

RATE SCHEDULE LRS-3
LOAD RETENTION SERVICE – 3

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

2.1 Subject to the stated terms and conditions, service under Rate Schedule LRS-3 shall mean:

- (i) the receipt of gas from Customer at Customer's Receipt Points as identified in Appendix "1" of this Rate Schedule and any new Receipt Points made available in accordance with Article 5.0 (the "LRS-3 Receipt Points"); and
- (ii) the delivery of gas to the Empress Delivery Point.

2.2 Subparagraphs (i) and (ii) are collectively referred to as the "Service" which includes transportation of gas that Company determines necessary to provide services under the Tariff.

2.3 A standard form Service Agreement for Service under this Rate Schedule LRS-3 is attached.

3.0 AVAILABILITY

3.1 Service is available to Petro-Canada Oil and Gas, a general partnership (“Petro-Canada”) and any assignees thereof in accordance with Article 11.0. It is a condition of Service that Customers have or are deemed to have executed a Service Agreement and Schedule of Service under Rate Schedule LRS-3. The aggregate LRS-3 Contract Demand shall not exceed 1410.0 10³m³/d (50 MMcf/d).

3.2 New LRS-3 Receipt Points or additional Facilities required at existing Receipt Points for Service under Rate Schedule LRS-3 shall be made available in accordance with the provisions of Article 5.0.

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Receipt Demand Charge

The aggregate of Customer’s monthly receipt demand charges for a Billing Month for Service under Rate Schedule LRS-3 at Customer’s LRS-3 Receipt Points shall be equal to the sum of the monthly receipt demand charges for each of Customer’s Schedules of Service under Rate Schedule LRS-3, determined as follows:

$$\text{MDC} = \sum (F \times P) \left(A \times \frac{B}{C} \right)$$

Where:

“MDC” = the aggregate of the receipt demand charges applicable to such Schedule of Service for such Billing Month;

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- “F” = the FT-R Demand Rate applicable to such Schedule of Service;
- “P” = the applicable Price Point in such Schedule of Service (as defined in Rate Schedule FT-R);
- “A” = each LRS-3 Contract Demand in effect for all or a portion of such Billing Month as set out in such Schedule of Service;
- “B” = the number of days in such Billing Month that Customer was entitled to such LRS-3 Contract Demand under such Schedule of Service; and
- “C” = the number of days in such Billing Month.

4.2 Determination of LRS-3 Billing Adjustment

Customer’s monthly billing adjustment for a Billing Month for Service under Rate Schedule LRS-3 (the “LRS-3 Billing Adjustment”) shall be calculated as follows:

- (i) determine the Eligible LRS-3 Contract Demand as described in subparagraph 4.2.1;
- (ii) determine the amount that should be charged in respect of Service under Rate Schedule LRS-3 by applying the LRS-3 Rate to the Eligible LRS-3 Contract Demand as described in subparagraph 4.2.2;
- (iii) determine the amount that has been charged in respect of the Eligible LRS-3 Contract Demand using the applicable FT-R Demand Rates plus the Monthly Abandonment Surcharge and the volumetric equivalent of the FT-D Demand Rate plus the Monthly Abandonment Surcharge as described in subparagraph 4.2.3;

- (iv) during the Initial LRS-3 Term, determine the amount that should be adjusted in respect of charges for Service under Rate Schedule IT-R and Over-run Gas at the LRS-3 Receipt Points as described in subparagraph 4.2.4; and
- (v) determine the LRS-3 Billing Adjustment that will be applied to Customer's invoice, as described in subparagraph 4.2.5.

4.2.1. Determination of Eligible LRS-3 Contract Demand

Eligible LRS-3 contract demand for each LRS-3 Receipt Point (the "Eligible LRS-3 Contract Demand") shall be determined by Company as follows:

$$\text{ECD} = \frac{\left(\text{EV} \times \frac{\text{DV}}{\text{ADV}} \right)}{\text{E}}$$

Where:

"ECD" = the Eligible LRS-3 Contract Demand for such LRS-3 Receipt Point;

"EV" = the Eligible LRS-3 Volume as defined below in this paragraph;

"DV" = the Deemed LRS-3 Volume as defined below in this paragraph;

"ADV" = the aggregate of Deemed LRS-3 Volume for all LRS-3 Receipt Points; and

"E" = the number of days in the month preceding such Billing Month.

