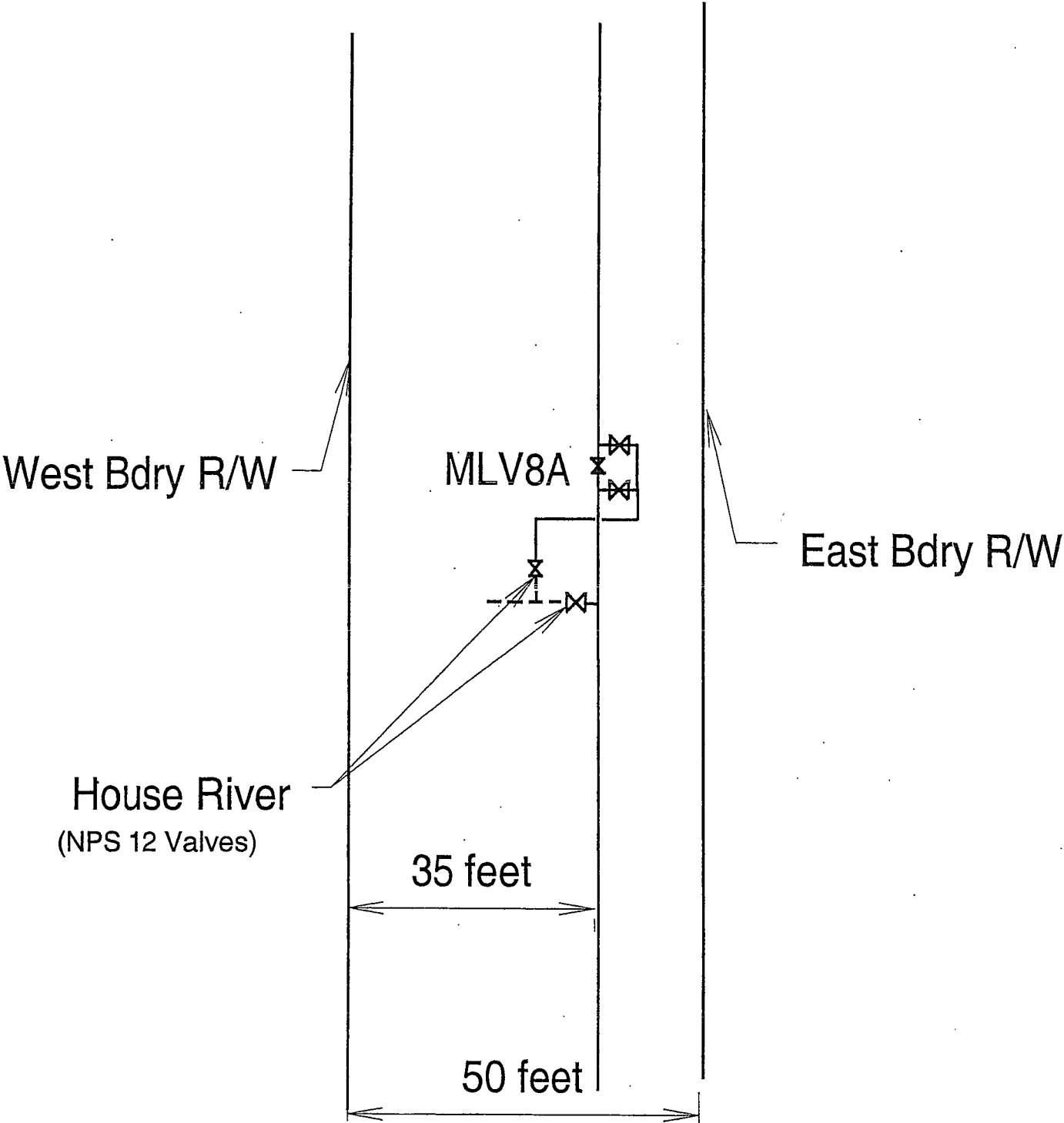
Thornbury West

Item 10

05-28-79-14-W4M

July 8 2003

Connections to Simmons Pipeline



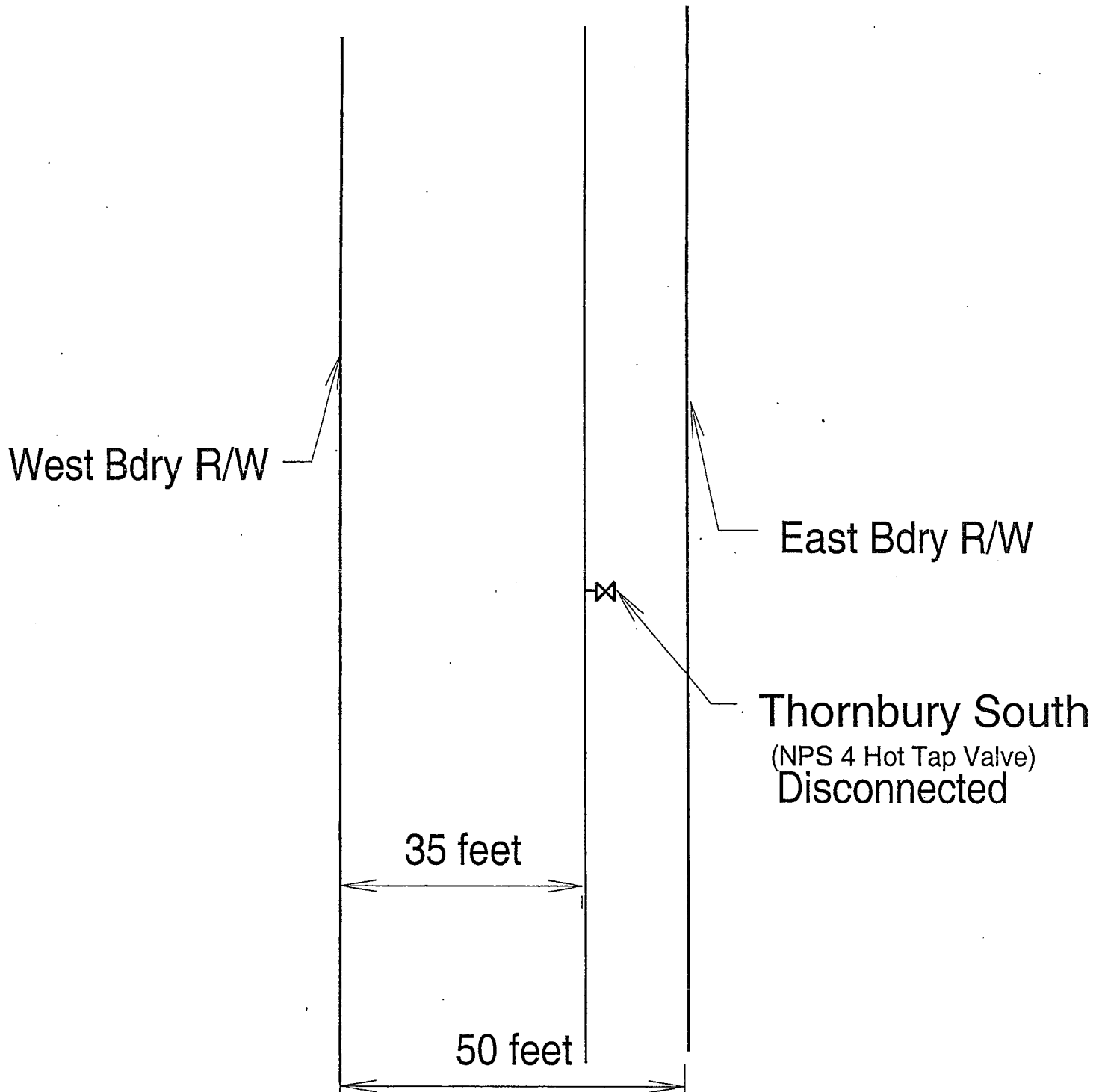
House River

Item 11

08-33-79-14-W4M

July 8 2003

Connections to Simmons Pipeline



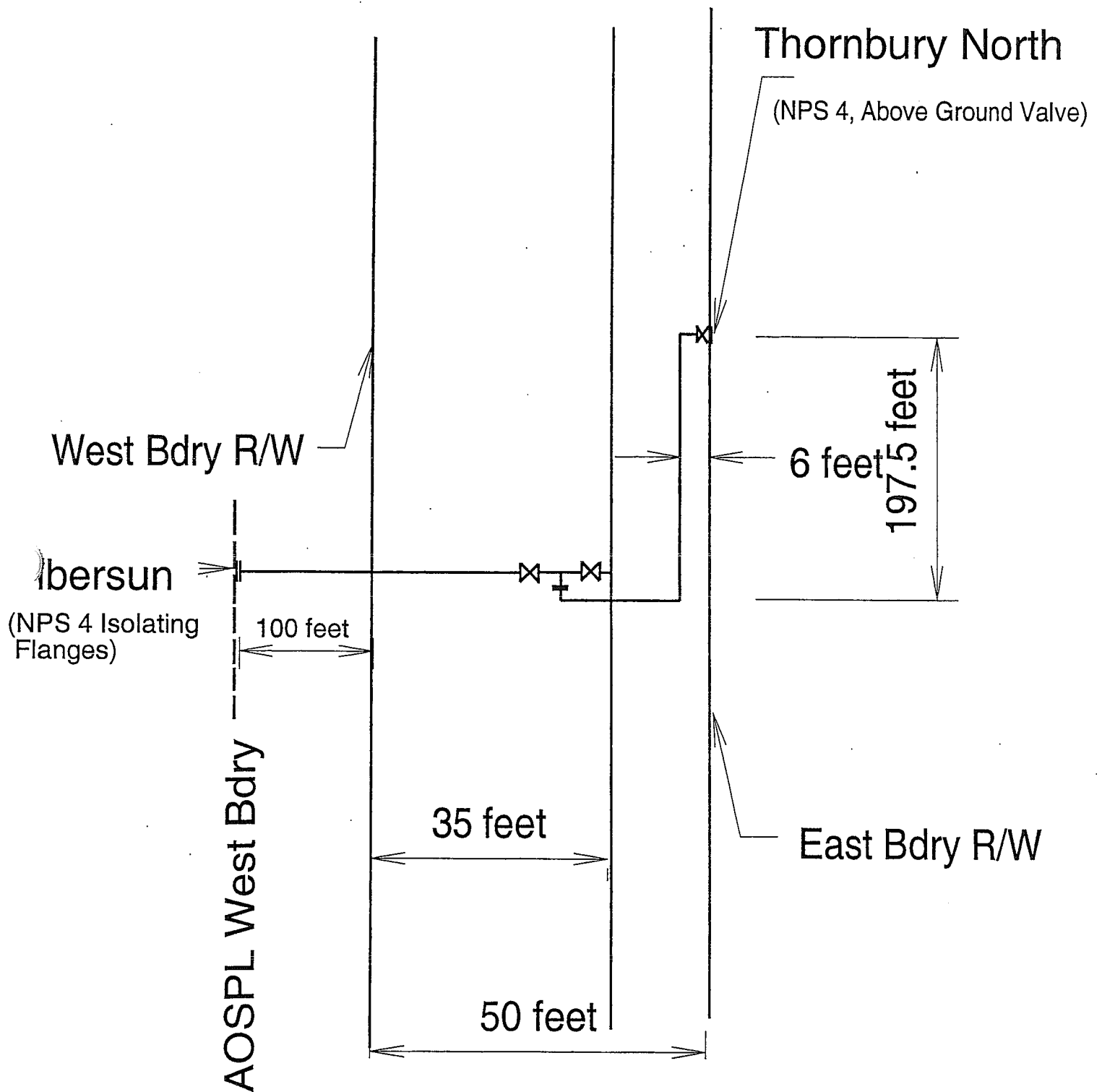
Thornbury South

Item 12

09-03-80-14-W4M

July 8 2003

Connections to Simmons Pipeline



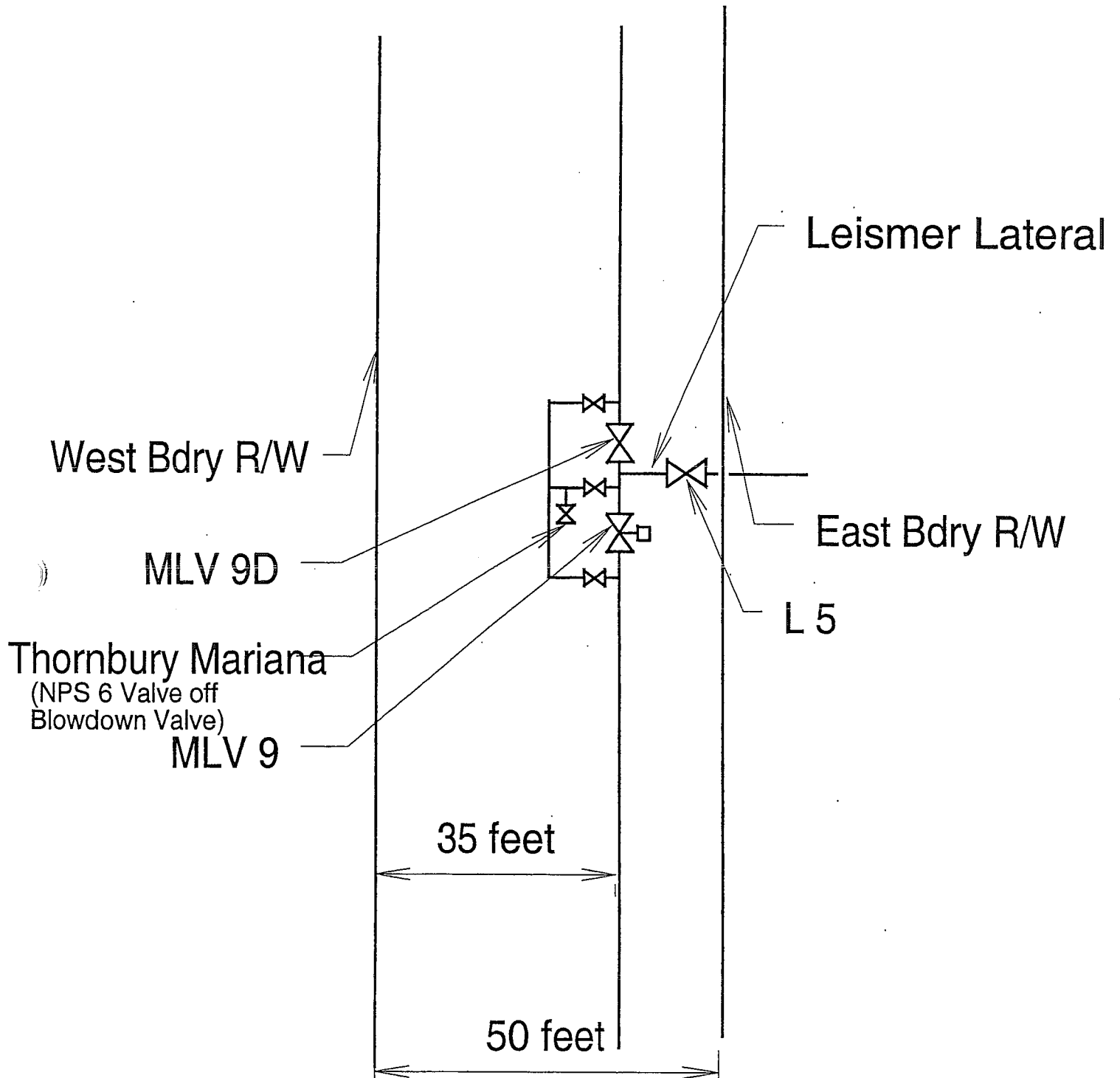
Thornbury North & Albersun

Item 13

08-13-80-14-W4M

July 8 2003

Connections to Simmons Pipeline

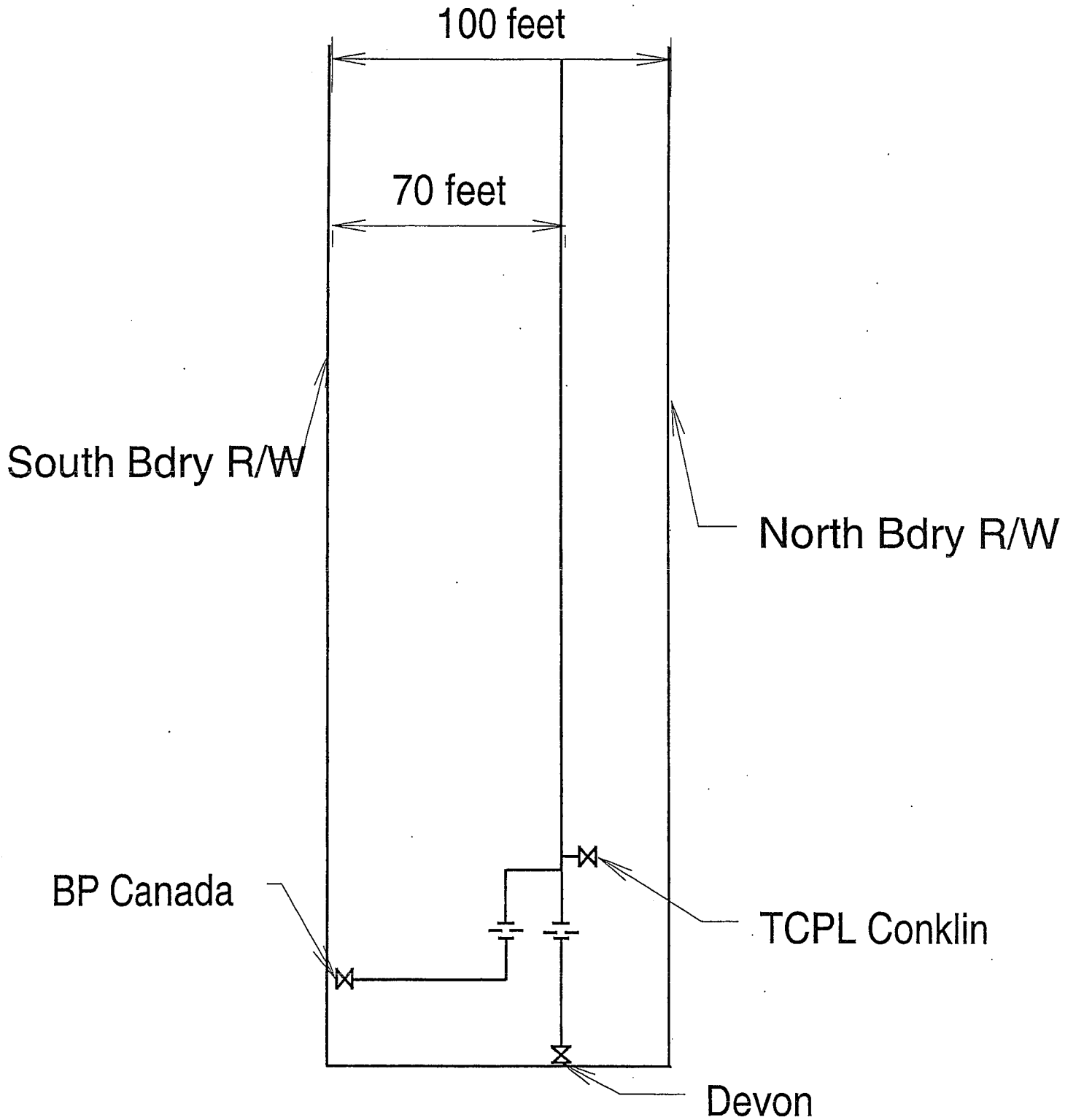


Thornbury Mariana
Item 14

03-04-81-13-W4M

July 8 2003

Connections to Simmons Pipeline



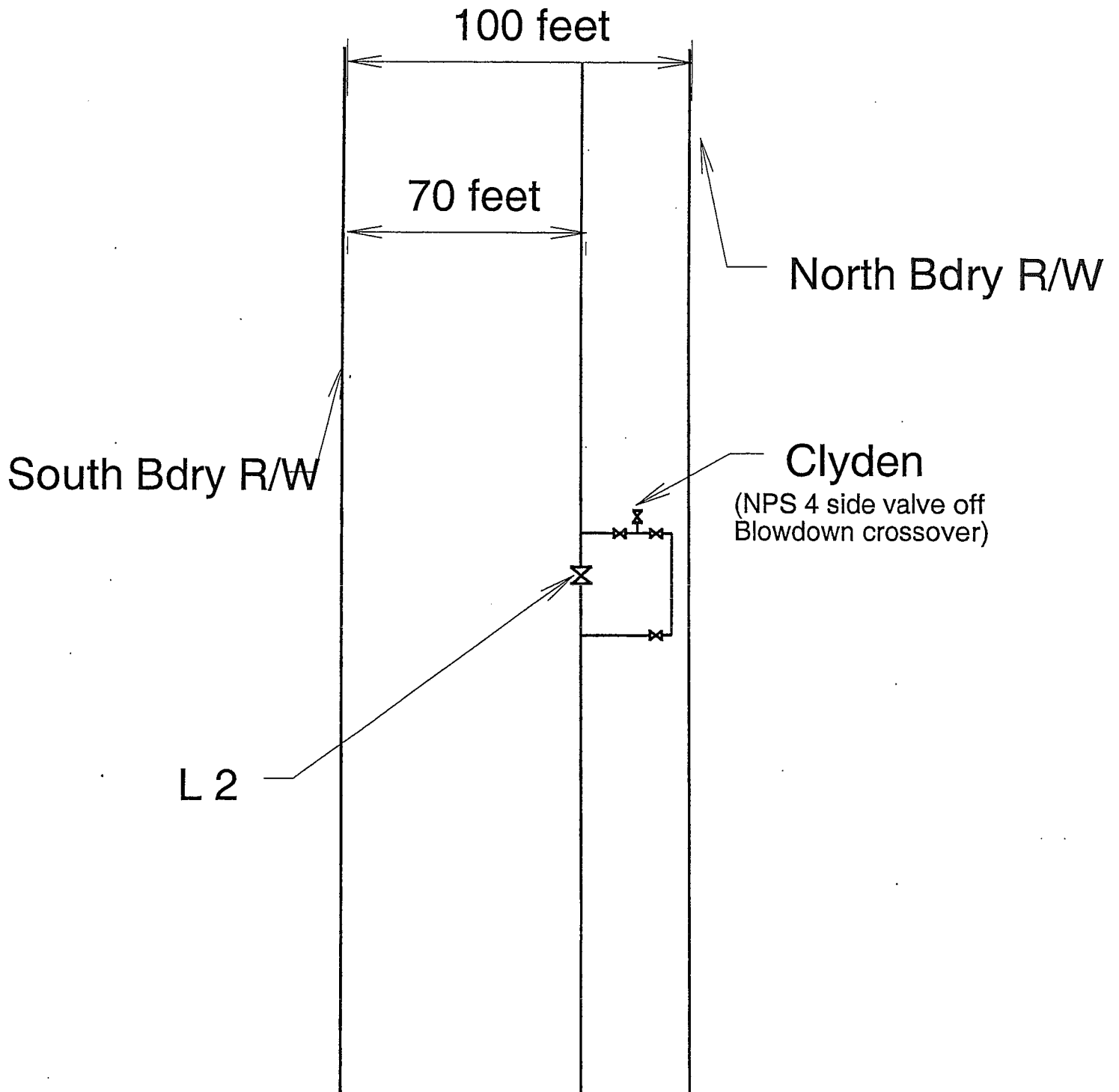
