

APPENDIX “G”
TO
GAS TRANSPORTATION TARIFF
OF
NOVA GAS TRANSMISSION LTD

TERMS AND CONDITIONS RESPECTING
EMERGENCY RESPONSE COMPENSATION

**TERMS AND CONDITIONS RESPECTING
EMERGENCY RESPONSE COMPENSATION**

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.

In this Appendix:

1.2 “Allocation” shall mean the expected gas Flow allocated to each Customer by CSO at a Receipt Point and used by Company to estimate physical gas Flows for each Customer at such Receipt Point.

1.3 “Area of Impact” shall mean that portion of the Facilities determined by Company, to be directly affected by an ERC Event.

1.4 “Claims” shall mean any claims, demands, actions, causes of actions, damages (including without limitation indirect, incidental, consequential, exemplary, punitive, loss of profits, revenue, or similar damages), deficiencies, losses, liabilities, expenses, or costs of any nature and kind whatsoever (including without limitation legal costs on a solicitor and his own client basis and costs of investigation).

1.5 “Duration of the ERC Event” shall mean the period of time (rounded to the closest half hour) commencing at the time the first Plant is requested by Company to reduce Flow and ending two hours after the time the last Plant has been requested by Company to resume Flow to the rate determined by Company. Duration of the ERC Event shall be determined by Company and shall not exceed 48 hours.

1.6 “Emergency Response Compensation” or “ERC” shall mean the emergency response compensation that may be made available to Customer or provided by Customer by way of an ERC Adjustment.

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- 1.7** “ERC Adjustment” shall mean the debit or credit adjustment, as the case may be, to Customer’s bill for Service determined by Company in accordance with paragraph 5.4.
- 1.8** “ERC Energy” shall mean the difference, in energy, between what Customer flowed and what Customer should have flowed at each Receipt Point in the Area of Impact for the Duration of the ERC Event as determined by Company in accordance with paragraph 5.3.
- 1.9** “ERC Event” shall mean an event caused by a facility failure on Company’s Facilities or on the facilities of a downstream pipeline directly connected to the Facilities, which results in the operating pressure of the affected Facilities exceeding the Maximum Operating Pressure of such Facilities and Company implementing the ERC Procedure. An ERC Event shall not include an event where:
- (i) the overpressuring of the Facilities is caused by supply/demand account imbalances or gas supply production in excess of nominations; or
 - (ii) Company reduces Flow at all Receipt Points in Area of Impact to zero; or
 - (iii) overpressuring is alleviated by Company implementing the interruption and curtailment provisions set out in Article 11 of the General Terms and Conditions of the Tariff.
- 1.10** “ERC Procedure” shall mean the terms and conditions of this Appendix G.
- 1.11** “Maximum Operating Pressure” shall mean the maximum licensed operating pressure of the applicable Facilities.
- 1.12** “NGX” shall mean the electronic trading and clearing services provided by Natural Gas Exchange Inc.
- 1.13** “Plant” shall mean a gas processing facility connected to the Facilities.
- 1.14** “Renomination” shall mean a change in each Customer’s Nomination at a Delivery Point requested by the operator of the downstream pipeline connected to the Facilities.

2.0 PURPOSE

2.1 In the event of an ERC Event, Company relies on Plants in the Area of Impact to reduce Flows to mitigate a potential overpressure situation and the release of gas, which could threaten public safety and integrity of the Facilities. These ERC Procedures attempt to provide fair and equitable treatment to Customers who reduce Flow during an ERC Event through ERC Adjustments.

3.0 APPLICABILITY

3.1 The ERC shall:

- (i) only apply to Customers at Receipt Points in the Area of Impact;
- (ii) only apply for the Duration of the ERC Event; and
- (iii) not apply to connecting pipelines and storage facilities.

3.2 An ERC Event shall terminate when the Company determines the risk of overpressuring is managed through:

- (i) the reduction of Service in accordance with Article 11.0 of the General Terms and Conditions of the Tariff;
- (ii) the receipt of a Renomination and utilization of the Customer's Inventories procedures in Appendix "D"; or
- (iii) the placement of affected Facilities back into service.

4.0 MANAGEMENT OF THE ERC EVENT

4.1 In the event that Company has determined an ERC Event has commenced, then:

- (i) Company will respond initially by diverting gas to the extent possible to interconnecting facilities where operating balance agreements exist and Delivery Points within the Area of Impact;
- (ii) Company will contact CSOs at Receipt Points in the Area of Impact and request Flow reductions to such volume as Company and CSO may agree to;
- (iii) Company will use reasonable efforts to give Notice to Customers, within two hours from the commencement of the ERC Event, of the ERC Event and the estimated Area of Impact through the Website;
- (iv) Company will permit CSOs at all Receipt Points in the Area of Impact to update the Allocation during the ERC Event, if necessary, using the CSO confirmation form posted on the Website; and
- (v) Company will not allow Nomination increases at Receipt Points in the Area of Impact during the ERC Event.

