

November 25, 2014

Filed Electronically

National Energy Board
517 Tenth Avenue SW
Calgary, Alberta T2R 0A8

**Attention: Ms. Sheri Young
Secretary of the Board**

Dear Ms. Young:

**Re: MH-001-2013 Reasons for Decision—Set-Aside Mechanism (SAM) and Collection Mechanism (COM)
NEB File: OF-AF-SAC 01
Foothills Pipe Lines Ltd. (Foothills)
Compliance Filing—Collection Mechanism Filing and Statement of Investment Policies and Procedures (SIPP)**

Foothills is making this filing with the Board pursuant to section 60(1)(a) of the *National Energy Board Act* (NEB Act) in compliance to the MH-001-2013 Decision¹ and Order MO-095-2014,² with respect to Foothills' collection mechanism filing. The Tariff amendments and Abandonment Surcharges will be effective January 1, 2015. Also in compliance to the same Decision and Order Foothills is filing the Foothills' trust SIPP for information.

Appendix 1 to this filing addresses all aspects of the Board's directions related to the collection mechanism consistent with the findings, directions and decisions set out in the MH-001-2013 Decision. As required, Appendix 1 sets out Foothills' Annual Contribution Amount, abandonment surcharge applicable to each service, and revised tariff sheets showing all changes black-lined from the current version together with a clean version.

Appendix 1 also provides an updated Abandonment Cost Estimate (ACE) reflective of updated unit costs applied to an updated list of facilities by size and by land use classification. The proposed treatment of future variances (true-up mechanism) and shipper consultations in relation to the collection mechanism are also addressed.

Appendix 2 to this letter contains the SIPP applicable to the Foothills' abandonment trust.

¹ NEB Reasons for Decision, Set-aside and Collection Mechanism MH-001-2013 in Pipeline Abandonment Financial Issues, May 29, 2014.

² NEB Order MO-095-2014 dated May 5, 2014, particularly paragraphs 2b and 3.

Comment Process

By way of the MH-001-2013 Reasons for Decision, the Board directed companies to advise that any interested persons may file comments with the Board about this filing within 14 calendar days of the date of this filing.³

Foothills will notify its shippers and interested parties of this filing and post a copy of it on TransCanada's Foothills System website at:

<http://www.transcanada.com/customerexpress/934.html>

Communication regarding this filing should be directed to:

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Yours truly,
Foothills Pipe Lines Ltd.

Original signed by

Robert Tarvydas
Vice-President, Regulatory Affairs

cc: MH-001-2013 Participants
Foothills Firm Shippers, Interruptible Shippers and Interested Parties

Appendices

³ MH-001-2013 Decision, page 101.

Appendix 1
Collection Mechanism Filing

This Appendix addresses all aspects of the Board's directions related to the collection mechanism filing and reflects the findings, directions and decisions set out in the MH-001-2013 Decision and Order MO-095-2014.

Annual Contribution Amount (ACA)

Foothill's compliance filing includes an ACA of \$8.8 million dollars. Part 1 of Tab A to this Appendix shows the derivation of that amount using the format directed by the Board in Appendix XIV of the MH-001-2013 Decision. Part 2 of Tab A provides a line by line description of the ACA calculation. Part 3 of Tab A documents TransCanada's abandonment updates in cost analysis, which is applied to the Foothills system.

Abandonment Surcharges and Calculations

A description of the methodology approved by the Board in the MH-001-2013 Decision used to calculate the surcharge applicable to each path is provided in Part 1 of Tab B. The abandonment surcharge effective January 1, 2015 applicable to each service is provided in Part 3 of Tab B.

Variance

Foothills will periodically and prospectively adjust the ACA to account for the variance between the estimated and actual Trust funding level. The details describing the variance will be provided in the reconciliation that supports the annual filing of the Update on Abandonment Funds or as part of periodic reviews.¹ Since the variances result from differences between the Trust estimated and actual balances at a point in time, Foothills will not use a deferral account and is therefore not applying for approval of a deferral account.

Amended Tariff

Tab C provides the amended Tariff sheet reflective of the MH-001-2013 Decision. Part 1 of Tab C is a summary of the tariff changes, Part 2 contains revised Tariff sheets showing all changes black-lined from the current version and Part 3 is a clean version of impacted Tariff documents.

Shipper Notification

Tab D provides information on shipper notification in relation to this Compliance Filing.

¹ MH-001-2013 Decision, page 158.

Appendix 1 contains the following Tabs:

Tab A – Annual Contribution Amount (ACA) Calculation

Part 1 – ACA Calculation Form

Part 2 – ACA Calculation Description

Part 3 – Updates in Cost Analysis

Tab B – Abandonment Surcharges and Calculations

Part 1 – Abandonment Surcharges Calculations

Part 2 – Abandonment Surcharges

Tab C –Tariff Amendments

Part 1 – Summary of Tariff Amendments

Part 2 – Tariff Amendments (Black-lined version)

Part 3 – Tariff Amendments (Clean version)

Tab D – Shipper Notification

**Appendix 1
Collection Mechanism Filing**

**Tab A
Annual Contribution Amount Calculation**

**Appendix 1
Collection Mechanism Filing**

**Tab A
Annual Contribution Amount Calculation**

**Part 1
Annual Contribution Amount Calculation Form**

Foothills Pipe Lines Ltd.

ANNUAL CONTRIBUTION AMOUNT CALCULATION FORM

Computation of Annual Contribution Amount	MH-001-2012 Compliance	Updated MH-001-2013 Compliance
Step 1: Provide total cost estimated for abandonment.		
Line 1 Abandonment cost estimate in dollars in base year	178,996,000 (in Canadian 2011 dollars)	197,869,000 (in Canadian 2014 dollars)
Step 2: Convert to future value (i.e. cost estimated in future year dollars)		
Line 2 Inflation rate	2.00%	2.00%
Line 3 Years remaining in Collection Period	30	30
Line 4 Years elapsed between year of cost estimate and current date (e.g. 5 years if cost estimate in 2010 dollars and contribution commences in 2015)	4	1
Line 5 Number of years from cost estimate date to end of Collection Period = Line 3 + Line 4	34	31
Line 6 Future value of abandonment cost estimate (i.e. cost estimated in future year dollars) = Line 1 * (1 + Line 2) ^{Line 5}	350,953,000	365,581,000
Step 3: Calculate company-specific after-tax rate of return on funds collected		
Line 7 Pre-tax rate of return on funds collected	3.10%	3.10%
Line 8 Adjustment for variable ¹ trustee expenses and investment management fees	0.23%	0.23%
Line 9 Company - specific tax rate on <u>investment income</u>	25.00%	25.00%
Line 10 After - tax rate of return on funds collected = (1 - Line 9) * (Line 7 - Line 8)	2.15%	2.15%
Step 4: Compute Annual Contribution Amount		
Line 11 Annual Contribution Amount, before fixed trustee expense adjustment = (Line 6 * Line 10) / [(1 + Line 10) ^{Line 3} - 1]	8,446,250	8,798,296
Line 12 Adjustment for fixed trustee expenses ²	0	0
Line 13 Annual Contribution Amount to Trust = (Line 11 + Line 12)	8,446,250	8,798,296

¹ That is, those expressed in percentage of invested funds.

² That is, those expressed in dollars per year.

**Appendix 1
Collection Mechanism Filing**

**Tab A
Annual Contribution Amount Calculation**

**Part 2
Annual Contribution Amount Calculation Description**

The following narrative provides an explanation for each line entry in the ACA Calculation Form provided in Tab A, Part 1.

Line 1: ACE

Foothills Abandonment Cost Estimate (ACE) in the MH-001-2012 proceeding was prepared using 2011 data. An ACE of \$179 million (\$2011) was approved by the Board earlier this year.¹

Foothills submits it is prudent, given the time elapsed since the initial ACE estimate in 2011 was prepared to incorporate updated unit costs applied to a current list of facilities in this compliance filing to ensure the ACE, the Annual Contribution Amount (ACA) and the resulting surcharge reflects the most current and accurate data available. Foothills believes that this approach is consistent with its submissions in MH-001-2012, as well as the Board's views in both the MH-001-2012 and MH-001-2013 Decisions:

- Foothills plans to account for changes to the land use classification when it periodically updates its Cost Estimates in the future.²
- The pipeline company remains responsible for appropriate financial preparation for future abandonment activities.³
- [P]ipeline companies are ultimately responsible for the costs of abandonment and for ensuring that appropriate funds are estimated, collected and set aside for such purposes. If there is a change in circumstances between Board-mandated reviews that materially affects the amount required to be collected, then the company must revise their annual contribution amount. The company must not wait until the Board's next review.⁴

The MH-001-2012 ACE application was prepared based upon a point-in-time analysis of facilities categorized by size and land use classification, which reflected data as of January 1, 2011. Since four years has passed since the initial ACE estimate, Foothills has updated its ACE by using the methodologies approved by the NEB⁵ and applied updated unit costs to a current list of facilities by size and by land use classification to reflect data as of January 1, 2014.⁶ Foothills updated ACE is shown below in Table 1.

In addition, Foothills notes that consultation with shippers on compliance with the MH-001-2013 Decision took place through its Shipper Meetings in September and October 2014 (described in Tab D). At those meetings, Foothills described both the updates to the

¹ NEB Letter of May 6, 2014.

² Foothills Pipe Lines Ltd. (Foothills) Land Matters Consultation Initiative (LMCI) Stream 3 Pipeline Abandonment – Financial Issues (RH-2-2008 Application) for Approval of Cost Estimates, Section 3.4.1, November 30, 2011, page 25.

³ MH-001-2012 Decision, page 77, at Appendix IV.

⁴ MH-001-2013 Decision, page 105.

⁵ MH-001-2012 Decision.

⁶ January 1, 2014 is the most recent period for which data is available.

ACE and the assumptions and calculations in the ACA Form,⁷ and indicated that these updates would be included in this compliance filing. Foothills is not aware of any shipper concerns.

The following Table 1 details the updated Foothills ACE, which is now estimated at \$197.9 million (\$2014). The list of facilities by size and land use classification was updated from the same internal databases and sources described in the RH-2-2008 Application for Approval of Cost Estimates. The unit costs associated with specific abandonment activities was updated by applying an escalation rate of 8.14%⁸ to the unit costs included in the RH-2-2008 application. The change in costs was calculated using IHS Global Insight economic indices with consideration of the specific activities and cost drivers associated with abandonment. A description of TransCanada’s update in costs analysis, which is used for the Foothills’ system, is attached in Tab A, Part 3. Foothills submits that for the relevant period (from January 2011 to January 2014), the IHS Global Insight provides an accurate and relevant inflation estimate for activities associated with pipeline abandonment, that should be reflected in the ACE used to calculate the ACA and Abandonment Surcharge for Foothills.

Table 1: Abandonment Cost Estimate (ACE)

Category No.	Category and Sub-category	Updated MH-001-2013 Compliance (\$000)
1	Engineering & Project Management	2,250
2	Abandonment Preparation	
2a	Land Access and Clean up	1,791
2b	Pipeline Purging & Cleaning	20,386
3	Pipeline Abandonment-in-place	
3a	Basic Pipeline Abandonment-in-place	4,039
3b	Provision for Post-Abandonment Activities	28,049
4	Special Treatment	7,961
5	Pipeline Removal	
5a	Pipeline Removal and Backfilling	54,345
5b	Pipeline Removal - Land Restoration	8,869
6	Above-ground Facilities	
6a	All Facilities	62,090
6b	Portions Removed	incl in 6a.
6c	Portions Left in Place	N/A
7	Contingency	8,087
Abandonment Cost Estimate		197,869

Note 1: Units and unit costs updated to January 1, 2014 using ACE methodology as approved in Decision MH-001-2012.

⁷ See Tab B.

⁸ See Tab A, Part 3, Page 3 of 3 (IHS Global Insight – Normalization Percentage)

Line 2: Inflation Rate

No change.

Line 3: Years remaining in Collection Period

No change.

Line 4: Years elapsed between year of cost estimate and current date

As the ACE has been updated to \$2014, there is now only one year between the date of the estimate and the commencement of collection.

Line 5: Number of years from cost estimate date to end of Collection Period

As the ACE has been updated to \$2014, the number of years from the date of the estimate and the end of the collection period is now 31 years.

Line 6: Future value of abandonment cost estimate (i.e., cost estimated in future year dollars)

As the ACE has increased, the future value of the ACE has increased.

Line 7: Pre-tax of return on funds collected

No change.

Line 8: Adjustment for variable trustee expenses and investment management fees

No change.

Line 9: Company-specific tax rate on investment income

No change.

Line 10: After-tax rate of return on funds collected

No change.

Line 11: Annual Contribution Amount, before fixed trustee expense adjustment

As the ACE has increased, the ACA before fixed trustee expense adjustment has increased.

Line 12: Adjustment for fixed trustee expenses

No change.

Line 13: Annual Contribution Amount to Trust

As the ACE has increased, the ACA has increased.

**Appendix 1
Collection Mechanism Filing**

**Tab A
Annual Contribution Amount Calculation**

**Part 3
Updates in Cost Analysis**

Land Matters Consultation Initiative (LMCI)
Pipeline Abandonment
Updates in Cost Analysis

BACKGROUND

Pursuant to Part I of the *National Energy Board Act* and in accordance with the Board's directions in the Land Matters Consultation Initiative (LMCI) Stream 3, TransCanada submitted to the NEB abandonment Cost Estimates as of Q4 2010 dollars.

TransCanada has proposed that the Cost Estimates for the Land Matters Consultation Initiative - Pipeline Abandonment (hereafter known as the "Project") be refreshed periodically, to account for changes in costs and the change in the physical quantities. The physical quantities will be updated by the TransCanada Project Support Estimator and the changes in costs will be updated by the TransCanada Project Support Risk Analyst.

The scope of the Cost Estimates covers 5 pipeline systems in the TransCanada group of companies:

1. NOVA Gas Transmission Ltd. (NGTL),
2. TransCanada PipeLines Limited (TransCanada),
3. Foothills Pipe Lines Ltd. (Foothills),
4. Trans Québec & Maritimes Pipeline Inc. (TQM), and
5. TransCanada Keystone Pipeline GP Ltd. (Keystone).

In 2013 the change in costs applied to the Cost Estimates was calculated using IHS Global insights indices, and came to 5.583%.

2013 IHS Global Insights Escalation Analysis Results

Normalization percentage (end of Q4 2010 – Q1 2013) = 5.583%

Number of Years = 2.5 years

% per year = 2.233%/year

PURPOSE

The purpose of this document is to outline how the change in costs was calculated for the 2014 update of the Abandonment Cost Estimates.

Change in Costs – IHS GLOBAL INSIGHTS

The Risk Analyst calculated the 2014 change in costs using quarterly IHS Global Insight economic indices. The costs in the Abandonment Cost Estimates were sub-divided and weighted according to the percentage within the estimate.

For labour costs a 5% weighting was applied to the average Canadian labour index, and 95% weighting to the average Alberta labour index. The labour costs weightings were determined by comparing the length (km) of pipe within Alberta versus geographies outside Alberta.

LMCI Pipeline Abandonment



The allocations for the estimates were provided by the Estimator and are as follows:

IHS Global Insight Indices	Weightings
5% weighting using Canada, Avg. Hourly Earnings, (Incl. Overtime) Construction, Units: Canadian \$/Hr 95% weighting using Canada, Avg. Hourly Earnings, Construction, Alberta, Units: Canadian \$/Hr	60%
Canada, Producer Price Index, Construction Machinery and Equipment, Units: 2002=100	25%
Canada, Producer Price Index, Steel Pipe and Tubing, Units: 2002=100	5%
Canada, AHE, (Incl. Overtime) Prof Scientific and Technical Services, Quebec, Units: Canadian \$/Hr	10%
	100%

The quarterly indices used for the change in cost calculation started at end of Q4 2010 and went through to/included Q4 2013 indices.

IHS Global Insights Escalation Analysis Results

Normalization percentage (end of Q4 2010 – Q4 2013) = 8.139%

Number of Years = 3.250 years

% per year = 2.504%/year

**Appendix 1
Collection Mechanism Filing**

**Tab B
Abandonment Surcharges and Calculations**

**Appendix 1
Collection Mechanism Filing**

**Tab B
Abandonment Surcharges and Calculations**

**Part 1
Abandonment Surcharges Calculations**

Following the NEB approved methodology from the MH-001-2013 Decision,¹ the Foothills System Abandonment Surcharges were calculated by dividing the 2015 Annual Collection Amount (ACA) by the total billing determinants² on the Foothills System Zones 6, 7, 8, and 9.

The 2015 forecast of Foothills billing determinants are as follows:

2015 Foothills Billing Determinants (BDs)					
Total BDs (GJ/year)	Total	Zone 6	Zone 7	Zone 8	Zone 9
	2,436,468,800	793,204,100	335,969,700	702,194,600	605,100,400

Monthly Abandonment Surcharge Calculation

(ACA) / (Total Foothills Billing Determinants) =

(\$8.8 Million/year) / (2,436,468,800 GJ/year) * (365/12) = **0.1098584422 \$/GJ/Month**

Daily Abandonment Surcharge Calculation

(ACA) / (Total Foothills Billing Determinants)

(\$8.8 Million/year) / (2,436,468,800 GJ/year) = **0.0036117844 \$/GJ/Day**

¹ See MH-001-2013 Decision, page 75.

² Billing Determinants include any known contracts and forecasts for the following services: Firm Transportation Service (FT), Short Term Firm Transportation Service (STFT), Small General Service (SGS), and Interruptible Transportation Service (IT).

**Appendix 1
Collection Mechanism Filing**

**Tab B
Abandonment Surcharges and Calculations**

**Part 2
Abandonment Surcharges**

The Table of Effective Rates presented in Part 3 (black-lined version) and Part 4 (clean version) shows the abandonment surcharges effective January 1, 2015. All other rates shown in the Table of Effective Rates will be effective January 1, 2015, as filed on October 31, 2014 pursuant to section 60(1)(a) of the NEB Act.

TABLE OF EFFECTIVE RATES

1. Rate Schedule FT, Firm Transportation Service

	Demand Rate (\$/GJ/Km/Month)
Zone 6	0.0066077414
Zone 7	0.0051745157
Zone 8*	0.0146248074
Zone 9	0.0110366323

2. Rate Schedule OT, Overrun Transportation Service

	Commodity Rate (\$/GJ/Km)
Zone 6	0.0002389649
Zone 7	0.0001871332

3. Rate Schedule IT, Interruptible Transportation Service

	Commodity Rate (\$/GJ/Km)
Zone 8*	0.0005288971
Zone 9	0.0003991330

4. Monthly Abandonment Surcharge**

All Zones	<u>0.1098584422 (\$/GJ/Month)</u>
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5. Daily Abandonment Surcharge***

All Zones	<u>0.0036117844 (\$/GJ/Day)</u>
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* For Zone 8, Shippers Haul Distance shall be 170.7 km.

**Monthly Abandonment Surcharge applicable to Rate Schedule Firm Transportation Service, and Short Term Firm Transportation Service for all zones.

***Daily Abandonment Surcharge applicable to Rate Schedule Overrun Transportation Service for zone 6 & 7, Interruptible Transportation Service for zone 8 & 9, and Small General Service for zone 9.

TABLE OF EFFECTIVE RATES
1. Rate Schedule FT, Firm Transportation Service

	Demand Rate (\$/GJ/Km/Month)
Zone 6	0.0066077414
Zone 7	0.0051745157
Zone 8*	0.0146248074
Zone 9	0.0110366323

2. Rate Schedule OT, Overrun Transportation Service

	Commodity Rate (\$/GJ/Km)
Zone 6	0.0002389649
Zone 7	0.0001871332

3. Rate Schedule IT, Interruptible Transportation Service

	Commodity Rate (\$/GJ/Km)
Zone 8*	0.0005288971
Zone 9	0.0003991330

4. Monthly Abandonment Surcharge**

All Zones	0.1098584422 (\$/GJ/Month)
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5. Daily Abandonment Surcharge***

All Zones	0.0036117844 (\$/GJ/Day)
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* For Zone 8, Shippers Haul Distance shall be 170.7 km.

**Monthly Abandonment Surcharge applicable to Rate Schedule Firm Transportation Service, and Short Term Firm Transportation Service for all zones.

***Daily Abandonment Surcharge applicable to Rate Schedule Overrun Transportation Service for zone 6 & 7, Interruptible Transportation Service for zone 8 & 9, and Small General Service for zone 9.