The eligible LRS-3 volume for Service under Rate Schedule LRS-3 for such Billing Month (the “Eligible LRS-3 Volume”) shall be the lesser of:

- (i) the aggregate actual volume of gas delivered by Company for Customer under all Schedules of Service for Service under all Rate Schedules at the Empress Delivery Point for the month preceding such Billing Month;
- (ii) the aggregate of Customer’s LRS-3 Contract Demand in effect for the month preceding such Billing Month multiplied by the number of days in the month preceding such Billing Month that Customer was entitled to such Service under Rate Schedule LRS-3 at each of Customer’s LRS-3 Receipt Point (the “Available LRS-3 Volumes”); and
- (iii) the aggregate of the volume of gas deemed to be received by Company for Customer for Service under Rate Schedule LRS-3 for the month preceding such Billing Month that shall be equal to the sum of the deemed LRS-3 volume of gas at each of Customer's LRS-3 Receipt Points (the “Deemed LRS-3 Volume”), determined by Company as follows:

$$DV = AV + (IT \times C)$$

Where:

“DV” = the Deemed LRS-3 Volume applicable to such LRS-3 Receipt Point;

“AV” = the actual volume of gas received by Company for Customer under Schedules of Service for Service under Rate Schedule LRS-3 at such LRS-3 Receipt Point (the “Actual LRS-3 Volume”); and

- “IT” = during the Initial LRS-3 Term, the aggregate volume of gas received by Company for Customer for Service under Rate Schedule IT-R plus Over-run Gas at all of Customer’s LRS-3 Receipt Points which is deemed to be re-allocated to Service under Rate Schedule LRS-3 as determined by Company shall be the lesser of:
- a) the aggregate Available LRS-3 Volume for such LRS-3 Receipt Point less the aggregate Actual LRS-3 Volume for all of Customer’s LRS-3 Receipt Points (the “Unutilized LRS-3 Volume”); and
 - b) the aggregate of actual volume of gas received by Company for Customer for Service under Rate Schedule IT-R and Over-run Gas as allocated by Company to Customer at all of Customer’s LRS-3 Receipt Points; and
- “C” = the percentage of IT to be re-allocated to such LRS-3 Receipt Point on a pro-rata basis, based on Unutilized LRS-3 Volume.

During the Secondary LRS-3 Term, IT shall be deemed to be zero.

4.2.2. Determination of Amounts To Be Charged in respect of Eligible LRS-3 Contract Demand

The amount to be paid for Service under Rate Schedule LRS-3 (the “LRS-3 Charge”) will be the product of the Eligible LRS-3 Contract Demand and the sum of the LRS-3 Demand Rate and the Monthly Abandonment Surcharge.

4.2.3. Determination of Customer's Monthly Charge in respect of the Eligible LRS-3 Contract Demands using the FT-R Demand Rate(s) and the FT-D Demand Rate

Company will calculate an amount that is deemed to be the amount charged in the month preceding the Billing Month with respect to the Eligible LRS-3 Contract Demand determined in subparagraph 4.2.1. Such deemed amount shall be the sum of:

- (i) for all of Customer's LRS-3 Receipt Points, the aggregate of the product of the FT-R Demand Rate plus the Monthly Abandonment Surcharge, the applicable Price Point and the Eligible LRS-3 Contract Demand for each LRS-3 Receipt Point (the "LRS-3 Receipt Demand Charge"); and
- (ii) the volumetric equivalent of the FT-D Demand Rate plus the Monthly Abandonment Surcharge multiplied by the aggregate Eligible LRS-3 Contract Demand (the "LRS-3 Delivery Demand Charge").

4.2.4. Determination of Adjustments with respect to IT-R and Over-run Gas Charges

During the Initial LRS-3 Term, Company will determine a monthly commodity charge adjustment for a Billing Month in respect of charges for Service under Rate Schedule IT-R and Over-run Gas at the LRS-3 Receipt Points, determined as follows:

$$MA = A - [(B - C) \times D]$$

Where:

"MA" = the monthly commodity charge adjustment applicable to such Billing Month;

- “A” = the aggregate of Customer’s monthly charges for Service under Rate Schedule IT-R and the aggregate of Customer’s Over-run Gas charges for all LRS-3 Receipt Points for the month preceding such Billing Month;
- “B” = the aggregate of the actual volume of gas received by Company for Customer for Service under Rate Schedule IT-R and Over-run Gas as allocated by Company to Customer at all of Customer’s LRS-3 Receipt Points for the month preceding such Billing Month;
- “C” = IT as defined in subparagraph 4.2.1; and
- “D” = the IT-R Rate at Bowmanton Receipt Point No. 1216.

During the Secondary LRS-3 Term, the commodity charge adjustment shall be deemed to be zero.

4.2.5. Determination of LRS-3 Billing Adjustment

The LRS-3 Billing Adjustment will be calculated by subtracting the aggregate amounts calculated in subparagraphs 4.2.3 and 4.2.4 from the aggregate amount calculated in subparagraph 4.2.2. The LRS-3 Billing Adjustment will be credited in the second month following such Billing Month.