Leismer Meter Station

Item 15

16-23-77-09-W4M

July 8 2003

Connections to Simmons Pipeline

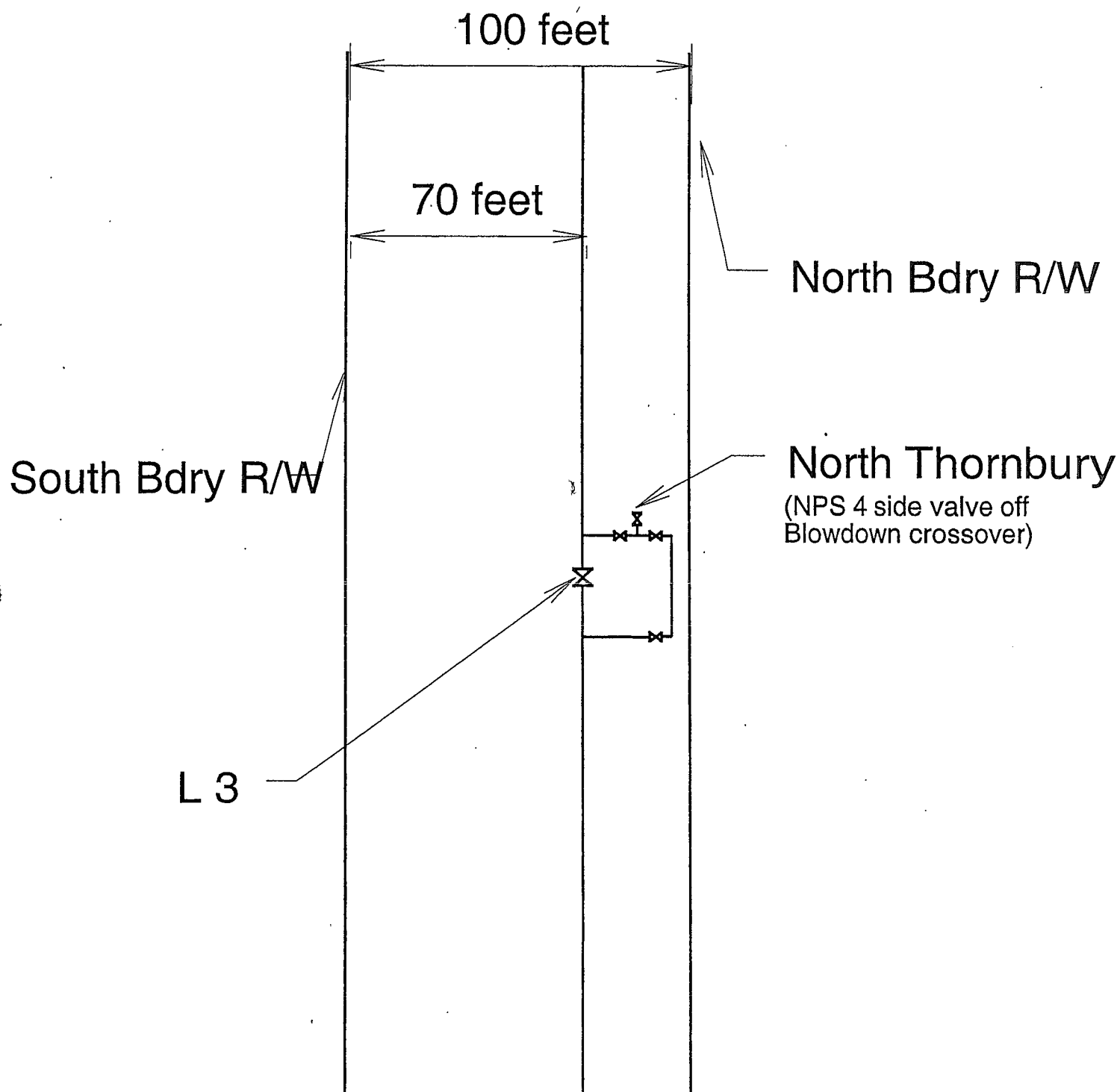


Clyden
Item 16

04-36-77-11-W4M

July 8 2003

Connections to Simmons Pipeline

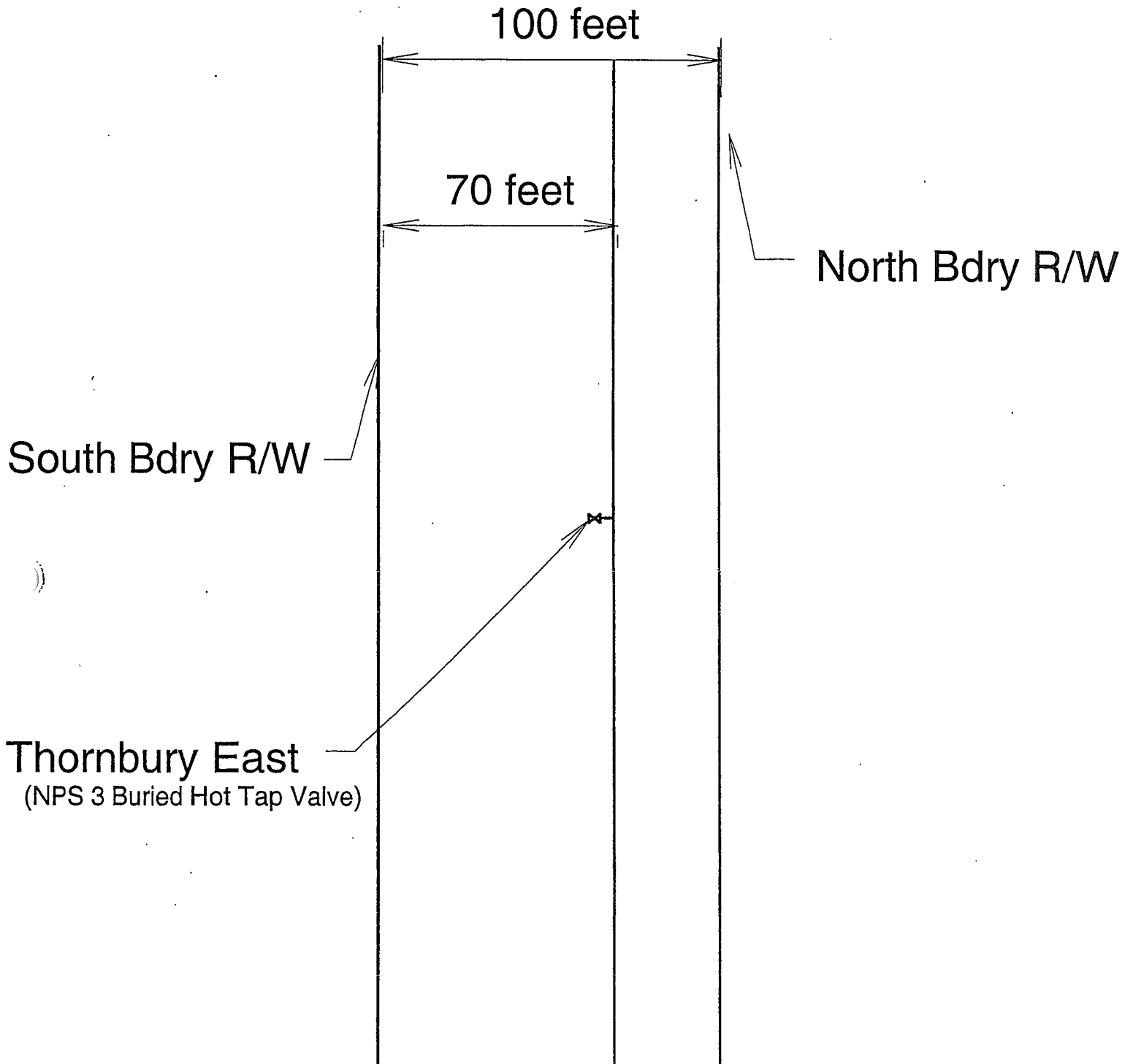


North Thornbury
Item 17

09-14-79-12-W4M

July 8 2003

Connections to Simmons Pipeline

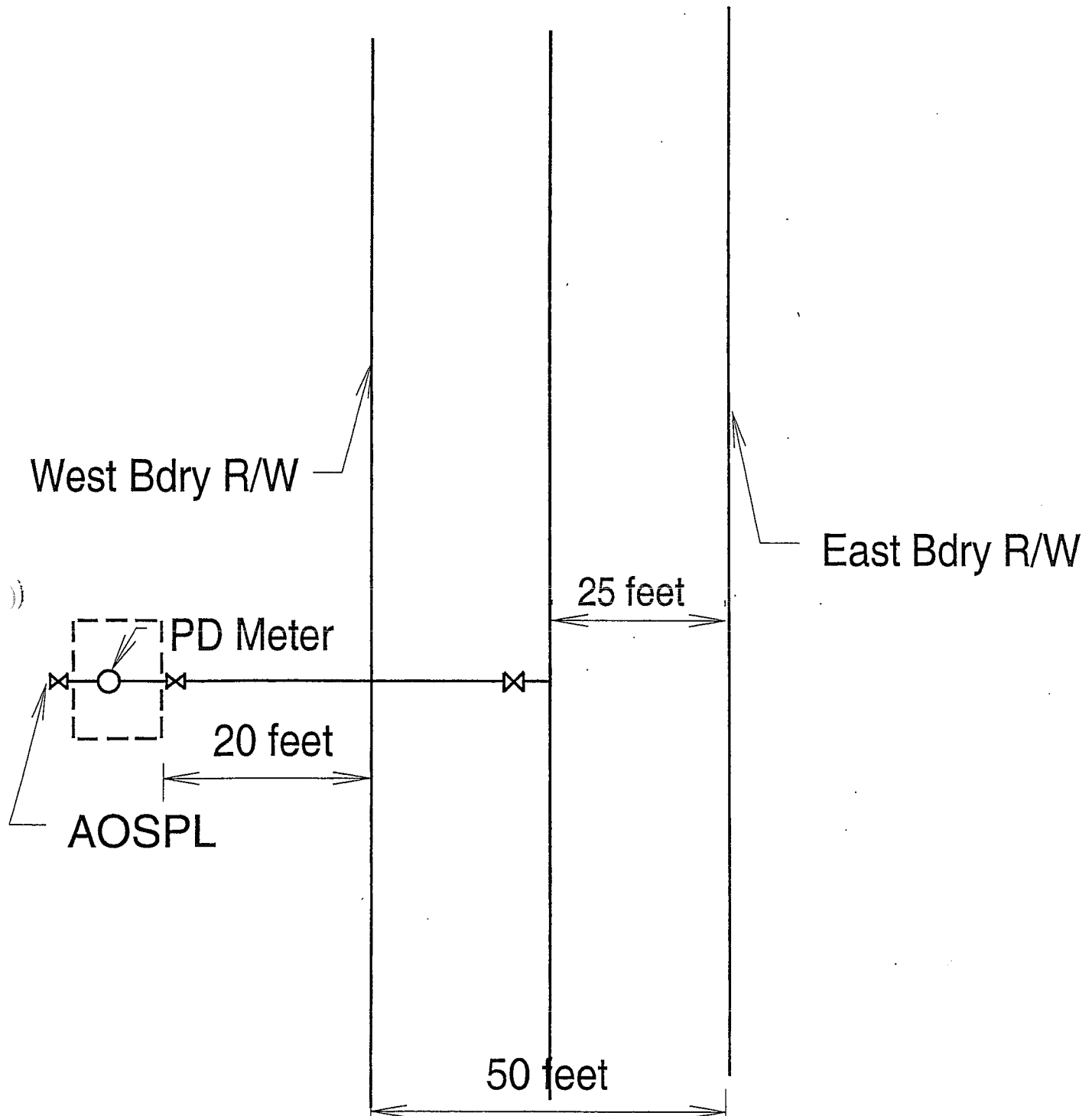


Thornbury East
Item 18

15-12-80-13-W4M

July 8, 2003

Connections to Simmons Pipeline



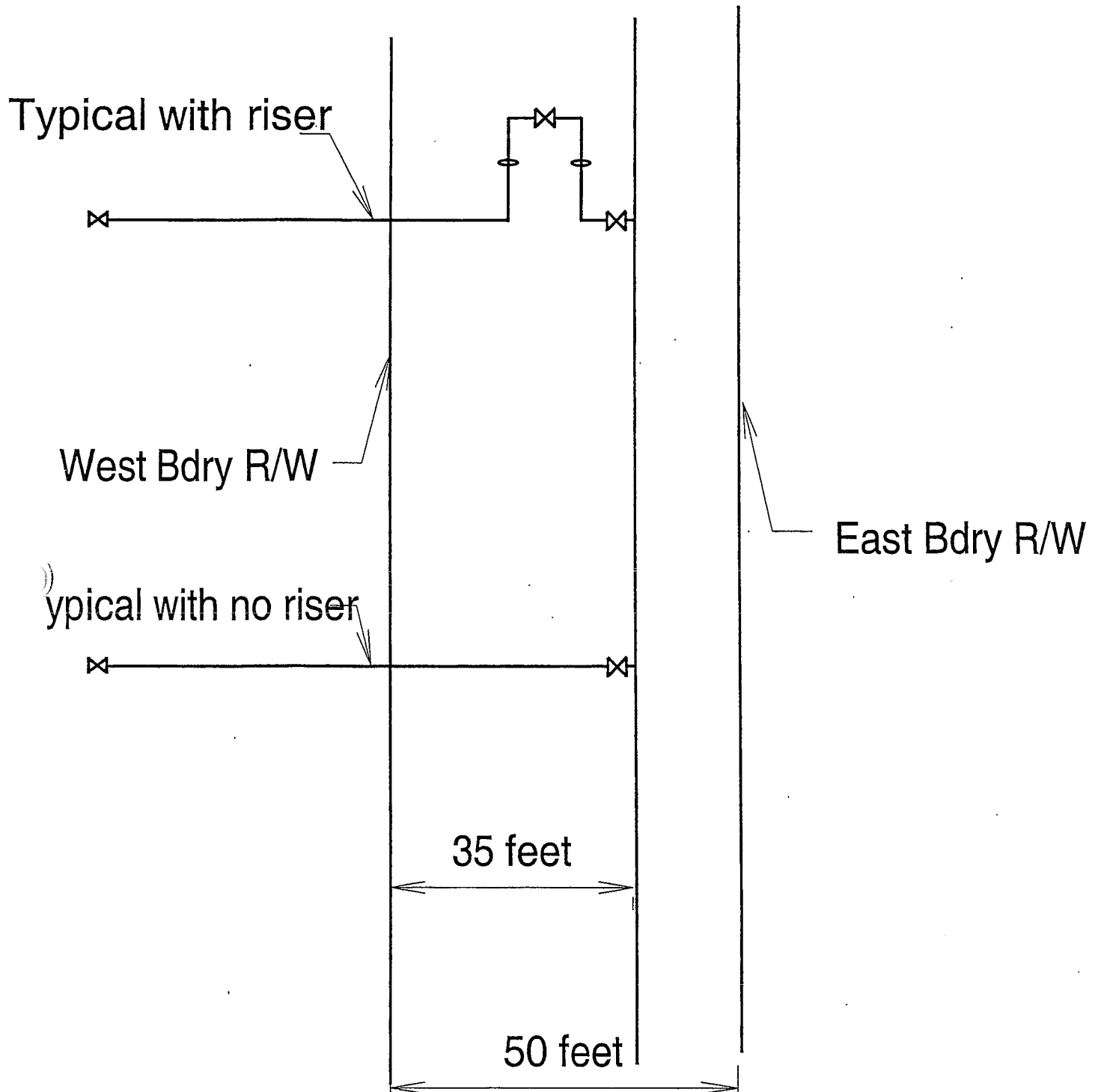
AOSPL FUEL GAS

Item 19

14-33-80-13-W4M

July 8 2003

Connections to Simmons Pipeline



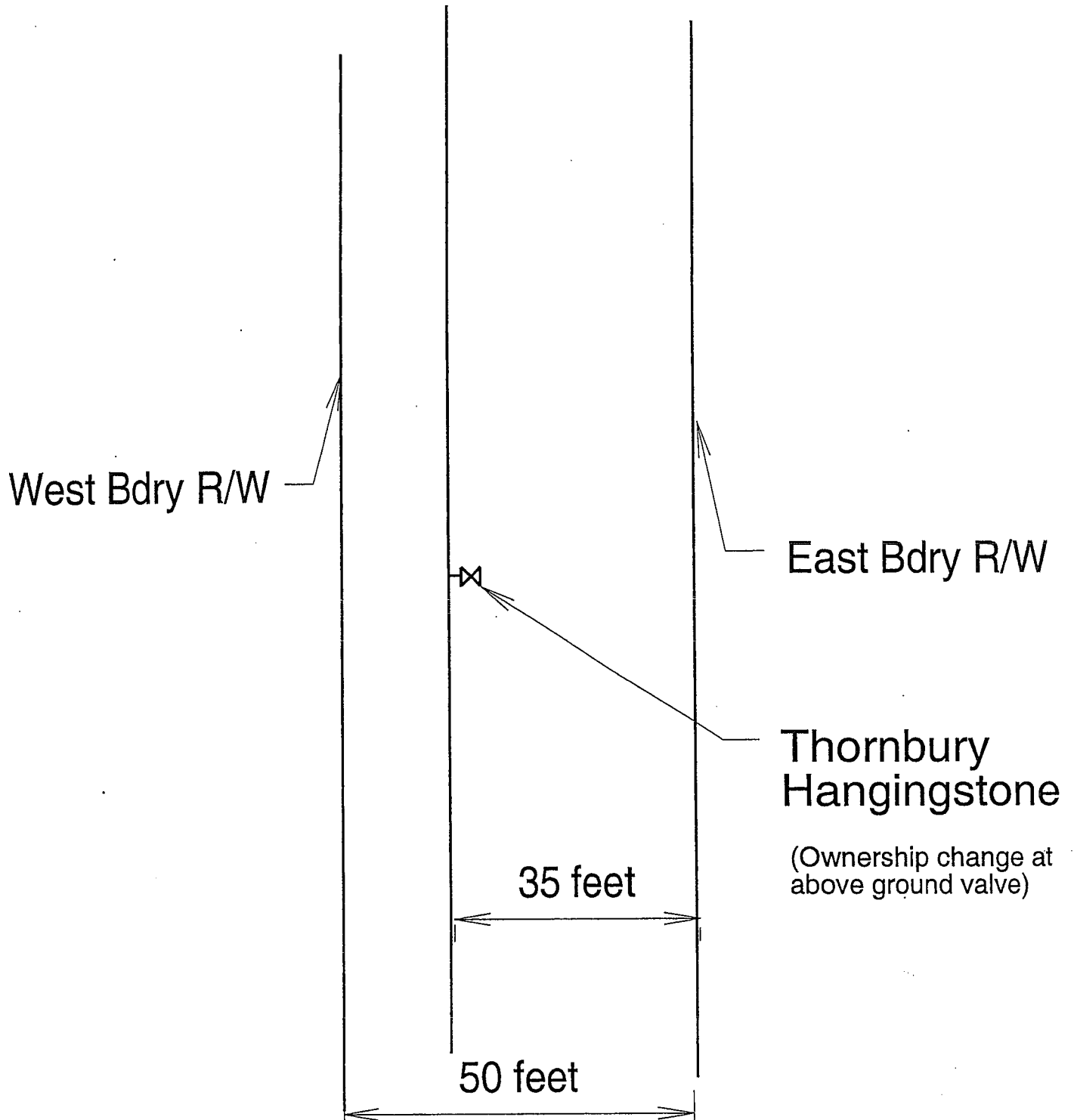
AOSPL typical Supply Taps
With and without riser