**Appendix 1
Collection Mechanism Filing**

**Tab C
Tariff Amendments**

**Appendix 1
Collection Mechanism Filing**

**Tab C
Tariff Amendments**

**Part 1
Summary of Tariff Amendments**

A summary of the proposed amendments to the Foothills Tariff required to give effect to the MH-001-2013 Decision is provided below. This summary is not intended to form part of the Foothills Tariff.

1. Rate Schedule FT
 - Changed “Shipper’s Surcharge” to “any surcharges” (8.1)
 - Added “the aggregate of” (8.2) and “Abandonment Charge” (8.2(b))
 - Changed “Schedule” to “Appendix” (8.2)
 - Added “the aggregate of” (8.4) and methodology for calculating the Daily Abandonment Surcharge applicable to Over-Run Gas in Zone 8 and 9 (8.4(b))
 - Added “+DAS x [MDDQ – ADDQ*]” to the formula for calculating the Demand Charge Credit to calculate the Daily Abandonment Surcharge portion of the credit (9.4.1)
 - Formula terms abbreviated and defined (9.4.1)
2. Rate Schedule STFT
 - Added “and the Abandonment Charge” (8.1)
 - Added “the aggregate of” (8.4) and methodology for calculating the Daily Abandonment Surcharge applicable to Over-Run Gas (8.4(b))
 - Added “+DAS x [MDDQ – ADDQ*]” to the formula for calculating the Demand Charge Credit to calculate the Daily Abandonment Surcharge portion of the credit (9.2.1)
3. Rate Schedule OT
 - Added “and the Abandonment Charge” (3.1)
4. Rate Schedule SGS
 - Added “and the Abandonment Charge” (7.1)
5. Rate Schedule IT
 - Added “and the Abandonment Charge” (5.1)
6. General Terms and Conditions
 - Added definition for “Abandonment Charge” (1.1) and methodology for determining the Abandonment Charge (1.1(i), 1.1(ii), 1.1(111), 1.1(iv), and 1.1(v))
 - Added definition for “Daily Abandonment Surcharge” (1.23)
 - Added definition for “Monthly Abandonment Surcharge” (1.59)

- Added provision related to refunds of the Abandonment Charge (5.5.3)

**Appendix 1
Collection Mechanism Filing**

**Tab C
Tariff Amendments**

**Part 2
Tariff Amendments (black-lined version)**

7.3.2 Out of such total daily quantity of gas nominated for each Delivery Point, Shipper shall advise Company of the daily quantity of gas nominated by it for transportation from each Receipt Point.

7.3.3 Shipper may provide its nomination through written confirmations received by Company from a downstream carrier. Company shall rely on such confirmations received from downstream carrier to determine Shipper's nomination quantities at Delivery Points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border or Gas Transmission Northwest.

8. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for Service under Rate Schedule FT, Firm Transportation Service in the Zone is the FT Rate.

8.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly demand charges determined in accordance with subsection 8.2.1 hereof and any Shipper's Surcharges determined in accordance with subsection 8.2.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances except as specifically provided for in section 9 hereof, and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

8.2 Monthly Charges

8.2.1 Monthly Demand Charge

Shipper's monthly demand charge for a Billing Month shall be the product of:

- (a) Shipper's MDDQ as indicated on Schedule A to Shipper's Service Agreement, Firm Transportation Service for such billing month;
- (b) Shipper's Haul Distance for the Zone; and
- (c) the FT Rate for the Zone.

8.2.2 Monthly Surcharge

Shipper's surcharge amount, if any, shall be the aggregate of:

- (a) an amount to recognize the recovery of costs associated with special facilities installed by Company for Shipper agreed to between Company and Shipper expressed in dollars per month. Such amount shall be set out on Appendix Schedule A to Shipper's Service Agreement, Firm Transportation Service; and
- (b) the Abandonment Charge.-

8.3 Allocation of Gas Delivered

Notwithstanding any other provision of this Rate Schedule FT, Firm Transportation Service, and any Service Agreement or the General Terms and Conditions of this Gas Transportation Tariff, and without regard to how gas may have been nominated, the aggregate quantity of gas delivered to a Shipper at the Delivery Point during any Billing Month shall be allocated for billing purposes as follows:

- (a) first to service to Shipper under Rate Schedule STFT, Short Term Firm Transportation Service to a maximum of the aggregate MDDQ for such Delivery Point under such Rate Schedule STFT, Short Term Firm Transportation Service;
- (b) second to service to Shipper under Rate Schedule FT, Firm Transportation Service to a maximum of the aggregate MDDQ for such Delivery Point under Rate Schedule FT, Firm Transportation Service; and

- (c) third, for Zone 8 and Zone 9 to service to Shipper under Rate Schedule IT, Interruptible Service and for Zone 6 and Zone 7 to Shipper under Rate Schedule OT, Overrun Transportation Service.

8.4 Charge for Over-Run Gas in Zone 8 and Zone 9

In the event that Company determines, in respect of a Billing Month, that Shipper has tendered for transportation, and Company has transported for Shipper, a quantity of gas in excess of the MDDQ as indicated on Appendix A of Shipper's Service Agreement, Firm Transportation Service, Shipper shall pay Company an amount equal to the aggregate of:

- (a) -the product of a quantity of gas equal to such excess and the IT Rate for Service under Rate Schedule IT, Interruptible Transportation Service; and
- (b) the product of a quantity of gas equal to such excess and the Daily Abandonment Surcharge.-

8.5 Accounting

Company shall maintain books of account in accordance with the requirements of the National Energy Board and, to the extent not inconsistent with such requirements, in accordance with generally accepted accounting principles in Canada.

9. FAILURE TO DELIVER GAS

9.1 General

If Company shall, in any billing month, fail for any reason to make delivery to any Shipper of the whole or any portion of the quantity of gas nominated by such Shipper from Company in accordance with such Shipper's Service Agreement, Firm Transportation Service, such Shipper's obligation to pay Company pursuant to section 8

of Rate Schedule FT, Firm Transportation Service shall be subject only to the adjustments expressly provided in this section 9.

9.2 Make-Up Gas

In the event that Company fails on any day to deliver to Shipper at the Delivery Point the quantity of gas Shipper has in good faith nominated up to Shipper's MDDQ (unless such failure is due to planned repairs, maintenance, replacement or other upgrading, or other work related to Company's transportation system for which Company gave Shippers notice under subsection 8.8 of the General Terms and Conditions) Shipper shall be entitled, subject to subsection 6.5 of the General Terms and Conditions and within two years of such failure, to have Company transport such quantities of gas in excess of Shipper's MDDQ sufficient to make-up such deficiency ("Make-Up Gas") at no additional demand charge. Demand charges credited to Shipper under subsection 9.4.1 shall be recovered by Company respecting Make-Up Gas.

9.3 Allocation of Service

If Company is on any day required to allocate service pursuant to Article 1.2 of the Service Agreement, Firm Transportation Service of two or more Shippers, Company shall give priority in such allocation to quantities of gas desired to be tendered in respect to Make-Up Gas over Interruptible Transportation Service. .

9.4 Billing Adjustment

9.4.1 Demand Charge Credit

- (a) Subject to subsection 9.4.1(b), if in any month Company is unable to deliver up to 98 percent of the quantity of gas that Shipper has in good faith nominated up to the MDDQ times the number of days in such month, then in respect of such month, a credit shall be applied to the monthly bill rendered by Company determined according to the following formula:

$$\text{Credit} = \text{FT Rate} * \text{Shipper's Haul Distance} * \left[\text{Shipper's MDDQ} - \text{Average Day Delivery Quantity}^* \right]$$

$$C = \frac{[FT \times SHD] \times [MDDQ - ADDQ^*] + DAS \times [MDDQ - ADDQ^*]}{1}$$

*Average Day Delivery Quantity = Deliveries to Shipper in any Month in which a Demand Charge Credit is applicable, divided by the number of days in that particular Month.

Where:

“C” = Credit

“FT” = FT Rate

“SHD” = Shipper’s Haul Distance

“MDDQ” = Shipper’s MDDQ

“ADDQ” = Average Day Delivery Quantity

“DAS” = Daily Abandonment Surcharge

- (b) No credit to the Monthly bill shall be made if Company delivers less than 98 percent of the quantity of gas nominated as a result of planned repairs, maintenance, replacement or other upgrading, or other work related to Company’s transportation system for which Company gave firm Shippers notice under subsection 8.8 of the General Terms and Conditions on

7.4 Backhauls

Service under Service Agreement, Short Term Firm Transportation Service is not eligible for backhaul service.

7.5 Renewals

Service under Service Agreement, Short Term Firm Transportation Service is not eligible for renewal.

7.6 Make-Up Provision

Shipper is not eligible for make-up provisions under this Rate Schedule, Short Term Firm Transportation Service.

7.7 Assignment

Shipper shall not be eligible to assign any service under the Service Agreement, Short Term Firm Transportation Service.

8. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for Service under Rate Schedule STFT, Short Term Firm Transportation Service is the FT Rate in Zone 8 or Zone 9 as applicable.

8.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly demand charges determined in accordance with subsection 8.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances except as specifically provided for in section 9 hereof, and such

- (c) third to service to Shipper under Rate Schedule IT, Interruptible Transportation Service.

8.4 Charge for Over-Run Gas

In the event that Company determines, in respect of a Billing Month, that Shipper has tendered for transportation, and Company has transported for Shipper, a quantity of gas in excess of the Maximum Daily Delivery Quantity as indicated on Appendix A of Shipper's Service Agreement, Short Term Firm Transportation Service, Shipper shall pay Company an amount equal to the aggregate of:

(a) the product of a quantity of gas equal to such excess and the IT Rate for Service under Rate Schedule IT, Interruptible Transportation Service; and

(b) the product of a quantity of gas equal to such excess and the Daily Abandonment Surcharge.

9 FAILURE TO DELIVER GAS

9.1 General

If Company shall, in any billing month, fail for any reason to make delivery to any Shipper of the whole or any portion of the quantity of gas nominated by such Shipper from Company in accordance with Shipper's Service Agreement, Short Term Firm Transportation Service, such Shipper's obligation to pay Company pursuant to section 8 of Rate Schedule STFT, Short Term Firm Transportation Service shall be subject only to the adjustments expressly provided for in this section 9.

9.2 Billing Adjustment

9.2.1 Demand Charge Credit

- (a) Subject to subsection 9.2.1(b), if in any month Company is unable to deliver up to 98 percent of the quantity of gas that Shipper has in good faith nominated up to the MDDQ times the number of days in such month,

then in respect of such month, a credit shall be applied to the monthly bill rendered by Company determined according to the following formula:

$$\text{Credit} = \text{FT Rate} \times \text{STFT Bid Price} \times \text{Shipper's Haul Distance} \times \left[\text{Shipper's MDDQ} - \text{Average Day Delivery Quantity}^* \right]$$

$$C = \frac{[\text{FT} \times \text{SHD}] \times [\text{MDDQ} - \text{ADDQ}^*] + \text{DAS} \times [\text{MDDQ} - \text{ADDQ}^*]}{1}$$

*Average Day Delivery Quantity = Deliveries to Shipper in any Month in which a Demand Charge Credit is applicable, divided by the number of days in that particular Month.

Where:

“C” = Credit

“FT” = FT Rate

“SHD” = Shipper’s Haul Distance

“MDDQ” = Shipper’s MDDQ

“ADDQ” = Average Day Delivery Quantity

“DAS” = Daily Abandonment Surcharge

- (b) No credit to the Monthly bill shall be made if Company delivers less than 98 percent of the quantity of gas nominated as a result of planned repairs, maintenance, replacement or other upgrading, or other work related to

**RATE SCHEDULE OT
OVERRUN TRANSPORTATION SERVICE****1. AVAILABILITY**

This Rate Schedule OT, Overrun Transportation Service is available in Zones 6 and 7 only, to any Shipper under its Service Agreement, Firm Transportation Service.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule OT, Overrun Transportation Service shall apply to overrun transportation service pursuant to Article 1.2 of Shipper's Service Agreement, Firm Transportation Service but not for service provided pursuant to subsection 9.2 of Rate Schedule FT.

3. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under Rate Schedule OT, Overrun Transportation Service in the Zone is the OT Rate.

3.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 3.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

3.2 Monthly Commodity Charge

6.3.2 Out of such total daily quantity of gas nominated for each Receipt Point, Shipper shall advise Company of the daily quantity of gas nominated by it for transportation to each Delivery Point.

7. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under this Rate Schedule SGS-1, Small General Service is the T-1 Rate in Zone 9.

7.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 7.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Monthly Commodity Charge

Shipper's monthly commodity charge for a Billing Month shall be the product of:

- (a) the actual volume of gas received by Company from Shipper under Rate Schedule SGS-1, Small General Service during such month;
- (b) 1/2 the total distance in Zone 9 (130 km); and
- (c) the T-1 Rate.

- (b) In the event that, at the end of a given month, Shipper is in a positive or negative imbalance position, such imbalance will be carried forward as Shipper's inventory for a period of up to the term of Shipper's Service Agreement, Interruptible Transportation Service.

4.3.4 Shipper may provide its nomination through written confirmations received by Company from a downstream carrier. Company shall rely on such confirmations received from downstream carrier to determine Shipper's Nomination quantities at Delivery Points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border or Gas Transmission Northwest.

5. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under Rate Schedule IT, Interruptible Transportation Service in the Zone is the IT Rate.

5.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 5.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

5.2 Monthly Commodity Charge

Shipper's monthly commodity charge for a Billing Month shall be the product of:

- (a) the actual quantity of gas delivered to Shipper by Company under Rate Schedule IT, Interruptible Transportation Service during such month;

GENERAL TERMS AND CONDITIONS**1. DEFINITIONS**

The following words and terms, whenever and wherever used or appearing in these General Terms and Conditions, the Capacity Allocation Procedures, the rate schedules to which they apply, or in the Service Agreement to which such rate schedules and General Terms and Conditions apply, shall have the following meanings:

1.1 “Abandonment Charge” shall mean the abandonment charge collected by Company for and on behalf of Foothills Pipe Lines (Alta.) Ltd., Foothills Pipe Lines (South B.C.) Ltd. and Foothills Pipe Lines (Sask.) Ltd. payable by Shippers to Company for each Service Agreement under Rate Schedules FT, OT, SGS, STFT and IT determined by multiplying the:

(i) Monthly Abandonment Surcharge by the Shipper’s aggregate of MDDQ as indicated on Appendix A to Shipper’s Service Agreement, Firm Transportation Service for such Billing Month;

(ii) Monthly Abandonment Surcharge by the Shipper’s aggregate of MDDQ as indicated on Appendix A to Shipper’s Service Agreement, Short Term Firm Transportation Service for such Billing Month;

(iii) Daily Abandonment Surcharge by the gas delivered by Company to Shipper under Rate Schedule SGS;

(iv) Daily Abandonment Surcharge by the gas delivered by Company to Shipper under Rate Schedule OT; and

(v) Daily Abandonment Surcharge by the gas delivered by Company to Shipper under Rate Schedule IT.

1.2 “Agent” shall mean Gas Transmission Northwest Corporation (GTN)

- 1.181.19** “Cubic metre of gas” or “m³” shall mean that quantity of gas which, at a temperature of 15 °C and at a pressure of 101.325 kPa occupies one cubic metre.
- 1.191.20** “Daily Open Season” shall have the meaning attributed to it in subsection 4.1.6.1 of the Capacity Allocation Procedures.
- 1.201.21** “Day” shall mean a period of 24 consecutive hours, beginning and ending at 09:00 CCT. The reference date for any day shall be the date of the beginning of such day.
- 1.211.22** “°C” shall mean degrees Celsius as defined by The International System of Units (SI).
- 1.211.23** “Daily Abandonment Surcharge” shall mean the daily abandonment surcharge set forth in the Table of Effective Rates for Service under Rate Schedules SGS, OT and IT.
- 1.221.24** “Delivery Point” shall mean relative to Shipper one of the Delivery Points shown in Appendix A to such Shipper’s Service Agreement for delivery of gas to such Shipper.
- 1.231.25** “Designated Electronic Bulletin Board” shall mean GTN’s ‘E-trans’ electronic bulletin board or any replacement thereof.
- 1.241.26** “Existing Capacity” shall mean firm capacity in a Zone which is not required to provide service to any existing Shipper receiving service under Rate Schedule FT, Firm Transportation Service, Rate Schedule STFT, Short Term Firm Transportation Service and Rate Schedule SGS, Small General Service.
- 1.251.27** “Existing Capacity Open Season” shall have the meaning attributed to it in subsection 4.1.1 of the Capacity Allocation Procedures.
- 1.261.28** “Existing Term” shall have the meaning attributed to it in subsection 10.2 of Rate Schedule FT, Firm Transportation Service.

1.471.49 “Leave to Open” shall mean that a leave has been granted under Part III of the National Energy Board Act to Company to open the pipeline.

1.481.50 “Line Pack Change” shall mean for any period the difference between the total quantity of line pack gas contained in a Zone of Company’s pipeline at the beginning and end of such period, as computed by Subsidiary Company.

1.491.51 “Line Pack” for any Zone at any time shall mean that quantity of gas which is calculated by Subsidiary Company as the total quantity of gas required as line pack for the efficient operation of its pipeline in such Zone.

1.501.52 “Low Intervention Trade Transaction” shall have the meaning attributed to it in G-14, as may be amended from time to time.

1.511.53 “Make-Up Gas” shall have the meaning attributed to it in subsection 9.2 of the Rate Schedule FT, Firm Transportation Service.

1.521.54 “Maximum Daily Delivery Quantity” or “MDDQ” shall mean, relative to a Delivery Point for any day, the quantity of gas, as specified in Appendix A of Shipper’s Service Agreement.

1.531.55 “MC” shall mean Measurement Canada, an Agency of Industry Canada.

1.541.56 “mg” shall mean milligram(s) as defined by The International System of Units (SI).

1.551.57 “Minimum Term” shall have the meaning attributed to it in subsection 3.3.1 of the Capacity Allocation Procedures.

1.561.58 “Month” shall mean a period of time beginning at 09:00 CCT on the first day of a calendar month and ending at 09:00 CCT on the first day of the next calendar month.

1.561.59 “Monthly Abandonment Surcharge” shall mean the monthly abandonment surcharge set forth in the Table of Effective Rates for Service under Rate Schedules FT, and STFT.

obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Shipper pays the full amount payable to Company, Company shall within two (2) Banking Days recommence such suspended service.

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

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

5.5.3 In the event that it is finally determined that Shipper's monthly bill was incorrect and that an overpayment has been made, Company shall make reimbursement of such overpayment by cash or credit to an invoice, provided however the Abandonment Charge shall be reimbursed only by a credit on an invoice in any subsequent month that an Abandonment Charge is payable ~~of such overpayment~~ and Shipper shall be entitled to interest on the amount of such overpayment. Such interest shall be calculated at the Rate of Interest plus 1% from the date that such overpayment was made until the date that Company makes reimbursement of such overpayment to Shipper. In the event of an undercharge, Shipper shall pay the amount of any such under payment to Company but without interest. Such amount shall be payable on the same terms and conditions as all other amounts payable by Shipper to Company.

5.6 Partial Payment in United States Dollars

Company, in order to meet its obligations payable in U.S. currency, (hereinafter called "U.S. Pay Securities") may, by designation on any invoice, require Shipper to pay to

**Appendix 1
Collection Mechanism Filing**

**Tab C
Tariff Amendments**

**Part 3
Tariff Amendments (clean version)**

RATE SCHEDULE FT
FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule FT, Firm Transportation Service is available to any Shipper which has:

- (a) Satisfied all applicable requirements as set forth in the Capacity Allocation Procedures and subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff; and
- (b) Executed a Service Agreement, Firm Transportation Service with Company, for a minimum term of one (1) year ending on the last day of a Month.

For Zones 8 and 9 only, Backhaul service is also available under Rate Schedule FT, Firm Transportation Service.

2. APPLICABILITY

This Rate Schedule FT, Firm Transportation Service shall apply to all transportation services under Shipper's Service Agreement, Firm Transportation Service other than service specifically provided for in another rate schedule, as of the Billing Commencement Date, whether or not gas is actually transported.

