



TransCanada

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July 17, 2002

Alberta Energy and Utilities Board
640 - 5 Avenue SW
Calgary, Alberta
T2P 3G4

Attention: Mr. Wade Vienneau

Dear Mr. Vienneau

**RE: NOVA Gas Transmission Ltd.
Tolls, Tariff & Procedures Committee
Resolution T98-02(c): Supply/Demand Balancing Pilot Procedure Modifications**

Please find attached Resolution T98-02(c) for your information. Resolution T98-02(c) was supported by the Tolls, Tariff & Procedures Committee (TTP) by email/fax vote on July 12, 2002. The result of the vote on this resolution was "unopposed" as defined by the TTP procedures.

Should you have any questions regarding the resolution or TTP process, please do not hesitate to call me at 920-5838.

Yours truly

Dave Hands
Western Product Development
Customer Sales & Service

cc: Robert Heggie, Executive Manager, Utilities
TTP Members

Encl: Resolution T98-02(c) with attachment

**TRANSCANADA - ALBERTA SYSTEM
Tolls, Tariff & Procedures Committee**

RESOLUTION

Supply/Demand Balancing Pilot Procedure Modifications

Resolution T98-02(c)

The Tolls, Tariff & Procedures Committee (“TTP”) agrees to continue the Supply/Demand Balancing Pilot Procedure previously supported in Resolution T98-02(b). The Procedure is attached to this Resolution. The Procedure will continue on a trial basis until October 31, 2002.

Should the TTP not agree in a formal resolution to continue these Procedures prior to October 31, 2002, the Alberta System Supply/Demand Balancing rules will revert to the Procedures identified in Resolution T98-02(a) supported by the TTP in February 2001.

The TTP commits to conduct and complete a detailed review of the procedures implemented with Resolution T98-02(b) prior to October 1, 2002 and have recommendations on continuing the pilot, or additional modifications, for discussion at the October 2002 TTP meeting.

Should these Procedures be determined to be detrimental to the objectives of Supply/Demand Balancing the TTP may agree, through a resolution, to end the trial period prior to October 31, 2002.

Background

In February 2001, the TTP supported Resolution T98-02(a). The Procedures were implemented on July 4, 2001. After implementation, a number of TTP members and other Alberta System customers requested that the Procedures be revisited. After meetings and discussions with industry, TransCanada presented a new supply/demand proposal to the TTP Supply/Demand Working Group on December 5, 2001. The working group presented a written response to TransCanada including counter proposals on December 14, 2001. The working group and TransCanada met on December 18, 2001 and agreed in principle to the provisions of this resolution. The intent of the modifications to the Supply/Demand Balancing Procedures is to simplify Supply/Demand Balancing, ensure fair and equitable treatment of customers and to improve data integrity. The working group agreed that these provisions would be benefited by providing additional time to react to imbalance positions, allowing for better analysis and decision making based on more accurate finalized production data.

The initial trial period for these procedures was three months. The TTP agreed to extend the trial period until October 31, 2002 to allow for additional evaluation before considering permanent implementation.

Next Steps

The TTP commits to conduct a detailed review of the provisions of Supply/Demand Balancing contained in this resolution prior to October 1, 2002 in order that a recommendation can be made to the TTP prior to October 31, 2002 to continue this pilot, revert to the terms of Resolution T98-02(a), or to further modify Supply/Demand Balancing Procedures.

If the TTP finds the Procedures of Resolution T98-02(b) are acceptable to adopt in the longer term, TransCanada will seek to have the NGTL Tariff, Appendix D, amended in order to have the Tariff and Supply/Demand Balancing Procedures align.

SUPPLY/DEMAND BALANCING PILOT
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**Pilot Procedure for Supply/Demand Balancing Amended and Restated
Effective April 2, 2002.**

Capitalized terms used in this Procedure have the meanings attributed to them in the Tariff unless otherwise defined in this Procedure.