Item 20

Various Locations. see list

July 8 2003

Connections to Simmons Pipeline



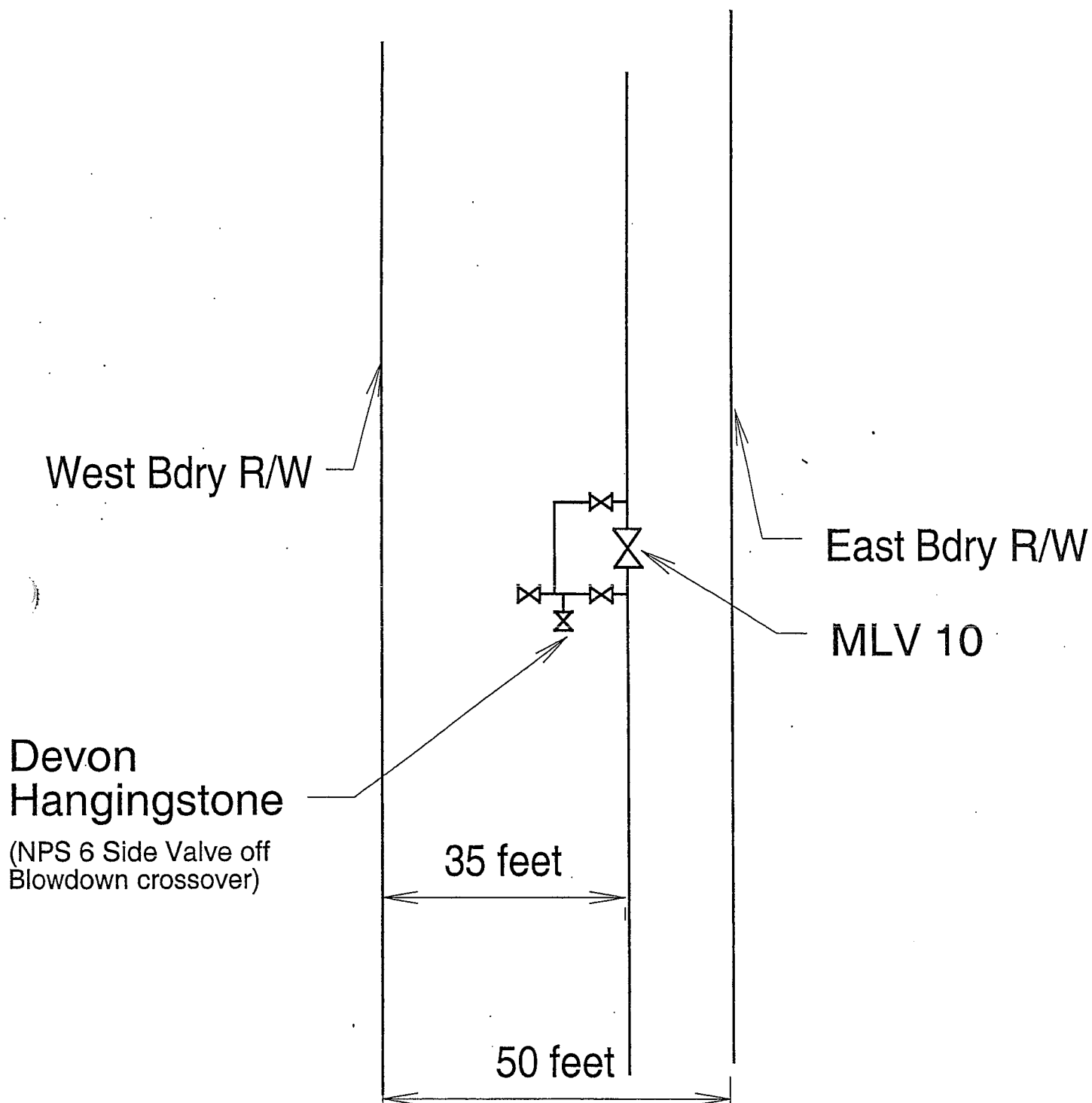
Thornbury Hangingstone

Item 21

05-16-82-12-W4M

July 8, 2003

Connections to Simmons Pipeline

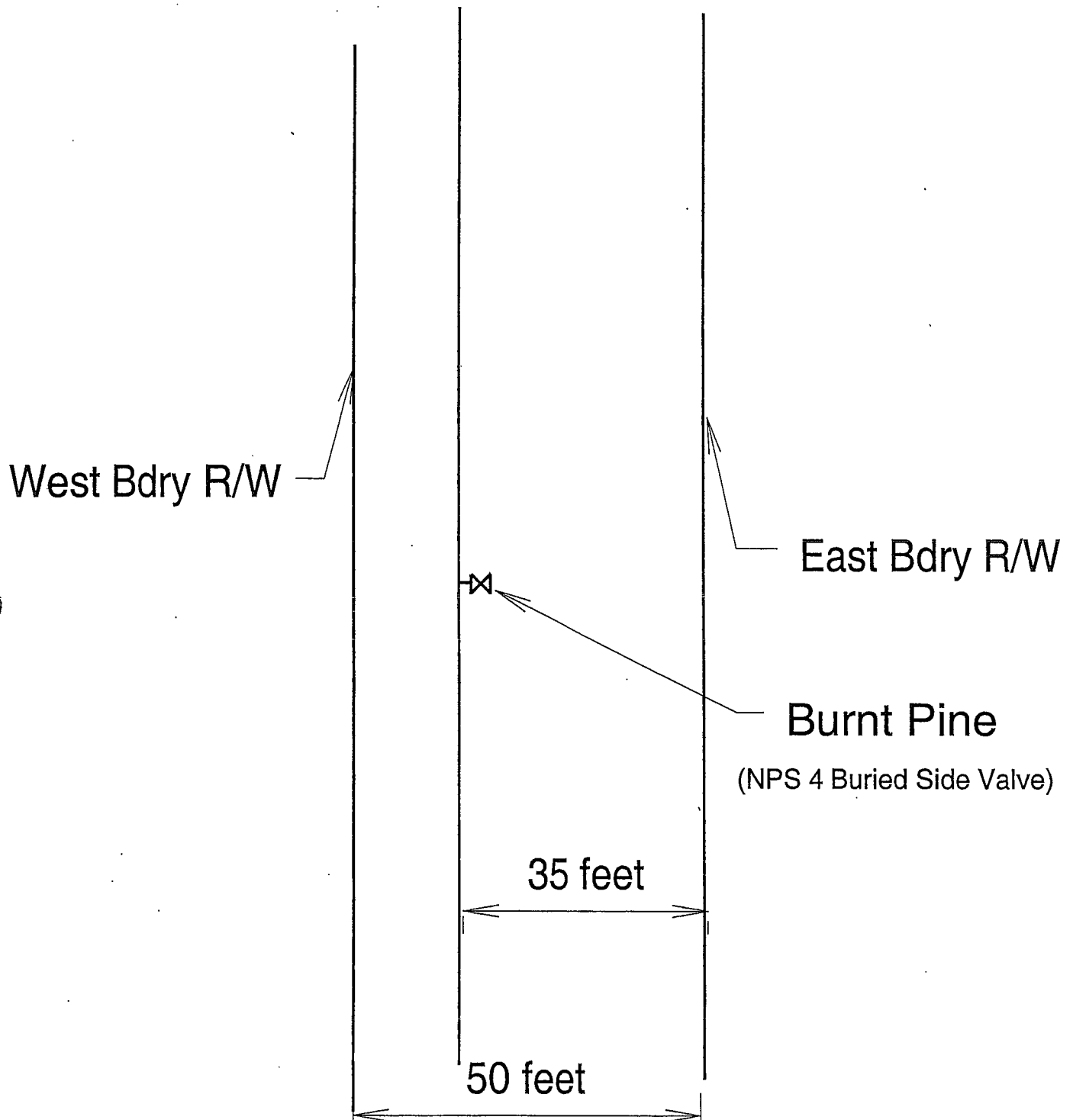


Devon Hangingstone
Item 22

09-19-83-11-W4M

July 8, 2003

Connections to Simmons Pipeline



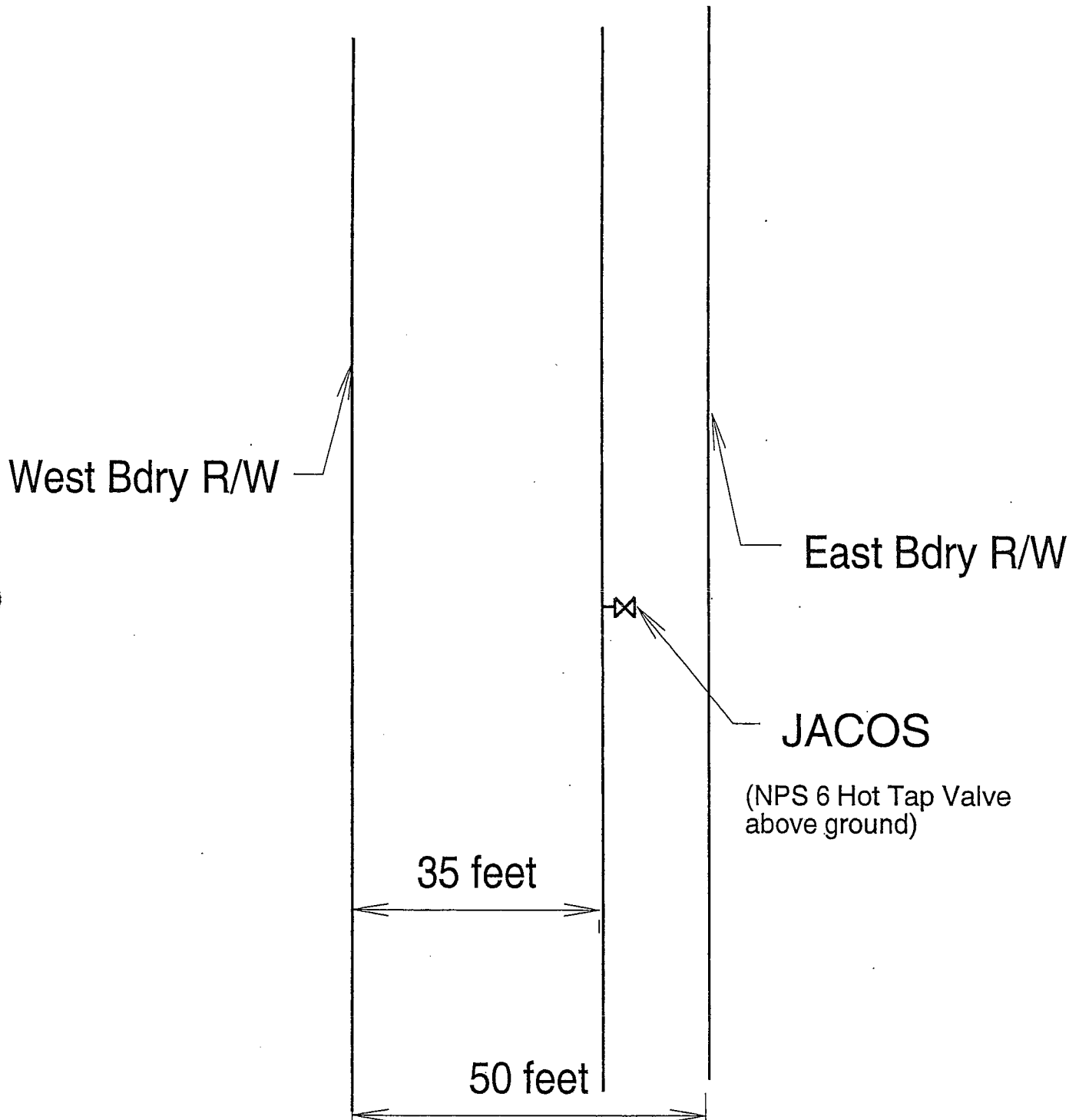
Burnt Pine

Item 23

04-20-83-11-W4M

July 8, 2003

Connections to Simmons Pipeline



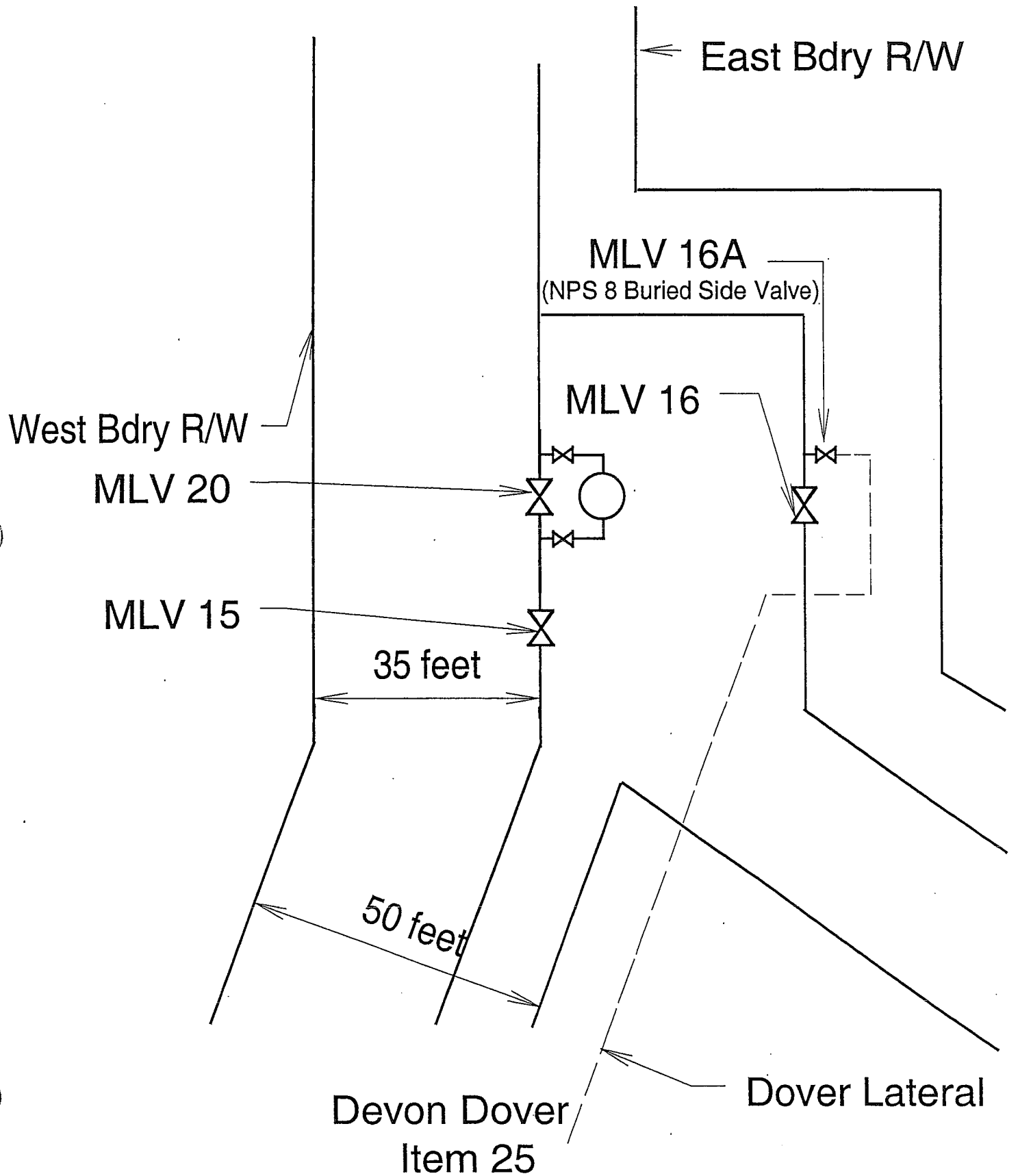
JACOS

Item 24

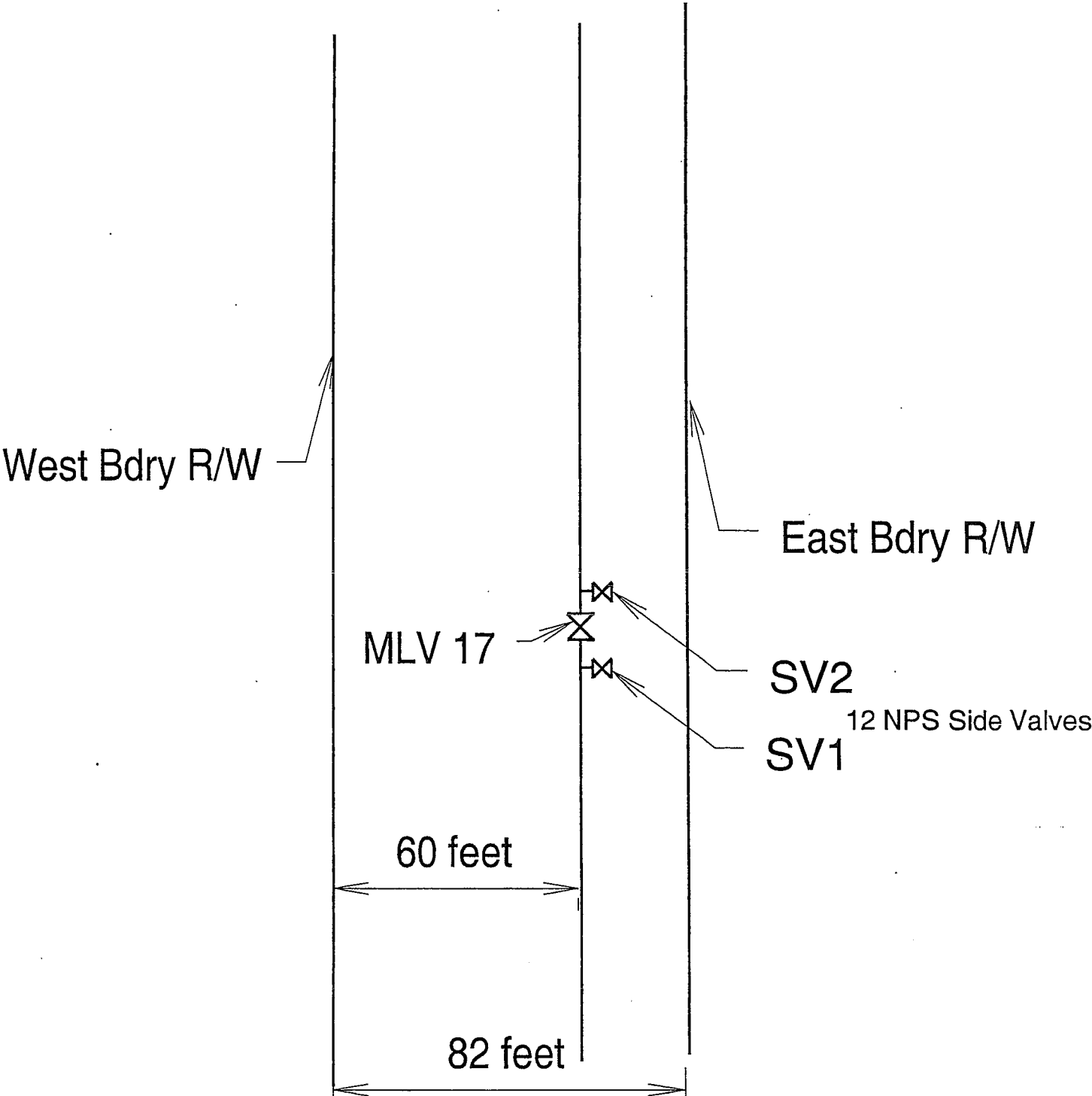
11-19-84-11-W4M

July 8 2003

Connections to Simmons Pipeline



Connections to Simmons Pipeline



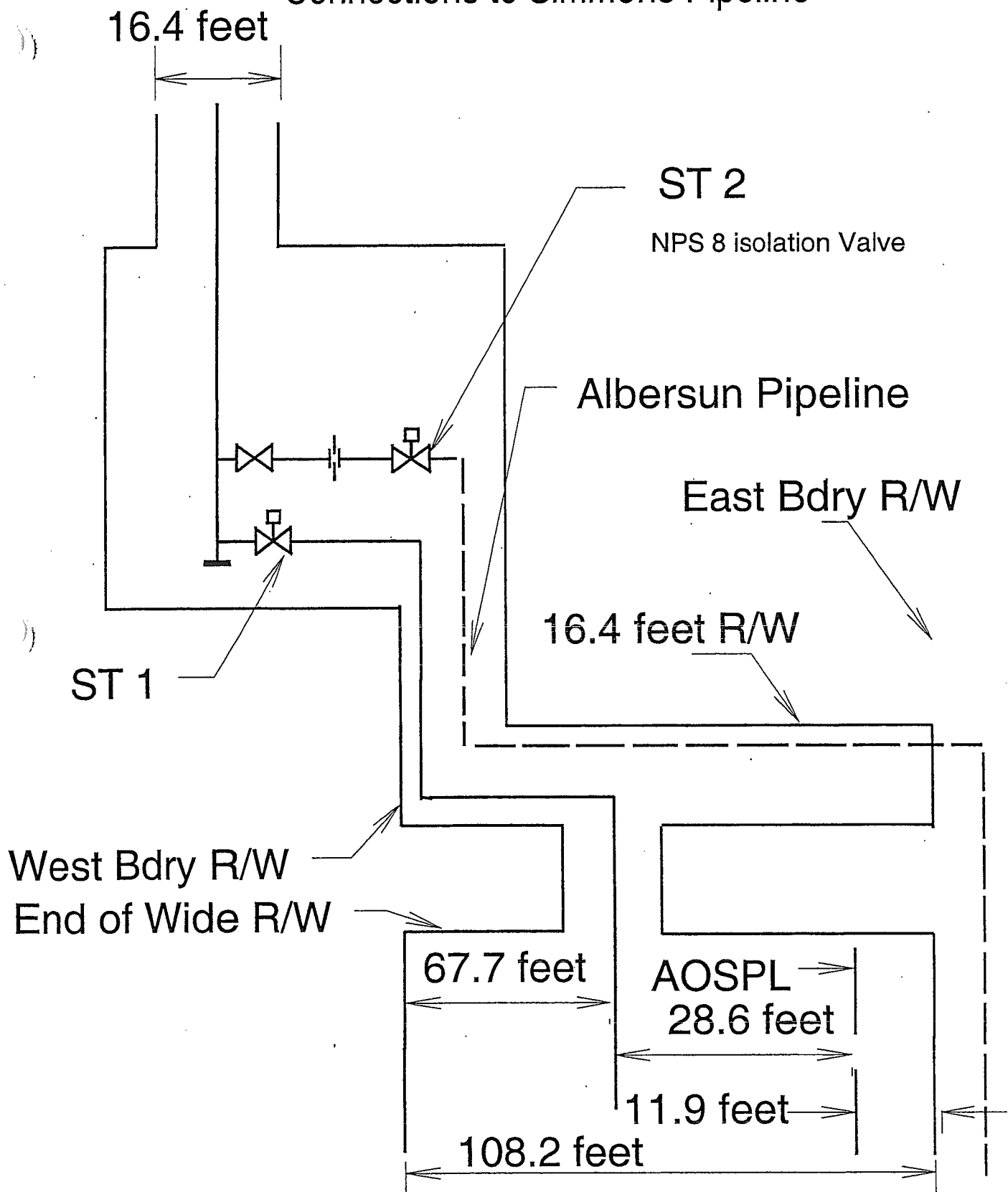
Buffalo Pipeline

Item 26

04-21-92-10-W4M

July 8 2003

Connections to Simmons Pipeline

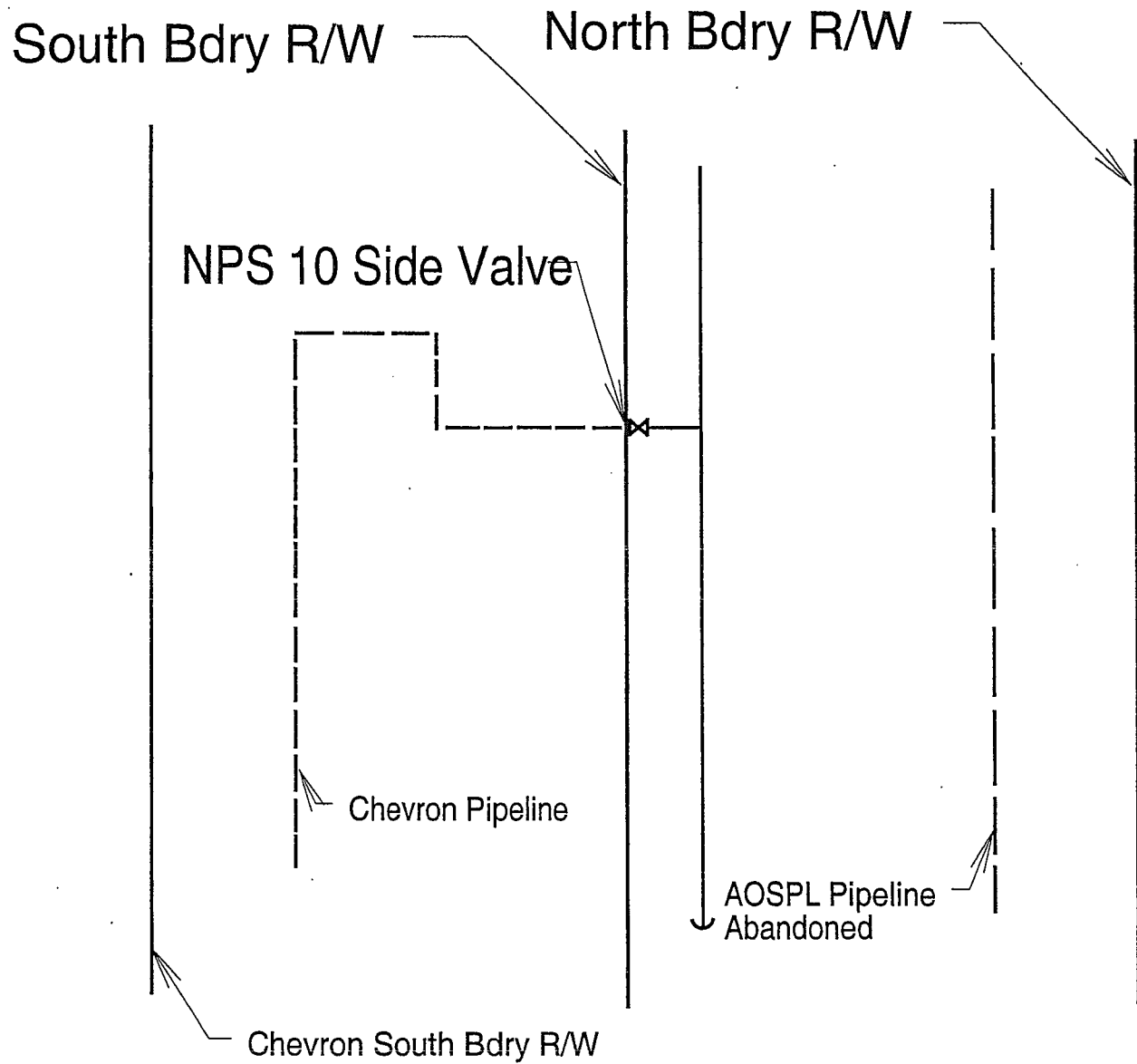


South Terminal
Item 27

13-21-92-10-W4M

July 8 2003

Connections to Simmons Pipeline

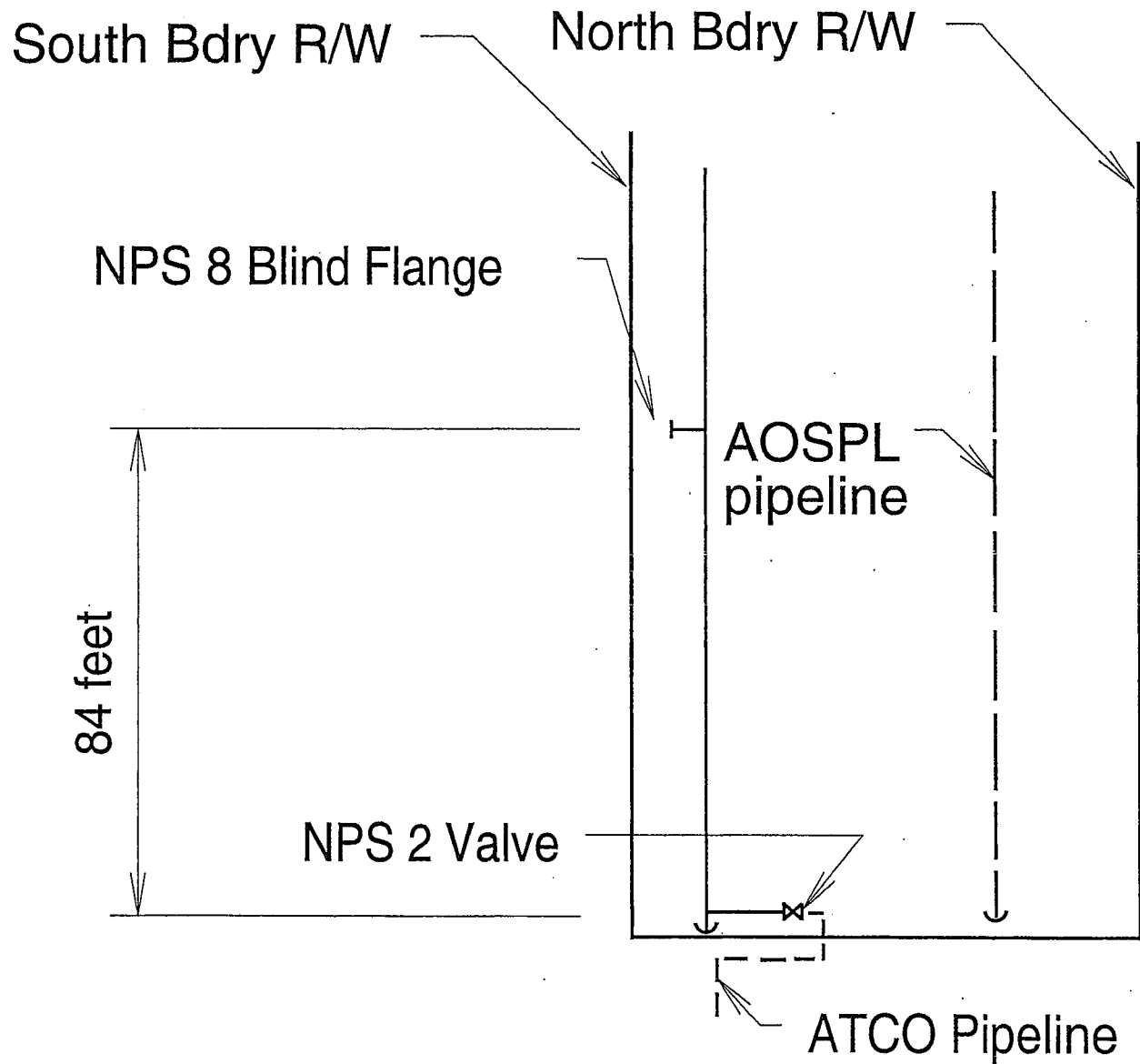


Chevron Pipeline
Item 28

09-05-93-10-W4M

July 8, 2003

Connections to Simmons Pipeline

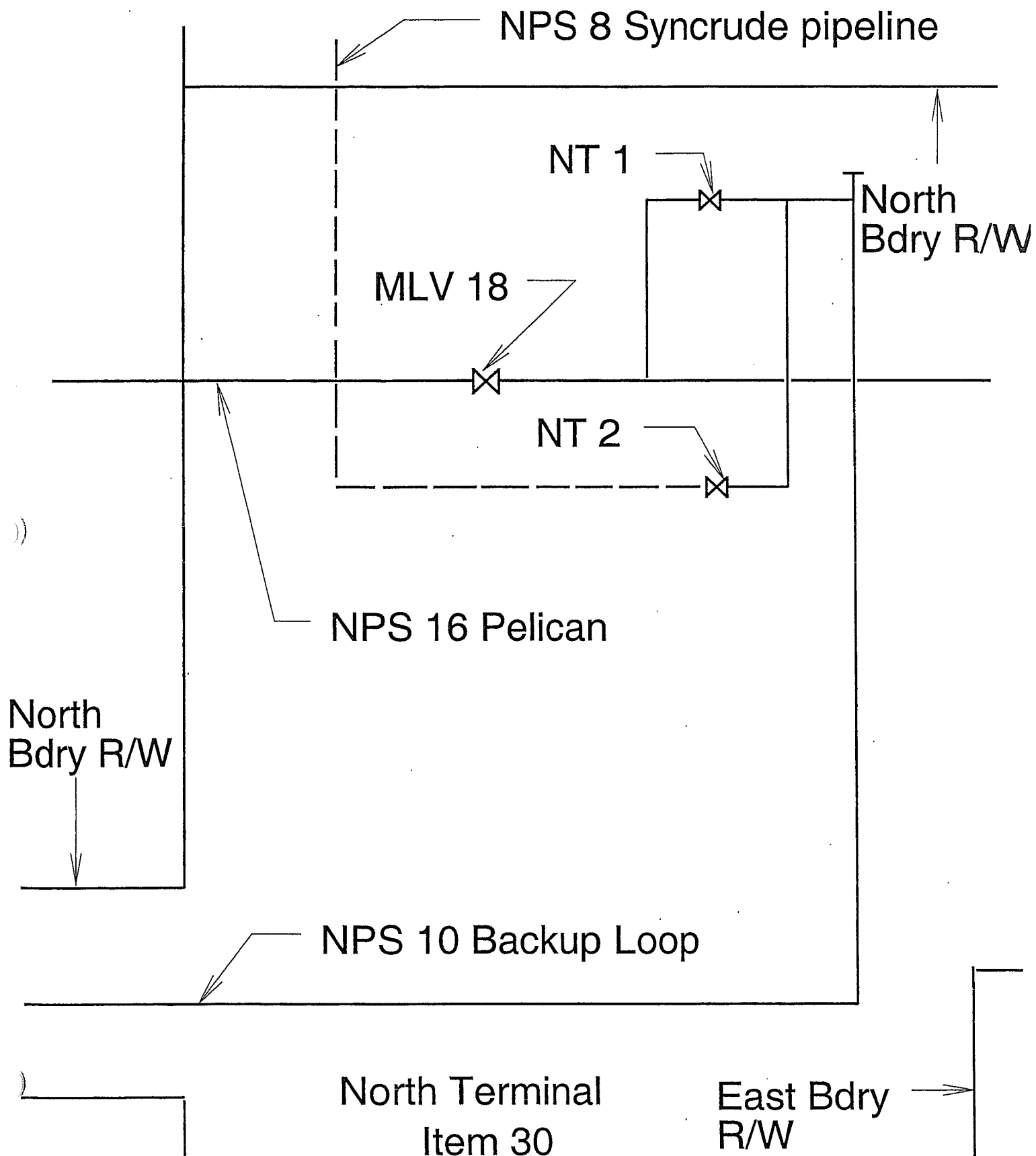


ATCO, (Fort MacKay)
Item 29

09-05-93-10-W4M

Julv 8. 2003

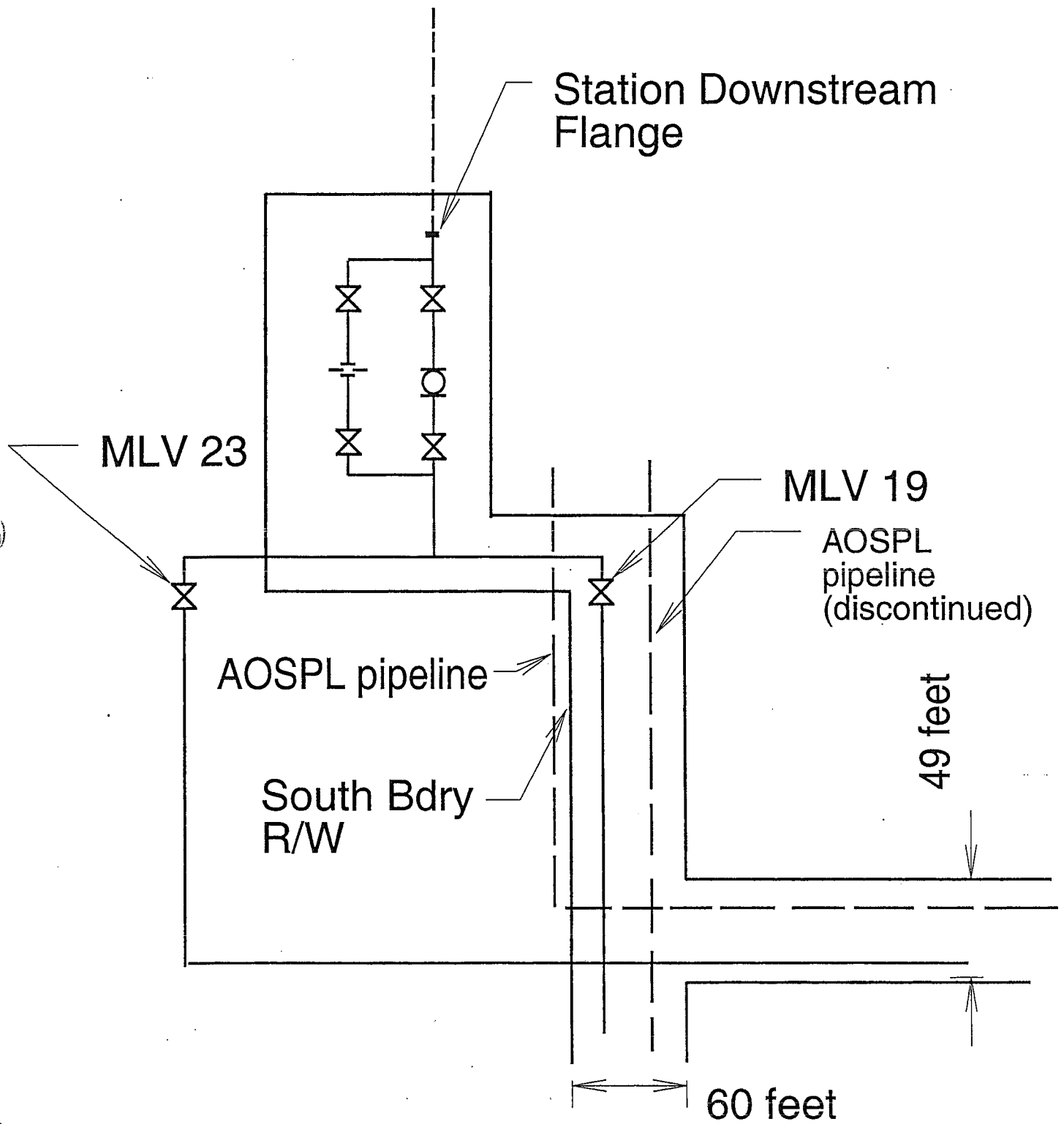
Connections to Simmons Pipeline



15-06-93-10-W4M

Julv 8. 2003

Connections to Simmons Pipeline

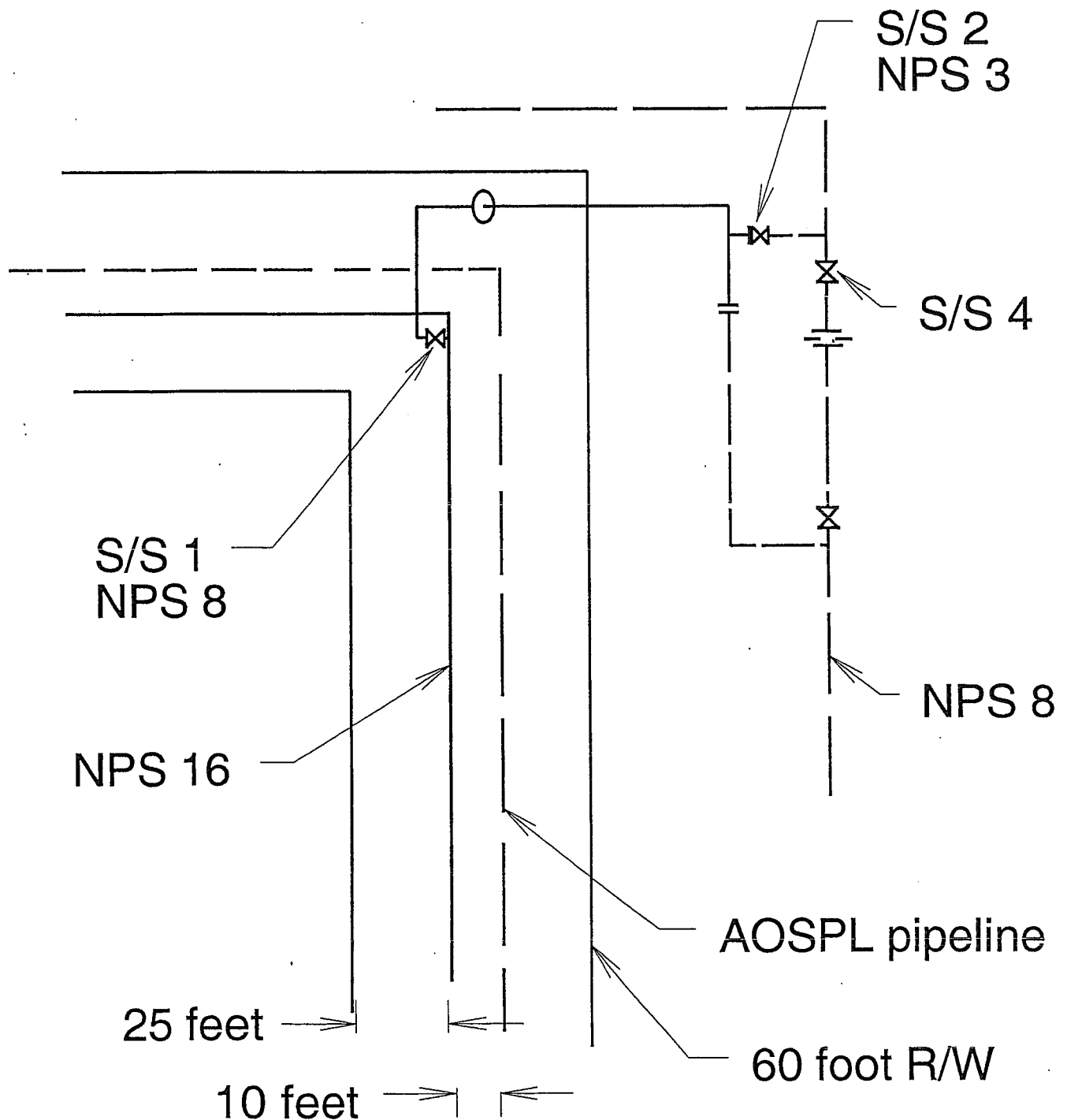


Mildred Lake
Item 31

03-07-93-10-W4M

July 8, 2003

Connections to Simmons Pipeline



Schedule 1.1(ii) – 5

List of Shared Assets

1 1989 Cat D3C LGP

1 1987 JD 455E Loader

1 1986 1-ton Dump Truck

1 8 Wheel ARGO

Associated Structures

Schedule 1.1(ii) – 6

List of Inventory

Pipes

Pipe 115 m NPS 10
Pipe 17 m NPS 16
Pipe 75 m NPS 12
Pipe 112 m NPS 10
Pipe 195 m NPS 16
Pipe 35 m NPS 14
Pipe 100 m NPS 10

Fittings

Emergency Fitting 1 NPS 12 Plidco Flange repair fitting
Fitting 1 NPS 16 Plidco Pipe repair fitting
Fitting 1 NPS 16 Williamson Stopple Plugging Head and accessories
16" x 2" Split Reinforcing Tee

Valves

Replacement Valves for the compressor station suction and discharge valves:
1 NPS 10 ball valve (refurbished) 600 Ansi
1 NPS 12 ball valve (refurbished) 600 Ansi
Grove 4" Ball Valve 600 Ansi NPS 4 Grove Ball Valve 600 Ansi
Replacement valve for the mainline
1 NPS 16" Grove Ball Valve Assembly (refurbished)
8" Cameron Ball Valve 1 NPS 8 Cameron Ball Valve 600 Ansi
Bristol Babcock RTU DPC 3330 10A320100 Serial #988498006
Bristol Babcock RTU 3310 10A 24000 Serial #989357006
Bristol Babcock RTU DPC 3330 10A 12000 Serial #989359001

Schedule 1.1(ss)

Transferred Employees

Janet Anderson
Bill Asher
Kevin Mosich
Bernie Spence
Terry Vowel

Schedule 3.3

Agreement Conflicts – Seller

Nil

Schedule 3.7

Operation of Assets

1. Possible Pipeline integrity issues at a couple of locations on the Leismer Lateral.

During the House River forest fire in 2002 the Forestry fire fighting equipment (caterpillars) crossed over the pipeline at several locations without crossing permission. Most of the crossings were on higher suitable ground conditions and in some cases crossing berms were installed. There were two locations identified in a wet muskeg area in SW-6-79-11-W4M where in one location a cat was stuck very close to the pipeline and at a second location where a water sump was excavated very close to the pipeline.

At the time there was concern that the pipeline may have been impacted; excavation could not be done at the time so a close space coating survey was done by Corrpro Canada to identify any coating issues. The survey indicated possible coating issues close to where these activities occurred.

The survey was redone in February 2003, however at this time the survey did not indicate any coating problem at the same locations.

The plan is to further investigate these locations during our dig program.

2. Disbonded Joint Coating Sleeves

During the integrity dig program disbonded joint coating sleeves were found at several locations. The severity of the disbondment varied from very minor to almost total disbondment however no corrosion was found at these locations indicating proper corrosion protection. These items have been identified in the integrity inspection documentation.

3. Possible Liquids in the Pipeline

Under high flow situations our simulation program has identified a possible hydraulic restriction in the portion of pipeline between MLV 12 and MLV 14 which includes the Athabasca River crossing. We suspect liquids (glycols and compressor oils) in the pipeline in this deep valley as evidenced by the recovery of liquids at the MLV 20 separator during very high flow situations.

Schedule 3.14
Financial Statements of Seller

See attached.

Simmons Group Inc.

Consolidated Statements of Loss and Retained Earnings
(Unaudited)

(expressed in Canadian dollars)

	For the Year Ended December 31,			
	2002	2001	2000	1999
Revenue				
Drilling and workover services	\$ 33,862,171	\$ 37,974,206	\$ 30,659,225	\$ 39,703,660
Pipeline operations	6,210,776	7,038,160	7,914,279	8,824,128
Oilfield support services	14,062,829	12,290,927	10,721,538	10,622,067
	<u>54,135,776</u>	<u>57,303,293</u>	<u>49,295,042</u>	<u>59,149,855</u>
Expenses				
Operating - drilling and workover services	26,862,572	30,571,359	23,888,395	32,976,946
Operating - pipeline operations	1,074,459	1,018,873	1,124,882	1,148,456
Operating - oilfield support services	12,254,992	11,477,340	9,251,864	9,001,004
General and administration	6,331,024	6,057,702	6,827,470	7,173,741
Bad debts	1,379,138			
Depreciation and amortization	3,381,334	3,532,563	4,453,757	6,431,462
	<u>51,283,519</u>	<u>52,657,837</u>	<u>45,546,368</u>	<u>56,733,609</u>
Earnings (loss) from operations	2,852,257	4,645,456	3,748,674	2,416,246
Other income (expenses)				
Interest	(877,143)	(1,441,536)	(1,374,783)	(1,965,592)
Bonuses to shareholders		(3,444,021)	(4,303,353)	(4,868,065)
Other income (losses)	(247,042)	(116,820)	298,657	216,872
Gain on abandonment of inactive subsidiary	(58,527)	1,390,248		
Gain (loss) on sale of capital assets	(74,896)	108,254	(162,465)	2,435,234
Gain (loss) on sale of investments	27,688	(107,505)	6,000	
Gain (loss) on foreign exchange	(65,553)	186,192	(283,432)	(185,588)