3. SERVICE DESCRIPTION

Service rendered by Company for Shipper under this Rate Schedule FT, Firm Transportation Service consists of:

- (a) The receipt of gas from Shipper (or for Shipper's account) at each Receipt Point as specified in the Service Agreement, Firm Transportation Service;

- (b) The transportation of gas by Company through the transportation system, described in section 6 hereof; and
- (c) The delivery by Company to Shipper of gas nominated by Shipper (or for Shipper's account) at each Delivery Point specified in the Service Agreement, Firm Transportation Service.

4. SERVICE AGREEMENT

This Rate Schedule FT, Firm Transportation Service is subject to all terms, conditions, stipulations and provisions of the Service Agreement, Firm Transportation Service.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule FT, Firm Transportation Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff.

6. SUBSIDIARY COMPANIES AND ZONES

6.1 General

Company's transportation system consists of operating segments with each segment operated by a Subsidiary Company. Company and Subsidiary Companies have entered into transportation agreements for provision of transportation services by Subsidiary Companies for Company. Copies of the applicable transportation agreements are attached hereto as Supplements I through III. Each Subsidiary Company shall divide its segment into one or more Zones as defined in Schedule I, Annex II of the Northern Pipeline Act and described in subsection 6.2 hereof. Shipper, through its Service

Agreement, Firm Transportation Service with Company, shall contract to have its gas transported through one or more of these Zones.

6.2 Description

The Subsidiary Companies listed below own and operate the portions of the Phase I gas transportation system set opposite the name of each such Subsidiary Company.

<u>Subsidiary Company</u>	<u>Zone No.</u>	<u>Description</u>	<u>Length (km)</u>
Foothills Pipe Lines (Alta.) Ltd.	6	From Caroline, Alberta to the Alberta/ Saskatchewan border near Empress, Alberta.	378.49
	7	From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.	124.03
Foothills Pipe Lines (South B.C.) Ltd.	8	From the Alberta/B.C. border near Coleman, Alberta to the B.C./U.S. border near Kingsgate, B.C.	170.7
Foothills Pipe Lines (Sask.) Ltd.	9	From the Alberta/ Saskatchewan border near Empress, Alberta to the Saskatchewan/U.S. border near Monchy, Saskatchewan.	258.97

7. CHARACTER OF SERVICE

7.1 Firm Transportation Service

Gas transported by Company for Shipper under this Rate Schedule FT, Firm Transportation Service shall not be subject to curtailment or interruption except as provided in subsection 7.2.4 herein and in the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Receipt and Delivery Obligations

7.2.1 At each Delivery Point, Company and Shipper shall establish the Maximum Daily Delivery Quantity (“MDDQ”) and shall specify the portion of such MDDQ to be received at each Receipt Point. The aforementioned MDDQ and portions thereof shall be specified in Appendix A to the Service Agreement, Firm Transportation Service.

7.2.2 At each Delivery Point, identified in Appendix A to the Service Agreement, Firm Transportation Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at each Receipt Point destined for such Delivery Point, less Shipper’s share for each Zone of the energy content of Company Use Gas used in the transportation of such gas on such day.

Shipper’s share shall be calculated pursuant to section 8 of the General Terms and Conditions of this Gas Transportation Tariff.

7.2.3 Notwithstanding subsection 7.2.2 herein, Shipper shall not be allocated a share of Company Use Gas in respect of Backhaul service.

7.2.4 Company will provide Backhaul service under this Rate Schedule FT, Firm Transportation Service to Shipper on Zones 8 and 9 only in circumstances where such service is requested by Shipper and, in Company’s judgement, there is sufficient quantity of gas being received into Company's system to enable such service to be provided.

7.3 Daily Gas Nominations

7.3.1 Shipper shall advise Company, in writing, of the total daily quantity of gas nominated by it for each Delivery Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper’s Service Agreement, Firm Transportation Service, exceed the MDDQ for each such Delivery Point.

7.3.2 Out of such total daily quantity of gas nominated for each Delivery Point, Shipper shall advise Company of the daily quantity of gas nominated by it for transportation from each Receipt Point.

7.3.3 Shipper may provide its nomination through written confirmations received by Company from a downstream carrier. Company shall rely on such confirmations received from downstream carrier to determine Shipper's nomination quantities at Delivery Points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border or Gas Transmission Northwest.

8. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for Service under Rate Schedule FT, Firm Transportation Service in the Zone is the FT Rate.

8.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly demand charges determined in accordance with subsection 8.2.1 hereof and any surcharges determined in accordance with subsection 8.2.2 hereof. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances except as specifically provided for in section 9 hereof, and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

8.2 Monthly Charges

8.2.1 Monthly Demand Charge

Shipper's monthly demand charge for a Billing Month shall be the product of:

- (a) Shipper's MDDQ as indicated on Schedule A to Shipper's Service Agreement, Firm Transportation Service for such billing month;
- (b) Shipper's Haul Distance for the Zone; and
- (c) the FT Rate for the Zone.

8.2.2 Monthly Surcharge

Shipper's surcharge amount, if any, shall be the aggregate of:

- (a) an amount to recognize the recovery of costs associated with special facilities installed by Company for Shipper agreed to between Company and Shipper expressed in dollars per month. Such amount shall be set out on Appendix A to Shipper's Service Agreement, Firm Transportation Service; and
- (b) the Abandonment Charge.

8.3 Allocation of Gas Delivered

Notwithstanding any other provision of this Rate Schedule FT, Firm Transportation Service, and any Service Agreement or the General Terms and Conditions of this Gas Transportation Tariff, and without regard to how gas may have been nominated, the aggregate quantity of gas delivered to a Shipper at the Delivery Point during any Billing Month shall be allocated for billing purposes as follows:

- (a) first to service to Shipper under Rate Schedule STFT, Short Term Firm Transportation Service to a maximum of the aggregate MDDQ for such Delivery Point under such Rate Schedule STFT, Short Term Firm Transportation Service;
- (b) second to service to Shipper under Rate Schedule FT, Firm Transportation Service to a maximum of the aggregate MDDQ for such Delivery Point under Rate Schedule FT, Firm Transportation Service; and

- (c) third, for Zone 8 and Zone 9 to service to Shipper under Rate Schedule IT, Interruptible Service and for Zone 6 and Zone 7 to Shipper under Rate Schedule OT, Overrun Transportation Service.

8.4 Charge for Over-Run Gas in Zone 8 and Zone 9

In the event that Company determines, in respect of a Billing Month, that Shipper has tendered for transportation, and Company has transported for Shipper, a quantity of gas in excess of the MDDQ as indicated on Appendix A of Shipper's Service Agreement, Firm Transportation Service, Shipper shall pay Company an amount equal to the aggregate of:

- (a) the product of a quantity of gas equal to such excess and the IT Rate for Service under Rate Schedule IT, Interruptible Transportation Service; and
- (b) the product of a quantity of gas equal to such excess and the Daily Abandonment Surcharge.

8.5 Accounting

Company shall maintain books of account in accordance with the requirements of the National Energy Board and, to the extent not inconsistent with such requirements, in accordance with generally accepted accounting principles in Canada.

9. FAILURE TO DELIVER GAS

9.1 General

If Company shall, in any billing month, fail for any reason to make delivery to any Shipper of the whole or any portion of the quantity of gas nominated by such Shipper from Company in accordance with such Shipper's Service Agreement, Firm Transportation Service, such Shipper's obligation to pay Company pursuant to section 8

of Rate Schedule FT, Firm Transportation Service shall be subject only to the adjustments expressly provided in this section 9.

9.2 Make-Up Gas

In the event that Company fails on any day to deliver to Shipper at the Delivery Point the quantity of gas Shipper has in good faith nominated up to Shipper's MDDQ (unless such failure is due to planned repairs, maintenance, replacement or other upgrading, or other work related to Company's transportation system for which Company gave Shippers notice under subsection 8.8 of the General Terms and Conditions) Shipper shall be entitled, subject to subsection 6.5 of the General Terms and Conditions and within two years of such failure, to have Company transport such quantities of gas in excess of Shipper's MDDQ sufficient to make-up such deficiency ("Make-Up Gas") at no additional demand charge. Demand charges credited to Shipper under subsection 9.4.1 shall be recovered by Company respecting Make-Up Gas.

9.3 Allocation of Service

If Company is on any day required to allocate service pursuant to Article 1.2 of the Service Agreement, Firm Transportation Service of two or more Shippers, Company shall give priority in such allocation to quantities of gas desired to be tendered in respect to Make-Up Gas over Interruptible Transportation Service. .

9.4 Billing Adjustment

9.4.1 Demand Charge Credit

- (a) Subject to subsection 9.4.1(b), if in any month Company is unable to deliver up to 98 percent of the quantity of gas that Shipper has in good faith nominated up to the MDDQ times the number of days in such month, then in respect of such month, a credit shall be applied to the monthly bill rendered by Company determined according to the following formula:

$$C = [FT \times SHD] \times [MDDQ - ADDQ^*] + DAS \times [MDDQ - ADDQ^*]$$

*Average Day Delivery Quantity = Deliveries to Shipper in any Month in which a Demand Charge Credit is applicable, divided by the number of days in that particular Month.

Where:

“C” = Credit

“FT” = FT Rate

“SHD” = Shipper’s Haul Distance

“MDDQ” = Shipper’s MDDQ

“ADDQ” = Average Day Delivery Quantity

“DAS” = Daily Abandonment Surcharge

- (b) No credit to the Monthly bill shall be made if Company delivers less than 98 percent of the quantity of gas nominated as a result of planned repairs, maintenance, replacement or other upgrading, or other work related to Company’s transportation system for which Company gave firm Shippers notice under subsection 8.8 of the General Terms and Conditions on Company’s Facilities or as a result of Shipper being unable to deliver gas at the Receipt Point or accept gas at the Delivery Point.

9.5 Exception

Subsections 9.2 through 9.4 hereof shall not apply to any failure of Company to make delivery to Shipper of any gas nominated by Shipper pursuant to Shipper's Service Agreement, Firm Transportation Service if such failure is caused or contributed to by the failure of Shipper to, or to be able to, deliver to or take delivery from Company of such gas, or by any other action of Shipper or Persons acting on its behalf which causes or contributes to such a failure by Company.

10. RENEWAL RIGHTS IN ZONES 6, 7 AND 9**10.1 Availability**

Shippers to whom renewal rights are available, shall have the option ("Renewal Option") of extending the existing term of the Service Agreement, Firm Transportation Service with respect to all or, if Company agrees, a portion of Shipper's firm capacity rights beyond the primary term specified in the Service Agreement, Firm Transportation Service provided that:

- (a) Shipper has at any time in the past executed a Service Agreement, Firm Transportation Service containing a term of at least five consecutive years; such Service Agreement, Firm Transportation Service or any extensions or amendments thereto or any amended Service Agreement, Firm Transportation Service executed in replacement or in substitution therefore, has not terminated prior to the exercise of the renewal rights granted herein;
- (b) Shipper is not in default with respect to any of its obligations under its Service Agreement(s), Firm Transportation Service;
- (c) If requested by Company, Shipper has provided Financial Assurances in accordance with subsection 5.8.1 of the General Terms and Conditions of this Gas Transportation Tariff; and

- (d) Shipper provides Company, at the time the notice referred to in subsection 10.2.1 or 10.2.3 hereof is provided to Company, evidence satisfactory to Company that Shipper has obtained or will be able to obtain appropriate upstream and downstream firm transportation arrangements.

10.2 Procedures

10.2.1 Company may give Shipper notice (“Renewal Notice”) not more than 5 years and not less than six (6) months prior to termination of Shipper’s Service Agreement, Firm Transportation Service that Shipper must exercise the Renewal Option. Shipper has the right to renew the Service Agreement, Firm Transportation Service prior to this Renewal Notice being given upon written notice to Company. As long as at least five (5) years remain in the term of the Shipper’s Service Agreement, Firm Transportation Service then such Renewal Notice cannot be given by Company. Shipper has the right to extend its Service Agreement, Firm Transportation Service one year at a time to maintain a term of at least five (5) years and thereby remain outside the period in which a Renewal Notice can be given.

10.2.2 Once a Renewal Notice is given to Shipper, Shipper shall have ten (10) business days from the date of the Renewal Notice to provide Company with a written notice from Shipper of Shipper’s election to extend the term of the Service Agreement, Firm Transportation Service for a period of at least five (5) years.

10.2.3 If Shipper fails to provide a written request or indicates to Company that it does not wish to renew its capacity in accordance with section 10.2.2, the Company may make the capacity available to other parties in an Open Season in accordance with subsection 4.1 of the Capacity Allocation procedures of this Gas Transportation Tariff.

10.2.4 Upon receipt of all bids for the capacity pursuant to the Open Season in accordance with subsection 4.1 of the Capacity Allocation procedures of this Gas Transportation Tariff, the Company shall select the highest net present value

bid(s) and notify Shipper of the terms of the successful bid(s) within 15 business days of the close of the Open Season. Shipper may retain this capacity if Shipper agrees to match the highest net present value bid(s) obtained in the Open Season. In the event that such bid(s) is longer than five (5) years, Shipper may retain the capacity by extending its Service Agreement by a minimum of five (5) years provided that such notice is made in writing to Company within 10 business days following the date of the bid notification from Company. If no bids are received, Company may accept other terms of renewal if requested in writing from Shipper, notwithstanding that if the remaining term is less than five (5) years, notice may be given pursuant to subsection 10.2.

10.2.5 Following receipt of Shipper's written request in accordance with either subsections 10.2.1, 10.2.2 or 10.2.4, Company will, within 5 business days, provide Shipper with an amendment to the Service Agreement, Firm Transportation Service setting out the renewal term. Shipper shall execute and return the amendment to the Service Agreement, Firm Transportation Service to Company within fifteen (15) business days of receipt from Company, failing which Shipper's Renewal Option terminates.

10.3 Shipper shall have Renewal Rights to be exercised in the same manner and upon the same terms and conditions as set forth above during any renewal term.

11. RENEWAL RIGHTS IN ZONE 8

11.1 Availability

Shippers in Zone 8 shall be entitled to renew all or, if Company agrees, a portion of service under a Service Agreement, Firm Transportation Service if Shipper gives notice to Company of such renewal at least one (1) year prior to termination of Shipper's Service Agreement, Firm Transportation Service. If Shipper does not provide such notice, service shall terminate on the date specified in Shipper's Service Agreement, Firm Transportation Service.

11.2 Procedures

Shipper's notice to renew in Zone 8 pursuant to subsection 11.1 shall be irrevocable for the year immediately prior to the termination of service specified in Shipper's Service Agreement, Firm Transportation Service.

Any renewal of service is subject to the Financial Assurances provisions in subsection 5.8 of the General Terms and Conditions.

Shipper's notice shall specify a renewal term in Zone 8 of not less than one (1) year consisting of increments of whole months.

RATE SCHEDULE STFT
SHORT TERM FIRM TRANSPORTATION SERVICE

1. AVAILABILITY

This Rate Schedule STFT, Short Term Firm Transportation Service is available to any Shipper in Zone 8 or Zone 9 which has:

- (a) Satisfied all applicable requirements as set forth in the Capacity Allocation Procedures and subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff; and
- (b) Executed a Service Agreement, Short Term Firm Transportation Service with Company, and executed an Appendix A to such Service Agreement for a minimum term of 7 days and up to a maximum term of one year less one day and shall end on the last day of a month.

2. APPLICABILITY

This Rate Schedule STFT, Short Term Firm Transportation Service shall apply to all transportation services under Shipper's Service Agreement, Short Term Firm Transportation Service, as of the Billing Commencement Date, whether or not gas is actually transported.

3. SERVICE DESCRIPTION

Service rendered by Company for Shipper under this Rate Schedule STFT, Short Term Firm Transportation Service consists of:

- (a) The receipt of gas from Shipper (or for Shipper's account) at the Receipt Point as specified in the Service Agreement, Short Term Firm Transportation Service;

- (b) The transportation of gas by Company through the transportation system, described in section 6 hereof; and
- (c) The delivery by Company to Shipper (or for Shipper's account) of gas nominated by Shipper at the Delivery Point specified in the Service Agreement, Short Term Firm Transportation Service.

4. SERVICE AGREEMENT

This Rate Schedule STFT, Short Term Firm Transportation Service is subject to all terms, conditions, stipulations and provisions of the Service Agreements, Short Term Firm Transportation Service.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule STFT, Short Term Firm Transportation Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff.

6. SUBSIDIARY COMPANIES AND ZONES

6.1 General

Company's transportation system consists of operating segments with each segment operated by a Subsidiary Company. Company and Subsidiary Companies have entered into transportation agreements for provision of transportation services by Subsidiary Companies for Company. Copies of the applicable transportation agreements are attached hereto as Supplements I through III. Each Subsidiary Company shall divide its segment into one or more Zones as defined in Schedule I, Annex II of the Northern

Pipeline Act and described in subsection 6.2 hereof. Shipper, through its Service Agreement, Short Term Firm Transportation Service with Company, shall contract to have its gas transported through Zone 8 or Zone 9.

6.2 Description

The Subsidiary Companies listed below own and operate the portions of the Phase I gas transportation system set opposite the name of each such Subsidiary Company.

<u>Subsidiary Company</u>	<u>Zone No.</u>	<u>Description</u>	<u>Length (km)</u>
Foothills Pipe Lines (Alta.) Ltd.	6	From Caroline, Alberta to the Alberta/ Saskatchewan border near Empress, Alberta.	378.49
	7	From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.	124.03
Foothills Pipe Lines (South B.C.) Ltd.	8	From the Alberta/B.C. border near Coleman, Alberta to the B.C./U.S. border near Kingsgate, B.C.	170.7
Foothills Pipe Lines (Sask.) Ltd.	9	From the Alberta/ Saskatchewan border near Empress, Alberta to the Saskatchewan/U.S. border near Monchy, Saskatchewan.	258.97

7. CHARACTER OF SERVICE**7.1 Short Term Firm Transportation Service**

Gas transported by Company for Shipper under this Rate Schedule STFT, Short Term Firm Transportation Service shall not be subject to curtailment or interruption except as provided in the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Delivery Obligation

At the Delivery Point, identified in Appendix A to the Service Agreement, Short Term Firm Transportation Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at the Receipt Point, less Shipper's share for Zone 8 or Zone 9 as applicable of the energy content of Company Use Gas used in the transportation of such gas on such day.

Shipper's share shall be calculated pursuant to section 8 of the General Terms and Conditions of this Gas Transportation Tariff.

7.3 Daily Gas Nominations

7.3.1 Shipper shall advise Company, in writing, of the total daily quantity of gas nominated by it for the Delivery Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, Short Term Firm Transportation Service, exceed the Maximum Daily Delivery Quantity ("MDDQ") for each such Delivery Point.

7.3.2 Shipper may provide its nomination through written confirmations received by Company from a downstream carrier. Company shall rely on such confirmations received from downstream carrier to determine Shipper's nomination quantities at Delivery Points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border or Gas Transmission Northwest.

7.4 Backhauls

Service under Service Agreement, Short Term Firm Transportation Service is not eligible for backhaul service.

7.5 Renewals

Service under Service Agreement, Short Term Firm Transportation Service is not eligible for renewal.

7.6 Make-Up Provision

Shipper is not eligible for make-up provisions under this Rate Schedule, Short Term Firm Transportation Service.

7.7 Assignment

Shipper shall not be eligible to assign any service under the Service Agreement, Short Term Firm Transportation Service.

8. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for Service under Rate Schedule STFT, Short Term Firm Transportation Service is the FT Rate in Zone 8 or Zone 9 as applicable.

8.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly demand charges determined in accordance with subsection 8.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances except as specifically provided for in section 9 hereof, and such

obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

8.2 Monthly Demand Charge

Shipper's monthly demand charge for a Billing Month shall be the product of:

- (a) Shipper's Maximum Daily Delivery Quantity as indicated on Appendix A to Shipper's Service Agreement, Short Term Firm Transportation Service for such Billing Month;
- (b) Shipper's Haul Distance for Zone 8 or Zone 9 as applicable;
- (c) the FT Rate for Zone 8 or Zone 9 as applicable; and
- (d) Shipper's STFT Bid Price, as indicated on Appendix A to Shipper's Service Agreement, Short Term Firm Transportation Service.