If during the Initial LRS-3 Term, the LRS-3 Billing Adjustment calculated pursuant to this paragraph is determined to be a positive number, the LRS-3 Billing Adjustment will be deemed to be zero.

4.3 Aggregate of Customer’s Over-Run Gas Charges

- 4.3.1.** The aggregate of Customer’s charges for Over-Run Gas in a Billing Month for Service under all Rate Schedules 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 any Rate Schedule, determined as follows:

$$\text{MOC} = (\text{V} \times \text{Z}) + (\text{V} \times \text{A})$$

Where:

“MOC” = the monthly charge for Over-Run Gas at such Receipt Point;

“V” = total volume of gas allocated to Customer by Company as Over-run Gas in accordance with paragraph 4.5 for Service under all Rate Schedules at such Receipt Point for such Billing Month; and

“Z” = the IT-R Rate at such Receipt Point.

“A” = the Daily Abandonment Surcharge.

4.3.2. The calculation of Customer’s Over-Run Gas charge in subparagraph 4.3.1 shall not take into account Customer's Inventory on the last day of the Billing Month.

4.4 Aggregate Charge For Service

Customer shall pay for each Billing Month:

- (i) the sum of the amounts calculated in accordance with paragraphs 4.1 and 4.3; less
- (ii) the sum of

- (a) the billing credit, if any, calculated in accordance with the Terms and Conditions Respecting Relief for Mainline Capacity Restrictions in Appendix “B” of the Tariff; and
- (b) the LRS-3 Billing Adjustment, if any, calculated in accordance with paragraph 4.2 of this Rate Schedule LRS-3.

4.5 Allocation of Gas Received

Notwithstanding any other provision of this LRS-3 Rate Schedule, any Service Agreement or 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-3 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 Customer's LRS-3 Contract Demand for such Receipt Point under such Rate Schedule LRS-3;
- (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 such Rate Schedule FT-R;
- (iii) thirdly to service to Customer under Rate Schedule FT-RN to a maximum of such Customer's Receipt Contract Demand for such Receipt Point under Rate Schedule FT-RN; and
- (iv) fourthly 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 AVAILABILITY OF NEW LRS-3 RECEIPT POINTS

New LRS-3 Receipt Points or new Facilities at existing Receipt Points required for Service under Rate Schedule LRS-3 shall be made available to Customer receiving Service under this Rate Schedule LRS-3 providing the following conditions are met:

- (i) the LRS-3 Receipt Point location is on the Company's Facilities between the Bowmanton Receipt Point No. 1216 and the Empress Delivery Point;
- (ii) Customer has provided a capital contribution equal in amount to the capital costs associated with the installation or construction of any new LRS-3 Receipt Point or any new Facilities required at an existing Receipt Point;
- (iii) gas received from Customer is for ultimate delivery to the Empress Delivery Point; and
- (iv) Customer requests a transfer of Service pursuant to Article 9.0 for LRS-3 Contract Demand applicable to the Customer's request for new LRS-3 Receipt Points or new Facilities at an existing Receipt Point.

6.0 TERM OF SERVICE AGREEMENT

6.1 Initial Term

The initial term of the Service Agreement and Schedules of Service for Service under Rate Schedule LRS-3 shall be four (4) years commencing on the Billing Commencement Date and shall terminate on the Service Termination Date (the "Initial LRS-3 Term").

6.2 Renewal of Service

Customer shall be entitled to renew all or a portion of Service under Rate Schedule LRS-3 at the end of the Initial LRS-3 Term or any time after the Initial LRS-3 Term (such renewal period here is the “Secondary LRS-3 Term”) provided that:

- (i) Customer has given Company twelve (12) months prior Notice; and
- (ii) the renewal volume specified by Customer for each Schedule of Service for Service under Rate Schedule LRS-3 shall be less than or equal to LRS-3 Contract Demand for such Schedule of Service.

Any renewal of Service is subject to the Financial Assurances provisions in Article 10.0 of the General Terms and Conditions.

6.3 Irrevocable Renewal Notice

Customer’s Notice to renew pursuant to paragraph 6.2 shall be irrevocable twelve (12) months prior to the Service Termination Date.

6.4 Renewal Term

Customer’s renewal Notice shall specify a renewal term that:

- (i) shall be a minimum of one (1) year consisting of increments of whole months; and
- (ii) shall have a Termination Date no later than twenty (20) years from the Billing Commencement Date of the Initial LRS-3 Term.