	<u>1,758,778</u>	<u>1,220,267</u>	<u>(3,275,752)</u>	<u>(1,736,663)</u>
Earnings (loss) before income taxes	1,758,778	1,220,267	(3,275,752)	(1,736,663)
Income taxes				
Current	7,358,335	3,465,268	3,720,757	9,090,905
Deferred	(755,384)	(823,756)	(2,313,629)	(8,858,291)
	<u>6,602,951</u>	<u>2,641,512</u>	<u>806,928</u>	<u>232,614</u>
Net loss for the year	(4,844,173)	(1,421,245)	(4,032,530)	(1,971,467)
Retained earnings - beginning of year	(315,223)	1,106,034	5,188,714	7,160,211
Retained earnings - end of year	\$ (5,159,396)	\$ (315,211)	\$ 1,106,034	\$ 5,188,714

Simmons Group Inc.

Consolidated Balance Sheets

(Unaudited)

(expressed in Canadian dollars)

	December 31,			
	2002	2001	2000	1999
Assets				
Currents assets				
Cash	\$ 2,284,978	\$ 582,060	\$ 385,731	\$ 1,616,355
Accounts receivable	10,521,525	11,321,299	9,728,915	11,080,452
Prepaid expenses	1,060,166	1,335,216	754,926	670,712
Inventory and work-in-progress	2,971,843	2,898,473	2,317,970	1,574,458
Due from related party	46,623			
	<u>16,885,135</u>	<u>16,137,048</u>	<u>13,187,542</u>	<u>14,941,977</u>
Restricted term deposits			4,829,410	4,691,688
Long term investment	46,611	43,155	478,116	1,153,998
Deferred income taxes	11,549,000	12,670,000	10,540,000	8,460,000
Fixed assets, net of amortization	67,685,347	68,193,819	68,440,504	68,528,963
Other assets	46,499	59,260	73,824	113,785
	<u>\$ 96,212,592</u>	<u>\$ 97,103,282</u>	<u>\$ 97,549,396</u>	<u>\$ 97,890,411</u>
Liabilities				
Current liabilities				
Operating loan	\$ 2,306,835	\$ 3,382,848	\$ 4,786,892	\$ 5,185,141
Accounts payable	14,682,187	11,110,328	8,532,697	10,658,508
Other taxes payable	368,960	36,137	1,567,610	1,270,834
Deferred revenue	48,749	207,549	60,253	1,285,534
Promissory note			810,108	
Income taxes payable	22,189,868	16,572,644	13,398,205	10,376,315
Loans from related party		405,731		
Current portion of long-term debt	55,192	148,232	3,248,150	1,890,016
	<u>39,651,791</u>	<u>31,863,469</u>	<u>32,403,915</u>	<u>30,666,348</u>
Long-term debt	12,282,112	14,010,407	16,026,994	19,122,353
Long-term bonuses payable	31,818,433	31,818,433	28,449,412	23,546,059
Due to shareholders'	9,562,398	9,468,223	10,188,375	10,041,701
Deferred income taxes	7,940,234	9,823,766	9,149,814	9,964,367
Shareholders' Equity				
Share capital				
Authorized				
Unlimited common voting shares without nominal or par value				
Unlimited redeemable preferred shares without nominal or par value				
Issued				
425 common voting shares without nominal or par value	340	340	340	340
160,000 redeemable preferred shares without nominal or par value	160,000	160,000	160,000	160,000
Contributed surplus	403,501	403,501	403,501	
Retained earnings	(5,159,366)	(315,211)	1,106,034	5,188,714
Currency translation account	(446,821)	(129,646)	(338,989)	(769,471)
	<u>\$ 96,212,592</u>	<u>\$ 97,103,282</u>	<u>\$ 97,549,396</u>	<u>\$ 97,890,411</u>

Simmons Group Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(expressed in Canadian dollars)

(expressed in Canadian dollars)

	2002	For the Year Ended December 31, 2001	2000	1999
Cash provided by (used in)				
Operating activities				
Net loss for the year	\$ (4,844,173)	\$ (1,421,245)	\$ (4,082,680)	\$ (1,971,497)
Items not affecting cash				
Depreciation and amortization	3,381,334	3,532,563	4,453,757	6,431,462
Gain on abandonment of inactive subsidiary	56,527	(1,380,248)		
Gain (loss) on sale of capital assets	74,896	(166,264)	162,465	(2,436,234)
Gain (loss) on sale of investments	(27,533)	107,506	(6,000)	
Deferred income taxes	(755,384)	(823,756)	(2,913,829)	(8,858,291)
	(2,114,488)	(163,434)	(2,368,287)	(6,933,560)
Changes in non-cash working capital items				
Decrease (increase) in accounts receivable	799,774	(1,582,364)	1,351,537	3,499,497
Decrease (increase) in prepaid expenses	275,050	(580,280)	(54,214)	399,854
Decrease (increase) in inventory and work-in-progress	(73,373)	(586,563)	(743,512)	(664,256)
Decrease (increase) in due from related party	(48,823)			
Increase (decrease) in accounts payable	3,515,332	2,577,631	(2,125,810)	(6,404,535)
Increase (decrease) in other taxes payable	332,823	(141,225)	296,776	(139,188)
Increase (decrease) in deferred revenue	(158,800)	147,296	(1,225,231)	90,745
Increase (decrease) in income taxes payable	5,617,224	3,174,439	3,021,890	9,989,020
Increase (decrease) in bonuses to shareholders		3,369,021	4,903,353	4,581,055
Increase (decrease) in loans from related party	(405,731)	405,731		
	9,855,679	6,779,716	5,394,739	11,332,190
	7,741,191	6,676,282	3,008,452	4,498,630
Investing activities				
Acquisition of capital & other assets	(3,875,085)	(4,121,301)	(5,053,529)	(2,756,897)
Proceeds on disposition of fixed assets	615,774	535,292	1,045,485	5,536,882
Proceeds on disposition of investments	22,221	321,455	674,220	
Purchase of restricted term deposits			(137,722)	(4,881,568)
Redemption of restricted term deposits		4,829,410		
Dividends	2,000	6,000	7,661	5,600
	(3,235,100)	1,570,856	(3,483,885)	(1,906,103)
Financing activities				
Advances from (repayments to) shareholders	94,175	(720,152)	550,175	105,545
Issuance of long-term debt			618,231	772,700
Increase in promissory note			899,232	
Repayment of operating loan	(1,075,013)	(1,404,044)	(398,249)	53,829
Repayment of long-term debt loan	(1,821,335)	(5,118,505)	(2,355,458)	(2,837,471)
Repayment in promissory note		(810,108)	(59,124)	
	(2,803,173)	(8,060,809)	(775,191)	(1,705,397)
Increase (decrease) in cash	1,702,918	196,329	(1,230,624)	887,130
Cash and cash equivalents, beginning of year	582,060	385,731	1,616,355	729,225
Cash and cash equivalents, end of year	\$ 2,284,978	\$ 582,060	\$ 385,731	\$ 1,616,355

Schedule 3.15

Required Consents - Seller

1. EUB approval of License Transfers to Newco from Seller, Ptarmigan or Pelican.
2. Syncrude Canada Ltd. consent referred to in Section 6.2(d).

Schedule 4.4

Required Consents – Buyer

All EUB approvals sought by Buyer in respect of the transactions contemplated in the Agreement on terms and conditions satisfactory to Buyer in its sole discretion, including without limitation approval of:

- (i) the addition of the Purchase Price to Buyer's rate base; and
- (ii) the licence transfers to Buyer.