8.3 Allocation of Gas Delivered

Notwithstanding any other provision of this Rate Schedule STFT, Short Term Firm Transportation Service, and any Service Agreement or the General Terms and Conditions of this Gas Transportation Tariff, and without regard to how gas may have been nominated, the aggregate quantity of gas delivered to a Shipper at the Delivery Point during any Billing Month shall be allocated for billing purposes as follows:

- (a) first to service to Shipper under this Rate Schedule STFT, Short Term Firm Transportation Service to a maximum of the aggregate Maximum Daily Delivery Quantity for such Delivery Point under such Rate Schedule STFT, Short Term Firm Transportation Service;
- (b) second to service to Shipper under Rate Schedule FT, Firm Transportation Service to a maximum of the aggregate Maximum Daily Delivery Quantity for such Delivery Point under Rate Schedule FT, Firm Transportation Service; and

- (c) third to service to Shipper under Rate Schedule IT, Interruptible Transportation Service.

8.4 Charge for Over-Run Gas

In the event that Company determines, in respect of a Billing Month, that Shipper has tendered for transportation, and Company has transported for Shipper, a quantity of gas in excess of the Maximum Daily Delivery Quantity as indicated on Appendix A of Shipper's Service Agreement, Short Term Firm Transportation Service, Shipper shall pay Company an amount equal to the aggregate of:

- (a) the product of a quantity of gas equal to such excess and the IT Rate for Service under Rate Schedule IT, Interruptible Transportation Service; and
- (b) the product of a quantity of gas equal to such excess and the Daily Abandonment Surcharge.

9 FAILURE TO DELIVER GAS

9.1 General

If Company shall, in any billing month, fail for any reason to make delivery to any Shipper of the whole or any portion of the quantity of gas nominated by such Shipper from Company in accordance with Shipper's Service Agreement, Short Term Firm Transportation Service, such Shipper's obligation to pay Company pursuant to section 8 of Rate Schedule STFT, Short Term Firm Transportation Service shall be subject only to the adjustments expressly provided for in this section 9.

9.2 Billing Adjustment

9.2.1 Demand Charge Credit

- (a) Subject to subsection 9.2.1(b), if in any month Company is unable to deliver up to 98 percent of the quantity of gas that Shipper has in good faith nominated up to the MDDQ times the number of days in such month,

then in respect of such month, a credit shall be applied to the monthly bill rendered by Company determined according to the following formula:

$$C = [FT \times SHD] \times [MDDQ - ADDQ^*] + DAS \times [MDDQ - ADDQ^*]$$

*Average Day Delivery Quantity = Deliveries to Shipper in any Month in which a Demand Charge Credit is applicable, divided by the number of days in that particular Month.

Where:

“C” = Credit

“FT” = FT Rate

“SHD” = Shipper’s Haul Distance

“MDDQ” = Shipper’s MDDQ

“ADDQ” = Average Day Delivery Quantity

“DAS” = Daily Abandonment Surcharge

- (b) No credit to the Monthly bill shall be made if Company delivers less than 98 percent of the quantity of gas nominated as a result of planned repairs, maintenance, replacement or other upgrading, or other work related to Company’s Facilities for which Company gave firm shippers notice under subsection 8.8 of the General Terms and Conditions on Company's Facilities or as a result of Shipper being unable to deliver gas at the Receipt Point or accept gas at the Delivery Point.

9.3 Exception

Subsection 9.2 hereof shall not apply to any failure of Company to make delivery to Shipper of any gas nominated by Shipper pursuant to Shipper's Service Agreement, Short Term Firm Transportation Service if such failure is caused or contributed to by the failure of Shipper to, or to be able to, deliver to or take delivery from Company of such gas, or by any other action of Shipper or Persons acting on its behalf which causes or contributes to such a failure by Company.

**RATE SCHEDULE OT
OVERRUN TRANSPORTATION SERVICE**

1. AVAILABILITY

This Rate Schedule OT, Overrun Transportation Service is available in Zones 6 and 7 only, to any Shipper under its Service Agreement, Firm Transportation Service.

2. APPLICABILITY AND CHARACTER OF SERVICE

This Rate Schedule OT, Overrun Transportation Service shall apply to overrun transportation service pursuant to Article 1.2 of Shipper's Service Agreement, Firm Transportation Service but not for service provided pursuant to subsection 9.2 of Rate Schedule FT.

3. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under Rate Schedule OT, Overrun Transportation Service in the Zone is the OT Rate.

3.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 3.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

3.2 Monthly Commodity Charge

Shipper shall pay to Company, for each GJ of gas delivered by Company to Shipper to which this Rate Schedule OT, Overrun Transportation Service is applicable, an amount equal to Shipper's OT Rate in the Zone multiplied by the distance in kilometers such quantity of gas is transported in the Zone for the Billing Month in which such gas is delivered; provided that if Shipper on any day of any Billing Month does not tender all or a portion ("Tender Deficiency") of such Shipper's Maximum Daily Delivery Quantity, then for those days no payment shall be due to Company under this Rate Schedule OT, Overrun Transportation Service in respect of gas delivered by Company pursuant to Article 1.2 of Shipper's Service Agreement and which is governed by this Rate Schedule OT, Overrun Transportation Service, on any other day during such Billing Month and the immediately following Billing Month, up to the undischarged amount of such Tender Deficiency.

4. GENERAL TERMS AND CONDITIONS

This Rate Schedule OT, Overrun Transportation Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff as updated from time to time.

**RATE SCHEDULE SGS-1
SMALL GENERAL SERVICE**

1. AVAILABILITY

This Rate Schedule SGS-1, Small General Service is available to Transgas Limited (herein referred to as “Shipper”) upon execution by Shipper of a Service Agreement, Small General Service for the transportation by Company of gas to be sold to customers on a farm or in small communities or, to a customer that distributes to customers on farms or in small communities, provided that:

- (a) The gas is being ultimately consumed primarily for residential and commercial space heating purposes; and
- (b) Such customers are not being served under any other gas transportation agreement between Shipper and Company.

2. APPLICABILITY

This Rate Schedule SGS-1, Small General Service shall apply to the transportation service under Shipper’s Service Agreement, Small General Service.

3. SERVICE DESCRIPTION

Service rendered by Company for Shipper under this Rate Schedule SGS-1, Small General Service consists of:

- (a) The receipt of gas nominated by Shipper (or for Shipper’s account) at each Receipt Point as specified in the Service Agreement, Small General Service;

- (b) The transportation of gas by Company in its facilities between the Alberta/Saskatchewan border near Empress to the Saskatchewan/ United States border near Monchy (“Zone 9”); and
- (c) The delivery by Company of gas to Shipper at each Delivery Point specified in the Service Agreement, Small General Service.

4. SERVICE AGREEMENT, SMALL GENERAL SERVICE

This Rate Schedule SGS-1, Small General Service is subject to all terms, conditions, stipulations and provisions of the Service Agreement, Small General Service.

5. GENERAL TERMS AND CONDITIONS

This Rate Schedule SGS-1, Small General Service is subject to all terms, conditions, stipulations and provisions of the General Terms and Conditions of this Gas Transportation Tariff as may be amended from time to time, with the exception of sections 8.6, 8.7 and 16.

6. CHARACTER OF SERVICE

6.1 Small General Service

Gas transported by Company for Shipper under this Rate Schedule SGS-1, Small General Service shall not be subject to curtailment or interruption except as provided in the General Terms and Conditions of this Gas Transportation Tariff.

6.2 Receipt and Delivery Obligations

6.2.1 At each Receipt Point, Company and Shipper shall establish the Maximum Daily Receipt Quantity and shall specify the portion of such Maximum Daily Receipt Quantity to be delivered to each Delivery Point. The aforementioned Maximum Daily Receipt Quantity and portions thereof shall be specified in Appendix A to the Service Agreement, Small General Service.

6.2.2 At each Delivery Point, identified in Appendix B to the Service Agreement, Small General Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received from Shipper at each Receipt Point destined for such Delivery Point, less Shipper's share of the sum of the energy content of:

- (a) Company Use Gas; and
- (b) Unaccounted for Gas

used in the transportation of such gas on such day.

6.2.3 For the purpose of calculating Shipper's share of Company Use Gas and Unaccounted for Gas, pursuant to subsection 8.4 of the General Terms and Conditions of this Gas Transportation Tariff, all of Shipper's quantities received into Zone 9 shall be deemed to have been transported 1/2 of the total distance in Zone 9 (130 km).

6.3 Daily Gas Nominations

6.3.1 Shipper shall advise Company of the total daily quantity of gas nominated by it for each Receipt Point. Such total daily quantity of gas shall not, subject to Article 1.2 of Shipper's Service Agreement, Small General Service, exceed the Maximum Daily Receipt Quantity for each such Receipt Point.

6.3.2 Out of such total daily quantity of gas nominated for each Receipt Point, Shipper shall advise Company of the daily quantity of gas nominated by it for transportation to each Delivery Point.

7. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under this Rate Schedule SGS-1, Small General Service is the T-1 Rate in Zone 9.

7.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 7.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

7.2 Monthly Commodity Charge

Shipper's monthly commodity charge for a Billing Month shall be the product of:

- (a) the actual volume of gas received by Company from Shipper under Rate Schedule SGS-1, Small General Service during such month;
- (b) 1/2 the total distance in Zone 9 (130 km); and
- (c) the T-1 Rate.

**RATE SCHEDULE IT
INTERRUPTIBLE TRANSPORTATION SERVICE**

1. AVAILABILITY

This Rate Schedule IT, Interruptible Transportation Service is available for service rendered by Company only in Zone 8 or Zone 9 to any Shipper for transportation of gas by Company on an interruptible and best efforts basis only, provided that:

- (a) Shipper has executed a Service Agreement, Interruptible Transportation Service with Company and such Service Agreement is then in effect;
- (b) Shipper has obtained all certificates, permits, licenses or other authorizations which it requires in connection with the service rendered hereunder;
- (c) Shipper has made arrangements satisfactory to Company to enable Shipper to deliver gas to Shipper's Receipt Points and to take gas from Shipper's Delivery Points in accordance with Shipper's daily nominations; and
- (d) Satisfied all applicable requirements as set forth in subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff.

2. APPLICABILITY

This Rate Schedule IT, Interruptible Transportation Service shall apply to all interruptible transportation services under Shipper's Service Agreement, Interruptible Transportation Service.

3. SUBSIDIARY COMPANIES AND ZONES

3.1 General

Company’s transportation system consists of operating segments with each segment operated by a Subsidiary Company. Company and Subsidiary Companies have entered into transportation agreements for provision of transportation services by Subsidiary Companies for Company. Each Subsidiary Company shall divide its segment into one or more Zones as defined in Schedule I, Annex II of the Northern Pipeline Act and described in subsection 3.2 hereof. Shipper, through its Service Agreement, Interruptible Transportation Service with Company, shall contract to have its gas transported through Zone 8 or Zone 9.

3.2 Description

The Subsidiary Companies listed below own and operate the portions of the Phase I gas transportation system set opposite the name of each such Subsidiary Company.

<u>Subsidiary Company</u>	<u>Zone No.</u>	<u>Description</u>	<u>Length (km)</u>
Foothills Pipe Lines (Alta.) Ltd.	6	From Caroline, Alberta to the Alberta/ Saskatchewan border near Empress, Alberta.	378.49
	7	From Caroline, Alberta to the Alberta/B.C. border near Coleman, Alberta.	124.03
Foothills Pipe Lines (South B.C.) Ltd.	8	From the Alberta/B.C. border near Coleman, Alberta to the B.C./U.S. border near Kingsgate, B.C.	170.7

Foothills Pipe Lines (Sask.) Ltd.	9	From the Alberta/Saskatchewan border near Empress, Alberta to the Saskatchewan/U.S. border near Monchy, Saskatchewan.	258.97
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4. CHARACTER OF SERVICE

4.1 Interruptible Transportation Service

Gas transported by Company for Shipper under this Rate Schedule IT, Interruptible Transportation Service shall be subject to curtailment or interruption, at any time, and from time to time, when Company estimates in its sole judgment, that service hereunder would in any way interfere with or restrict Company's ability to provide service pursuant to Rate Schedule SGS, Small General Service, Rate Schedule FT, Firm Transportation Service, Rate Schedule STFT, Short Term Firm Transportation Service or to other Shippers pursuant to Rate Schedule IT, Interruptible Transportation Service. Company shall not be obligated to construct additional facilities for the purpose of providing the interruptible service hereunder.

4.2 Receipt and Delivery Obligations

4.2.1 At each Delivery Point identified in Appendix A to the Service Agreement, Interruptible Transportation Service shipper may nominate a daily quantity of gas for interruptible service, subject to the provisions of subsection 4.3.

4.2.2 At each Delivery Point identified in Appendix A to the Service Agreement, Interruptible Transportation Service, Company is obligated to deliver to Shipper a daily quantity of gas which has an aggregate energy content of all gas received

from Shipper and accepted by Company at each Receipt Point destined for such Delivery Point, less Shipper's share of the energy content of Company Use Gas used in the transportation of such gas on such day.

Shipper's share shall be calculated pursuant to section 8 of the General Terms and Conditions of this Gas Transportation Tariff.

- 4.2.3** Notwithstanding subsection 4.2.2 herein, for any service provided hereunder where the Delivery Point is upstream of the Receipt Point, Shipper shall not be allocated a share of Company Use Gas in respect of such Backhaul service.

4.3 Daily Gas Nominations

- 4.3.1** Shipper shall advise Company, from time to time as required by Company, of the daily quantity of gas to be transported under Rate Schedule IT, Interruptible Transportation Service pursuant to subsection 4.1, for each Delivery Point to be transported on an interruptible basis from the Receipt Point.

Shipper shall deliver such quantities at the Receipt Point at hourly rates of flow as nearly constant as possible and shall take delivery at the Delivery Point at hourly rates of flow as nearly constant as possible.

- 4.3.2** Departures from scheduled daily deliveries shall be kept to a minimum permitted by operating conditions.

- 4.3.3** If on any day Shipper fails to deliver to the Receipt Point, or accept at the Delivery Point, the gas nominated pursuant to subsection 4.3.1 herein, Company shall be entitled to curtail further receipts of gas from Shipper until the quantity delivered at the Receipt Point balances with the quantity delivered at the Delivery Point.

Without limiting Company's rights as set forth above, Company will use reasonable efforts to implement other operational procedures including:

- (a) The notification of Shipper with an imbalance of other Shippers with positive or negative inventory in order that, by exchange, inventories may be brought to zero balance; and
- (b) In the event that, at the end of a given month, Shipper is in a positive or negative imbalance position, such imbalance will be carried forward as Shipper's inventory for a period of up to the term of Shipper's Service Agreement, Interruptible Transportation Service.

4.3.4 Shipper may provide its nomination through written confirmations received by Company from a downstream carrier. Company shall rely on such confirmations received from downstream carrier to determine Shipper's Nomination quantities at Delivery Points. For certainty, this would include Shipper's written confirmation received by Company from Northern Border or Gas Transmission Northwest.

5. CHARGE FOR SERVICE

The rate used in calculating Shipper's monthly bill for service under Rate Schedule IT, Interruptible Transportation Service in the Zone is the IT Rate.

5.1 Shipper's Obligation to Pay

Shipper shall be obligated to pay to Company in respect of each Billing Month, a charge for services rendered hereunder being the aggregate of Shipper's monthly commodity charges determined in accordance with subsection 5.2 hereof and the Abandonment Charge. Shipper's obligation to pay is not subject to any adjustment or abatement under any circumstances and such obligation shall be billed by Company to Shipper in accordance with section 5 of the General Terms and Conditions of this Gas Transportation Tariff.

5.2 Monthly Commodity Charge

Shipper's monthly commodity charge for a Billing Month shall be the product of:

- (a) the actual quantity of gas delivered to Shipper by Company under Rate Schedule IT, Interruptible Transportation Service during such month;
- (b) the distance in kilometers such quantity of gas is transported, or in the case of Backhaul is deemed to be transported through the Zone; and
- (c) the IT Rate.

5.3 Allocation of Gas Delivered

Notwithstanding any other provision of this Rate Schedule IT, Interruptible Transportation Service, and any Service Agreement or the General Terms and Conditions of this Gas Transportation Tariff, and without regard to how gas may have been nominated, the aggregate quantity of gas delivered to a Shipper at the Delivery Point during any Billing Month shall be allocated for billing purposes as follows:

- (a) first to service to Shipper under Rate Schedule STFT, Short Term Firm Transportation Service to a maximum of the aggregate Maximum Daily Delivery Quantity for such Delivery Point under such Rate Schedule STFT, Short Term Firm Transportation Service;
- (b) second to service to Shipper under Rate Schedule FT, Firm Transportation Service to a maximum of the aggregate Maximum Daily Delivery Quantity for such Delivery Point under Rate Schedule FT, Firm Transportation Service; and
- (c) third to service to Shipper under this Rate Schedule IT, Interruptible Transportation Service.

6. TERM OF SERVICE

6.1 Shipper's Service Agreement, Interruptible Transportation Service shall be in full

force and effect until terminated by Shipper in accordance with section 6.2 or Company in accordance with section 6.3.

- 6.2 Shipper shall be entitled to terminate Service under Rate Schedule IT, Interruptible Transportation Service if Shipper gives Company at least 60 days prior written notice of such termination. Any such termination of Service shall not relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company.
- 6.2 If no gas is transported under a Service Agreement, Interruptible Transportation Service in any 12 month period (assuming Company is willing and able to receive, transport and deliver such gas and both the upstream and downstream transporters, respectively, are willing and able to deliver and receive such gas during such period), then Company shall have the right to terminate such Shipper's Service Agreement, Interruptible Transportation Service upon 60 days prior written notice to Shipper. Any such termination of Service shall not relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company.

7. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of this Gas Transportation Tariff as may be amended from time to time, are applicable to this Rate Schedule IT, Interruptible Transportation Service and are hereby made a part hereof with the exception of sections 5.6, 8.7 and 16. If there is any conflict between the provisions of this Rate Schedule IT, Interruptible Transportation Service and the General Terms and Conditions of this Gas Transportation Tariff, the provisions of this Rate Schedule IT, Interruptible Transportation Service shall prevail.

GENERAL TERMS AND CONDITIONS

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GENERAL TERMS AND CONDITIONS**1. DEFINITIONS**

The following words and terms, whenever and wherever used or appearing in these General Terms and Conditions, the Capacity Allocation Procedures, the rate schedules to which they apply, or in the Service Agreement to which such rate schedules and General Terms and Conditions apply, shall have the following meanings:

1.1 “Abandonment Charge” shall mean the abandonment charge collected by Company for and on behalf of Foothills Pipe Lines (Alta.) Ltd., Foothills Pipe Lines (South B.C.) Ltd. and Foothills Pipe Lines (Sask.) Ltd. payable by Shippers to Company for each Service Agreement under Rate Schedules FT, OT, SGS, STFT and IT determined by multiplying the:

- (i) Monthly Abandonment Surcharge by the Shipper’s aggregate of MDDQ as indicated on Appendix A to Shipper’s Service Agreement, Firm Transportation Service for such Billing Month;
- (ii) Monthly Abandonment Surcharge by the Shipper’s aggregate of MDDQ as indicated on Appendix A to Shipper’s Service Agreement, Short Term Firm Transportation Service for such Billing Month;
- (iii) Daily Abandonment Surcharge by the gas delivered by Company to Shipper under Rate Schedule SGS;
- (iv) Daily Abandonment Surcharge by the gas delivered by Company to Shipper under Rate Schedule OT; and
- (v) Daily Abandonment Surcharge by the gas delivered by Company to Shipper under Rate Schedule IT.