6.5 Termination

Customer shall be entitled to terminate the Service Agreement in whole and not in part at the end of the Initial LRS-3 Term or any time after the Initial LRS-3 Term provided that Customer gives Company twelve (12) months prior Notice. If Customer does not provide such termination Notice to Company, Customer's Service Agreement shall terminate on the latest Service Termination Date of Customer's Schedule of Service for Service under Rate Schedule LRS-3.

7.0 CAPACITY RELEASE

7.1 A Customer entitled to receive Service under Rate Schedule LRS-3 shall not be entitled to reduce Customer's LRS-3 Contract Demand for all or any portion of its Service under a Schedule of Service under Rate Schedule LRS-3.

8.0 RELIEF FOR MAINLINE RESTRICTIONS

8.1 Company may grant relief to a Customer entitled to Service under Rate Schedule LRS-3, in accordance with the Terms and Conditions Respecting Relief for Mainline Capacity Restrictions in Appendix "B" of the Tariff.

9.0 TRANSFER OF SERVICE BETWEEN RECEIPT POINTS

9.1 If Customer desires to transfer all or any portion of any Service under Rate Schedule LRS-3 from one LRS-3 Receipt Point to another LRS-3 Receipt Point, Customer shall give Notice to Company of its request for such transfer specifying the particular LRS-3 Receipt Points and the Service 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) the transferred-to LRS-3 Receipt Point location is on the Company's Facilities between the Bowmanton Receipt Point No. 1216 and the Empress Delivery Point; and
- (ii) if Company is required to install or construct Facilities at the transferred-to LRS-3 Receipt Point to provide the Service requested, the installation or construction of such Facilities is in accordance with Article 5.0.

10.0 TITLE TRANSFERS

10.1 A Customer entitled to receive Service under Rate Schedule LRS-3 shall not be entitled to transfer or accept a transfer of Customers' inventory to or from any other Customer Account in respect of such Service under Rate Schedule LRS-3.

11.0 ASSIGNMENTS

11.1 Service is assignable only during the Secondary LRS-3 Term and any assignment shall be subject to Company's prior written consent, which consent will not be unreasonably withheld. The withholding of consent by Company to a proposed assignment shall be deemed to be reasonable if Company determines in its sole discretion that assignee and assignor have not agreed to be bound by the obligations and provisions of Section 8 of the Memorandum of Understanding dated February 8, 2002 between Petro-Canada and Company (the "MOU"). Petro-Canada shall not be liable to Company if assignee fails to comply with the obligations and provisions of Section 8 of the MOU.

12.0 APPLICATION FOR SERVICE

12.1 Applications for Service under Rate Schedule LRS-3 shall be in such form as Company may prescribe from time to time.

13.0 GAS USED

13.1 In respect of volumes that are transported in the Secondary Term utilizing Service under Rate Schedule LRS-3, LRS-3 Customer shall not be charged for nor shall any deduction be made for Gas Used.

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 LRS-3 are applicable to Rate Schedule LRS-3 to the extent that such terms and conditions and provisions are not inconsistent with this Rate Schedule.

APPENDIX 1 TO RATE SCHEDULE LRS-3

LRS-3 RECEIPT POINT	STATION NUMBER
Bowmanton	1216
Medicine Hat North #1	1017
Medicine Hat North Arco	1184
Medicine Hat South #2	1043
Medicine Hat South #4	1128
Medicine Hat Northwest	1205
Hilda West	1402

SERVICE AGREEMENT
RATE SCHEDULE LRS-3

BETWEEN:

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

- and -

•, a body corporate having an office in •, • (“Customer”)

IN CONSIDERATION of the premises and the covenants and agreements herein contained, 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.
3. Customer requests and Company agrees to provide Service pursuant to Rate Schedule LRS-3 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 LRS-3.

- 5.** Customer shall:
- (a) provide such assurances and information as Company may reasonably require respecting any Service to be provided pursuant to Rate Schedule LRS-3 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 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 provided for in Rate Schedule LRS-3, 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 (collectively referred to as "Notice") 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:

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Attention: •

Fax: •

Company:

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-
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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.

- (a) Notwithstanding the foregoing:
 - (i) Company may give any Notice on the Website; and
 - (ii) Company and Customer shall give Notice for the matters listed in the Notice Schedule for Electronic Commerce in Appendix “F” of the Tariff via the Website unless the Website is inoperative, in which case Notice shall be given by any other alternative means set out herein.

Any Notice posted on the Website shall be deemed to be given one (1) hour after posting.

- (b) Notice may also be given by telephone followed immediately by fax, personal delivery, courier or prepaid mail, and in the case of Company, by posting on the Website, 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 LRS-3, the General Terms and Conditions and Schedule of Service under Rate Schedule LRS-3 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 :