Schedule 6.1(d)

Seller's Counsel Opinion

[•] Seller Solicitors Letterhead

We have acted as counsel for Simmons Group Inc. ("Seller") and [•] ("Company") in connection with (i) the execution and delivery of that certain Share Purchase and Sale Agreement (the "Purchase and Sale Agreement") dated [•] between Nova Gas Transmission Ltd. ("Buyer") and Seller, and (ii) the transfer of the Newco Shares from Seller to Buyer pursuant to the Purchase and Sale Agreement. Capitalized terms defined in the Purchase and Sale Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Purchase and Sale Agreement

For purposes of rendering the opinions hereinafter set forth we have examined executed copies, photocopies or facsimile copies of the documents set forth in Schedule "A" hereto (collectively, the "Transaction Documents"). We have also examined and relied upon the minute book of the Seller and the minute book of Newco and originals or copies of such certificates of public and corporate officials, corporate records and other materials as we have deemed relevant and necessary for the purposes hereof, including a Certificate of Status dated [•] issued by Alberta Corporate Registry in respect of Seller and Company

OPINIONS

Based upon the foregoing, and subject to the qualifications and assumptions hereinafter expressed, we are of the opinion that:

1. Each of Seller and Newco is duly organized, validly existing and in good standing under the laws of the Province of Alberta, and each has the corporate power and authority to own, lease and operate their respective properties and carry on their respective businesses as now conducted.
2. Seller has full corporate power and authority to execute and deliver the Transaction Documents and to perform its obligations under the Transaction Documents.
3. The execution and delivery of the Transaction Documents by the Seller, the performance by Seller of all the terms and conditions thereof to be performed by Seller and the consummation of the transactions contemplated thereby by Seller have been duly authorized and approved by all corporate and other actions necessary with respect thereto. All persons who will execute and deliver the Transaction Documents on behalf of Seller have been duly authorized to do so by Seller.
4. Each Transaction Document, when executed and delivered by Seller, will constitute the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms.
5. The fulfillment of and compliance by Seller with the terms and conditions of the Transaction Documents to which it is a party and the consummation by Seller of the transactions

contemplated thereby will not violate any of the terms of the articles of amalgamation, bylaws or other governing documents of Seller or Newco.

6. All necessary corporate action has been taken by the board of directors of Company to authorize the transfer of the Company Shares to Buyer.
7. The authorized capital of the Company consists of (•) Class “A” Common Shares. The Company Shares are issued, outstanding and registered in the name of Seller immediately prior to the consummation of the transaction provided for in the Transfer Agreement, and are the only issued and outstanding shares of Company at that time.
8. To the best of our knowledge, based on a certificate of the Seller, the Newco Shares are owned by the Seller free and clear of any liens charges or encumbrances what so ever and are not subject to any rights in favour of any third party which would affect the ability of the Seller to convey good and valid title thereto to the Purchaser.
9. All necessary documents have been filed, meetings held, proceedings taken and documents and approvals given to permit the due and valid transfer of the Newco Shares to the Purchaser.
10. To the best of our knowledge, based on a certificate of the Seller, there is not any conflict between the transaction contemplated by the Share Purchase and Sale Agreement and any indentures, instruments and other agreements to which the Seller or Newco or either of them are bound, or to which the Assets are bound.

Qualifications and Limitations:

1. The opinions herein set forth take into consideration only the laws of the Province of Alberta and the federal laws of Canada applicable in the Province of Alberta, and we express no opinion as to the effect of the laws of any other jurisdiction on any of the matters herein addressed.
2. Our opinions in paragraphs 4 hereof are subject to the qualification that the legality, validity, binding nature and enforceability of the Transaction Documents, and of the covenants and obligations of Seller and Company thereunder or in respect thereof, is subject to and may be limited by:
 - (a) applicable bankruptcy, insolvency, reorganization, moratorium, preference and other laws relating to or affecting enforcement of creditors’ rights generally;
 - (b) the rules of equity, including the discretionary right of a court to grant or refrain from granting equitable remedies such as specific performance and injunctive relief;
 - (c) the discretionary power of the courts to grant relief from and to refuse to enforce agreements that are contrary to public policy;
 - (d) statutory limitations on the commencement of actions;
 - (e) the equitable and statutory power of courts to grant relief from forfeiture and penalties, and to stay judicial proceedings and the execution of judgments; and
 - (f) laws restricting or affecting the enforcement of certain types of contractual provisions generally, such as contractual provisions (i) that exculpate a party from liability, (ii) that

provide for the payment of costs, expenses, interest or damages that a court may find to be unreasonable, or that exceed prescribed allowances, (iii) that require the payment of monies immediately upon demand therefor, (iv) that permit a party to act in an arbitrary or unreasonable manner, (v) that limit access to legal or equitable remedies or defences, (vi) that purport to establish evidentiary standards, (vii) that limit any right to receive notice, (viii) that are dependent upon mutual agreement at a later date or conditional on a future event, or (ix) that permit or require the severance of invalid, illegal or unenforceable terms of a contract.

3. The *Currency Act* (Canada) precludes a Canadian Court from giving a judgement in any currency other than Canadian currency, and the *Interest Act* (Canada) and the *Judgement Interest Act* (Alberta) limit interest on a judgment debt.
4. Enforceability of rights of indemnity in any of the Transaction Documents may be limited to the extent that any such indemnity is found by a court to indemnify a party against the consequences of an unlawful act or is found to constitute a penalty or be against public policy.
5. We have made no independent investigation as to the accuracy or completeness of any representation, warranty, data or other information, written oral, made or furnished in or in connection with the Transaction Documents or otherwise.

Assumptions

1. We have assumed and not independently verified:
 - (a) that the signatures on all documents and certificates examined by us are genuine, and that where any such signature purports to have been made in a corporate, governmental, fiduciary or other capacity, the person who affixed such signature to such document or certificate had the capacity and authority to do so;
 - (b) the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies; and
 - (c) that the Transaction Documents have been duly authorized, executed and delivered by each party thereto other than Seller of Newco pursuant to due and unrestricted legal and other capacity, power and authorization.
2. We have assumed that Seller's and Newco's minute books, as presented to us for our review, contains true copies of all resolutions of the shareholders and directors of Seller and Company, the Certificate and Articles of Amalgamation of Seller and Company and all amendments thereto, all by-laws of Seller and Company and all amendments thereto, and all other relevant corporate records and, that all such corporate records are in full force and effect and not subject to further amendments.

This opinion is furnished by us, as counsel for Seller and Newco, to you pursuant to the Transfer Agreement and pursuant to Section 6.1(f) of the Share Purchase and Sale Agreement. The opinions expressed herein may not be used or relied on by you for any other purpose and may not be relied on by any other person or entity for any purpose.

APPENDIX E: VENTURES TBO AGREEMENT

August 21, 2003



Nova Gas Transmission Ltd.
450 1st Street S.W.
Calgary, Alberta T2P 5H1

Attention: Mr. Steve Clark
Vice President, Gas Development and Director,
Sales & Marketing

Dear Steve:

Subject: Fort McMurray Transportation Service

Further to recent discussions, TransCanada Pipeline Ventures L.P. ("Ventures") and Nova Gas Transmission Limited ("NGTL") hereby confirm our agreement to the following terms pursuant to which TBO Service, shall be made available to NGTL on the Ventures Oilsands Pipeline, the Buffalo Creek Compressor Station and Meter Stations and, if NGTL elects to receive service to the Oil Sands Sales Meter Station as set out in paragraph 1 C below, on the Extension, as further described in Exhibit "A" (Part 1) attached hereto and set out in the map attached hereto as Exhibit B (collectively the "Ventures Pipeline"). NGTL shall not be entitled to receive TBO Service on the Ventures Moosa Pipeline.

NGTL and Ventures acknowledge and agree that these terms constitute the fundamental principles of transportation service, and are binding on the parties subject to the conditions specified in this letter agreement. These principles, including such other standard terms and conditions mutually agreed by NGTL and Ventures including force majeure provisions, shall be incorporated into a definitive transportation agreement ("TBO Service Agreement") between the parties which shall, upon execution, supercede this letter agreement.

Capitalized terms used herein are defined within the body of this Agreement and Exhibit A hereto.

1. Transportation Services

- A. Volumes. NGTL shall be entitled to receive from Ventures firm service delivery on the Ventures Pipeline for those firm volumes, which are conditional on the corresponding NGTL Interconnect pressure, determined according to Table 1 of Exhibit "A" (Part 2) (the "FS Volume").

Delivery of volumes in excess of the contracted FS Volume shall be considered Interruptible Services as permitted in paragraph 1 E below. Such firm service delivery and Interruptible Services shall be referred to as "TBO Service." In the event that there are planned or unplanned interruptions with respect to the Ventures Buffalo Compressor Station, the minimum firm service volume available to NGTL will be as set out in Table 2 of Exhibit "A" (Part 2).

- B. Receipt Point. The receipt point for the TBO Service shall be at the point of interconnection of the Ventures Pipeline with the NGTL System near Buffalo Creek ("NGTL Interconnect"). Ventures shall also accept receipt of volumes for the TBO Service at any additional points of interconnection of the NGTL pipeline system and the Ventures Pipeline, provided, however, that the Annual Fee, as defined in paragraph 3 A, shall not be altered or amended as a result.
- C. Delivery Point. At least five days prior to the Commencement Date (as defined in paragraph 2A), NGTL shall make an election, in writing to Ventures, to receive TBO Service on the Ventures Pipeline from the NGTL Interconnect to either the Mildred Lake delivery point or the Oil Sands Sales Meter Station delivery point (the elected delivery point referred to as the "Delivery Point"). Following such election, and subject to the physical capacity of the Ventures Pipeline, NGTL shall be entitled to delivery of all or a portion of the volumes to the Delivery Point, to the point of interconnection of the Ventures Moosa Pipeline and the Ventures Oilsands Pipeline (the "Moosa Interconnect"), and to any existing delivery points or any delivery points which may be constructed during the Term of Service as defined below, provided, however, that the Annual Fee, as defined in paragraph 3 A, shall not be altered or amended as a result of delivery to points other than the Delivery Point. The volume delivered to the Moosa Interconnect shall be determined by the aggregate measurement at the Ventures Ruth Lake Meter Stations (#1, 2, and 3). The volume delivered to the interconnect between the Ventures Oilsands Pipeline and the Extension shall be determined by measurement at the Oil Sands Sales Meter Station.
- D. Delivery Point Pressure. Except in the event of planned interruptions or force majeure, the delivery pressure of gas at the Delivery Point shall be no less than 4465 kPag (650 psig) (the "Minimum Pressure"), provided that the pressure at the NGTL Interconnect is no less than 6184 kPag (900 psig).
- E. Interruptible Service. From and after the Commencement Date (as defined in paragraph 2A), and subject to availability, NGTL shall be

eligible to transport volumes in excess of the FS Volume on a fully interruptible basis ("Interruptible Service"). The Interruptible Service is subject to NGTL paying an interruptible service fee of \$0.12 /mcf applied to any volume delivered in a month that is in excess of the total FS Volume that NGTL is entitled to transport in such month given the average pressure at the NGTL Interconnect for the month.

F. Conditions Precedent to TBO Service. Provision of TBO Service as contemplated herein shall be subject to:

- a. Ventures obtaining the consent and one-time release of existing capacity rights or any other contractual rights that Ventures determines, acting reasonably, may impact Ventures ability to perform its obligations hereunder, held by certain shippers on the Ventures Oilsands Pipeline on terms satisfactory to Ventures. Ventures will notify NGTL in writing no later than September 30, 2003 of any constraints in providing the TBO Service arising from the failure of such existing shippers to release existing capacity or other rights. In the event of any capacity constraints, NGTL shall have the option, exercisable within 30 days of such notice, to terminate this letter agreement or to accept the reduced capacity at a revised Annual Fee to be negotiated in good faith by Ventures and NGTL.
- b. Ventures obtaining approval of the Board of Directors of TransCanada Pipeline Ventures Ltd. by September 30, 2003;
- c. NGTL obtaining all regulatory approval for the TBO Service on terms and conditions satisfactory to NGTL acting reasonably (the "EUB Approval"); and
- d. NGTL obtaining approval of the Board of Directors of NGTL by September 30, 2003.
- e. Each of (i) TBO Service on the Extension and the Oil Sands Sales Meter Station; (ii) acquisition of the Oil Sands Sales Meter Station pursuant to paragraph 6; and (iii) the option to acquire or sell the Extension pursuant to paragraph 8; shall be subject to completion of construction, in service, and ownership by Ventures, of the Extension and Oil Sands Sales Meter Station.

The foregoing conditions precedent in paragraph 1 F a, 1 F b, and 1. F e are for the exclusive benefit of Ventures and may only be waived by Ventures in writing.

The foregoing conditions precedent in paragraph 1 F c and paragraph 1 F d are for the exclusive benefit of NGTL and may only be waived by NGTL in writing.

2. Term of Service

- A. Provided that the conditions precedent in paragraph 1 F have been satisfied or waived, the effective date for commencement of the TBO Service ("Commencement Date") shall be the later of April 1, 2004 and the date Ventures receives written notice from NGTL that it accepts the EUB Approval, provided however, such notice shall be received no later than 30 days after receipt by NGTL of EUB Approval. NGTL agrees to proceed with all necessary regulatory filings to request regulatory approval of the TBO Service on a schedule designed to achieve a commencement date of April 1, 2004. Ventures shall use reasonable efforts to assist NGTL in obtaining such regulatory approval and industry approval.
- B. The TBO Service shall commence on the Commencement Date, and, subject to earlier termination of the TBO Service Agreement pursuant to paragraph 5 A, shall continue for 25 years thereafter (the "Term of Service").
- C. The parties will use reasonable efforts to negotiate the definitive TBO Service Agreement by October 31, 2003.

3. Fees

- A. The annual fee ("Annual Fee") for firm service of the FS Volume to the Delivery Point shall be charged for each calendar year (subject to a pro rating for any partial year) as described in Chart 1 below, and includes all metering fees associated with the TBO Service. If the Commencement Date is between April 1, 2004 and December 31, 2004, the Year 1 Annual Fee shall be prorated based upon the actual number of days remaining in the calendar year divided by 275 days. If the Commencement Date is on, or after January 1, 2005, the Year 2 Annual Fee shall apply to the first year of TBO Service, and each subsequent Annual Fee shall be substituted for each subsequent year correspondingly. The Annual Fee shall be charged in equal monthly installments. In addition to the Annual Fee, NGTL will pay, on a monthly basis, operation and maintenance costs consisting of reasonable and direct operating, maintenance, and administrative costs and expenses incurred by Ventures to operate the Ventures Pipeline, (excluding the Meter Stations) other than income taxes, municipal taxes, severance costs, or uninsured losses (collectively the

“O&M costs”), which will include 100% of the O&M costs associated with the Ventures Buffalo Compressor Station, 57% of the O&M costs of the Ventures Oilsands Pipeline, and, if NGTL elects the Oil Sands Sales Meter Station as the Delivery Point, 100% of the O&M costs of the Extension. NGTL will also provide any fuel in kind for the operation of the Ventures Buffalo Compressor Station.

- B. The Annual Fee and O&M costs shall be calculated monthly, in arrears, and shall be payable by NGTL within 30 days of receipt of invoice.
- C. The parties agree that to the extent that Ventures is a TBO service provider, it shall be accorded treatment under the NGTL Tariff, as amended from time to time, equivalent to any other TBO service provider, and to the extent that Ventures is a Customer (as defined in NGTL's Tariff) it shall be accorded treatment under the NGTL Tariff, as amended from time to time, equivalent to any other Customer receiving the same type of service. NGTL acknowledges and agrees that any charges for Firm Transport Alberta (FTA) Service or for Facilities Connection Service (FCS) applicable to shippers with respect to the TBO Service shall not be borne by Ventures.

Chart 1
Annual Fee for TBO Service (\$millions)

Year	If Mildred Lake is the elected Delivery Point	If Oil Sands Sales Meter Station is the elected Delivery Point
Year 1	5.49	6.10
Year 2	7.50	8.66
Year 3	6.83	8.17
Year 4	6.26	7.75
Year 5	6.05	7.63
Year 6 to expiry of Term of Service	5.90	7.52

1. The Year 1 Annual Fee has been calculated assuming a Commencement Date of April 1, 2004.
2. This chart assumes the Commencement Date occurs in 2004. If the Commencement Date occurs on January 1, 2005 or after, then the Annual Fee for the first year of TBO Service shall be

the Year 2 Annual Fee, and each subsequent Annual Fee shall be substituted for each subsequent year correspondingly.

4. Existing Transportation Agreement

A. The existing TBO service agreement between NGTL and Ventures signed October 26, 2001 (the "Existing TBO") for transportation service on the Ventures Pipeline shall be terminated as of the Commencement Date.

5. Termination of the TBO Service Agreement after Commencement Date.

A. From the Commencement Date to April 1, 2006, NGTL shall have the option to terminate this letter agreement, or if this letter agreement is superceded by the TBO Service Agreement, the option to terminate the TBO Service Agreement, upon payment of a termination fee of \$2.5 million. The parties agree that the \$2.5 million fee is not a penalty and is an agreed estimate of the amount that would have otherwise been payable under the Existing TBO, or an extension that would otherwise have occurred.

B. In the event NGTL waives its option to terminate under paragraph 5A, NGTL shall be entitled to acquire the Meter Stations pursuant to paragraph 6

6. Acquisition of Meter Stations

A. Provided the Commencement Date occurs, NGTL shall, subject to regulatory approval on terms and conditions satisfactory to NGTL acting reasonably, acquire the Meter Stations from Ventures within 30 days after April 2, 2006, or such earlier date if NGTL is entitled to acquire the Meter Stations pursuant to paragraph 5 B, at a purchase price equal to the net book value of such Meter Stations as of the date of the acquisition. The net book value at the date of acquisition shall be calculated using the original cost, actual in-service date, and the NGTL depreciation rates approved by the EUB from time to time from the in-service date. Upon transfer of such Meter Stations, Ventures shall be entitled to metering data for custody transfer purposes without cost.

B. Upon transfer of such Meter Stations pursuant to paragraph 6 A, Ventures shall

- i. in the event that NGTL elected to receive TBO Service to the Oil Sands Sales Meter Station, reduce the Annual Fee by an amount equal to the cost of service charge calculated using the purchase price for the Meter Stations and the NGTL cost of service parameters in effect at the time of purchase; or

- ii. in the event that NGTL elected to receive TBO Service to the Mildred Lake delivery point, reduce the Annual Fee by an amount equal to the cost of service charge calculated using the purchase price for the Ruth Lake Meter Station (#1, 2 and 3) and a value of \$750,000 for the Oil Sands Sales Meter Station using the NGTL cost of service parameters in effect at the time of such transfer.
 - C. Ventures confirms that from and after the Commencement Date, Ventures will not charge other shippers for costs or services associated with the Meter Stations.
 - D. NGTL shall not require Ventures to construct, or assume any obligation to construct, meter stations at the Moosa Interconnect, at the NGTL Interconnect, at the interconnection of the Ventures Oilsands Pipeline and the Extension, or at any other receipt or delivery points contemplated in paragraph 1 B and C, as a result of this letter agreement or the TBO Service Agreement
7. Expansion Election.
- A. During the Term of Service, at NGTL's request, Ventures will expand its facilities to provide additional required capacity for TBO Service in return for an increase in the Annual Fee by an amount equivalent to the cost of service that would otherwise apply had NGTL constructed such expansion facilities. For greater clarity, the annual incremental fee for expansion facilities will be determined based on actual costs incurred by Ventures to construct such expansion and the cost of service parameters in effect for NGTL regulated assets as approved by the EUB from time to time. Upon termination of the TBO Service, NGTL shall acquire such expansion facilities (including, the second compressor unit at Buffalo Creek referred to in paragraph 7 B below, if added), at a price equivalent to actual capital costs less accumulated depreciation (calculated using the annual depreciation rates in effect for NGTL over the time the expansion facilities are in service). The increased capacity resulting from such expansion facilities will be added to the FS Volume.
 - B. At NGTL's written request, Ventures shall, after the Commencement Date, add a second compressor unit (5.3 MW) at the existing Buffalo Creek Compressor Station, for an in-service date of April 1, 2005 or for an in-service date of April 1, 2006. The NGTL request for such second compressor unit must be received by Ventures no later than March 31, 2004 for an in-service date of April 1, 2005 or by April 1, 2005 for an in-service date of April 1, 2006. Upon the in-service date of such compressor, the Annual Fee shall be increased in the manner

set out in paragraph 7 A above, except using an amount calculated to recover a deemed capital investment of \$14 million for the compressor, regardless of the total capital costs actually incurred by Ventures.

- C. During the Term of Service, Ventures shall notify NGTL of expansions or alterations of the Ventures facilities that have been requested by parties other than NGTL, and shall review and make reasonable efforts to address any potential impacts to the TBO Service or any costs in respect thereof that may arise out of such expansions or alterations.
- D. Other than any expansion facilities constructed pursuant to this paragraph 7, the parties agree that Ventures shall not be obligated to make any capital expenditures for new facilities or upgraded facilities in order to provide transportation services hereunder, including, without limitation, new or upgraded facilities in connection with any additional receipt points or additional delivery points as contemplated in paragraphs 1 B and C.

8. Call and Put Options

- A. Upon notice in writing delivered to Ventures within a three month period commencing on the date that is six months prior to the expiry of the Term of Service (the "Call Period"), NGTL shall have the option to acquire the Ventures Oilsands Pipeline, the Ventures Buffalo Compressor Station, Ruth Lake Meter Stations 1 2 and 3 and, if the Delivery Point is at the Oil Sands Sales Meter Station, the Extension and Oil Sands Sales Meter Station (collectively defined as the "Ventures Assets") from Ventures for a price (the "Option Price") equivalent to the replacement cost of the Ventures Assets on the Commencement Date less accumulated depreciation (calculated using the annual depreciation rates in effect for NGTL's regulated rate base over the term); and
- B. In the event that NGTL has not exercised its option pursuant to paragraph 8 A above, then for the 3 month period prior to the expiry of the Term of Service, (the "Put Period"), Ventures shall have the option, exercisable on notice in writing to NGTL during the Put Period, to sell to NGTL the Ventures Assets for the Option Price.
- C. The closing of the transactions arising pursuant to the exercise of either the call or put option shall be subject to NGTL receiving regulatory approval on terms and conditions satisfactory to NGTL acting reasonably, and to Ventures receipt of any necessary approvals

from shippers existing as of the date of execution of this letter agreement.

- D. NGTL shall have the unilateral right, on notice to Ventures, to simultaneously cancel the options arising pursuant to paragraphs 8 A and B within a period of one year from the date of execution of this letter agreement.
- E. In the event that neither the call option in paragraph 8 A or the put option in paragraph 8 B are exercised, then Ventures shall have the option, exercisable on written notice to NGTL within 30 days of the expiry of the Term of Service, to acquire from NGTL the Meter Stations purchased by NGTL pursuant to paragraph 6 at NGTL's then prevailing net book value.

9. Termination Prior to Commencement Date

- A. NGTL shall have the option to terminate this letter agreement or, if this letter agreement has been superceded by the TBO Service Agreement, to terminate the TBO Service Agreement, at anytime prior to the Commencement Date upon written notice to Ventures.
- B. In the event that the Commencement Date has not occurred by April 1, 2005, this letter agreement shall automatically expire.

In addition to the foregoing provisions, upon execution of this letter agreement, Ventures agrees to work in good faith, on a non-exclusive basis, with NGTL and its shippers for a period extending to April 1, 2006, to negotiate the sale of the Ventures Assets to NGTL on mutually acceptable terms and conditions. In the event of such sale to NGTL, this letter agreement, any definitive TBO Service Agreement and the Existing TBO shall expire upon closing of the sales transaction. Ventures shall provide reasonable notice to NGTL prior to making an irrevocable commitment to sell the Ventures Assets during such period.

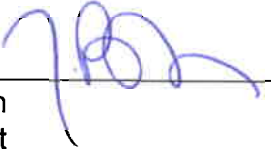
Until this letter agreement is executed, Ventures' information provided herein is to be treated as confidential by NGTL and any disclosure of all or part of this information to third parties, including regulatory bodies, is subject to prior consent from Ventures. After execution of this letter agreement, NGTL shall be entitled to disclose any information provided herein without Ventures consent to the extent necessary to obtain industry and regulatory approval, provided however, NGTL will keep Ventures generally apprised of any such disclosure.