1.2 “Agent” shall mean Gas Transmission Northwest Corporation (GTN)

- 1.3** “Alaska Natural Gas Transportation System” or “ANGTS”, also known as the Alaska Highway Project, shall mean the pipeline and related facilities for the transportation of U.S. gas from the Prudhoe Bay area, through Alaska and Canada to the 49th Parallel, and from the 49th Parallel to the midwestern U.S. and to California in the western U.S., and for the transportation of Canadian gas via Zones 10 and 11 (the Dempster Line) from the Beaufort Basin area to join the mainline near Whitehorse in the Yukon Territory.
- 1.4** “Backhaul” shall mean service where gas delivered at Shipper’s Backhaul Delivery Point is received into Company’s facilities at Shipper’s Backhaul Receipt Point located downstream of Shipper’s Backhaul Delivery Point.
- 1.5** “Banking Day” shall mean any day that the Royal Bank of Canada, Main Branch, Calgary, Canada or other financial institution agreed to by Company, conducts business.
- 1.6** “Bid Form” shall mean the bid form set out in Appendix B or Appendix C (as the case may be) to the Capacity Allocation Procedures.
- 1.7** “Billing Commencement Date” shall mean the date when Shipper’s payment obligation commences and Shipper’s gas has commenced flowing through Company’s transportation system.
- For all other Shippers, the Billing Commencement Date shall occur when Company informs such Shipper, by not less than one day’s notice, that there is transportation capacity, not required by Company in order to comply with its obligations under Service Agreements with other Shippers, to receive gas at Shipper’s Receipt Point(s) and to make related deliveries of gas to Shipper’s Delivery Point(s), all in accordance with the provisions of Shipper’s Service Agreement.
- 1.8** “Billing Month” shall mean the period beginning at 09:00 CCT on the first day of the month and ending at 09:00 CCT, on the first day of the next succeeding month.
- 1.9** “Calendar Year” shall mean the period from 09:00 CCT on January 1st to 09:00 CCT on January 1st of the next succeeding year.

- 1.10** “Canadian Segments” shall mean those sections of the ANGTS, geographically located in Canada, and which are owned, operated and managed by a specific Subsidiary Company of Company.
- 1.11** “Capacity Allocation Procedures” shall mean the procedure established by Company describing how a Prospective Shipper shall be afforded the rights to obtain firm service under Rate Schedule FT, Firm Transportation Service or Rate Schedule STFT, Short Term Firm Transportation.
- 1.12** “CCT” shall mean Central Clock Time.
- 1.13** “Closing Date” shall mean the date an open season referred to in the Capacity Allocation Procedures ends as posted by Company.
- 1.14** “Company” shall mean Foothills Pipe Lines Ltd. and any successor to it.
- 1.15** “Company Use Gas” shall mean for any period the total quantity of gas used by Company in its gas transmission operations, as determined by Company, including but not limited to gas used as fuel or for testing plus any measurement variance as determined by Company.
- 1.16** “Company Use Gas Rate” shall mean the rate set by Company from time to time pursuant to section 8.3 of these General Terms and Conditions.
- 1.17** “Company’s Cost of Service” shall mean, relative to a Calendar Year, the sum of the amounts determined as the Zone Cost of Service for each of Company’s Zones.
- 1.18** “Contract Year” shall mean the period beginning at 09:00 CCT, on Company’s Billing Commencement Date and ending at 09:00 CCT on the next succeeding November 1st (provided, however, in the event that such period is less than six calendar months then the first Contract Year shall not end until 09:00 CCT on the second succeeding November 1st and thereafter each period of 12 consecutive calendar months beginning at 09:00 CCT, on November 1st of each year and ending at 09:00 CCT on the anniversary of such day in the next succeeding Calendar Year.

- 1.19** “Cubic metre of gas” or “m³” shall mean that quantity of gas which, at a temperature of 15 °C and at a pressure of 101.325 kPa occupies one cubic metre.
- 1.20** “Daily Open Season” shall have the meaning attributed to it in subsection 4.1.6.1 of the Capacity Allocation Procedures.
- 1.21** “Day” shall mean a period of 24 consecutive hours, beginning and ending at 09:00 CCT. The reference date for any day shall be the date of the beginning of such day.
- 1.22** “°C” shall mean degrees Celsius as defined by The International System of Units (SI).
- 1.23** “Daily Abandonment Surcharge” shall mean the daily abandonment surcharge set forth in the Table of Effective Rates for Service under Rate Schedules SGS, OT and IT.
- 1.24** “Delivery Point” shall mean relative to Shipper one of the Delivery Points shown in Appendix A to such Shipper’s Service Agreement for delivery of gas to such Shipper.
- 1.25** “Designated Electronic Bulletin Board” shall mean GTN’s ‘E-trans’ electronic bulletin board or any replacement thereof.
- 1.26** “Existing Capacity” shall mean firm capacity in a Zone which is not required to provide service to any existing Shipper receiving service under Rate Schedule FT, Firm Transportation Service, Rate Schedule STFT, Short Term Firm Transportation Service and Rate Schedule SGS, Small General Service.
- 1.27** “Existing Capacity Open Season” shall have the meaning attributed to it in subsection 4.1.1 of the Capacity Allocation Procedures.
- 1.28** “Existing Term” shall have the meaning attributed to it in subsection 10.2 of Rate Schedule FT, Firm Transportation Service.
- 1.29** “Expansion Capacity” shall have the meaning attributed to it in subsection 4.3.1 of the Capacity Allocation Procedures.

- 1.30** “Expansion Capacity Open Season” shall have the meaning attributed to it in subsection 4.3.1 of the Capacity Allocation Procedures.
- 1.31** “Financial Assurance” shall have the meaning attributed to it in subsection 5.8 of these General Terms and Conditions.
- 1.32** “First Billing Month” shall mean relative to Shipper the Billing Month in which such Shipper’s Billing Commencement Date occurs.
- 1.33** “Foreign Exchange Rate” shall mean for any day that rate for the currency in question as published at 12:00 Eastern Standard Time, by the Bank of Canada in the City of Ottawa.
- 1.34** “Forward Haul” shall mean service where gas delivered at Shipper’s Forward Haul Delivery Point is received into Company’s facilities at Shipper’s Forward Haul Receipt Point located upstream of Shipper’s Forward Haul Delivery Point.
- 1.35** “FT Rate” shall mean the FT Rate in the Table of Effective Rates which has been set by the Company for service under Rate Schedule FT, Firm Transportation Service.
- 1.36** “G-14” shall mean Measurement Canada’s Bulletin G-14, as may be amended from time to time.
- 1.37** “Gas” shall mean natural gas, manufactured, artificial or synthetic gas, or any mixture or combination thereof.
- 1.38** “Gas Plant In Service” shall mean the original cost of the gas plant of Company excluding plant that is entirely distinct from and is not operated in connection with the gas transportation service provided pursuant to this Gas Transportation Tariff.
- 1.39** “Gas Transportation Tariff” shall mean the compilation on file with the National Energy Board of Company’s rate schedules, General Terms and Conditions and related Service Agreements with Shipper as in effect from time to time.

- 1.40** “General Terms and Conditions” shall mean, at any time, these General Terms and Conditions as amended or supplemented from time to time.
- 1.41** “GIA” shall mean the Electricity and Gas Inspection Act, Chapter E-4 of the Revised Statutes of Canada, 1985 or as amended, and all regulations issued pursuant to it.
- 1.42** “GJ” shall mean 10^9 Joules.
- 1.43** “Gross heating value” shall mean the total Joules obtained by complete combustion at constant pressure of one cubic metre of gas with air, the gas to be free of all water vapour and the temperature of the gas, air and products of combustion to be at standard temperature and all water formed by the combustion reaction to be condensed to the liquid state.
- 1.44** “Interconnecting Pipeline Open Season” shall have the meaning attributed to it in subsection 4.1.3 of the Capacity Allocation Procedures of this Gas Transportation Tariff.
- 1.45** “IT Rate” shall mean the IT Rate in the Table of Effective Rates which has been set by the Company for service under Rate Schedule IT, Interruptible Transportation Service.
- 1.46** “J” shall mean Joule(s), the base unit for energy as defined by The International System of Units (SI).
- 1.47** “km” shall mean kilometre(s) as defined by The International System of Units (SI).
- 1.48** “kPa” shall mean kilopascal(s) of pressure.
- 1.49** “Leave to Open” shall mean that a leave has been granted under Part III of the National Energy Board Act to Company to open the pipeline.
- 1.50** “Line Pack Change” shall mean for any period the difference between the total quantity of line pack gas contained in a Zone of Company’s pipeline at the beginning and end of such period, as computed by Subsidiary Company.

- 1.51** “Line Pack” for any Zone at any time shall mean that quantity of gas which is calculated by Subsidiary Company as the total quantity of gas required as line pack for the efficient operation of its pipeline in such Zone.
- 1.52** “Low Intervention Trade Transaction” shall have the meaning attributed to it in G-14, as may be amended from time to time.
- 1.53** “Make-Up Gas” shall have the meaning attributed to it in subsection 9.2 of the Rate Schedule FT, Firm Transportation Service.
- 1.54** “Maximum Daily Delivery Quantity” or “MDDQ” shall mean, relative to a Delivery Point for any day, the quantity of gas, as specified in Appendix A of Shipper’s Service Agreement.
- 1.55** “MC” shall mean Measurement Canada, an Agency of Industry Canada.
- 1.56** “mg” shall mean milligram(s) as defined by The International System of Units (SI).
- 1.57** “Minimum Term” shall have the meaning attributed to it in subsection 3.3.1 of the Capacity Allocation Procedures.
- 1.58** “Month” shall mean a period of time beginning at 09:00 CCT on the first day of a calendar month and ending at 09:00 CCT on the first day of the next calendar month.
- 1.59** “Monthly Abandonment Surcharge” shall mean the monthly abandonment surcharge set forth in the Table of Effective Rates for Service under Rate Schedules FT, and STFT.
- 1.60** “National Energy Board” or “NEB” or “Board” shall mean the National Energy Board of Canada or any other tribunal which may hereafter exercise the functions now exercised by that Board with respect to the regulation of gas pipelines.
- 1.61** “New Facilities” shall have the meaning attributed to it in subsection 3.3.1 of the Capacity Allocation Procedures.

- 1.62** “Nomination” shall mean Shipper’s notice to Company respecting the quantities of gas expressed in GJs which Shipper wishes Company to receive and deliver for Shipper.
- 1.63** “Northern Pipeline” shall have the same meaning as is attributed to “pipeline” in section 2(1) of the Northern Pipeline Act.
- 1.64** “OT Rate” shall mean the OT Rate in the Table of Effective Rates which has been set by the Company for service under Rate Schedule OT, Overrun Transportation Service.
- 1.65** “Operating Agreement” shall mean an agreement between Subsidiary Company and any Person under which such Person undertakes to provide services to facilitate Subsidiary Company’s operation of all or part of Subsidiary Company’s transportation system.
- 1.66** “Person” shall mean an individual, a corporation, a partnership, an association, a joint venture, a trust, an unincorporated organization or a government or political subdivision thereof; and pronouns shall have a similarly extended meaning.
- 1.67** “Phase I Facilities” shall mean those portions of the ANGTS to be constructed by the Subsidiary Companies of Company in the Provinces of British Columbia, Alberta and Saskatchewan for the transmission of Canadian source gas which has been authorized for export from Canada by licences issued under Part VI of the National Energy Board Act.
- 1.68** “Plant” shall have the meaning attributed to it by section 2 of the National Energy Board Act Gas Pipeline Uniform Accounting Regulations being Regulation SOR/83-190.
- 1.69** “Precedent Agreement” shall mean a binding agreement between Company and a Prospective Shipper for the provision of the transportation service requested, subject to fulfillment of conditions precedent as agreed to between Prospective Shipper and Company.
- 1.70** “Project Status Summary” shall mean the document as contained in Appendix A of the Capacity Allocation Procedures.

- 1.71** “Prospective Shipper” shall have the meaning attributed to it in subsection 1.1 of the Capacity Allocation Procedures.
- 1.72** “Rate of Interest” shall mean for any period, the annual rate which is the daily weighted average prime rate for Canadian dollar loans, charged during such period to its commercial customers by the Royal Bank of Canada, Main Branch, Calgary, Alberta.
- 1.73** “Rate Schedule IT, Interruptible Transportation Service” shall mean the rate schedule applicable to interruptible service for gas transportation through Zone 8 or Zone 9 of Company’s transportation system.
- 1.74** “Rate Schedule OT, Overrun Transportation Service” shall mean the rate schedule applicable to overrun service for gas transportation through Zones 6 and 7 of Company’s transportation system.
- 1.75** “Rate Schedule SGS, Small General Service” shall mean the rate schedule applicable to small general service for gas transportation through Company’s Zone 9 facilities.
- 1.76** “Rate Schedule STFT, Short Term Firm Transportation Service” shall mean the rate schedule applicable to short term firm transportation service for gas transportation through Company’s transportation system.
- 1.77** “Rate Schedule FT, Firm Transportation Service” shall mean the rate schedule applicable to firm service for gas transportation through Company’s transportation system.
- 1.78** “Receipt Point” shall mean relative to Shipper one of the Receipt Points shown in Appendix A to such Shipper’s Service Agreement for receipt of gas from such Shipper.
- 1.79** “Renewal Notice” shall have the meaning attributed to it in subsection 10.2.1 of Rate Schedule FT, Firm Transportation Service.
- 1.80** “Renewal Option” shall have the meaning attributed to it in subsection 10.1 of Rate Schedule FT, Firm Transportation Service.

- 1.81** “Renewal Provisions” shall have the meaning attributed to it in subsection 10.2.1 of Rate Schedule FT, Firm Transportation Service.
- 1.82** “Renewal Request” shall have the meaning attributed to it in subsection 10.2.1 of Rate Schedule FT, Firm Transportation Service.
- 1.83** “Renewal Rights” shall mean rights to renew Service Agreement, Firm Service under Rate Schedule FT, Firm Transportation Service available to certain of Company’s current firm Shippers.
- 1.84** “Renewal Term” shall have the meaning attributed to it in subsection 10.2 of Rate Schedule FT, Firm Transportation Service.
- 1.85** “Request for Service” shall have the meaning attributed to it in subsection 3.1.2 of the Capacity Allocation Procedures.
- 1.86** “Requested Maximum Daily Delivery Quantity” shall mean the Maximum Daily Delivery Quantity requested by Prospective Shipper on the Bid Form.
- 1.87** “Requested Minimum Daily Delivery Quantity” shall mean the Minimum Daily Delivery Quantity requested by Prospective Shipper on the Bid Form.
- 1.88** “Requested Service Commencement Date” shall mean the Service Commencement Date requested by Prospective Shipper on the Bid Form.
- 1.89** “Requested Service Termination Date” shall mean the Service Termination Date requested by Prospective Shipper on the Bid Form.
- 1.90** “Requested Term” shall mean the requested term of service as established by the Requested Service Commencement Date and the Requested Service Termination Date.
- 1.91** “Service Agreement” shall mean the executed Service Agreement for service under this Gas Transportation Tariff as then in effect made by and between Company and Shipper.

- 1.92** “Service Agreement, Firm Transportation Service” shall mean the Service Agreement to provide service under Rate Schedule FT, Firm Transportation Service.
- 1.93** “Service Agreement, Interruptible Transportation Service” shall mean the Service Agreement to provide service under Rate Schedule IT, Interruptible Transportation Service.
- 1.94** “Service Agreement, Short Term Firm Transportation Service” shall mean the Service Agreement to provide service under Rate Schedule STFT, Short Term Firm Transportation Service.
- 1.95** “Service Agreement, Small General Service” shall mean the Service Agreement to provide service under Rate Schedule SGS, Small General Service.
- 1.96** “Service Commencement Date” shall mean the latter of the Service Commencement Date on Appendix A to Shipper’s Service Agreement or, the date on which Company’s transportation system is capable of providing service under Shipper’s Service Agreement.
- 1.97** “Service Termination Date” shall mean the Service Termination Date on Appendix A to Shipper’s Service Agreement.
- 1.98** “Shippers” shall mean, at any time, the Persons which have entered into Service Agreements with Company which are then in effect; and “Shipper” shall mean one of such Persons.
- 1.99** “Shipper’s Haul Distance” shall mean the Shipper’s Haul Distance on Appendix A to Shipper’s Service Agreement.
- 1.100** “STFT Bid Price” shall mean the STFT Bid Price on Appendix A to Shipper’s Service Agreement, Short Term Firm Transportation Service, expressed as a percentage of the FT Rate and such percentage shall be a minimum of 100%.

- 1.101** “STFT Capacity” shall mean pipeline capacity on Zone 8 or Zone 9 of Company’s gas transportation system that is or will become available on a short term basis without construction of New Facilities, as determined by Company from time to time.
- 1.102** “STFT Capacity Open Season” shall have the meaning attributed to it in subsection 4.2.1 of the Capacity Allocation Procedures.
- 1.103** “Subsidiary Company” shall mean Company’s subsidiary companies as described in the Northern Pipeline Act and include: Foothills Pipe Lines (South Yukon) Ltd., Foothills Pipe Lines (North Yukon) Ltd., Foothills Pipe Lines (North B.C.) Ltd., Foothills Pipe Lines (Alta.) Ltd., Foothills Pipe Lines (South B.C.) Ltd., and Foothills Pipe Lines (Sask.) Ltd.
- 1.104** “10³m³” shall mean 1,000 cubic metres of gas determined on the measurement set forth in section 1.18 above.
- 1.105** “Table of Effective Rates” shall mean the Table of Effective Rates setting the rates, tolls and charges that has been set by the Company to be imposed, observed or followed by the Company.
- 1.106** “Zone” shall mean any one of the Zones described in subsection 6.2 of the Rate Schedule FT, Firm Transportation Service into which Company’s transportation system has been divided for rate making purposes.
- 1.107** “Zone Cost of Service” shall mean the amount determined pursuant to subsection 5.7 of these General Terms and Conditions.

2. QUALITY OF GAS

2.1 Natural Gas

Natural gas shall be the gas obtained either from wells or from residue remaining after the natural gas has been treated for the removal of any of its constituent parts other than methane, and for the removal of methane to such extent as is necessary in removing such other constituents.

2.2 Freedom from Impurities

2.2.1 The following specifications shall apply to the gas which Shipper delivers or causes to be delivered to Company for transportation at any of Company's Receipt Points.

- (i) The gas shall not contain sand, dust, gums, crude oil impurities or other objectionable substances in such quantities as may render it unmerchantable or be injurious to pipeline or may interfere with the transmission, measurement or commercial utilization of gas.
- (ii) The gas shall not, unless otherwise agreed upon, have a hydrocarbon dew point in excess of -10°C at Company's operating pressure.
- (iii) The gas shall not contain more than 23 mg/m^3 of hydrogen sulphide.
- (iv) The gas shall not contain more than 230 mg/m^3 of total sulphur.
- (v) The gas shall not contain more than 2% by volume of carbon dioxide, unless otherwise agreed upon.
- (vi) The gas shall not contain more than 65 mg/m^3 of water vapour.
- (vii) The gas shall not have a water dew point in excess of -10°C at operating pressures in excess of 8275 kPa.

(viii) In Zones 6, 7 and 9 the gas shall not have a temperature exceeding 49 °C.
In Zone 8 the gas shall not have a temperature exceeding 43.3 °C.

(ix) The gas shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions and shall not in any event contain more than 0.4% by volume of oxygen.

2.2.2 The gas Company delivers to Shipper or for Shipper's account shall have the constituent parts that result from the commingling of the gas from various sources on Company's transportation system.

2.3 Gross Heating Value

Generally the gas shall have a gross heating value of not less than 36 MJ/m³; provided however, that Company may at its sole discretion permit gas of lower gross heating value to be tendered to Company at individual Receipt Points.

2.4 Failure to Conform to Specifications

2.4.1 If the gas tendered for transportation shall fail at any time to conform to any of the specifications set forth in this section 2, then Company shall notify Shipper of such deficiency and may, at its option, refuse to accept such gas pending correction. If the deficiency in quality is not promptly remedied, Company may accept such gas and may make changes necessary to bring such gas into conformity with such quality specifications and Company shall include all reasonable expenses incurred by it in effecting such changes in Shipper's monthly bill.

2.4.2 Notwithstanding subsection 2.4.1 above, Company shall have the right to discontinue receipt of gas from Shipper without notice should the gas fail to meet the specifications set forth in subsection 2.2.1 hereof provided that such suspension shall not relieve shipper from any obligation to pay its demand charge, or any other charge payable to Company.

2.5 Quality Tests

Company shall establish reasonable methods and procedures, including instrumentation, for making tests to determine whether gas tendered by Shipper to Company for transportation or delivered by Company to Shipper, meets the specifications set forth in this section 2.

3. MEASUREMENT AND MEASURING EQUIPMENT

Subject to section 4 hereof Company shall cause to be furnished, installed, maintained and operated at each Receipt and Delivery Point all equipment, devices and material necessary to determine gas volume, pressure, temperature, gross heating value, quality, specific gravity and super-compressibility. Company or Company's agent shall be responsible for the aforesaid measurements and measuring equipment, and Company and Shipper shall in conjunction with affected parties establish necessary metering, dispatch and operating procedures to provide information required by Company, Shipper or such affected parties. The following shall apply to measuring equipment measuring gas tendered by Shipper to Company for transportation, or delivered by Company to Shipper unless otherwise agreed upon.