1.0 Definitions

- 1.1 “Balanced Zone” means for each Day, subject to Sections 4 and 5, the range of a Customer’s Inventory between the amounts determined as follows:
- (a) the positive value of the greater of:
 - (i) two (2) TJ’s; or
 - (ii) the sum of:
 - 1. four (4) percent of the quotient obtained when the sum of the Total Energy for all Receipt Points in the Billing Month for a Customer (excluding all Total Energy in relation to storage facilities and title transfers) is divided by the total number of days in the Billing Month; and
 - 2. four (4) percent of the quotient obtained then the sum of the Total Energy for all Delivery Points in the Billing Month for a Customer (excluding all Total Energy in relation to storage facilities and title transfers) is divided by the total number of days in the Billing Month; and
 - (b) the negative value of the amount determined in Section 1.1(a).
- 1.2 “Daily Plan” shall have the meaning attributed to it in Section 7.1 of this Supply/Demand Balancing Pilot Procedure.
- 1.3 “NIT List” means the list provided to Company by Customer, of at least 10 inventory transfers excluding inventory transfers between:

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- (i) agency accounts;
- (ii) affiliates; and
- (iii) Customers whose marketing and management services are provided by the same entity.

1.4 “S/D Procedure” means this Pilot Procedure for Supply/Demand Balancing.

1.5 “TJ’s” means TeraJoules.

1.6 “Pipeline Tolerance Level” means the volume of linepack in the Facilities determined by Company from time to time to enable the optimum operation of the Company’s Facilities.

2.0 Balanced Zone Requirements

2.1 On each Day each Customer’s Inventory shall be within the Balanced Zone at the end of such Day. Customer shall have until 10:30 MST on the following Day to get Customer’s Inventory within the Balanced Zone. It is the Customer’s responsibility to monitor their Inventory and balancing requirements utilizing the information tools provided by Company.

2.2 Notwithstanding the provisions in Appendix “D”, in the event Customer does not comply with Section 2.1 on any Day, Company, to the extent necessary to ensure compliance with Paragraph 2.1 may:

- a) Cancel prior to the end of the next Day all or a portion of any title transfer(s) set out in NIT List, provided however if Customer has not provided Company with a valid NIT List, Company shall be entitled to randomly select which title transfer(s) shall be reduced and/or cancelled to ensure Customer’s Inventory is within Customer’s Balanced Zone, commencing with the shortest term title transfer(s). Any title transfer(s) selected to balance a Customer’s Inventory with a term longer than one day, will be

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zeroed out for the balance of that term. After such cancellation, Company shall use reasonable efforts to contact and advise Customer and the counter party to the title transfer that all or a portion of the title transfer has been cancelled;

- (b) Decrease Customer's Receipt or Delivery Nominations (as defined in Appendix "D"); and
- (c) Decrease Customer's allocations received from the Common Stream Operator to match current Day Nomination.

2.3 If Customer fails to comply with Section 2.1, and Company fails to obtain Customer compliance of Section 2.1 by virtue of implementing Section 2.2 for three (3) consecutive Days, Company, in addition to any other remedy it may have, shall be entitled to suspend on 2 hours written notice to Customer:

- (i) All or a portion of Service to such Customer, provided however such suspension shall not relieve Customer of its obligation to pay any rate, toll charge or other amount payable to Company; and
- (ii) Customer's access to any electronic tool that allows Customer to transact business on Company's Facilities, provided however such suspension shall not relieve Customer of its obligation to pay any rate, toll charge or other amount payable to Company.

3.0 Discretion

3.1 For any Day a Customer's Inventory may be outside the Balanced Zone by an amount equal to the sum of the following:

- (i) The difference between the estimated extrapolated physical receipt flow at 16:00 (Calgary clock time) and the finalized physical receipt volume at the end of such Day;
- (ii) The difference between the forecasted extraction volumes as provided to NGTL by the Extraction Plants, at 16:00 (Calgary

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- clock time) and the extraction volumes as provided to NGTL by the Extraction Plants, at the end of such Day
- (iii) Historical changes to Customer's Inventory that occur during the Day between 16:00 (Calgary clock time) and the end of such Day; and
 - (iv) Net change for such Day to a border delivery nomination between the requested volume and allowable volume when NGTL implements a border delivery restriction and notification of such restriction to Customer occurs after 16:00 (Calgary clock time).

Any imbalances caused by such amount shall be recovered by the end of the next Day.

- 3.2 If Customer fails to comply with Section 3.1, Company may implement the remedies set out in Paragraphs 2.2 (a), (b), and (c) and if Customer fails to comply with Section 3.1 for three consecutive Days, Company may implement the remedies in Paragraphs 2.3(i) and (ii).