Please confirm your agreement with the foregoing by signing and dating the duplicate of this letter and returning it to us prior to August 29, 2003.

Should you have any further questions please call me at 920-5819, or Francis MacMullin at 920-2031.

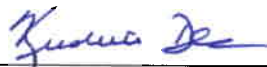
Sincerely,

TransCanada Pipeline Ventures Limited Partnership,
By its General Partners,
TransCanada Pipeline Ventures Ltd.



Jeff Rush
President

cc: Francis MacMullin
Peter Bryan



Acknowledged and agreed this _____ day of _____, 2003

NOVA GAS TRANSMISSION LTD.

 Per: 

Per: 

Exhibit "A"
**Background Information and
Additional Terms of TBO Service**

**By
TransCanada Pipeline Ventures, L.P. to Nova Gas Transmission Ltd.
August 21, 2003**

PART 1

BACKGROUND:

- The existing Ventures Oilsands Pipeline is a 24 inch pipeline that extends approximately 106 kilometers from an interconnect with the NGTL system at Buffalo Creek to a point near the Suncor Plant (the "Ventures Oilsands Pipeline"). The pipeline has been in service since April 1, 1999.
- Additional assets owned by Ventures in the region also include an extension from the Ventures Oilsands Pipeline consisting of approximately 16 kilometers of 12 inch pipeline that provides delivery service directly to the Petro-Canada MacKay River Project ("Ventures Moosa Pipeline"). At the terminus of the Moosa Pipeline, Ventures has in service the Ruth Lake #1, #2 meter stations and is presently constructing a Ruth Lake #3 meter station (the Ruth Lake meter stations collectively referred to as "Ruth Lake Meter Stations").
- Ventures has in service the Buffalo Creek Compressor Station consisting of a 5.3 MW Solar T60 centrifugal gas compressor unit. The Buffalo Creek Compressor Station is located at the interconnect between the NGTL system and the western terminus of the Ventures Oilsands Pipeline. (the "Ventures Buffalo Creek Compressor Station").
- Ventures is presently undertaking the construction of an extension of the Ventures Oilsands Pipeline consisting of approximately 11 kilometers of 24 inch pipeline (the "Extension"). The Extension will extend the Ventures Oilsands Pipeline to a new Ventures delivery station at or near the Oil Sands Sales Meter Station (the "Oil Sands Sales Meter Station"). The Extension is expected to be in service by October 1, 2003.
- Ventures provides delivery service from the Buffalo Creek interconnect to various delivery points on its system. Presently, Ventures has delivery service agreements in place with Suncor, Syncrude, Petro-Canada, Williams Co., and TransCanada Energy. In addition, Ventures has a TBO service agreement (dated October 26, 2001 with expiry of October 31, 2004) in place with NGTL for delivery service on the Ventures Oilsands Pipeline.

- Meter Stations shall mean the Ruth Lake Meter Station (#1, 2 and 3) and the Oil Sands Sales Meter Station.

PART 2

TABLE 1

FS Volume

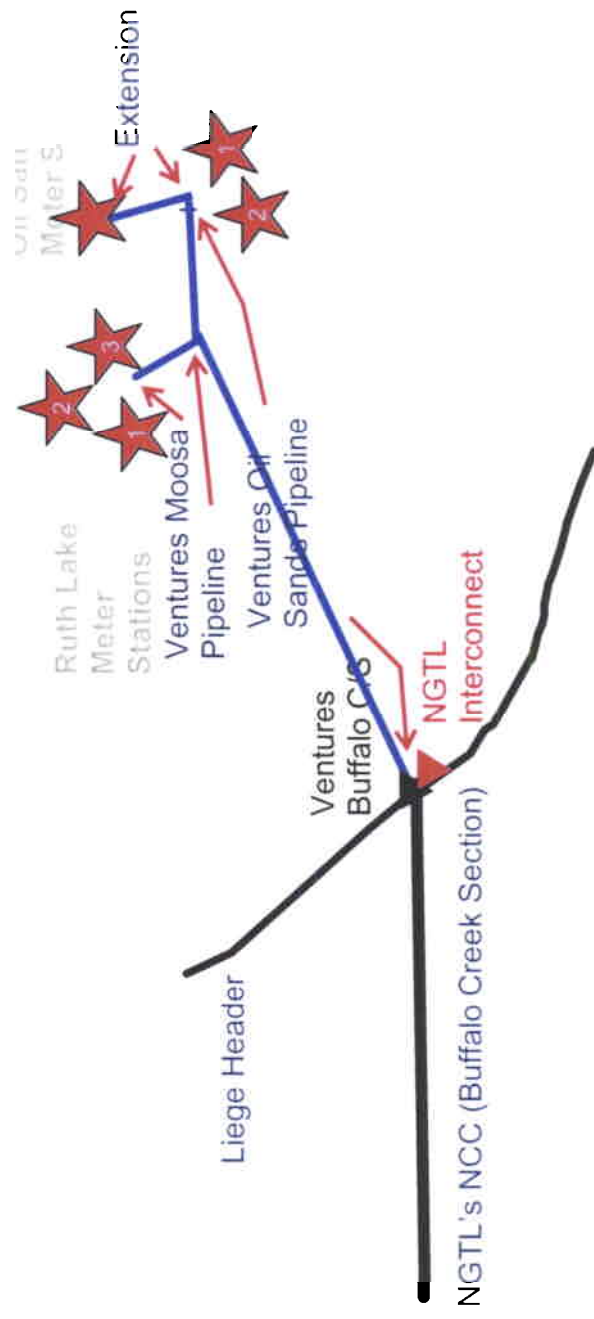
NGTL INTERCONNECT PRESSURE (PSIG)	FS VOLUME (MMSCFD)
900	336
950	369
1000	402
1050	435
1068	447
1100	468
1150	501
1200	533

TABLE 2

Minimum firm service volume in the event of a planned or unplanned interruption of the Ventures Buffalo Creek Compressor Station.

NGTL INTERCONNECT PRESSURE (PSIG)	FIRM VOLUME (MMSCFD)
900	197
950	236
1000	274
1050	311
1068	325
1100	348
1150	383
1200	418

Fort McMurray Area Facilities



APPENDIX F: ACQUISITION GUIDELINES



March 18, 1997

Alberta Energy and Utilities Board
11th Floor, 640 Fifth Avenue S.W.
Calgary, Alberta
T2P 3G4

NOVA Gas Transmission Ltd.
Regulatory Affairs
Post Office Box 2535, Station M
Calgary, Alberta, Canada T2P 2N6
Offices: 801 Seventh Avenue S.W.
(403) 290-6000
FAX (403) 290-7341

ATTENTION: Mr. Ken Sharp, P.Eng.
Group Leader
Facilities Division, Applications Group

Dear Mr. Sharp:

SUBJECT: NGTL FACILITY ACQUISITION GUIDELINES AND CRITERIA

The attached NGTL Facility Acquisition Guidelines and Criteria has been changed to provide clarification. The footnote has been revised to include the wording 'do nothing' in the alternative comparison. This clarification was presented to the FLC March 12, 1997. The attached Guideline and Criteria also supersedes the copy located in Appendix 3 of the Pipeline Licence Transfers currently before the EUB.

Should you require further information, please contact the undersigned at 290-6392 or FAX 290-7341.

Your truly,

NOVA Gas Transmission Ltd.

A handwritten signature in cursive script that reads "Peter Wood".

Peter M. Wood
Senior Regulatory Generalist
Regulatory Affairs

NGTL Facility Acquisition Guidelines and Criteria

From Decision U96001 the AEUB expects NGTL to demonstrate adequate guidelines and criteria are in-place to ensure a consistent approach to facility acquisitions. NGTL agrees with the AEUB that the primary objective of an acquisition is to minimize the long term cost of providing transportation service.

When considering providing service into a new area, the decision to purchase existing facilities, build new facilities and where applicable, utilize capacity on an existing pipeline is based on the lowest cumulative present value cost of service (CPVCOS) and lowest first year capital cost. If, for practical purposes, these alternatives are equal based on financial analysis, then a decision is made based solely on other relevant factors including accessed reserves, operability of the facilities, environmental considerations and land access.

NGTL Acquisition Guidelines*	NGTL Acquisition Criteria**
A. Lowest CPVCOS alternative for providing service	A. Purchase of existing facilities is the lowest CPVCOS alternative.
B. Lowest first year capital cost alternative for providing service	B. Purchase of existing facilities is the lowest first year capital cost alternative.
C. Accesses incremental production/reserves	C. Facility acquisition provides direct access for reserves to the NGTL system.
D. Operability of the facilities acceptable to NGTL	D. Confirmed through due diligence process prior to closing.

* Guidelines - "An indication or outline of future policy or conduct."

** Criteria - "A standard on which a decision or judgment may be based; a standard of reference; a basis for discrimination."

Footnote: It is possible that the pending sale of existing transmission facilities, due to competitive, confidentiality, strategic and operational considerations, may limit the alternative comparison to purchase of existing facilities, do nothing and building new facilities.

APPENDIX G: GUIDELINES FOR NEW FACILITIES

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

TRANSCANADA (ALBERTA SYSTEM) FACILITIES LIAISON COMMITTEE (FLC)

Guidelines for New Facilities

Guiding Principles:

- NGTL will expand its existing system to meet individual customer requests.
- NGTL will modify (expand/extend) its existing system to meet aggregate contractual obligations for receipt and delivery service.
- Customers are not precluded from building facilities. Third party construction has implications on ownership, operation and accountability.
- Guidelines would apply to the majority of situations.
- The established Annual Plan/FLC process will be followed.

TransCanada continues to follow IL 90-8 and the two-stage application process it specifies for applications to the EUB for facilities additions to the NGTL system. The first stage of this process is the filing of an Annual Plan. The second stage consists of the filing of an application for each facility contained in the Annual Plan which includes the final technical information for the applied-for facility.

NGTL's facility planning processes are outlined in the Annual Plan. The Annual Plan provides the Board and industry participants with an understanding of how specific facility applications fit into the overall long term development of the NGTL system. The Annual Plan includes descriptions of NGTL's design assumptions and criteria, as well as the long term outlook for field deliverability, firm service productive capability, gas deliveries, and proposed facility additions.

Facilities identified subsequent to the filing of the Annual Plan will be applied for under Section L of IL 90-8. Section L applications arising from aggregate system requirements will be disclosed to the FLC prior to application whereas, as a general rule, facilities arising from specific customer requests will not be subject to FLC review prior to application to the EUB unless unusual circumstances prevail.

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

F2000-01: Circumstances (what/when) under which NGTL will construct (own/operate) new facilities on the Alberta System.

With the Alberta Energy and Utilities Board (“Board”) Decision 2000-6 respecting NGTL’s 1999 Products and Pricing Application, NGTL will no longer construct (own/operate) laterals to connect to the NGTL system. As outlined in the Decision, the Board accepted as reasonable NGTL’s submission that *“in general new connections of 12 inches or less in diameter distinctly associated with one or a few customers would normally be considered laterals, while facilities required to meet the aggregate forecast of more than one customer would normally be classified as mainline”*. Questions have arisen since the Board’s decision relating to what facilities NGTL will construct (own/operate) and what facilities NGTL will not construct (own/operate). Further, questions have been raised concerning NGTL’s requirement or obligation to build facilities as a regulated entity.

The following definitions/criteria have been developed which outline under what circumstances (what/when) NGTL will construct (own/operate) new facilities on the Alberta system.

For an illustrative example of the definitions that have been established, refer to Appendix 1.

Expansion Facilities:

NGTL will continue to identify expansions to its existing system on an annual basis as per the Annual Plan process and will expand (own/operate) its existing system to/from the point of customer connection, generally downstream in the case of receipt and upstream in the case of deliveries. This would include any loop of the existing system, metering and associated connection piping and system compression. In the event that it is more economic for a third party to EPC (Engineer, Procure & Construct) a facility to NGTL’s specifications/standards, NGTL may contract with the third party to provide these services.

Expansion Facilities Construction/Own/Operate Matrix

	Construct	Own	Operate
System Compression	NGTL or 3 rd party	NGTL	NGTL
Loop	NGTL or 3 rd party	NGTL	NGTL
Metering/Associated Piping	NGTL or 3 rd party	*NGTL	NGTL

* very small meter stations for co-ops could be an exception

Extension Facilities

Extension facilities are those facilities which connect new or incremental supply or markets to the NGTL system. NGTL may construct (own/operate) extension facilities which are generally greater than or equal to 12 inches in diameter and are expected to meet the aggregate forecast of two or more facilities (gas plants/industrials). NGTL will

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

not construct (own/operate) facilities that connect new or incremental supply or markets to the NGTL system which are generally less than 12 inches in diameter and are generally associated with one facility.

Extension Facilities Criteria

NGTL Builds (Owns/Operates)	NGTL Doesn't Build (does not Own/Operate)
Facilities to serve aggregate forecast as per Annual Plan process	Facilities to serve specific customer requests - whatever NGTL can't justify through Annual Plan process, third party would build
Facilities greater than or equal to 12 inches in diameter	Facilities less than 12 inches in diameter
Facilities greater than 20 kilometres in length. Associated connection piping.	Facilities less than 20 kilometres in length
Volumes greater than 100 mmcf/d	Volumes less than 100 mmcf/d

The determination of whether NGTL will construct the extension facility will depend on whether or not the majority of the criteria as described in the table above are met. It is anticipated once parties have had an opportunity to experience these criteria that refinements may be necessary.

Statistics

TransCanada provided some statistics to provide a feel for the size and number of lateral facilities that NGTL has built over the last few years and to test the comfort level in the criteria used in the definitions established.

The statistics showed that 67 out of 99 laterals and lateral loops built since 1994 were 8 inches in diameter or less. The percentage of laterals and lateral loops built during this time increased to 89 out of 99 as the diameter increased to 12 inches or less. In terms of length, 93 of the 99 laterals and lateral loops that were built since 1994 were 50 kms or less. The last consideration was contract volume and 92 out of the 99 laterals and lateral loops had a customer requested contract volume of 60 mmcf/d or less.

Overall, the task force was satisfied that the statistics reasonably supported the definitions. (See Appendix 4 for Flow Ranges for Pipelines and Appendix 5 Unit Cost Index Calculations from NGTL's 1999 P&P Application.)

Connection of Storage Facilities

Please refer to the Connection of Storage Facilities Procedure for criteria pertaining to connection of new storage facilities.

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

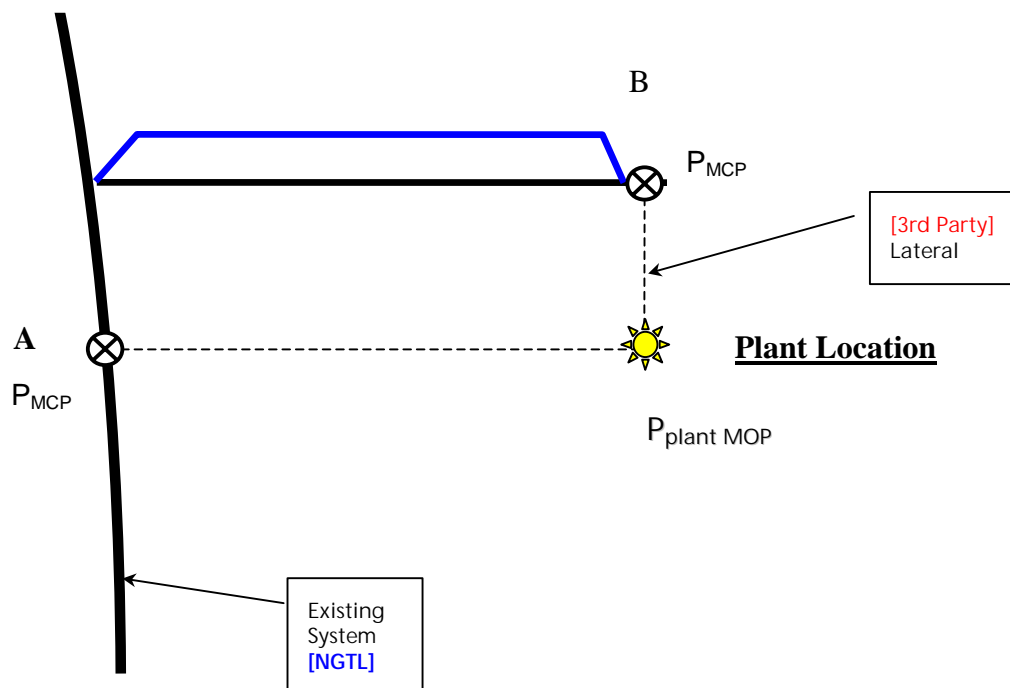
F2000-02: Optimal connection to the NGTL system for third party facilities.

Customers wishing to connect receipt or delivery facilities to the NGTL system may be required to construct facilities in order to make that connection. As outlined in Decision 2000-6, the Customer requesting service and NGTL will discuss the best location for connection to the system as well as the best timing for the construction of tie-in facilities. A process must be established to ensure optimal tie-in to the system. This process will ensure the sharing of appropriate information to determine the lowest cost-efficient solution, considering the overall transportation cost of the gas to be connected and the design, efficiency and safety standards of NGTL. In addition, the process will ensure fair and consistent treatment of all parties. This process contemplates and establishes necessary criteria to ensure consistency in the determination of optimal tie-in points, such as a consistent method for determining cost of NGTL and third party facility costs. It must also address customer requests in a timely manner.

The following 5-steps describe the process for optimal connection to the NGTL system for third party facilities has been developed: (See Appendix 2 – Flow Diagram)

1. Customer requests service by providing a completed *Application for Service* to NGTL.

In order to ensure TransCanada has all the necessary information to determine the facility requirements, a completed application for service with all the required information including; plant location, plant capacity, plant maximum operating pressure (MOP), requested volume, on-stream date, gas quality, reserve information, etc. is required. TransCanada will provide customer with the Maximum Contract Pressure (MCP) for receipt facilities and the minimum delivery pressure (MDP) for delivery facilities at the alternative tie-in points.



REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

2. TransCanada estimates the first year capital costs of the facilities required (including NGTL costs and third party costs) based on the customer requested volume.

It was determined that the analysis should include third party costs to ensure the most orderly, economic and efficient construction of combined facilities (i.e. if third party costs were ignored, TransCanada would minimize its cost causing the third party to incur costs that may be uneconomic). To highlight this situation it was suggested, as an extreme case, if third party costs are excluded from the analysis the most optimum tie in from the perspective of the NGTL system would be the export delivery points.

TransCanada will perform hydraulic analysis to determine facility sizes based upon the plant MOP or MDP as applicable and the NGTL junction pressure. All cost estimates, including third party costs, will be determined based upon NGTL Rule of Thumb cost estimates and will not include capitalization (indirect capital) or AFUDC amounts. In determining third party costs, TransCanada will use its own estimate of the facilities required, typically pipe, to accommodate the customer's requested volume. Third party compression costs will also be included if TransCanada has determined that more than one alternative exists for tie-in and there is a difference in the pipeline operating pressure between alternatives. In determining the estimate of capital costs, only practical pipe sizes will be used i.e. 4, 6, 8 10 and 12 inches.

The following Rule of Thumb pipeline costs will be used to estimate the cost of both NGTL and third party costs.

PIPE SIZE (NPS)	PIPELINE COST (\$/Dia-in-km)	PIPELINE COST (\$/km)
4	22,800	91,200
6	17,100	102,600
8	14,500	116,000
10	14,200	142,000
12	13,300	159,600

These Rule of Thumb cost estimates will be subject to change from time to time. Costs are representative only, as such, actual costs may vary and will be dependent upon site specific or seasonal construction conditions.

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

- 3. TransCanada to estimate the capital costs of the facilities required (both first year costs and future costs - including NGTL costs and 3rd party costs) based on the volume potential in the local area.**

TransCanada will continue to maintain its system design criteria of sizing a system expansion loop facility to accommodate future volume potential in the area for receipt facilities and to accommodate an estimate of the aggregate demand for the area for delivery facilities.

In determining area supply potential for the purpose of appropriately sizing system expansion loops, three sources of "native" gas supply are considered. If applicable, the gas supply available from interconnections with other pipeline systems is considered as well. The three sources are:

- a) Established Connected:** Gas reserves that are currently producing and may be recognized by the EUB and already connected to the NGTL system. Supply profiles are generated using an appropriate modelling approach such as tank modelling.
- b) Established Unconnected:** Gas reserves that may be recognized by the EUB, and are located within the "natural" drainage area, but are not tied in and not producing. In addition to established EUB reserves, newly discovered customer confidential gas reserve information is included in the analysis. Gas supply profiles for unconnected reserves are generated using an appropriate reserves modelling approach and customer contractual information.
- c) Undiscovered Resources:** The gas supply associated with future reserve additions is based upon ERCB Report 92-A, "Ultimate Potential and Supply of Natural Gas in Alberta". Future reserve additions are allocated to meter stations on a "natural" drainage area basis with appropriate consideration for topographic barriers, drilling density and activity levels. If relevant, supply shrinkage due to competitive pipeline interfaces is given proper consideration. The future gas reserve potential associated with a natural drainage area is developed into a supply profile utilizing reasonable assumptions regarding phase in of reserves and rates of take.

- 4. TransCanada will estimate and compare the cumulative present value cost of service (CPVCOS) of each alternative (both first year costs and future costs - including NGTL and 3rd party costs) using the aggregate volume assumption.**

The CPVCOS estimate for each alternative will be calculated as follows:

Estimate of CPVCOS	=	CPVCOS of NGTL system expansion facilities (including both directly attributable and non-directly attributable facilities); plus
		CPVCOS of NGTL system extension facilities (if any); plus
		CPVCOS of third party extension facilities.

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

The CPVCOS will be determined on the same basis as the CPVCOS as described in NGTL's Tariff, Appendix E, "Criteria for Determining Primary Term". The one exception to this is that the CPVCOS for tie-in determination will be based upon book depreciation rates such that the CPVCOS is calculated over the depreciable life of the facility. Otherwise, the determination of CPVCOS for each tie-in alternative will include operating and maintenance expenses, municipal taxes, income taxes, and return on rate base.

5. TransCanada identifies the least cost CPVCOS alternative as the optimal tie-in point.

The optimal tie-in determination will be based upon the least cost comparison of the CPVCOS amounts determined in Step 4.

The results of Steps 2, 3 and 4 will be compared and presented to the customer to illustrate the tie-in determination for each step. This step is included in the process to highlight how changed assumptions may impact the tie-in determination as a visual aid to flag where a dispute may arise. In a situation where step #2, step #3 and, step #4 all conclude that the same alternative is the optimal tie-in, then it is not likely a dispute will arise. There would be a mechanism for a third party to dispute the third party cost estimate or other key assumptions as part of the dispute resolution process (issue F2000-4).

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

F2000-03: Directly attributable facilities which will be included in economic tests to ensure appropriate level of accountability.

The FLC has expressed concerns related to the appropriate level of accountability of facilities. The FLC needs to define directly attributable facilities which are included in the economic tests for calculation of primary term. The process should consider and establish a procedure for the appropriate allocation of directly attributable facility cost for future sizing, for example system expansion loop that has been upsized to accommodate future forecast increases in field deliverability.

In looking at the appropriate level of accountability, the task force agreed that through Decision 2000-6 there is increased accountability with customer responsibility for building the lateral facility. The task force also agreed that the inclusion of directly attributable system expansion loop facilities as part of the customers direct accountability (either through inclusion of the costs in the primary term calculation or the minimum annual volume calculation) raised rolled in versus incremental issues that were not resolvable. The task force shared concerns with respect to adding further shipper accountability without addressing pipeline accountability. The task force agreed to resume discussions on these matters in a broader discussion of accountability in front of the TTP.

The following process has been developed by the task force: (see Appendix 2 – Flow Diagram starting with Step 6).

6. TransCanada calculates the primary contract term or minimal annual volume requirement using the meter station and connection costs only and reviews potential contract terms and conditions with customer (see Appendix 3 – Customer Information Package) which includes the following:

- Primary term to cover meter station and connection costs. The task force, which is a joint FLC/TTP task force supports the Tariff amendments that are required to incorporate these changes to the calculation of the primary term (Refer to Appendix 6 for black lined version of the Tariff changes to be filed with the Board).
- If the optimal tie-in point is used, the secondary term will provide accountability for all system expansion loop facilities (i.e. everything downstream of the meter station)
- If the optimal tie-in point is not used, the shipper is responsible for costs associated with facilities in excess of costs at the optimal tie-in point through a contribution-in-aid-of-construction. TransCanada would have some discretion to decline projects not using the optimal tie-in point which are not in the best interests of its other customers.
- Minimum Annual Volume requirement to cover meter station and connection costs for delivery service.