3.1 Compliance with Regulations

All measuring equipment, devices and material required shall be compatible with the quantities to be metered at the particular point, and shall be of a type approved for their intended use under the provisions of the GIA, where such approvals are applicable.

3.2 Check Measuring Equipment

At each Shipper's Receipt Point, and Delivery Point, Shipper, or Shippers affected, at its or their own expense, may cause to be furnished, installed, maintained and operated check measuring equipment, provided that such equipment does not interfere with the operations of the measuring equipment installed or caused to be installed by Company and the transportation of gas hereunder.

3.3 Calibration

The accuracy of Company's measuring equipment shall be verified at such intervals as may be appropriate for such equipment. Advance notice of the time and nature of each test shall be given to allow Shipper a reasonable amount of time to arrange for a representative to observe the test and any adjustments resulting from such tests. If, after notice, Shipper fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test.

3.4 Correction

If, as a result of any such tests any of the measuring equipment is found to be out of service, or registering inaccurately with the result that a significant measurement error has occurred, such equipment shall be adjusted as soon as practicable to read as accurately as possible and the previous readings of such equipment shall be adjusted to correct for such significant error for a period definitely known or agreed upon, or if not known or agreed upon, for a period of 1/2 of the elapsed time since the last test. The quantity of gas delivered during such period shall be determined by Company using one of the following four methods which in the opinion of Company will provide the best results:

- (a) By using the data recorded by any check measuring equipment if installed and accurately registering; or
- (b) By correcting the error if ascertainable by calibration test or mathematical calculation; or
- (c) By estimating the quantity delivered based upon deliveries under similar conditions during a period when the equipment was registering accurately; or
- (d) By calculation of the balance between Company's receipts and deliveries over the period.

3.5 Expense of Special Tests

If Shipper requests a special test of the accuracy of any measuring equipment and upon testing the equipment the inaccuracy of the equipment is found to be less than 2%, Shipper shall bear the expense of the special test.

3.6 Inspection of Equipment and Records

Shipper or Shipper's agent shall have the right to inspect measuring equipment installed or furnished by Company and measurement or test data of Company at all times during normal business hours, but the reading, calibration and adjustment of such equipment shall be done only by Company or Company's agent.

3.7 Unit of Measurement

The unit of volume for purposes of measurement shall be 10^3m^3 . The unit of quantity for purposes of measurement shall be GJ.

3.8 Applicable Procedures

All measurements, calculations, and procedures used in determining the quantity delivered at any point shall be in accordance with GIA and all applicable regulations issued pursuant thereto. Provided, however, that correction for deviations from ideal gas laws shall be determined from data contained in Report No. 8 as published by the American Gas Association, or the latest revision thereof acceptable to Company.

3.9 Atmospheric Pressure

For the purposes of measurement, the atmospheric pressure, at any Receipt Point or Delivery Point, shall be established by a recognized formula applied to the nearest 0.1 kPa increment and deemed to be a constant for that point.

3.10 Gas Characteristics

The gas characteristics, including gross heating value, specific gravity, and nitrogen and carbon dioxide content, of the gas tendered by Shipper to Company for transportation or delivered by Company at the Delivery Point shall be determined, where applicable, by

continuous recording equipment, approved for this use under the provisions of the GIA, or by standard laboratory equipment where a continuous sampler or spot sampler is used or spot samples are taken.

The gas characteristics used in computing gas measurement, depending upon the method utilized, shall be:

- (a) The actual “real time” value determined when continuous analyzing equipment supplies live data of the gas characteristic to the real time measurement computer; or
- (b) The arithmetical average recorded each day or part thereof if continuous recording equipment is used; or
- (c) Where sampling is utilized, determinations available from analyses of such samples.

3.11 Access to and Exchange of Metering Data

Company and Shipper shall exchange, upon request of either party, copies of all measuring and testing data and information as soon as practicable for any such requests.

3.12 Preservation of Measurement Records

Company and Shipper shall preserve all original test data and other similar records in such party’s possession for a period of at least six years or such lesser period as may be compatible with record retention rules of any governmental agencies having jurisdiction thereover.

3.13 Low Intervention Trade Transaction Level

If, pursuant to the GIA and G-14, Company has received from MC, conditional permission for the use of gas metering equipment without verification and sealing, at the Low Intervention Trade Transaction level, then the following shall apply:

- (a) The Low Intervention Trade Transaction shall be subject to the provisions and conditions listed in G-14, as published on MC's website (or any replacement thereof);
- (b) Shipper agrees that the gas metering equipment has been initially calibrated and will be periodically recalibrated (and reprogrammed where necessary) in accordance with a process and procedure acceptable to Shipper;
- (c) Any measurement disputes arising between Company and Shipper shall be resolved in accordance with the provisions of subsection 3.4 of these General Terms and Conditions;
- (d) Company and Shipper acknowledge and agree that the conditional permission granted by MC may restrict MC's ability to successfully conclude a measurement dispute investigation, if MC involvement has been requested; and
- (e) Company and Shipper agree to the implementation of the Low Intervention Trade Transaction in accordance with G-14 and either Company or Shipper has the right to request a revocation of the conditional permission for the Low Intervention Trade Transaction in accordance with G-14.

4. NON-COMPANY EQUIPMENT

All non-Company measuring equipment, devices and material required shall be compatible with the quantities to be metered at the particular point, and shall be of a type approved for their intended use under the provisions of GIA where such approvals are applicable.

5. BILLING AND PAYMENT

5.1 Billing

On or before the 9th Banking Day of each month Company shall provide to Shipper a bill for the preceding month. Such bill shall reflect:

- (a) any amount payable by Shipper for the immediately preceding month for service provided under Rate Schedule FT, Firm Transportation Service, Rate Schedule STFT, Short Term Firm Transportation Service, Rate Schedule SGS, Small General Service and Rate Schedule IT, Interruptible Transportation Service;
- (b) any billing adjustments to which Shipper is entitled or liable in respect of the second preceding month pursuant to subsection 9.4 of Rate Schedule FT, Firm Transportation Service or subsection 9.2 of Rate Schedule STFT, Short Term Firm Transportation Service;
- (c) any amount payable by Shipper in respect of the second preceding month for service provided under Rate Schedule OT, Overrun Transportation Service; and
- (d) other charges or credits to Shipper hereunder.

When information necessary for billing by Company is in control of Shipper, Shipper shall furnish such information to Company on or before the fifth day of the month in connection with services rendered during the prior month. Information used for billing may be actual or best available data. If actual information necessary for billing is unavailable to Company sufficiently in advance of the ninth Banking Day of the month to permit the use of such information in the preparation of a bill, Company shall use best available data. In the month that actual information becomes available respecting a previous month where best available data was used, the bill for the month in which the information became available shall be adjusted to reflect the difference between the actual and best available data. Neither Company nor Shipper shall be entitled to interest on any adjustment.

5.2 Payment

Shipper shall make payment of such bill to a depository designated by Company on or before the last Banking Day of the month in which such bill was rendered to Shipper. The bill shall be payable in lawful money of Canada except where partial payment in United States dollars is required as per subsection 5.6 hereunder. Shipper shall, without

further notice or demand, make payments pursuant to this subsection 5.2 irrespective of any dispute relative to the amount invoiced, and shall not be entitled to any abatement of such payments or any set-off against them, including, but not limited to, abatement or set-off due or alleged to be due by reason of any past, present or future claims of Shipper against Company under Shipper's Service Agreement or otherwise.

5.3 Late Billing

If presentation of a bill by Company is delayed after the 9th Banking Day of the month, then the time for payment shall be extended correspondingly unless Shipper is responsible for such delay.

5.4 Interest on Unpaid Amounts

Company shall have the right to charge interest on the unpaid portion of the bill, from the due date of payment until the date payment is actually made by Shipper, at a rate of interest which is the Rate of Interest plus 1%.

5.5 Disputed Bills

5.5.1 In the event Shipper disputes in good faith any part of a monthly bill, Shipper shall nevertheless pay to Company the full amount of the bill within the time such payment is due.

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

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

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

5.5.3 In the event that it is finally determined that Shipper's monthly bill was incorrect and that an overpayment has been made, Company shall make reimbursement of such overpayment by cash or credit to an invoice, provided however the Abandonment Charge shall be reimbursed only by a credit on an invoice in any subsequent month that an Abandonment Charge is payable. Shipper shall be entitled to interest on the amount of such overpayment. Such interest shall be calculated at the Rate of Interest plus 1% from the date that such overpayment was made until the date that Company makes reimbursement of such overpayment to Shipper. In the event of an undercharge, Shipper shall pay the amount of any such under payment to Company but without interest. Such amount shall be payable on the same terms and conditions as all other amounts payable by Shipper to Company.

5.6 Partial Payment in United States Dollars

Company, in order to meet its obligations payable in U.S. currency, (hereinafter called "U.S. Pay Securities") may, by designation on any invoice, require Shipper to pay to Company in United States dollars a specified portion of the amount invoiced. The amount so payable in United States dollars shall, for the purpose of computing the balance of the invoiced amount payable in Canadian dollars, be converted to Canadian dollars by use of The Foreign Exchange Rate for United States dollars as published, on the third Banking Day next preceding the day on which such invoiced amount is paid.

Company shall give at least six months notice to Shipper of the approximate amount of United States dollars which are likely to be required from Shipper for any Billing Month and this notice shall include:

- (a) The total outstanding amount of securities requiring repayment of principal and/or payment of interest in United States dollars;
- (b) A schedule of the total annual amounts by Zone, as allocated to each Zone by Subsidiary Companies in accordance with their Gas Transportation Tariffs with Company of such repayments and/or payments unconditionally required by the terms of such U.S. Pay Securities to be made in United States dollars; and
- (c) The depository where Company desires to receive that part of the said monthly charge which is to be paid by Shipper to Company in United States dollars, if this depository is different than that designated in subsection 5.2 hereof.

The amount of United States dollars to be so paid monthly, in respect of each Zone Shipper utilizes, shall be Shipper's pro rata share of the product of the MDDQ and the distance such gas is to be transported through the Zone multiplied by 1/12 of the appropriate Zone amount of United States dollars set forth in the schedule referred to in subsection 5.6(b) above for the year in which Shipper's payment hereunder is due.

5.7 Zone Cost of Service

5.7.1 Company's Administrative Charge

For each Calendar Year, Company shall determine an administrative charge equal to its overhead costs and costs of administering this Gas Transportation Tariff. Such administrative charge, as approved by the National Energy Board shall consist of, but shall not be limited to, the following:

- (a) Salaries, wages and benefits for Company's directors, officers and employees;
- (b) All expenses associated with the aforementioned personnel;

- (c) All rents and charges associated with office, warehouse or shop facilities;
- (d) A return on Company's rate base as per Company's books of account and related income taxes thereon, in an amount determined by the National Energy Board; and
- (e) Any other related expenses necessary to permit the directors, officers and employees of Company to discharge their respective functions in coordinating and monitoring the various components of the Phase I Facilities of the ANGTS.

5.7.2 Special Charge - Phase II Preliminary Expenditures

Pursuant to Order TG-2-2003, the monthly charge for "Special Charge – Phase II Preliminary Expenditures" will be \$189,124.00 commencing April 1, 2003 and terminating December 31, 2015.

5.7.3 Computation of the Zone Cost of Service

For each Calendar Year, the Zone Cost of Service for each Zone shall be the sum of the following, adjusted pursuant to subsection 5.7.4:

- (a) The Zone Cost of Service for each Zone as calculated by the Subsidiary Company owning the portion of the transportation system constituting such Zone; and
- (b) An amount equal to the product of:
 - (i) The administrative charge calculated pursuant to subsection 5.7.1 hereof, plus, the Special Charge - Phase II Preliminary Expenditures calculated pursuant to subsection 5.7.2 hereof,
 - (ii) And a fraction:

The numerator of which shall be:

The sum, for all Shippers utilizing a Zone under Rate Schedule FT, Firm Transportation Service, of the product of each Shipper's MDDQ and Shipper's Haul Distance.

And the denominator of which shall be:

The sum, for Zones 6, 7, 8 and 9, of the product of each Shipper's MDDQ and Shipper's Haul Distance.

5.7.4 Adjustments to Zone Cost of Service

For each Calendar Year, the Zone Cost of Service so determined shall be adjusted as follows:

- (a) A deduction for revenues forecasted to be received under Rate Schedule STFT, Short Term Firm Transportation Service, Rate Schedule OT, Overrun Transportation Service, Rate Schedule IT, Interruptible Transportation Service and Rate Schedule SGS, Small General Service, and interest pursuant to subsection 5.4 of these General Terms and Conditions.
- (b) Additions or deductions, as the case may be, reflecting adjustments for accruals or deferrals with respect to taxes other than income taxes, expense and income accounts equal to the difference between accrued and deferred amounts and adjusted or actual amounts, all of which shall be given effect to in the year in which such adjustments or conclusive determinations or settlements of such actual amounts are made; and
- (c) Additions or deductions, as the case may be, for all other costs or credits properly attributable to the transportation service hereunder. This would reflect the G&A Incentive Plan pursuant to Order TG-2-2003 commencing January 1, 2003 and terminating December 31, 2015, subject to earlier termination pursuant to Order TG-2-2003 and any subsequent amendments.

5.8 Financial Assurances

5.8.1 Financial Assurance for Performance of Obligations

Company may request that Shipper (or any assignee) at any time from time to time prior to and during service under any Service Agreement, provide Company with an irrevocable letter of credit or other assurance acceptable to Company, in form and substance satisfactory to Company and in an amount determined in accordance with subsection 5.8.3 (the “Financial Assurance”).

5.8.2 Failure to Provide Financial Assurance

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

If Shipper fails to provide a requested Financial Assurance to Company within four (4) Banking Days of Company’s request, Company may upon four (4) Banking Days written notice immediately suspend any or all service being or to be provided to Shipper under any Service Agreement, provided however that any such suspension shall not relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Shipper provides such Financial Assurance to Company, Company shall within two (2) Banking Days recommence such suspended service.

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

- (a) terminate any or all service being or to be provided to Shipper under any Service Agreement; and

- (b) declare any and all amounts payable now or in the future by Shipper to Company for any and all service under any Service Agreement to be immediately due and payable as liquidated damages and not as a penalty.

Any notice provided by Company to Shipper to withhold, suspend or terminate service under any Service Agreement pursuant to subsection 5.8.2 shall be filed concurrently with the NEB.

5.8.3 Amount of Financial Assurance

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

- (a) for the provision of all gas transportation and related services, other than such services referred to in subsection 5.8.3(b), the aggregate of the maximum rates, tolls, charges or other amounts payable to Company for a period of 70 Days. Provided however, the amount of Financial Assurance for all rates, tolls and charges other than demand charges shall be based on the daily average of the actual charges billed for services for the preceding 12 Month period with the initial forecast to be provided by the Shipper; and
- (b) for the provision of any gas transportation and related services where Company determines that it must construct New Facilities and Shipper has executed the Financial Assurances Agreement defined in subsection 3.4.1(b)(iv) of the Capacity Allocation Procedures, the aggregate of all rates, tolls, charges or other amounts payable to Company for a period of seventy (70) Days plus one (1) Month for each remaining year of the term of such service, up to a maximum of twelve (12) Months total.

6. LIABILITIES

6.1 Warranty and Title of Gas

Shipper warrants and represents that it owns or controls and has the right to deliver the gas to be delivered to the Receipt Point and that it has the right, power and authority to enter into a Service Agreement in respect thereof.

6.2 Possession of Gas

Gas received by Company from Shipper for transportation shall be deemed to be in the custody and under the control of Company from the time such gas is accepted for transportation at any Receipt Point and until delivered by Company to Shipper at any Delivery Point.

6.3 Responsibility

As between Shipper and Company, Company shall be responsible for all gas received from Shipper between the time such gas is received by it from Shipper at any Receipt Point and the time gas is delivered to Shipper by Company at any Delivery Point, and at no other time.

6.4 Force Majeure

6.4.1 As utilized herein, force majeure shall mean any act of God, strikes, lockouts, or other industrial disturbances, acts of the public's enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakages, or accidents to machinery or pipelines, hydrate obstructions of pipelines or appurtenances thereto, temporary failure of gas supply, freezing of wells or delivery facilities, well blowouts, craterings; inability to obtain materials or equipment; inability to obtain permits, orders, licences, certificates or other authorizations; orders of any court, board or governmental authority having jurisdiction, any act or omission which is excused by any event or occurrence of the character herein defined as constituting force majeure; or any other cause, whether of the kind herein enumerated or otherwise

not within the control of the applicable party and which by the exercise of due diligence such party is unable to prevent or overcome.

Notwithstanding any other provision herein, Company and Shipper agree that a lack of funds or other financial cause shall not, under any circumstances, be an event of force majeure.

- 6.4.2** If either party fails to perform any obligations imposed by the Service Agreement including the applicable rate schedules and General Terms and Conditions of this Gas Transportation Tariff, and such failure shall be caused or materially contributed to by any occurrence of force majeure such failure shall be deemed not to be a breach of the obligation of such party, but such party shall use reasonable diligence to put itself in a position to carry out its obligations. Provided, however, that the settlement of strikes or lockouts shall be entirely within the discretion of each party, and that the above requirement that any force majeure shall be remedied with the exercise of due diligence shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the appropriate party.
- 6.4.3** Notwithstanding subsections 6.4.1 and 6.4.2, no cause affecting the performance of obligations by any party:
- (a) Shall relieve any party from its obligation to make payment of amounts pursuant to this Gas Transportation Tariff; or
 - (b) Shall relieve any party from any other obligation unless such party shall give notice of such cause in writing to the other party with reasonable promptness and like notice shall be given upon termination of such cause, nor shall such cause continue to relieve such party from such other obligation after the expiration of a reasonable period of time within which, by the use of due diligence, such party could have remedied the situation.

6.5 Interruptions or Reductions in Services

If, due to any cause whatsoever, Company is unable on any day to receive from Shippers or to deliver to Shippers all of the quantities of gas it would have received or delivered if such inability did not exist, then Company shall curtail or interrupt receipts or deliveries of gas in the following order:

(a) First:

For Zones 6 and 7:

Those Shippers transporting gas under Rate Schedule OT, Overrun Transportation Service.

Company shall allocate any such curtailment amongst affected Shippers in the same proportion as each Shipper's MDDQ to be transported through the Zone in which the curtailment is required bears to the sum of the Maximum Daily Delivery Quantities for all affected Shippers in such Zone.

For Zones 8 and 9:

Those Shippers transporting gas under Rate Schedule IT, Interruptible Transportation Service.

Company shall allocate available capacity amongst affected Shippers pro rata based on such Shippers' nominations for interruptible service under Rate Schedule IT, Interruptible Transportation Service.

(b) Second:

Those Shippers nominating gas in respect of Make-Up Gas pursuant to section 9 of Rate Schedule FT, Firm Transportation Service.

Company shall allocate any such curtailment amongst affected Shippers pro rata based on such Shippers' nominations for Make-Up Gas.

(c) Third:

Those Shippers transporting gas under Rate Schedule FT, Firm Transportation Service, Rate Schedule STFT, Short Term Firm Transportation Service and Rate Schedule SGS, Small General Service.

Company shall allocate any such curtailment, under Rate Schedule FT, Firm Transportation Service, Rate Schedule STFT, Short Term Firm Transportation Service or Rate Schedule SGS, Small General Service, amongst affected Shippers in the same proportion as each Shipper's MDDQ, to be transported through the Zone in which the curtailment is required, bears to the sum of the Maximum Daily Delivery Quantities for all affected Shippers in such Zone.

7. RECEIPT OF GAS AT ONE POINT FOR MORE THAN ONE SHIPPER

In the event gas tendered to Company at any Receipt Point is for the account of more than one Shipper, the division of the total metered quantity as between Shippers shall be pursuant to procedures or schedules established by Company and Shippers involved.

8. DELIVERIES OF GAS AND SUPPLY OF LINE PACK

8.1 Commingled Gas

Shipper and Company agree that the gas received by Company from Shipper under Shipper's Service Agreement, shall be commingled in Company's transportation system with gas received by Company from other Shippers under their Service Agreements. The gas which Company shall deliver to Shipper shall not be the identical gas which Company shall receive from Shipper. If the gas delivered by Company to Shipper meets the specifications set forth in the General Terms and Conditions, then such gas may be gas from other sources in lieu of all or any part of said gas delivered by Shipper to Company.