4.2 Each Customer at Receipt Points in the Area of Impact shall be responsible for managing its daily Customer's Inventories in accordance with Appendix "D" of the Tariff.

4.3 CSOs shall within three business days after the termination of the ERC Event:

- (i) review the operators' daily reports posted on the Website; and
- (ii) give Notice to Company of any Receipt Point measurement variance.

4.4 If CSOs fail to give Notice to Company of any measurement variances in accordance with paragraph 4.3, Company shall use the unfinalized custody transfer measurement set

out in the operators' daily reports posted on the Website to determine the ERC Energy in accordance with paragraph 5.3.

5.0 DETERMINATION OF ERC ADJUSTMENT

5.1 Upon termination of the ERC Event, Company shall determine the ERC Adjustment for each Customer and Company shall apply the ERC Adjustment as a separate line item to the Customer's bill for Service two months following the month in which the ERC Event terminated. If Customer's ERC Adjustment is a negative amount, the Customer shall receive a credit for such amount on its bill for Service. If Customer's ERC Adjustment is a positive amount, the Customer shall receive a debit for such amount on its bill for Service and Customer shall pay such amount in accordance with Article 5.0 of the General Terms and Conditions of the Tariff. The aggregate of all ERC Adjustment debits for all Customers shall equal the aggregate of all ERC Adjustment credits for all Customers for the ERC Event.

5.2 Company's records shall form the sole basis for determining the ERC Adjustments. For the purpose of the ERC Adjustments, Flows shall be based on unfinalized custody transfer measurement as measured by Company and the daily allocation.

5.3 Calculation of ERC Energy

The aggregate ERC Energy for each Customer at all Receipt Points in the Area of Impact shall be equal to the sum of the ERC Energy for such Customer at each Receipt Point in the Area of Impact. The ERC Energy for each Customer at each Receipt Point shall be determined as follows:

$$\text{ERCE} = A - \left(\frac{B}{C} \times D \times \frac{t}{24 \text{ hr/day}} \right)$$

Where:

- “ERCE” = ERC Energy for each Customer at each Receipt Point in the Area of Impact;
- “A” = Customer’s estimated average energy, measured in GJ, at such Receipt Point in the Area of Impact for the Duration of the ERC Event;
- “B” = the aggregate of all Customers’ estimated average energy Flow at all Receipt Points in the Area of Impact for the Duration of the ERC Event;
- “C” = the aggregate of all Customers’ estimated energy Flow at all Receipt Points in the Area of Impact immediately prior to the ERC Event;
- “D” = Customer’s estimated average energy Flow at such Receipt Point immediately prior to the ERC Event; and
- “t” = Duration of the ERC Event.

5.4 Calculation of ERC Adjustment

Company shall determine each Customer’s ERC Adjustment for all Receipt Points in the Area of Impact as follows:

$$ERCA = ERCE \times P$$

Where:

- “ERCA” = Customer’s ERC Adjustment for all Receipt Points in the Area of Impact;
- “ERCE” = such Customer’s aggregate ERC Energy calculated in accordance with paragraph 5.3; and

“P” = the average price of all gas trades on NGX for the period commencing at the start of the ERC Event and ending at 18:00 hours CCT on the Day the ERC Event terminates. If the ERC Event terminates on a non-business day, the period shall end at 18:00 hours CCT on the next business day. If during such period the number of gas trades on NGX is less than twenty (20) and the aggregate volume of gas traded is less than 200 MMcf/day then the average of the prices published in the Canadian Gas Price Reporter for such period plus one business day will be used to determine the price.

5.5 Reporting

Company shall provide CSOs and Customers affected by the ERC Event, within a reasonable time after the ERC Event, a report summarizing the calculations of the ERC Adjustment.

6.0 LIABILITY, INDEMNIFICATION AND FORCE MAJEURE

6.1 Liability of Company

Company shall not be liable to Customer, CSOs or any other person for any Claims resulting from, or arising in any manner directly or indirectly out of the ERC Procedure or any act or omission by the Company relating to the ERC Procedure, except any Claim which arises directly from any negligent act or omission of Company in applying the ERC Procedure.

6.2 Customer Indemnification

Customer shall be liable to and shall indemnify, defend and save harmless Company, its directors, officers, employees, agents, representatives, successors, assigns and shareholders, and each of them at all times, from and against any Claims, resulting from,

or arising in any manner directly or indirectly out of the ERC Procedure or any act or omission by Company relating to the ERC Procedure, except any Claim which arises directly from any negligent act or omission of Company in applying the ERC Procedure.

6.3 Force Majeure

The ERC Procedure shall not prevent or otherwise restrict Company from declaring force majeure if the ERC Event constitutes a force majeure as defined in Article 12 of the General Terms and Conditions of the Tariff.