The task force had significant discussion over several meetings on the issue of directly attributable system expansion loop facilities. Some felt that system expansion loop facilities are shared facilities and are difficult to attribute to a specific customer request. Others felt that without ensuring direct accountability for these facilities, customers would not be incented to tie-in at the optimal point in instances where it meant a higher cost third party extension facility. The consensus reached was that if the customer tied in at a

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

point other than the optimal point, then the customer should be accountable for costs that would not have been incurred had the optimal tie-in location been selected (through a capital contribution rather than through primary term). Conversely, if the customer tied in at the optimal point, then the customer would not be directly accountable for any system expansion loop facilities. The secondary term of 3 years would provide a reasonable level of accountability for all facilities downstream of the receipt point including system expansion loop facilities.

The Board direction was not absolutely clear on whether the primary or secondary term should be used to ensure customer accountability for downstream system expansion facilities:

“The Board acknowledges that shippers requesting new laterals would pay incrementally for this service and also continue to contribute to the costs associated with the downstream facilities.”

The task force agreed that using the secondary term to cover downstream system expansion facilities may very well be what the Board had intended in its' decision.

7. Customer accepts the terms and conditions of service including the optimal tie-in point.

Another factor that may have an impact on the customer's decision is the receipt point specific toll at the connection point. TransCanada will provide this information to the customer as it may factor into the customer's acceptance of the terms and conditions of service.

8. Customer executes the contract and TransCanada proceeds with the necessary facilities application to the Board.

If upon filing the facilities application with the Board, a third party has an objection, and it is unable to resolve it through discussions with TransCanada, the issue will be raised at the FLC by the third party for discussion and resolution. If resolution can not be reached at the FLC, the third party will have the option of addressing their concerns through the Dispute Resolution Process or simply filing an objection with the Board.

9. Upon approval from the Board, TransCanada proceeds with the necessary facilities additions and service proceeds on the estimated onstream date.

10. If Customer does not accept the terms and conditions of the contract including the optimal tie-in point, TransCanada and the customer will work together to alter the assumptions (i.e. plant location, contract volume etc.) in an attempt to provide an alternative that is acceptable to the customer and TransCanada.

11-13

Changed assumptions fail to gain customer acceptance and the customer wishes to tie-in at a point other than the optimal tie-in point.

If the customer wishes to tie-in at a point other than the optimal tie-in point and TransCanada agrees the customer would be responsible, through a capital contribution, for all costs (including future costs) in excess of the cost of the optimal tie-in. The task

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

force agreed that the rate base should remain neutral and that the remainder of the customers should not have to pay for the customer's sub-optimal tie-in choice. The customer would also be responsible for a primary contract term using the meter station and connection costs and a secondary term of 3 years.

14. If TransCanada does not agree with the customer's wish to tie-in at the sub-optimal point, parties may take the issue to the optional dispute resolution process.

15–16

If the issue is resolved through the dispute resolution process, the customer executes a contract and TransCanada would proceed with the necessary facilities application to the Board.

17. If the issue is not resolved through the dispute resolution process, the concerned party may file an application with the Board for resolution.

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

F2000-04: Expedited dispute resolution process/criteria.

The FLC must develop an expedited process for dispute resolution in the event that there are disagreements related to optimal tie-in and what NGTL will construct (own/operate). The dispute resolution process must address disputes between NGTL and a customer with respect to the customer's request for service as well as third party disputes where a third party has concerns with the agreement reached between NGTL and a customer.

The task force has agreed to investigate the use of the Board's Alternate Dispute Resolution (ADR) Process to resolve disputes. Due to timing, the task force has not been able to meet with the Board to discuss their ADR Process in detail and how it may be used in these situations. The task force has agreed that it makes sense to utilize an existing process rather than create a new one. The task force will pursue discussions with the Board to gain further understanding of the process and how it will be used to resolve disputes. The task force recommends that discussion on this issue should continue and resolution be voted separately in due course.

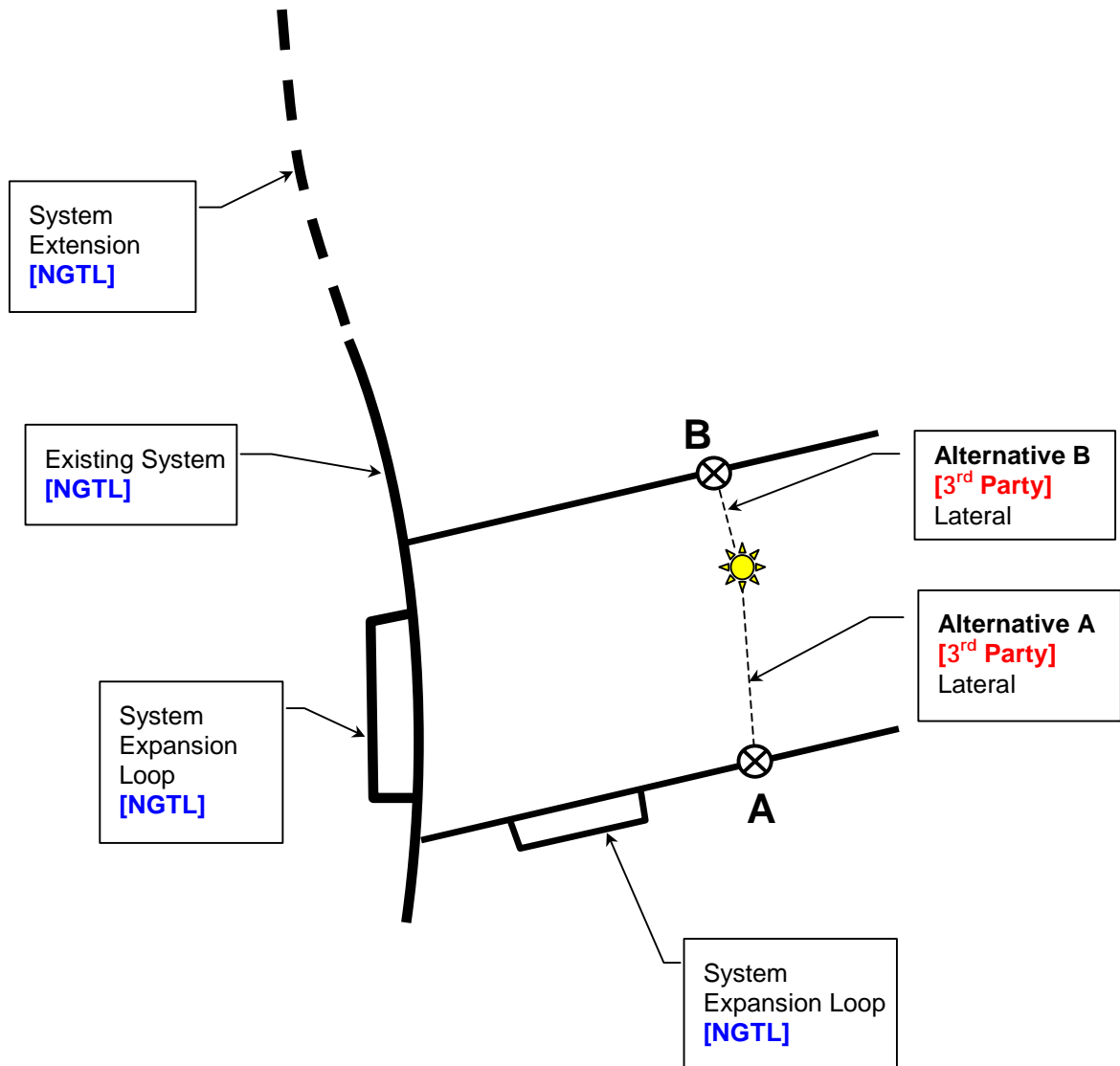
Issue to be resolved in future discussions

- Overall Accountability Issues
 - Review of the complete package of accountability including primary & secondary term calculations, minimum annual volume calculation, and export delivery term requirements to ensure continued appropriateness.
 - Test experience with the new rules to ensure not encouraging inappropriate behaviour.
 - Review the accountability for TransCanada in facility decisions
- How should deviations between NGTL's cost estimates and actual costs be handled?
- Test the aggregate potential volume used by NGTL to ensure it is appropriate.
- NGTL policy regarding meter station location – NGTL to provide current practice.
- There may be value in adding 3rd party laterals to the NGTL system map? – not for this task force to solve.
- The Annual Plan/Annual Plan process may need to be reviewed/changed based on task force work and the new toll design.

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

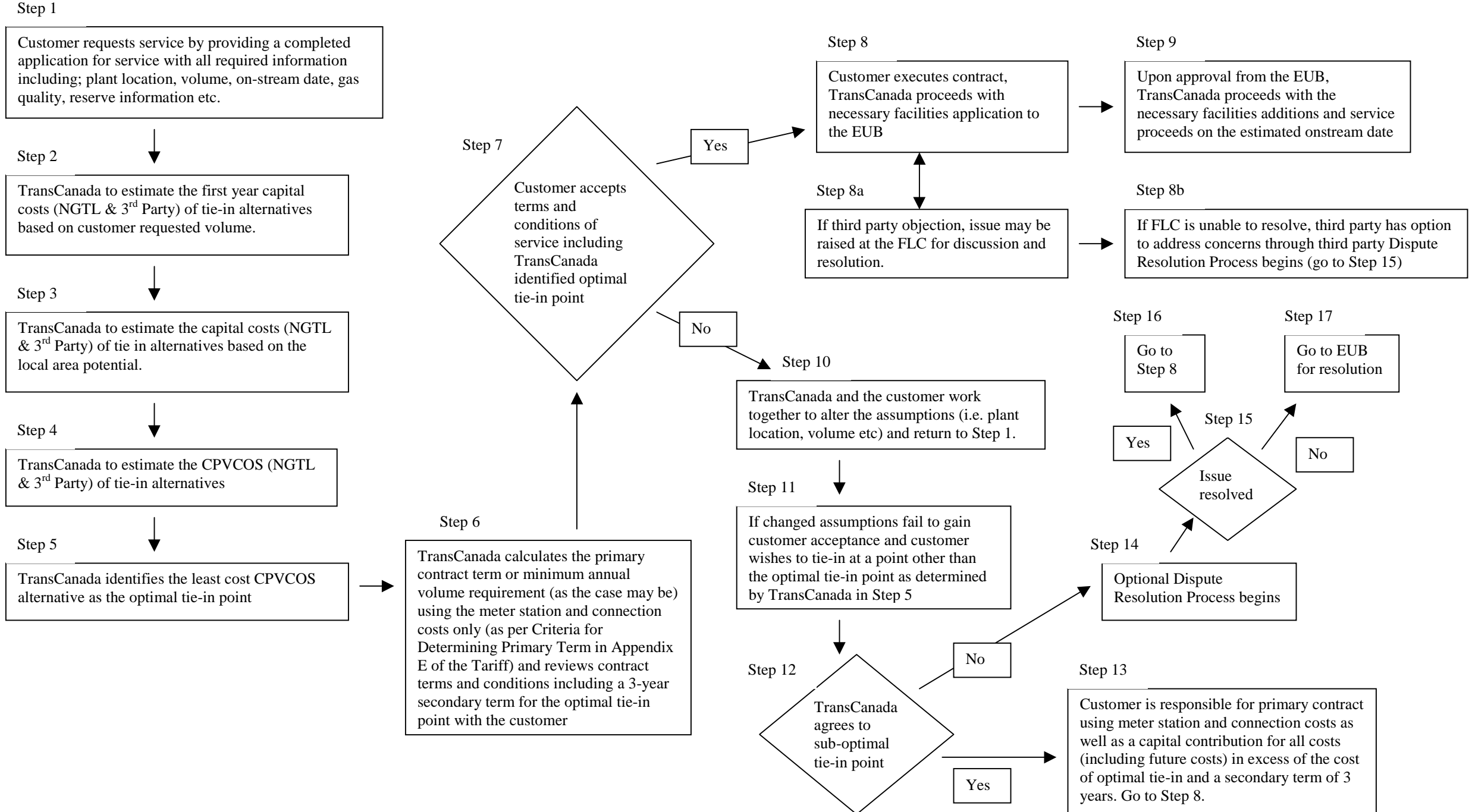
APPENDIX 1

F2000-01: Schematic to Aid Definitions



REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

APPENDIX 2 - Process for Determination of Optimal Tie-In & Associated Accountability



REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

APPENDIX 3 - Customer Information Package

Step 2 – Estimates Based on Customer Requested Volume

Alternative A	Facility Description	First Year Capital Cost (\$000's)
▪ NGTL Facilities		
▪ Third Party Facilities		
▪ Total		
Alternative B		
▪ NGTL Facilities		
▪ Third Party Facilities		
▪ Total		

Step 3 – Estimates Based on Area Potential

Alternative A	Facility Description	First Year Capital Cost (\$000's)	Total Capital Cost (\$000's)
▪ NGTL Facilities			
▪ Third Party Facilities			
▪ Total			

Alternative B			
▪ NGTL Facilities			
▪ Third Party Facilities			
▪ Total			

Step 4 – CPVCOS Analysis of Tie-in Alternatives

Alternative A	Facility Description	First Year Capital Cost (\$000's)	Total Capital Cost (\$000's)	<u>CPVCOS</u> (\$000's)
▪ NGTL Facilities				
▪ Third Party Facilities				
▪ Total				

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

Alternative B				
▪ NGTL Facilities				
▪ Third Party Facilities				
▪ Total				

Estimated Receipt Point Specific Price

Tie-in Point	Estimated Price ¹
A	
B	

1. Estimated receipt point specific price based upon 3 year term,

Maximum Contract Pressure (MCP) or Minimum Delivery Pressure (MDP):

Tie-in Point	MCP or MDP
A	
B	

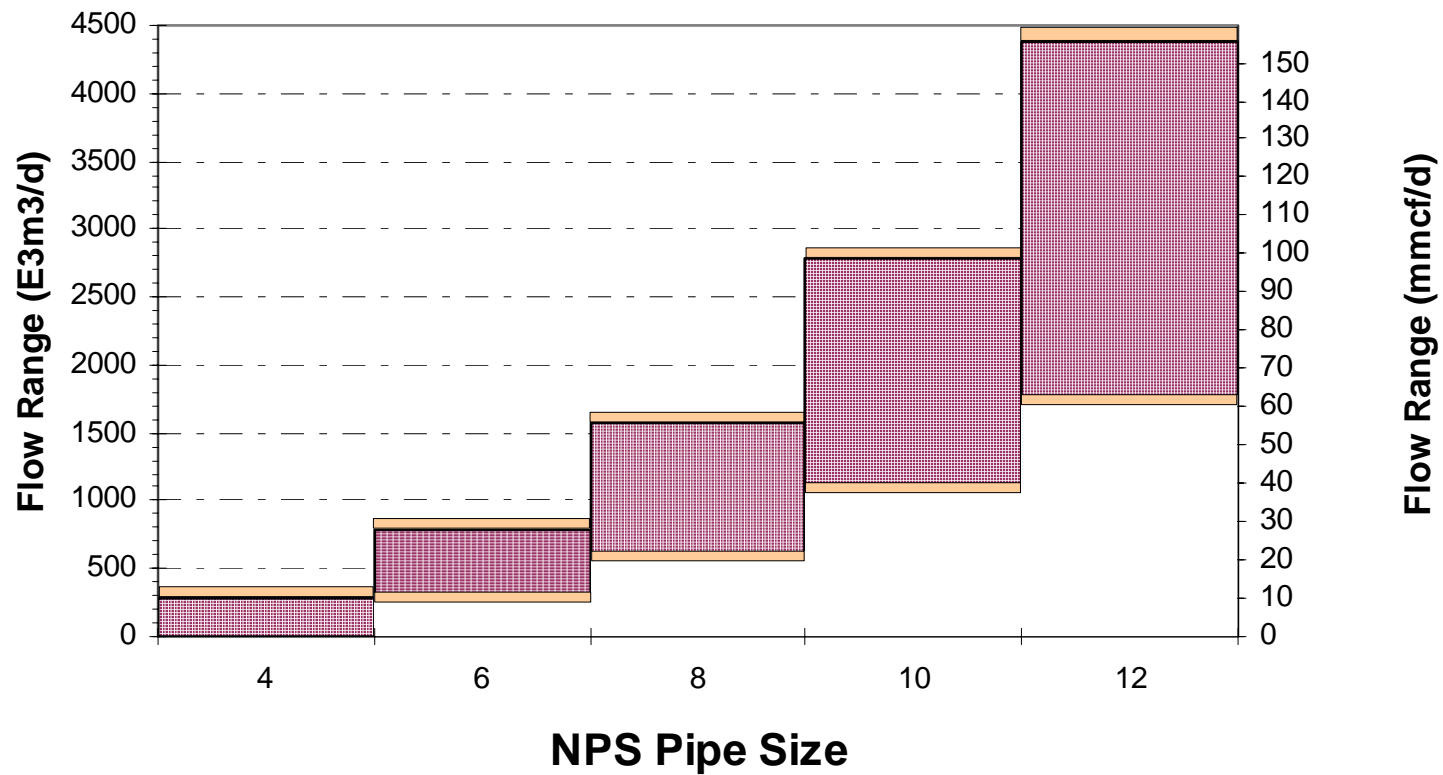
Optimal Tie-in Checklist:

TIE-IN ANALYSIS CHECKLIST			
Step	Description	Tie-in A	Tie-in B
2.	Tie-in estimate based upon Customer request	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3.	Tie-in estimate based upon area potential	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.	Tie-in estimate based upon least CPVCOS.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(Note: double click table above to edit checkboxes)

APPENDIX 4

Flow Ranges for Pipelines



REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

APPENDIX 5

REFER TO ATTACHED UNIT COST INDEX CALCULATIONS

Unit Cost Index Calculations

1	A	B	X	Y	Z	AA	AB	AC	AD	AE
2	Unit Cost Index									
3	Revenue Requirement									
4	Pipe Diameter	Distribution of pipe lengths	Pipe Capital	Pipe O&M	Comp. Capital	Comp. O&M	Total	Pipe Capacity ⁴	Relative cost per unit of capacity	Unit Cost Index
5	NPS	%	% mmcf/d							
6										
7	4	5.55%	1.34%	1.05%	0.01%	0.00%	2.42%	5.73	75.94	73.63
8	6	11.07%	2.91%	2.10%	0.07%	0.03%	5.12%	16.46	28.08	27.22
9	8	10.74%	3.14%	2.04%	0.14%	0.05%	5.37%	32.77	15.25	14.79
10	10	8.24%	3.44%	1.57%	0.19%	0.07%	5.26%	58.24	10.97	10.63
11	12	10.91%	4.28%	2.07%	0.40%	0.14%	6.90%	90.76	6.96	6.75
12	14	0.61%	0.29%	0.12%	0.03%	0.01%	0.45%	115.16	6.37	6.17
13	16	12.89%	7.34%	2.45%	0.86%	0.30%	10.95%	166.44	5.10	4.95
14	18	1.71%	1.14%	0.33%	0.15%	0.05%	1.67%	221.33	4.42	4.29
15	20	7.17%	5.51%	1.36%	0.86%	0.30%	8.04%	299.65	3.74	3.63
16	22	0.62%	0.50%	0.12%	0.09%	0.03%	0.74%	372.97	3.22	3.12
17	24	4.48%	1.90%	0.85%	0.87%	0.30%	3.93%	482.27	1.82	1.76
18	26	0.17%	0.09%	0.03%	0.04%	0.01%	0.17%	590.11	1.74	1.69
19	28	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	717.95	1.65	1.60
20	30	8.27%	5.78%	1.57%	2.86%	0.99%	11.21%	859.06	1.58	1.53
21	32	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1021.26	1.42	1.37
22	34	1.84%	1.30%	0.35%	0.89%	0.31%	2.85%	1198.02	1.29	1.25
23	36	6.44%	4.58%	1.22%	3.57%	1.24%	10.62%	1375.59	1.20	1.16
24	42	6.82%	8.10%	1.30%	5.63%	1.96%	16.98%	2048.86	1.21	1.18
25	48	2.47%	3.01%	0.47%	2.87%	1.00%	7.34%	2886.55	1.03	1.00
26		100.00%	54.7%	19.0%	19.5%	6.8%	100.0%			

⁴ Pipe capacities are based on the standard AGA fully turbulent flow equation at the following conditions:

- base temperature = 15 degrees C
- base pressure = 101.325 kPa
- up stream pressure = 8450 kPa
- pressure drop = 20 kPa / km
- length = 30 km
- effective roughness = 19 microns
- specific gravity = 0.6
- average temperature = 20 degrees C
- average Z factor = 0.829

REPORT OF THE GUIDELINES FOR NEW FACILITIES TASK FORCE

Appendix 6

Refer to Attached Tariff Amendments

RATE SCHEDULE FT-R
FIRM TRANSPORTATION - RECEIPT

1.0 DEFINITIONS

- 1.1** The capitalized terms used in this Rate Schedule have the meanings attributed to them in the General Terms and Conditions of the Tariff unless otherwise defined in this Rate Schedule.

2.0 SERVICE DESCRIPTION AND AVAILABILITY

- 2.1** Subject to the stated terms and conditions, service under Rate Schedule FT-R shall mean the receipt of gas within Alberta from Customer at Customer's Receipt Points (the "Service") which includes transportation of gas that Company determines necessary to provide services under the Tariff.
- 2.2** The Service is available to any Customer that has executed a Service Agreement and Schedule of Service under Rate Schedule FT-R. A standard form Service Agreement for Service under this Rate Schedule FT-R is attached.

3.0 PRICING

- 3.1** Subject to paragraph 3.2, the rate used in calculating Customer's monthly demand charge under each of Customer's Schedules of Service for Service under Rate Schedule FT-R is the FT-R Demand Rate.

3.2 If the Primary Term plus the Secondary Term of any of Customer's Schedules of Service for new or renewed Service under Rate Schedule FT-R is:

- (i) five (5) years or greater the Price Point shall be 95% (Price Point "A");
- (ii) at least three (3) years but less than five (5) years the Price Point shall be 100% (Price Point "B"); and
- (iii) at least one (1) year but less than three (3) years the Price Point shall be 105% (Price Point "C").

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Demand Charges

The aggregate of Customer's monthly demand charges for a Billing Month for Service under Rate Schedule FT-R shall be equal to the sum of the monthly demand charges for each of Customer's Schedules of Service under Rate Schedule FT-R, determined as follows:

$$\text{MDC} = (F \times P) \left[\left(A \times \frac{B}{C} \right) - \left(\frac{D}{E} \right) \right]$$

Where:

"MDC" = the monthly demand charge applicable to such Schedule of Service;

"F" = the FT-R Demand Rate applicable to such Schedule of Service;

"P" = the applicable Price Point in such Schedule of Service;

- “A” = the Receipt Contract Demand in such Schedule of Service;
- “B” = the number of days in such Billing Month that Customer was entitled to Service under such Schedule of Service;
- “C” = the number of days in such Billing Month;
- “D” = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month under such Schedule of Service; and
- “E” = the number of days in the month preceding such Billing Month.

4.2 Aggregate of Customer’s Surcharges

The aggregate of Customer’s Surcharges for a Billing Month shall be equal to the sum of all Surcharges set forth in the Table of Rates, Tolls and Charges applicable to each of Customer’s Schedules of Service under Rate Schedule FT-R.

4.3 Aggregate of Customer’s Over-Run Gas Charges

The aggregate of Customer’s charges for Over-Run Gas in a Billing Month for Service under Rate Schedule FT-R shall be equal to the sum of the monthly charges for Over-Run Gas for each Receipt Point at which Customer is entitled to Service under Rate Schedule FT-R, determined as follows:

$$\text{MOC} = ((V - Y) - U) \times Z$$

Where:

- “MOC” = the monthly charge for Over-Run Gas at the Receipt Point;
- “V” = total volume of gas received from Customer for the month preceding such Billing Month under all of Customer’s Schedules of Service for Service under Rate Schedule FT-R at the Receipt Point;
- “Y” = the aggregate of the products obtained for each of Customer’s Schedules of Service for Service under Rate Schedule FT-R at the Receipt Point, each determined as follows:

(A x B)

Where:

- “A” = the Receipt Contract Demand under Customer’s Schedule of Service for Service under Rate Schedule FT-R at the Receipt Point for the month preceding such Billing Month;
- “B” = the number of days in the month preceding such Billing Month that Customer was entitled to Service under such Schedule of Service;
- “U” = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month for Service provided to Customer for Over-Run Gas at the Receipt Point; and
- “Z” = the IT-R Rate at such Receipt Point.