8.2 Company Use Gas

Company shall have the right but shall not be obligated to use gas being transported for Shipper for the operation, maintenance and construction of Company's facilities, such use to include among other things:

- (a) Fuel used in the operation of compressor stations;
- (b) Fuel used in buildings;
- (c) Purging and testing; and
- (d) Measurement variance.

8.3 Allocation

8.3.1 Shipper's share of Company Use Gas on Company's transportation system in a Zone for any day and as determined by the Subsidiary Companies shall be the product of Shipper's quantity of gas delivered by Company on such day, Shipper's Distance from Delivery Point Location and the Company Use Gas Rate established by Company and in effect for such day.

8.3.2 Quantity received into a Zone related to the quantity received at a Receipt Point shall be such quantity received at the Receipt Point less the Company Use Gas related to such quantity received, in all Zones preceding such Zone.

8.3.3 Company shall provide Shipper with no less the 2 Banking Days notice prior to the start of each month of the Company Use Gas Rate. In the absence of such notice, Shipper's share of Company Use Gas shall be determined on the basis of the Company Use Gas Rate effective for the immediately preceding month. For Zone 8, Company may alter the Company Use Gas Rate at any time during the month upon 2 Banking Days notice to Shipper.

8.3.4 Each day Company shall take Shipper's share of Company Use Gas in kind from the quantities of gas transported by Company for Shipper.

8.4 Beginning of Delivery Obligation

Company shall have no obligation to deliver gas to Shipper prior to Shipper's Billing Commencement Date.

8.5 Uniform Hourly Quantities

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

8.6 Receipt and Delivery Point Gas Pressures**8.6.1 Receipt Point Pressure**

For Zone 8 subject to subsection 8.6.3, Shipper shall deliver the gas to Company at the Receipt Point at gauge pressure of 4200 kPa or, with Company's agreement, at such pressure as will enable the gas to enter Company's Facilities, but in no event shall Shipper be required to deliver the gas at a gauge pressure greater than 5820 kPa.

For Zone 9 Shipper's maximum receipt pressure shall be 8690 kPa.

8.6.2 Delivery Point Pressure

Shipper recognizes that Company will be transporting the gas in a commingled stream to the Delivery Point and that the pressure of the gas delivered at the Delivery Point will be the pressure of such commingled stream, provided that Company shall deliver the gas to Shipper at the Delivery Point at a gauge pressure not less than 5171 kPa in Zone 8.

For Zone 9 Shipper's maximum delivery pressure shall be 8690 kPa.

8.6.3 East Kootenay Exchange Receipt Point Pressure

Notwithstanding subsection 8.6.1, Shipper shall deliver the gas to Company at the East Kootenay Exchange Receipt Point at gauge pressure of 5515 kPa or, with

Company's agreement, at such pressure as will enable the gas to enter Company's Facilities, but in no event shall Shipper be required to deliver the gas at a gauge pressure greater than 6280 kPa.

8.7 Provision of Line Pack

Company shall provide and own Line Pack for Company's facilities or any part thereof and such Line Pack shall remain the property of Company.

8.8 Scheduling of Alteration and Repairs

Company shall have the right to interrupt or reduce service to Shipper when necessary for any alterations, modifications, enlargements or repairs to any facilities or property comprising a part of Company's pipeline system or otherwise related to the operation thereof. Company shall give firm shippers at least 3 days notice of such interruptions or curtailments or, in the event of unforeseen circumstances, such shorter notice as it is reasonably possible for Company to give. Company shall endeavour to schedule such alterations, modifications, enlargements or repairs in cooperation with Shipper so that Shipper may arrange for alternate supply or otherwise accommodate its operations to such reduction or interruption of service.

9. COOPERATIVE EXCHANGE OF INFORMATION

Company and Shipper shall, on request by either made to the other, cooperate in providing such certificates, estimates and information as shall be in its possession, and as shall be reasonably required by the other for the purpose of financing, for the purpose of operations, for obtaining any permits required for the construction of additional facilities, or for the purpose of complying with the provisions of any Deed of Trust and Mortgage to which it is a party.

10. SERVICE AGREEMENT**10.1 Service Rendered**

Service rendered by Company for Shipper shall be pursuant to the terms of the Service Agreement between Company and Shipper.

10.2 Defaults

No default in the performance of any of the obligations of Company or Shipper, under Shipper's Service Agreement, shall operate to terminate such Service Agreement, or except as specifically provided in such Service Agreement, to relieve Company or such Shipper from due and punctual compliance with its obligations thereunder.

10.3 Non-Waiver of Future Default

No waiver by any party of any default by the other party shall operate as a waiver of any continuing or future default, whether of a like or different character.

10.4 Assignability

The Service Agreement into which these General Terms and Conditions are incorporated shall not be assigned in whole or in part by Shipper without the consent of Company, which consent shall not be unreasonably withheld.

10.5 Diversions

Company shall, at the request of Shipper and subject to operational constraints on the Company's Facilities, divert the quantity of gas Shipper is authorized to receive on any day under a Service Agreement to a point which is upstream of the Delivery Point, provided that Shipper shall pay to Company the same monthly demand charge which would have been otherwise payable had such diversion not occurred.

11. SEPARATE LIABILITY OF SHIPPER

The execution of a Service Agreement by Shipper shall result in Shipper undertaking obligations of a separate nature, and shall not be deemed to cause a joint, or joint and several, obligation vis a vis any one or more other Shippers.

12. TARIFF SUBJECT TO APPLICABLE LAW

The Gas Transportation Tariff shall be governed by and construed in accordance with the laws of the Province of Alberta and the applicable laws of Canada, and Company and Customers irrevocably submit to the jurisdiction of the courts of the Province of Alberta for the interpretation and enforcement of the Gas Transmission Tariff.

13. INDEMNIFICATION

- 13.1** Company and Shipper shall each indemnify and save harmless the other from all liability, damages, costs, losses and charges of every character resulting from any claim made against such other by any Person for injury or death to Persons, or damage to property, in any way connected with the property and equipment of the indemnitor or the presence of gas deemed hereby to be the responsibility of the indemnitor, unless such injury, death or damage is caused by the negligence or willful default of the indemnitee or any Person for whose actions the indemnitee is responsible in law; provided that neither Company nor Shipper shall be liable to indemnify the other unless the Person requesting indemnification shall have promptly notified the other in writing of any claim, suit or action for or in respect of which indemnification is to be claimed. The Person receiving such notification shall be entitled to participate in any such suit or action, and, to the extent that it may wish, assume the defense thereof with counsel who shall be to the reasonable satisfaction of the Person requesting indemnification, and after notice from the indemnitor to the indemnitee of its election so to assume the defense thereof, the indemnitor will not be liable to the indemnitee for any legal or other expenses incurred by the indemnitee in connection with the defense thereof. An indemnitor shall not be liable

to indemnify an indemnitee on account of any settlement of any claim, suit or action effected without the consent of such indemnitor.

Claims made under this section 13 with respect to injury or death to Persons or damage to property occurring during the term of Shipper's Service Agreement shall survive the termination thereof.

13.2 Limitation of Liability

Notwithstanding anything to the contrary in this Gas Transportation Tariff:

- (a) Company shall have no liability for consequential damages;
- (b) Company shall have no liability in damages to Shipper in respect of failure for any reason whatever, other than Company's willful default, to accept receipt of, receive or deliver gas pursuant to the provisions of Shipper's Service Agreement; and
- (c) Shipper shall notwithstanding any such failure, for any reason whatever, to accept receipt of, receive or deliver gas, make payment to Company in the amounts, in the manner and at the times provided in Shipper's Service Agreement.

14. SEVERABILITY

If any provision of this Gas Transportation Tariff shall be contrary to or prohibited by applicable law, such provision shall be severable from the remaining provisions of the Gas Transportation Tariff and shall be deemed to be deleted therefrom, and all of the provisions of this Gas Transportation Tariff which are not contrary to or prohibited by applicable law shall, notwithstanding such deletion, remain in full force and effect. If any provision of this Gas Transportation Tariff requires the payment of interest at a rate which exceeds the rate which the Person to whom such interest is required to be paid is permitted under applicable law to receive, or which the Person required to pay such

interest is permitted under applicable law to pay, such rate shall be reduced to the highest rate which is permitted under applicable law.

15. SURVIVAL OF OBLIGATION

Notwithstanding the termination of Shipper's Service Agreement, Shipper and Company shall remain liable thereafter to discharge all obligations incurred and to pay all amounts due or accruing due hereunder to the date of such termination in the manner provided herein and subject to the provisions of the Gas Transportation Tariff.

16. EXPANSIONS AND REDUCTIONS IN SERVICE

16.1 Shipper receiving service pursuant to Rate Schedule FT, Firm Transportation Service may reduce its MDDQ:

- (a) If no other Shipper receiving service pursuant to Rate Schedule FT, Firm Transportation Service takes up its reduction, provided that:
 - (i) Shipper receiving service pursuant to Rate Schedule FT, Firm Transportation Service gives written notice of the proposed changes to Company and all other Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service;
 - (ii) Company and all other Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service affected by such change consent in writing to the proposed changes;
 - (iii) Company and affected Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service execute new Service Agreements, or amended Appendix A to existing Service Agreements, with such new agreement or amendment having an effective date as of the

effective date of such changes which set forth new or altered Maximum Daily Delivery Quantities and Receipt Points.

- (b) If another Shipper receiving service pursuant to Rate Schedule FT, Firm Transportation Service takes up its reduction, provided that:
 - (i) Shipper receiving service pursuant to Rate Schedule FT, Firm Transportation Service gives written notice of the proposed changes to Company and all other Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service; and
 - (ii) Company and all other Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service affected by such change consent in writing to the proposed changes; and
 - (iii) If the consents provided for in subsection 16.1(b)(ii) above are not received by Company within 10 days of the receipt or deemed receipt by the affected Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service of the notice provided for in subsection 16.1(b)(i) above, then Company may modify the Service Agreements, or amend Appendix A to the existing Service Agreements with its Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service, and such changes shall have an effective date as of the date of such changes which set forth new or altered Maximum Daily Delivery Quantities and Receipt Points.

16.2 Where it is proposed that a new Shipper, pursuant to Rate Schedule FT, Firm Transportation Service, be added or an increase in the MDDQ is proposed by one or more of the existing Shippers, receiving service pursuant to Rate Schedule FT, Firm Transportation Service, the prospective new Shipper receiving service pursuant to Rate Schedule FT, Firm Transportation Service, or the current Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service proposing such increase:

- (a) Shall give written notice of any such proposals to Company and may give a copy to all other Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service;
- (b) Company and all other Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service affected by such change may consent in writing to the proposed changes;
- (c) If the consents provided for in subsection 16.2(b) above are not received by Company within 10 days of the receipt or deemed receipt by the affected Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service of the notice provided for in subsection 16.2(a) above, Company shall modify the Service Agreements, or amend Appendix A to the existing Service Agreements with its Shippers receiving service pursuant to Rate Schedule FT, Firm Transportation Service, and such changes shall have an effective date as of the date of such changes which set forth new or altered Maximum Daily Delivery Quantities and Receipt Points.

17. AUTHORIZED PERSONS

Shipper may, by notice to Company, authorize any Persons to make or receive deliveries of gas on behalf of Shipper in accordance with the provisions of Shipper's Service Agreement. Unless such authorization is revoked by notice from Shipper to Company, Shipper shall be bound by all actions taken by Person so authorized in connection with the receipt, delivery, measurement or testing of gas received or delivered by Company under Shipper's Service Agreement.

18. MISCELLANEOUS PROVISIONS

18.1 Effect of Headings

The headings used throughout the Tariff are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any section nor to be deemed in any way to qualify, modify or explain the effects of any such provisions or terms.

18.2 Words in Singular or Plural

In the interpretation of the Service Agreement and this Tariff, words in the singular shall be read and construed in the plural and words in the plural shall be read and construed in the singular where the context so requires.

18.3 Effective Date

This Gas Transportation Tariff shall be effective as from the date fixed by the National Energy Board.

Appendix 1
Tab D
Shipper Notification

Foothills has provided periodic updates to stakeholders at the Foothills System Shipper meetings during the LMCI-Pipeline Abandonment – Financial Issues initiative from 2011 through 2014.

At the September and October 2014 meetings, Foothills specifically addressed the key abandonment assumptions and metrics that would be incorporated into its MH-001-2013 compliance filing. Foothills is not aware of any shipper concerns resulting from those discussions.

The compliance filing topics discussed at the September and October 2014 Shipper meetings included:

1. Tariff Amendments
 - provided black line version of Tariff amendments required in order to implement collection of the abandonment surcharge.
2. Trust Investment
 - described the Trust's investment strategy, risks and rationale.
 - confirmed the 2015 investment strategy will follow the Board's base case strategy.
 - committed that any future proposed changes to investment strategy will be presented to the Foothills shippers and will require approval by the NEB.
 - described the Statement of Investment Policies and Procedures (SIPP) which will set out acceptable investments for the Trustee.
3. Variance Mechanism
 - provided illustrative variance examples and their Annual Contribution Amount (ACA) impact.
4. ACA Calculation Form
 - indicated that Foothills would update its ACE and ACA in the compliance filing.
 - described how Foothills updated its Abandonment Cost Estimate (ACE) by using methodologies approved by the NEB and applying updated unit costs to a current facilities list by size and land use classification.
 - described the impact of updating the ACE for updated unit costs and a current facilities list.
 - described how the impact of updating the unit costs to 2014 dollars from 2011 dollars aligns with the ACA Calculation Form's 2% inflation assumption.
 - confirmed that assumptions on the inflation rate, investment return, tax rates and trustee/investment management fees were unchanged from the Collection Mechanism application.
5. Billing Determinants and Surcharge Calculation

- described the billing determinants used and the surcharge calculation.
- provided the proposed 2015 surcharge by path in advance of the compliance filing.
- posted an NRG bulletin (public) indicating the proposed 2015 surcharge.

Appendix 2
Statement of Investment Policies and Procedures

As directed in Order MO-095-2014, Foothills is filing with the Board the Statement of Investment Policies and Procedures (SIPP) applicable to the Foothills System trust. The Foothills SIPP reflects the Base Case's 100% Fixed Income Allocation portfolio¹ and is provided as part of this Appendix 2.

¹ MH-001-2013 Decision, page 46.

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

FOR THE

FOOTHILLS PIPELINE TRUST

EFFECTIVE [DATE], 2015

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1. Introduction and Background

- 1.1. This document constitutes the Statement of Investment Policies and Procedures (the “Policy” or “SIPP”) in respect of the Foothills Pipeline Trust (the “Trust”) established by agreement (the “Trust Agreement”) dated [date], 2015 between CIBC Trust Corporation (the “Initial Trustee” or “Trustee”) and Foothills Pipe Lines Ltd. (“Foothills” or the “Company”).
- 1.2. The Trust is a “qualifying environmental trust” (“QET”) within the meaning of the *Income Tax Act* (Canada) (the “Income Tax Act”) and is maintained for the sole purpose of setting aside funds to secure the Company’s reclamation obligations in respect of the site in Canada used primarily for the operation of the Foothills Pipeline System.
- 1.3. The purpose of this SIPP is to outline investment guidelines and monitoring procedures appropriate to the objectives of the Trust and in accordance with the *National Energy Board* (the “Board”) *MH-001-2013 Reasons for Decision* (the “Decision”) and the provisions of the Income Tax Act which govern QETs (together the “Governing Law”). Appendix A contains supplemental information requested by the Board.
- 1.4. Any investment manager (“Investment Manager”) providing services in connection with the Trust assets shall accept and adhere to this SIPP. The investment of the Trust assets will be in compliance with Governing Law.
- 1.5. This Policy replaces previous statements of investment policies and procedures in respect of the Trust.
- 1.6. Trust assets are currently held by the Trustee, a licensed trust company regulated under the *Trust and Loan Companies Act*.

2. Allocation of Responsibilities

Subject to the terms of the Trust Agreement, this section sets out the responsibility for the management, oversight and investment of the Trust.

- 2.1. The Company will:
 - a) Determine and disseminate the Trust’s SIPP in accordance with the Board’s requirements;
 - b) document the Company’s governance structure related to oversight of the Trust;
 - c) file the Trust Agreement and any amendments, including a change in trustee, with the Board for approval;
 - d) file changes to this SIPP, except for immaterial changes as defined in Section 14.3 of this Policy, with the Board;
 - e) monitor the activities, service providers and performance of the Trust assets;
 - f) collect and contribute funds to the Trust as required by the Board; and
 - g) receive distributions from the Trust subject to the conditions as set out in the Trust Agreement.
- 2.2. The Trustee will:
 - a) fulfill the duties of a trustee as required by law and as outlined in the Trust Agreement;
 - b) receive, hold, invest and release Trust assets in accordance with the Trust Agreement;

- c) select, appoint, retain and terminate any Investment Manager and custodian (“Custodian”) as to part or all of the Trust assets and ensure each party performs its duties in accordance with their respective agreement with the Trustee in providing the necessary service;
- d) ensure that investments are consistent with this SIPP and Governing Law;
- e) consider engaging the services of a consultant, as deemed necessary and in consultation with the Company, when contemplating changes to the investment strategies;
- f) consult with the Company, from time to time, prior to making any material changes to the investment strategies;
- g) monitor investment results in accordance with the investment objectives defined in this SIPP;
- h) receive, review and comment on this SIPP periodically or as required due to changes in circumstances, at a minimum every five years; and
- i) consult with the Company to stay current on applicable issues and matters.

2.3. Any Investment Manager engaged by the Trustee will:

- a) invest the portion of Trust assets under its control in accordance with all Governing Law, a written investment management agreement and this SIPP;
- b) exercise the powers granted to it by the Trustee hereunder relating to the investment and/or reinvestment of the Trust assets, including the power at any time and from time to time to choose, acquire, dispose of or change any investment or reinvestment of Trust assets;
- c) participate in the periodic review of this SIPP;
- d) confirm to the Trustee compliance with this SIPP on a quarterly basis;
- e) provide investment performance reporting on a monthly basis, or as requested by the Trustee;
- f) work with the Custodian to settle transactions and reconcile differences in gross return calculations and individual portfolio holdings;
- g) provide valuation and activity statements on a monthly and quarterly basis;
- h) manage asset mix in accordance with long-term guidelines and select securities, subject to applicable legislation and the constraints set out in this SIPP and its mandate;
- i) promptly report to the Trustee and the Company any material matters pertaining to the investment of the Trust assets under its control; and
- j) meet with the Trustee and the Company periodically to review the investment portfolio’s structure, strategy and performance.

3. Investment Objectives, Return and Risk Expectations

3.1. Investment Objectives

Trust assets will be invested in accordance with the Base Case (the “Base Case”) investment strategy which has been defined by the Board as a conservative, low-risk portfolio with a goal of capital preservation. The Board determined that the yield from Government of Canada marketable bonds is an appropriate proxy for that portfolio.

3.2. Return and Risk Expectations

The risks inherent in the investment strategy over a market cycle include:

- a) The risk that long term market returns will be lower than expectations.

- b) The risk of annual volatility in returns, which means that in any one year the actual return may be significantly different from the expected long term return and that such return may also be negative.

The detailed risk and return expectations are set out in Appendix A of this SIPP.

3.3. Return and Risk Considerations

The Board does not subscribe to the concept of elimination of risk and acknowledges that no approach can guarantee capital preservation. In general, the investment objectives of the Trust may be periodically reviewed by the Company with regard to the characteristics of the obligations, including:

- a) The long term nature of the obligations;
- b) The degree of inflation sensitivity of the obligations;
- c) The long-term return expectations and risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates;
- d) Consideration of the risk tolerance of interested persons; and
- e) Practical considerations.

3.4. Liquidity

Trust assets should have sufficient liquidity to meet obligations as they become due. The Trustee shall consult with the Company prior to calling in or redeeming investments for the purposes of making a payment in accordance with sections 4.05 or 4.06 of the Trust Agreement. At the discretion of the Trustee, excess liquidity may be capitalized and added to the assets entrusted with an Investment Manager.

The Investment Manager shall consult with the Trustee prior to calling in or redeeming investments for the purpose of distributing Trust property for reclamation purposes.