4.0 Changes to Pipeline Tolerance Level

- 4.1 Company may from time to time change the Pipeline Tolerance Level, which will result in the following changes to Customer's Balanced Zone:
- (a) If Company determines the volume of linepack is less than a volume to enable the optimum operation of the Company's Facilities, the Customer's Balanced Zone shall be between zero and the amount determined in Paragraph 1.1(a); or
 - (b) If Company determines the volume of linepack is greater than a volume to enable the optimum operation of the Company's Facilities, the Customer's Balanced Zone shall be between zero and the amount determined in Paragraph 1.1(b).

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- 4.2 If on any Day Company changes the Pipeline Tolerance Level prior to 1200 hours (Calgary clock time) Customer's Inventory must be within Customer's changed Balanced Zone by the end of such Day.
- 4.3 If on any Day Company changes the Pipeline Tolerance Level on or after 1200 hours (Calgary clock time) the changed Pipeline Tolerance Level shall be effective at the start of the next Day and Customer's Inventory must be within Customer's changed Balanced Zone by the end the next Day.
- 4.4 Notwithstanding Paragraphs 4.2 and 4.3 Customer shall continue to comply with Section 2.1.
- 4.5 If an ERC Event (as defined in Appendix "G" of the Tariff) or Force Majeure (as set out in Article 12 of the General Terms & Conditions of the Tariff) occurs, and Company determines, in its sole discretion, that the Pipeline Tolerance Level must be changed for the safe and effective operation of the Facilities, Company may, notwithstanding Sections 4.2 and 4.3, immediately change the Pipeline Tolerance Level to a level determined by Company. Customer's Inventory must be within Customer's changed Balanced Zone within twenty-four (24) hours of a change in the Pipeline Tolerance Level.

5.0 NIT Only Customers

- 5.1 Notwithstanding anything contained in this S/D Procedure or Appendix "D", a Customer who does not have any physical receipt volumes or any physical delivery volumes shall not be entitled to a Balanced Zone and must balance to zero (0) at the end of each Day.
- 5.2 If on the following Day, Company determines such Customer did not balance to zero (0) for the previous Day, Company shall be entitled to cancel all or a portion of any title transfer(s) set out in NIT List, as Company

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determines necessary to ensure Customer balances to zero (0). If Customer has not provided Company with a valid NIT List, Company shall be entitled to randomly select which title transfer(s) shall be cancelled and/or reduced, commencing with the shortest term of title transfer(s). Any title transfer(s) selected to balance a Customer's Inventory with a term longer than one day, will be zeroed out for the balance of that term. After such cancellation, Company shall use reasonable efforts to contact and advise the Customer and the counter party to the title transfer that all or a portion of the title transfer has been cancelled.

- 5.3 In the event Customer fails to comply with Section 5.1 for three (3) consecutive Days, Company, in addition to any other remedy it may have, shall be entitled to suspend on 2 hours written notice to Customer:
- (i) All or a portion of Service to such Customer, provided however such suspension shall not relieve Customer of its obligation to pay any rate, toll charge or other amount payable to Company; and
 - (ii) Customer's access to any electronic tool that allows Customer to transact business on Company's Facilities, provided however such suspension shall not relieve Customer of its obligation to pay any rate, toll charge or other amount payable to Company.

6.0 Appendix "D"

- 6.1 This S/D Procedure supercedes and replaces Section 4 of Appendix "D".
- 6.2 Company and Customers will use reasonable efforts to amend Appendix "D" to incorporate this S/D Procedure should it continue beyond the initial four (4) month trial period.

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7.0 Daily Plan

- 7.1 Each Day on or before 16:00 hours (Calgary clock time), Customer shall provide to Company upon Company's request, information on how Customer will comply with this S/D Procedure and Appendix "D", including all known or anticipated changes to Customer's Inventory for the Day ("Daily Plan").

8.0 Customer Contactability

- 8.1 The fact that a Customer is not contactable twenty four (24) hours a Day does not alleviate Customer's responsibility to comply with this S/D Procedure and Appendix "D".

9.0 Reporting

- 9.1 It is the intent of the Company to apply these S/D Procedures in a fair and consistent manner to all Customers. For a four month trial period commencing April 2, 2002, Company will provide to Customers monthly reports documenting Company's application of these S/D Procedures. Should these S/D Procedures continue beyond the initial four (4) month trial period, Company and Customers will re-evaluate the reporting requirements.