4.4 The calculation of Customer's charge for Over-Run Gas in paragraph 4.3 shall not take into account Customer's Inventory on the last day of the month preceding the Billing Month.

4.5 Aggregate Charge For Service

Customer shall pay for each Billing Month:

- (i) the sum of the amounts calculated in accordance with paragraphs 4.1, 4.2, and 4.3; less
- (ii) the amount, if any, calculated in accordance with the Terms and Conditions Respecting Relief for Mainline Capacity Restrictions in Appendix "B" of the Tariff.

4.6 Allocation of Gas Received

Notwithstanding any other provision of this Rate Schedule, any Service Agreement or the General Terms and Conditions of the Tariff, and without regard to how gas may have been nominated, the aggregate volume of gas received from Customer at a Receipt Point shall be allocated for billing purposes as follows:

- (i) first to service to Customer under Rate Schedules LRS and LRS-2 to a maximum of such Customer's LRS Contract Demand for such Receipt Point under such Rate Schedule LRS and to a maximum of such Eligible LRS-2 Volumes for the Coleman Receipt Point under such Rate Schedule LRS-2;
- (ii) secondly to Service to Customer under Rate Schedule FT-R to a maximum of such Customer's Receipt Contract Demand for such Receipt Point under Rate Schedule FT-R; and

- (iii) thirdly to service to Customer under Rate Schedule IT-R at such Receipt Point. If Customer is not entitled to service under Rate Schedule IT-R at such Receipt Point, gas shall be allocated as Over-Run Gas and charged in accordance with paragraph 4.3.

5.0 TERM OF SERVICE

5.1 Term of a Schedule of Service

If, in the provision of new Service, Company determines that:

- (i) no new Facilities are required to be installed or constructed at any Receipt Point to provide the Service requested, the term of the Schedule of Service shall be a Secondary Term equal to the term requested by Customer with the minimum term being three (3) years; or
- (ii) new Facilities are required to be installed or constructed at any Receipt Point to provide the Service requested, the term of the Schedule of Service shall be equal to the sum of:
 - (a) the Primary Term; and
 - (b) a Secondary Term equal to the Secondary Term requested by Customer with the minimum Secondary Term being three (3) years.

5.2 The Price Point for the term shall be determined in the manner described in paragraph 3.2.

5.3 If the number of years calculated for the Primary Term exceeds fifteen (15) years the Primary Term shall be fixed at fifteen (15) years and a Surcharge, determined under the Criteria for Determining Primary Term in Appendix “E” of the Tariff, shall be applied in respect of such Service.

5.4 Term of Service Agreement

Customer's Service Agreement shall terminate on the latest Service Termination Date of Customer's Schedules of Service for Service under Rate Schedule FT-R.

6.0 SERVICE DURING TESTS

6.1 Customer may tender, for one (1) month in any calendar year, a daily volume of gas at a Receipt Point in excess of the aggregate of Customer's Receipt Contract Demand under all of Customer's Schedules of Service for Service under Rate Schedule FT-R at such Receipt Point, and Company will receive such excess volume pursuant to the terms and conditions applicable to this Rate Schedule FT-R, provided that:

- (a) Customer has first satisfied Company that it is a requirement under the terms of a gas purchase contract that Customer tender such excess volume to Company for the purpose of a test; and
- (b) Company has determined in its sole judgment that it can receive such volume for such period without adversely affecting the operation of the Facilities or service to any other Customer receiving service under any Rate Schedule other than Rate Schedules IT-R, IT-D or IT-S.

6.2 The IT-R Rate for the applicable Receipt Point shall apply to the excess volumes tendered under paragraph 6.1. The excess shall be Over-Run Gas and Customer shall be charged in accordance with paragraph 4.3.

6.3 Notwithstanding the provisions of paragraph 6.1, Company in its sole discretion may interrupt or terminate the test at any time.

7.0 CAPACITY RELEASE

7.1 If Customer desires a reduction of Customer's Receipt Contract Demand for all or any portion of its Service under a Schedule of Service under Rate Schedule FT-R, Customer shall notify Company of its request for such reduction specifying the particular Receipt Point, Schedule of Service and the Receipt Contract Demand available to any other Person who requires Service under Rate Schedule FT-R. Company shall not have any obligation to find any Person to assume the Receipt Contract Demand Customer proposes to make available. If after notice is given to Company a Person is found who agrees to assume the Receipt Contract Demand Customer proposes to make available, together with any applicable Surcharge, Company may reduce Customer's Receipt Contract Demand under such Schedule of Service, on terms and conditions satisfactory to Company, by an amount equal to the Receipt Contract Demand specified in a new Schedule of Service, executed by Company and such Person. Notwithstanding such reduction, Customer shall at Company's sole option either:

- (i) continue to pay any Surcharge until the Service Termination Date as described in the applicable Schedule of Service (unless any other Person acceptable to Company has agreed to pay such Surcharge); or
- (ii) in the event that Company retires any Facilities required to provide such Service, pay to Company within a time determined by Company, an amount equal to the net book value of such Facilities adjusted for all costs and expenses associated with such retirement.

8.0 RELIEF FOR MAINLINE RESTRICTIONS

- 8.1** Company will grant relief to a Customer entitled to Service under Rate Schedule FT-R, in accordance with the Terms and Conditions Respecting Relief for Mainline Capacity Restrictions in Appendix “B” of the Tariff.

9.0 TRANSFER OF SERVICE

9.1 Transfers Between Receipt Points Within the Same Project Area

If Customer desires to transfer all or any portion of Service under a Schedule of Service from a Receipt Point within a Project Area to a Receipt Point within the same Project Area, Customer shall notify Company of Customer’s request for such transfer specifying the Receipt Points, the Schedule of Service and the portion of the Receipt Contract Demand that Customer wishes to transfer.

- 9.2** Company is under no obligation to permit the transfer requested in paragraph 9.1, but may permit such transfer provided that:

- (i) Company determines that sufficient capacity exists in the Facilities to accommodate the transfer;
- (ii) Company determines that the construction or installation of new Facilities that are directly attributable to the transfer is not required;
- (iii) the transfer does not occur during the Primary Term of the Schedule of Service;
- (iv) the Price Point in effect for Service under the Schedule of Service, from which Customer wishes to transfer Service at the time of the transfer, applies to the new Schedule of Service for the Service that has been transferred;

- (v) the FT-R Demand Rate applicable to Service under the Schedule of Service that has been transferred shall be the FT-R Demand Rate in effect at the Receipt Point to which the Service under the Schedule of Service has been transferred; and
- (vi) Customer executes new Schedules of Service.

9.3 Transfers Between Receipt Points in Different Project Areas

If Customer desires to transfer all or any portion of Service under a Schedule of Service from a Receipt Point within a Project Area to a Receipt Point in a different Project Area, Customer shall notify Company of Customer's request for such transfer specifying the Receipt Points, the Schedule of Service and the portion of the Receipt Contract Demand that Customer wishes to transfer.

9.4 Company is under no obligation to permit the transfer requested in paragraph 9.3, but may permit such transfer provided that:

- (i) Company determines that sufficient capacity exists in the Facilities to accommodate the transfer;
- (ii) Company determines that the construction or installation of new Facilities that are directly attributable to the transfer is not required;
- (iii) the transfer does not occur during the Primary Term of the Schedule of Service;
- (iv) three (3) years are added to the balance of Customer's Secondary Term for the new Schedule of Service (the "New Term") for the Service that has been transferred;

- (v) the Price Point for Service under the new Schedule of Service for the Service that has been transferred shall be determined in the manner described in paragraph 3.2 using the New Term;
- (vi) the FT-R Demand Rate applicable to the Service under the Schedule of Service that has been transferred shall be the FT-R Demand Rate in effect at the Receipt Point to which Service under the Schedule of Service has been transferred; and
- (vii) Customer executes new Schedules of Service.

9.5 Transfers Between Receipt Points and Delivery Points

A Customer entitled to receive Service under Rate Schedule FT-R shall not be entitled to transfer all or any portion of Service under Rate Schedule FT-R to a Delivery Point.

10.0 TERM SWAPS

10.1 Term Swap Between Receipt Points Within the Same Project Area

If Customer desires to swap the Service Termination Date of a Schedule of Service with the Service Termination Date of another Schedule of Service and the Receipt Points for the Schedules of Service are within the same Project Area, Customer shall notify Company of Customer's request for such swap specifying the particular Receipt Points, the Service Termination Dates and the Schedules of Service, if necessary, that Customer wishes to swap.

- 10.2** Company is under no obligation to permit the swap requested in paragraph 10.1, but may permit such swap provided that:

- (i) Company determines that sufficient capacity exists in the Facilities to accommodate the swap;
- (ii) Company determines that the construction or installation of new Facilities that are directly attributable to the swap is not required;
- (iii) the swap does not occur during the Primary Term of the Schedule of Service;
- (iv) the Receipt Contract Demand and the FT-R Demand Rate;
 - (a) at each Receipt Point; and
 - (b) for each Service Termination Datedo not change as a result of the swap;
- (v) the Price Point in effect for each Schedule of Service after the swap shall be the Price Point in effect for the other Schedule of Service immediately prior to the time the Service Termination Dates were swapped; and
- (vi) Customer executes new Schedules of Service.

10.3 Term Swaps Between Receipt Points in Different Project Areas

If Customer desires to swap the Service Termination Date of a Schedule of Service with the Service Termination Date of another Schedule of Service and the Receipt Points for the Schedules of Service are in different Project Areas, Customer shall notify Company of Customer's request for such swap specifying the particular Receipt Points, the Service Termination Dates and the Schedules of Service, if necessary, that Customer wishes to swap.

10.4 Company is under no obligation to permit the swap requested in paragraph 10.3, but may permit such swap provided that:

- (i) Company determines that sufficient capacity exists in the Facilities to accommodate the swap;
- (ii) Company determines that the construction or installation of new Facilities that are directly attributable to the swap is not required;
- (iii) the swap does not occur during the Primary Term of the Schedule of Service;
- (iv) the Receipt Contract Demand and the FT-R Demand Rate:
 - (a) at each Receipt Point; and
 - (b) for each Service Termination Datedo not change as a result of the swap;
- (v) subject to subparagraph 10.4(vi), the Price Point in effect for each Schedule of Service after the swap shall be the Price Point in effect for the other Schedule of Service immediately prior to the time the Service Termination Dates were swapped;
- (vi) three (3) years are added to the balance of Customer's Secondary Term for each Schedule of Service (the "New Term") if the remaining term of either of the Schedules of Service is less than three (3) years and the Price Point that shall apply to each Schedule of Service shall be the Price Point determined in the manner described in paragraph 3.2 using the New Term for such Schedules of Service; and
- (vii) Customer executes new Schedules of Service.

10.5 Term Swaps Between Schedules of Service Under Rate Schedule FT-R and other Schedules of Service

Except as provided in article 10, a Customer entitled to receive Service under Rate Schedule FT-R shall not be entitled to swap the Service Termination Date of any Schedule of Service under Rate Schedule FT-R with the Service Termination Date under any Schedule of Service.

11.0 TITLE TRANSFERS

11.1 A Customer entitled to receive Service under Rate Schedule FT-R may transfer all or a portion of Customer's Inventory to another Customer or may accept a transfer of all or a portion of Customer's Inventory from another Customer provided such Customer is entitled to receive service under any Rate Schedule that permits title transfers and such title transfer is in accordance with the Terms and Conditions of Service Respecting Title Transfers in Appendix "C" of the Tariff.

12.0 RENEWAL OF SERVICE**12.1 Renewal Notification**

Customer shall be entitled to renew all or any portion of Service under a Schedule of Service under Rate Schedule FT-R with a Service Termination Date prior to March 1, 2001 if Customer gives notice to Company of such renewal at least six (6) months prior to the Service Termination Date. If Customer does not provide such notice, the Service shall expire on the Service Termination Date.

Customer shall be entitled to renew all or any portion of Service under a Schedule of Service under Rate Schedule FT-R with a Service Termination Date of March 1, 2001 or

later, if Customer gives notice to Company of such renewal at least one (1) year prior to the Service Termination Date. If Customer does not provide such notice, the Service shall expire on the Service Termination Date.

12.2 Irrevocable Notice

If a Service Termination Date is prior to March 1, 2001, Customer notice shall be irrevocable six (6) months prior to the Service Termination Date. If a Service Termination Date is March 1, 2001 or later, Customer notice shall be irrevocable one (1) year prior to the Service Termination Date.

Any renewal of Service is subject to Financial Information and Security provisions in Article 10 of the General Terms and Conditions

12.3 Renewal Term

Customer's notice shall specify a renewal term of not less than one (1) year consisting of increments of whole months. The Price Point for the renewal term shall be determined in the manner described in paragraph 3.2 based on the length of the renewal term requested by Customer.

13.0 APPLICATION FOR SERVICE

13.1 Applications for Service under this Rate Schedule FT-R shall be in such form as Company may prescribe from time to time.

14.0 GENERAL TERMS AND CONDITIONS

- 14.1** The General Terms and Conditions of the Tariff and the provisions of any Service Agreement for Service under Rate Schedule FT-R are applicable to Rate Schedule FT-R to the extent that such terms and conditions and provisions are not inconsistent with this Rate Schedule.

SERVICE AGREEMENT
RATE SCHEDULE FT-R

BETWEEN:

NOVA Gas Transmission Ltd., a body corporate having an office in the
City of Calgary, in the Province of Alberta (“Company”)

- and -

•, a body corporate having an office in the City of •, in the Province of
Alberta (“Customer”)

IN CONSIDERATION of the premises and the covenants and agreements in this Service Agreement, the parties covenant and agree as follows:

1. Customer acknowledges receipt of a current copy of the Tariff.
2. The capitalized terms used in this Service Agreement have the meanings attributed to them in the General Terms and Conditions of the Tariff, unless otherwise defined in this Service Agreement.
3. Customer requests and Company agrees to provide Service pursuant to Rate Schedule FT-R in accordance with the attached Schedules of Service. The Service will commence on the Billing Commencement Date and will terminate, subject to the provisions of this Service Agreement, on the Service Termination Date.

4. Customer agrees to pay to Company each Billing Month, for all Service rendered under this Service Agreement, an amount equal to the aggregate charges for Service described in Rate Schedule FT-R.
5. Customer shall:
 - (a) provide such assurances and information as Company may reasonably require respecting any Service to be provided pursuant to this Rate Schedule FT-R including, without limiting the generality of the foregoing, an assurance that necessary arrangements have been made among Customer, producers of gas for Customer, purchasers of gas from Customer and any other Person relating to such Service, including all gas purchase, gas sale, operating, processing and common stream arrangements; and
 - (b) at Company's request provide Company with an assurance that Customer has provided the Person operating facilities upstream of any Receipt Point in respect of which Customer has the right to receive service with all authorizations necessary to enable such Person to provide Company with all data and information reasonably requested by Company for the purpose of allocating volumes of gas received by Company among Company's Customers and to bind Customer in respect of all such data and information provided.

If Customer fails to provide such assurances and information forthwith following request by Company, from time to time, Company may at its option, to be exercised by notice to Customer, suspend the Service to which such assurances and information relate until such time as Customer provides the assurances and information requested, provided however that any such suspension of Service shall not relieve Customer from any obligation to pay any rate, toll, charge or other amount payable to Company.

6. Customer acknowledges that the Facilities have been designed based on certain assumptions and forecasts described each year in Company's Annual Plan, and that interruption and curtailment of Service may occur if the aggregate gas volume actually received or the aggregate gas volume actually delivered at the Facilities is different than forecast.
7. Every notice, request, demand, statement, bid or bill (for the purpose of this paragraph, collectively referred to as "Notice") provided for in Rate Schedule FT-R, this Service Agreement and the General Terms and Conditions, or any other Notice which either Company or Customer may desire to give to the other, shall be in writing and each of them and every payment provided for shall be directed to the Person to whom given, made or delivered at such Person's address as follows:

Customer:

-
-
-

Attention: •

or

Attention: •

Fax: •

Company:

-
-
-

Attention: Customer Account Representative

Fax: •

Notice may be given by fax or other telecommunication and any such Notice shall be deemed to be given four (4) hours after transmission. Notice may also be given by personal delivery or by courier and any such Notice shall be deemed to be given at the time of delivery. Any Notice may also be given by prepaid mail and any such Notice shall be deemed to be given four (4) business days after mailing, Saturdays, Sundays and statutory holidays excepted. In the event of disruption of regular mail, every payment not made electronically shall be personally delivered, and any other Notice shall be given by one of the other stated means.

Any Notice for the matters listed in the Notice Schedule for Electronic Commerce in Appendix “F” of the Tariff shall be given via Company’s electronic bulletin board (“EBB”). Company shall not accept any such Notice for those matters listed in Appendix “F” via any other alternative means, unless the EBB is inoperative or Customer is unable to establish connection with the EBB, in which case Notice shall be given by any other alternative means set out herein. Any Notice given by the EBB shall be deemed to be given one (1) hour after transmission.

Any Notice may also be given by telephone followed immediately by EBB, fax, personal delivery, courier or prepaid mail, and any Notice so given shall be deemed to have been given as of the date and time of the telephone notice.

8. The terms and conditions of Rate Schedule FT-R, the General Terms and Conditions and Schedule of Service under Rate Schedule FT-R are by this reference incorporated into and made a part of this Service Agreement.

IN WITNESS WHEREOF the parties have executed this Service Agreement by their proper signing officers duly authorized in that behalf all as of the • day of •, •.

•

NOVA Gas Transmission Ltd.

Per:

Per :

Per:

Per :

SCHEDULE OF SERVICE
RATE SCHEDULE FT-R

SCHEDULE NO: •

CUSTOMER: •

PLANT CAPACITY: • $10^3 \text{m}^3/\text{d}$

COMMON STREAM OPERATOR: •

RECEIPT POINT NAME: •

RECEIPT POINT NO: •

RECEIPT POINT LOCATION: •

RECEIPT CONTRACT DEMAND: • $10^3 \text{m}^3/\text{d}$

MAXIMUM RECEIPT PRESSURE: • kPa

SECONDARY TERM START DATE: •

PRICE POINT: •

SERVICE TERMINATION DATE: •

SURCHARGE: •

ADDITIONAL CONDITIONS: •

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED • AND SHALL
BE DEEMED TO BE ATTACHED THERETO.

•

Per:

Per:

NOVA Gas Transmission Ltd.

Per :

Per :

**APPENDIX “E”
TO
GAS TRANSPORTATION TARIFF
OF
NOVA GAS TRANSMISSION LTD.**

**CRITERIA FOR DETERMINING
PRIMARY TERM**

CRITERIA FOR DETERMINING PRIMARY TERM

1.0 DEFINITIONS

- 1.1** Capitalized terms used in this Appendix have the meanings attributed to them in the Tariff unless otherwise defined in this Appendix.

2.0 INTRODUCTION

- 2.1** If, pursuant to subparagraph 5.1(ii) of Rate Schedule FT-R, Company determines that new Facilities are required to be installed or constructed at any Receipt Point to provide the Service requested under a Schedule of Service under Rate Schedule FT-R, Company will determine the Primary Term and Surcharge, if any, in accordance with this Appendix.
- 2.2** The decision to install or construct new Facilities shall be made by Company. In making such decision, Company will take into account factors which may include, but shall not be limited to: capital investment, Receipt Contract Demand, established reserves and area resource potential.

3.0 DETERMINATION OF PRIMARY TERM

3.1 The Primary Term is the number of years of Service under a Schedule of Service under Rate Schedule FT-R required for the cumulative present value revenue (“CPVR”) to equal or exceed the cumulative present value cost of service (“CPVCOS”). In calculating the Primary Term, partial years shall be rounded up to the next whole year. The Primary Term may vary from one to fifteen years. If a fifteen-year Primary Term is insufficient for the CPVR to equal or exceed the CPVCOS, then a Surcharge shall be charged by Company.

An example of the calculation of Primary Term is set out in Attachment 1 to this Appendix.

3.2 Determination of CPVR

- (i) In determining the CPVR, the annual revenue for the first year attributable to the Facilities shall be estimated as follows:

$$AR = A \times B \times 12 \text{ months}$$

Where:

“AR” = annual revenue attributable to the Facilities

“A” = the Receipt Contract Demand requested by Customer

“B” = the FT-R Demand Rate at the applicable Receipt Point multiplied by the applicable Price Point

- (ii) Commencing in the second year of the Primary Term the annual revenue shall be escalated at 2% per annum. The CPVR for the Primary Term is then calculated by adding each year's revenue, discounted at Company's current pre-tax rate of return. The escalation rate and the pre-tax rate of return may vary from time to time as determined by Company.

3.3 Determination of CPVCOS

In determining the CPVCOS the estimated capital cost for the first year of metering and other Facilities required to be installed or constructed at any Receipt Point to provide the Service requested shall be used. Estimated capital costs include all direct and indirect costs required to declare a Billing Commencement Date in respect of the requested Service. Facilities are designed in accordance with the criteria and assumptions outlined in Company's Annual Plan.

Commencing in the second year of the Primary Term the annual cost of service ("COS") shall be discounted at Company's current pre-tax rate of return. The CPVCOS for the Primary Term is then calculated by adding each year's COS, discounted at Company's current pre-tax rate of return. Such rate of return may vary from time to time as determined by Company.

The COS is equal to the sum of the components as described in (i) through (v) below.

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

O&M expense is estimated based on Company's system average O&M costs.

O&M expense is escalated at 2% per annum commencing in the second year of the Primary Term. The escalation rate may vary from time to time as determined by Company.

(ii) Municipal Taxes

Municipal tax expense is estimated at Company's system average rate of 1.15% of estimated capital cost and is escalated at 2% per annum commencing in the second year of the Primary Term. Company's system average rate and escalation rate may vary from time to time as determined by Company.

(iii) Depreciation

Depreciation expense is calculated on a straight-line basis using the rate required to fully depreciate the estimated capital cost of the Facilities over the Primary Term. This depreciation rate is calculated using an iterative process and is used solely for the determination of Primary Term.

(iv) Income Taxes

Income tax expense is calculated on a flow-through basis and in accordance with Canadian generally accepted accounting principles. 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 for the applicable twelve month period. Rate base is equal to the estimated capital cost of the Facilities determined to be required to meet Customer's request for Service, less accumulated depreciation, plus a working capital adjustment. The rate of return may vary from time.

4.0 DETERMINATION OF SURCHARGE

- 4.1** If a fifteen-year Primary Term is insufficient for the CPVR to equal or exceed the CPVCOS, then a Surcharge shall be charged by Company over the Primary Term.
- 4.2** The Surcharge is calculated by Company such that when multiplied by the Receipt Contract Demand and discounted over fifteen (15) years and added to the CPVR results in the CPVR being greater or equal to the CPVCOS.

5.0 REVIEW OF PRIMARY TERM AND SURCHARGE

- 5.1** Upon written request from Customer, Company will review the Primary Term and/or Surcharge on an existing Schedule of Service for Service under Rate Schedule FT-R
- 5.2** If there is no Surcharge and either the actual capital cost of the Facilities is lower than originally estimated or actual revenue attributable to the Primary Term is higher than estimated, Company will reduce the Primary Term accordingly.
- 5.3** If there is a Surcharge, such Surcharge may be reduced prior to the end of the Primary Term if either the actual capital cost of the Facilities is lower than originally estimated or actual revenue attributable to the Primary Term is higher than estimated, and the resulting CPVCOS is less than or equal to CPVR.

Attachment 1
Illustrative Primary Term Calculation

(1)	(2)	(3)	(4)	(5)	(6)
Year	Annual Cost of Service	Cumulative Present Value Cost of Service (CPVCOS)	Annual Revenue	Cumulative Present Value Revenue (CPVR)	Net Present Value (Col. 5-3)
1999	149,329	149,329	121,306	121,306	(28,023)
2000	114,767	252,263	123,732	232,281	(19,982)
2001	121,294	349,836	126,207	333,806	(16,029)
2002	125,280	440,225	128,731	426,685	(13,539)
2003	127,295	522,599	131,305	511,654	(10,945)
2004	128,102	596,948	133,932	589,387	(7,561)
2005	127,551	663,346	136,610	660,501	(2,845)
2006	125,918	722,135	139,342	725,558	3,422
Total	1,019,536	722,135	1,041,165	725,558	3,422

Capital Cost: \$460,000

Receipt Contract Demand: $70 \times 10^3 \text{ m}^3/\text{d}$ (2.5 MMcf/d)

FT-R Demand Rate: $\$143.52 / 10^3 \text{ m}^3 / \text{month}$ (\$4.05 / Mcf / month)

Primary Term Required: 8 years

Rate of Return on Rate Base: 9.03%

Discount Rate: 11.50%

Surcharge: N/A