4. Reporting

- 4.1. All income of the Trust assets entrusted to the Investment Manager should be reported to the Trustee to clearly delineate capital and income balances of the Trust.

5. Asset Allocation Guidelines

- 5.1. The market values of the individual asset class components of the Trust shall be within the following minimum and maximum aggregate investment limits when rebalanced:

Asset Class	In Percent		
	Minimum	Target	Maximum
Fixed Income	90	100	100
Cash and Short Term Paper	-	-	10

- 5.2. The Trust’s performance shall be measured against the following benchmark index (the “Benchmark Portfolio”), inclusive of the ranges outlined in section 4.1, using market values.

Asset Class	Benchmark Index	Benchmark Portfolio (%)
Fixed Income	FTSE TMX Long Term Federal Bond Index	100

- 5.3. Notwithstanding the asset mix ranges above, the Trustee may authorize temporary asset mix positions outside these ranges where appropriate including, for example, to accommodate an asset liquidation to fund pipeline abandonment activities, an asset restructuring due to an approved change in investment strategy, or a transition between investment managers, if applicable.
- 5.4. For greater certainty, any change to the asset classes and investment limits in this section require Company approval and an amendment of the SIPP must be filed with the Board.
- 5.5. Rebalancing
- a) The Trust should be periodically rebalanced in the direction of the asset mix guidelines.
 - b) When funds are contributed to or distributed from the Trust, consideration shall be given to bringing the actual asset mix, in effect at the time of the transaction, closer to targets.
 - c) The trust will be rebalanced when:
 - (i) there is a material change in the investment strategy; or
 - (ii) the market value of the actual Trust asset mix falls outside of the minimum or maximum ranges specified above.

6. Trust Objectives and Constraints

- 6.1. Passive investment management will be employed.
- 6.2. Trust Performance
Performance will be considered to have met a minimum threshold if the annualized return over a full market cycle is in line with the Benchmark Portfolio Return before investment management fees.
- 6.3. Individual Investment Manager Performance
Performance will be considered satisfactory if it meets the performance objective specified in the investment management agreement.
- 6.4. The Trust will be passively managed within the following constraints:
- a) Aggregate Investment Limits
At all times the market value of individual asset classes will be within the investment limits as set out in this SIPP.
 - b) Permitted Investments within Asset Classes
The Trust is restricted to investing in those investments that from time to time are qualified investments for a QET (“Qualified Investments”), and for greater certainty, Qualified Investments on the date hereof include only those types of property described in paragraphs (a), (b), (c), (c.1), (d) and (f) of the definition of “qualified investment” in section 204 of the Income Tax Act that are not encompassed within the definition of “prohibited investment” in subsection 211.6(1) of the Income Tax Act, which provisions, as they read as of the date hereof, are set out in Appendix B of this SIPP.

Currently, the permissible investments for the Trust is limited to property described in paragraphs (a) and (b)(i) of the definition of “qualified investment” in section 204 of the Income Tax Act (“Permissible Investments”).

In addition to the Permissible Investments it is expected that the Investment Manager will limit the investments held in the portfolio to securities of similar term and quality in order to hold and perform in line with the Benchmark Portfolio as much as practicable. Permissible Investments that, while permitted in the SIPP, result in the portfolio deviating from the Benchmark Portfolio in terms of risk and return are not desirable.

- 6.5. Investments may be made through a segregated fund.
- 6.6. The Company shall not select investments on behalf of the Trust.

7. Individual Investment Constraints

- 7.1. The following constraints refer to the Permissible Investments noted in Section 6.4(b) of this SIPP.
- 7.2. The Trust shall be passively invested to mimic the Benchmark Portfolio as per Sections 5.2 and 6.1.
- 7.3. Cash and Equivalents and Fixed Income Securities
 - a) Investments in debt obligations will have an investment grade rating with a prescribed rating agency at the time of purchase.
 - b) If the credit rating for any fixed income or cash and equivalent holding drops below the minimum specified in this SIPP, the Investment Manager must notify the Trustee and the Company as soon as practicable and recommend a specific course of action.
- 7.4. Other Constraints
 - a) All investment activities must be consistent with the Code of Ethics and Standards of Professional Conduct of the CFA Institute.
 - b) If adopted by the investment management firm, the Investment Manager must confirm compliance with the CFA Institute Asset Manager Code of Professional Conduct.
 - c) All investments shall be made in accordance with Governing Law.

8. Analysis and Evaluation of Investment Performance

- 8.1. The following return definitions will be used in the attribution of portfolio performance:
 - a) **Actual Trust Return** is the time weighted return actually earned by the Trust.
 - b) **Time Weighted Return**, or required equivalent, for a given period is the investment return earned on a constant unit of assets held throughout the measurement period. It is unaffected by external cash flows and is therefore an accurate measure of an Investment Manager’s investment performance.
 - c) **Benchmark Portfolio Return** is the return earned by the passive management of the Benchmark Portfolio.
- 8.2. The Benchmark Portfolio and associated asset class indices are reflected in Section 4.

- 8.3. Independent of investment performance analysis, the Trustee, in consultation with the Company, shall decide whether there are any other reasons why a change in Investment Manager(s) is warranted. Such reasons could include:
- a) Change of investment strategy at the Trust level;
 - b) Significant turnover of Investment Manager staff;
 - c) Significant change in the Investment Manager's ownership, structure or investment process;
 - d) Inconsistent investment performance or failure to satisfy the requirements of this SIPP; and
 - e) Investment management fees.

9. Affiliated Parties

- 9.1. For the purposes of this SIPP, an Affiliated Party means, with respect to a person (including a partnership), that person's affiliates within the meaning of the *Canada Business Corporations Act*, and for the Trustee includes, but is not limited to, CIBC World Markets Inc., CIBC Asset Management Inc., CIBC Mellon Trust Company, CIBC Mellon Global Securities Services Company, and CIBC Private Investment Counsel, a division of CIBC Asset Management.
- 9.2. The Trustee may retain, invest or reinvest any assets constituting the whole or any part of the Trust assets in Qualified investments in accordance with this Policy, including Qualified Investments that are deposits, investment products or obligations issued or administered by the Trustee or its Affiliates, or by any one or more of its Affiliates or subsidiaries.
- 9.3. The Trustee may authorize the Investment Manager to deposit any cash in or invest in or purchase securities, products and services of related and connected issuers of the Trustee or its Affiliates, notwithstanding that the Trustee, its Affiliates, any related and connected issuers, its agents and/or advisors may benefit therefrom.

10. Conflict of Interest Policy and Disclosure Requirements

10.1. Individuals Governed by Guidelines

- a) The guidelines in this section apply to:
 - i) The Investment Manager(s);
 - ii) The Trustee;
 - iii) Any consultant retained by the Trustee to provide services to the Trust; and
 - iv) Any officer, employee or agent retained by those listed in (i) to (iii) to provide services to the Trust;
 - b) No person listed above may exercise their powers primarily in their own interest or in the interest of a third person with regard to the investments of the Trust.
 - c) These guidelines apply in addition to any policies and procedures these parties may have in place.
- 10.2. Any person listed above must disclose any direct or indirect association or material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the investments of the Trust. Without limiting the generality of the foregoing, this would include material benefit from any Trust asset, or any significant

holdings in or membership on boards of other corporations, or any actual or proposed contracts.

- 10.3. The persons listed in section 10.1(a) shall disclose the nature and extent of their interest to the Trustee and the Company promptly upon first becoming aware of the conflict or possible conflict.
- 10.4. For the purpose above, the disclosure must be made verbally if the knowledge of the conflict arises in the course of discussion at a meeting.
- 10.5. If the party disclosing the conflict has the capacity to participate in or to make decisions affecting the investment of the Trust assets, the party may only continue to participate with the approval of the Trustee. The party may elect not to participate with respect to the issue under conflict. The declaration of conflict will be recorded in the minutes of the relevant committee.
- 10.6. The failure of a party to comply with the procedures described in this section shall not of itself invalidate any transaction, decision or other matter. The relevant committee shall determine the consequences of any such failure.

11. Loans and Borrowing

- 11.1. No part of the Trust assets shall be loaned to any party.
- 11.2. Money shall not be borrowed on behalf of the Trust and the Trust assets shall not be pledged or otherwise encumbered in respect thereof.

12. Valuation of Investments

- 12.1. Investments in publicly traded securities will be valued no less frequently than monthly at their market value. If a market valuation of an investment is not readily available, an estimate of fair value will be supplied by the Investment Manager to the Custodian no less frequently than quarterly. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as risk-adjusted discounted cash flows or comparison with similar assets which are publicly traded. In all cases, the methodology should be applied consistently over time.

13. Tax Constraints

- 13.1. The residence, situs, mind and management of the Trust shall be located in the Province of Alberta.
- 13.2. The Trust shall only invest in Qualified Investments.
- 13.3. At no time shall the Company, the Trustee or any advisor hired by the Trustee, including an Investment Manager or Custodian, take any action which could jeopardize the status of the Trust as a QET.

14. Policy Review and Amendments

- 14.1. This SIPP and any amendments must be filed with the Board.

- 14.2. Amendments must be filed 60 days prior to implementing the change and include a letter of notification which:
- a) Identifies the change;
 - b) Provides a clear articulation of the risk and return among the Company and stakeholders, including the Company's shippers and any affected public;
 - c) Explains whether the change is supported by the Company's shippers and interested persons.
- 14.3. Immaterial amendments do not need to be filed with the Board and have been defined by the Board as follows:
- a) Subtracting a year from the time horizon due to the passage of time; and
 - b) A less than or equal to 25 basis points change in the expected rate of return on a particular asset class, as set out in this SIPP previously filed with the Board.
- 14.4. This SIPP is to be reviewed periodically, at a minimum, every five years by the Trustee and the Company.

15. Paramountcy

- 15.1. In the event of a conflict between the terms of this Policy and the Trust Agreement, the terms of the Trust Agreement shall prevail.

APPENDIX A – SUPPLEMENTAL INFORMATION

Trustee	CIBC Trust Corporation
Custodian	CIBC Mellon Trust Company
Investment Manager	CIBC Asset Management
Trust Expected Return	3.1%
Trust Expected Risk (Standard Deviation)	10.5%
Trust Asset Mix	100% Long Government of Canada Bonds
Trust Time Horizon	Long-term, as approved by the Board
Custody Fee	Tiered fee schedule: \$0-250 million 2.0 basis points \$250-500 million 1.5 basis points \$500-1,000 million 1.0 basis points Over \$1,000 million 0.5 basis points
Investment Management Fee	2.5 basis points
Trustee Fee	2 basis points

APPENDIX B – QUALIFIED INVESTMENTS

The relevant paragraphs of the definition of “qualified investment” in section 204 of the Income Tax Act currently read as follows:

- (a) money (other than money the fair market value of which exceeds its stated value as legal tender in the country of issuance or money that is held for its numismatic value) and deposits (within the meaning assigned by the *Canada Deposit Insurance Corporation Act* or with a branch in Canada of a bank) of such money standing to the credit of the trust,
- (b) debt obligations described in paragraph (a) of the definition “fully exempt interest” in subsection 212(3) [*being a bond, debenture, note, mortgage, hypothecary claim or similar debt obligation*]
 - (i) of, or guaranteed (otherwise than by being insured by the *Canada Deposit Insurance Corporation*) by, the Government of Canada,
 - (ii) of the government of a province,
 - (iii) of an agent of a province,
 - (iv) of a municipality in Canada or a municipal or public body performing a function of government in Canada,
 - (v) of a corporation, commission or association to which any of paragraphs 149(1)(d) to (d.6)¹ applies or of an educational institution or a hospital if repayment of the principal amount of the obligation and payment of the interest is to be made, or is guaranteed, assured or otherwise specifically provided for or secured by the government of a province],
- (c) debt obligations issued by
 - (i) a corporation, mutual fund trust or limited partnership the shares or units of which are listed on a designated stock exchange in Canada,²
 - (ii) a corporation the shares of which are listed on a designated stock exchange outside Canada,³ or
 - (iii) an authorized foreign bank⁴ and payable at a branch in Canada of the bank,
- (c.1) debt obligations that meet the following criteria, namely,
 - (i) any of
 - (A) the debt obligations had, at the time of acquisition by the trust, an investment grade rating with a prescribed credit rating agency,⁵
 - (B) the debt obligations have an investment grade rating with a prescribed credit rating agency,⁶ or,
 - (C) the debt obligations were acquired by the trust in exchange for debt obligations that satisfied the condition in clause (A) and as part of a proposal to, or an arrangement with, the creditors of the issuer of the debt obligations that has been approved by a court under the *Bankruptcy and Insolvency Act* or the *Companies’ Creditors Arrangement Act*, and
 - (ii) either
 - (A) the debt obligations were issued as part of a single issue of debt of at least \$25 million, or,
 - (B) in the case of debt obligations that are issued on a continuous basis under a debt issuance program, the issuer of the debt obligations had issued and outstanding debt under the program of at least \$25 million,

- (d) securities (other than futures contracts or other derivative instruments in respect of which the holder's risk of loss may exceed the holder's cost) that are listed on a designated stock exchange,⁷ and
- (f) guaranteed investment certificates issued by a trust company incorporated under the laws of Canada or of a province.

The definition of "prohibited investment" in Subsection 211.6(1) of the Income Tax Act reads as follows:

A "prohibited investment", of a trust at any time, means a property that:

- (a) at the time it was acquired by the trust, was described by any of paragraphs (c), (c.1) or (d) of the definition "qualified investment" in section 204; and
- (b) was issued by:
 - (i) a person or partnership that has contributed property to, or that is a beneficiary under, the trust,
 - (ii) a person that is related to, or a partnership that is affiliated with, a person or partnership that has contributed property to, or that is a beneficiary under, the trust, or
 - (iii) a particular person or partnership if:
 - (A) another person or partnership holds significant interest (within the meaning assigned by subsection 207.01(4) with any modifications that the circumstances require)⁸ in the particular person or partnership, and
 - (B) the holder of that significant interest has contributed property to, or is a beneficiary under, the trust.

⁷ The relevant paragraphs read as follows:

- (d) **[corporations owned by the Crown]** – a corporation, commission or association all of the shares (except directors' qualifying shares) or of the capital of which was owned by one or more persons each of which is Her Majesty in right of Canada or Her Majesty in right of a province;
- (d.1) **[corporations 90% owned by the Crown]** – a corporation, commission or association not less than 90% of the shares (except directors' qualifying shares) or of the capital of which was owned by one or more persons each of which is Her Majesty in right of Canada or Her Majesty in right of a Province;
- (d.2) **[wholly-owned [by Crown corporation] corporations]** – a corporation all of the shares (except directors' qualifying shares) or of the capital of which was owned by one or more persons each of which is a corporation, commission or association to which this paragraph or paragraph (d) applies for the period;
- (d.3) **[90% [Crown] owned corporations]** -- a corporation, commission or association not less than 90% of the shares (except directors' qualifying shares) or of the capital of which was owned by:
 - (i) one or more persons each of which is Her Majesty in right of Canada or a Province or a person to which paragraph (d) or (d.2) applies for the period, or
 - (ii) one or more municipalities in Canada in combination with one or more persons each of which is Her Majesty in right of Canada or a Province or a person to which paragraph (d) or (d.2) applies for the period;
- (d.4) **[combined [Crown] ownership]** -- a corporation all of the shares (except directors' qualifying shares) or of the capital of which was owned by one or more persons each of which is a corporation, commission or association to which this paragraph or any of paragraphs (d) to (d.3) applies for the period;
- (d.5) **[[municipally-owned corporation earning] income with boundaries of entities]** – subject to subsections (1.2) and (1.3), a corporation, commission or association not less than 90% of the capital of which was owned by one or more entities each of which is a municipality in Canada, or a municipal or public body performing a function of government in Canada, if the income for the period of the corporation, commission or association from activities carried on outside the geographical boundaries of the municipalities does not exceed 10% of its income for the period;
- (d.6) **[subsidiaries of municipal corporations]** -- subject to subsections (1.2) and (1.3), a particular corporation all of the shares (except directors' qualifying shares) or of the capital of which was owned by one or more entities (referred to in this paragraph as "qualifying owners") each of which is a corporation, commission or association to which paragraph (d.5) applies, a corporation to which this paragraph applies, a municipality in Canada, or a

municipal or public body performing a function of government in Canada, if no more than 10% of the particular corporation's income for the period is from activities carried on outside

- (i) if a qualifying owner is a municipality in Canada, or a municipal or public body performing a function of government in Canada, the geographical boundaries of each such qualifying owner,
- (ii) if paragraph (d.5) applies to a qualifying owner, the geographical boundaries of the municipality, or municipal or public body, referred to in that paragraph in its application to each such qualifying owner, and
- (iii) if this paragraph applies to a qualifying owner, the geographical boundaries of the municipality, or municipal or public body, referred to in subparagraph (i) or paragraph (d.5), as the case may be, in their respective applications to each such qualifying owner.

²A "designated stock exchange" is defined in subsection 248(1) of the Tax Act as a stock exchange, or that part of a stock exchange, for which a designation by the Minister of Finance under Section 262 of the Tax Act is in effect. Section 262 gives the Minister the authority to designate a stock exchange or part thereof for the purposes of the Act. Pursuant to subsection 262(4) of the Tax Act, the Minister of Finance is required to post on the internet website of the Department of Finance or by any other means considered appropriate, the names of the stock exchanges or parts thereof that are designated under Section 262. The current list can be found at <http://www.fin.gc.ca/act/fim-imf/dse-bvd-eng.asp>. In Canada, the designated stock exchanges include the Canadian National Stock Exchange (CNSX), the Montreal Exchange, the TSX Venture Exchange (Tiers 1 and 2) and the Toronto Stock Exchange.

³*Ibid.* The Department of Finance website referred to also includes the list of designated stock exchanges outside Canada.

⁴An "authorized foreign bank" is defined in subsection 248(1) of the Tax Act as having the meaning in Section 2 of the *Bank Act* (Canada), being "a foreign bank that is the subject of an order under subsection 524(1)". Subsection 524(1) states that on application by a foreign bank, the Minister may make an order permitting the foreign bank to establish a branch in Canada to carry on business in Canada under Part XII .1 of the *Bank Act* (Canada). The definition of "foreign bank" is found in Section 2 of the *Bank Act*. It reads:

"foreign bank", subject to Section 12, means an entity incorporated or formed by or under the laws of a country other than Canada that is a bank according to the laws of any foreign country where it carries on business, (b) carries on a business in any foreign country that, if carried on in Canada, would be, wholly or to a significant extent, the business of banking, (c) engages, directly or indirectly, in the business of providing financial services and employs, to identify or describe its business, a name that includes the word "bank", "banque", "banking" or "bancaire", either alone or in combination with other words, or any word or words in any language other than English or French corresponding generally thereto, (d) engages in the business of lending money and accepting deposit liabilities transferable by cheque or other instrument, (e) engages, directly or indirectly, in the business of providing financial services and is affiliated with another foreign bank, (f) controls another foreign bank, or (g) is a foreign institution, other than a foreign bank within the meaning of any of paragraphs (a) to (f), that controls a bank incorporated or formed under this Act, but does not include a subsidiary of a bank named in Schedule I as that Schedule read immediately before the day section 184 of the *Financial Consumer Agency of Canada Act* comes into force, unless the Minister has specified that subsection 378(1) no longer applies to the bank.

⁵Pursuant to regulation 4900(2) of the *Income Tax Regulations* (Canada), the following are prescribed credit rating agencies for the purposes of section 204: A.M. Best Company Inc.; DBRS Limited; Fitch, Inc.; Moody's Investors Service Inc.; and Standard & Poor's Financial Services LLC.

⁶*Ibid.*

⁷*Supra* note 2.

⁸Subsection 207.01(4) reads:

- (4) **[Significant interest]** – An individual has a significant interest in a corporation, partnership or trust at any time if:
 - (a) in the case of a corporation, the individual is a specified shareholder of the corporation at that time [...];
 - (b) in the case of a partnership, the individual, or the individual together with persons and partnerships with which the individual does not deal at arm's length, holds at that time interests as a member of the partnership that have a fair market value of 10% or more of the fair market value of the interests of all members in the partnership; and
 - (c) in the case of a trust, the individual, or the individual together with persons and partnerships with which the individual does not deal at arm's length, holds at that time interests as a beneficiary (in this paragraph, as defined in subsection 108(1)) under the trust that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the trust.