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June 9, 2004

Alberta Energy and Utilities Board
640 – 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

By e-mail
Original by courier

Attention: Mr. Robert Heggie,
Executive Manager, Utilities Branch

Dear Sir:

**Re: NOVA Gas Transmission Ltd. (NGTL)
TTFP Resolution T2000-01(e)(T)
Elimination of Usage Credits – Tariff Amendments**

NGTL applies to the Alberta Energy and Utilities Board (Board) under Part 4 of the *Gas Utilities Act*, R.S.A. 2000, c. G-5, as amended, for approval of amendments to NGTL's Gas Transportation Tariff (Tariff) necessary to eliminate usage credits.

The Tolls, Tariff and Procedures Committee (TTP), predecessor to the Tolls, Tariff, Facilities and Procedures Committee (TTFP), supported the elimination of usage credits through an unopposed vote on Resolution T2000-01(e). NGTL filed Resolution T2000-01(e) for information on October 12, 2001 and the Board accepted Resolution T2000-01(e) as a filing for information on November 7, 2001. For the Board's information, copies of these letters have been provided as Attachments 1 and 2 to this letter.

Currently, shippers receive a credit for the volumes of natural gas taken in kind for fuel usage. Usage is charged on physical receipts entering the Alberta System. Shippers requested that usage credits be eliminated to decrease the complexity associated with the current practice. The elimination of usage credits will enable TransCanada PipeLines Limited to standardize its billing practices across its pipeline systems and will not result in changes to NGTL's annual revenue requirement. However, this change will result in offsetting changes to rates for tariffed services in that the gross value for Firm Transportation – Receipt (FT-R) volumes will be used to calculate rates versus the current practice of calculating rates based on a value of FT-R net of fuel usage.

As part of Resolution T2000-01(e), the TTP agreed that the elimination of usage credits would not be implemented prior to January 2003. Further, implementation was conditional on necessary information systems being available. The TTP also agreed to determine and review the Tariff amendments required to eliminate usage credits. NGTL is now in a position to implement the elimination of usage credits as the required information systems are now available.

The TTFP supported the necessary Tariff amendments through an unopposed vote on Resolution T2000-01(e)(T) on June 8, 2004. NGTL did not seek approval of the Board to commence negotiations on Issue T2000-01(e)(T) as Resolution T2000-01(e) was previously filed with the Board and subsequently accepted by the Board as a filing for information, prior to the issuance of Informational Letter IL 98-4 Revised Negotiated Settlement Guidelines (*Revised Guidelines*) and the Board's letter dated August 28, 2003 regarding the application of the *Revised Guidelines* to NGTL.

Attachment 3 to this letter is a copy of Resolution T2000-01(e) (T) to which is attached a black-lined copy of relevant sections of the Tariff illustrating the amendments necessary to eliminate usage credits, and a clean copy of the relevant sections of the Tariff incorporating the amendments.

NGTL committed to providing a minimum two weeks notice of the effective date of the proposed Tariff amendments following Board approval of the Tariff amendments. NGTL respectfully requests that the Board render a decision on this Application by July 15, 2004 so that NGTL may implement the Tariff amendments by August 1, 2004.

NGTL is notifying its shippers and members of the TTFP of the availability of this filing on TransCanada's Alberta System website at:

http://www.transcanada.com/Alberta/regulatory_info/active_rates_services_filings.htm.

Please direct all notices and communications regarding this matter to Carolyn Shaw by e-mail at carolyn_shaw@transcanada.com and alberta_system@transcanada.com, or by phone at 920-7172.

Yours truly,

NOVA Gas Transmission Ltd.

A wholly owned subsidiary of TransCanada PipeLines Limited



Céline Bélanger
Vice President, Regulatory Services

Attachment

cc: Tolls, Tariff, Facilities and Procedures Committee
Alberta System Shippers

Attachment 1

Resolution T2000-01(e)

October 12, 2001



TransCanada

TransCanada PipeLines Limited
450 – 1st Street SW
Calgary, Alberta, Canada T2P 5H1

tel 403.920-5838
fax 403.920-2384
email dave_hands@transcanada.com
web www.transcanada.com

October 12, 2001

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 T2000-01(e) – Business Process Change: Ending Usage Credits**

Please find attached Resolution T2000-01(e) for your information. Resolution T2000-01(e) was supported by the Tolls, Tariff & Procedures Committee (TTP) at the October 2001 meeting. 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

Attachment: Resolution T2000-01(e)

TRANSCANADA - ALBERTA SYSTEM
Tolls, Tariff & Procedures Committee

RESOLUTION

Business Process Change - Ending Usage Credits

Resolution T2000-01(e)

The Tolls, Tariff & Procedures Committee ("TTP") agrees to end the process of providing usage credits on customers' bills.

Currently, customers receive a credit for the volume of usage taken in kind. Usage is charged on physical receipt volumes entering the NOVA Gas Transmission Ltd. ("NGTL") System. The ending of usage credits will not cause a change in the annual revenue requirement. This will result in offsetting changes to the rates for tariffed services. Offsetting rate changes will result from gross FT-R volumes being used in the calculation of rates as opposed to the current practice of FT-R volumes net of fuel being used in the calculation of rates.

This process change will not be implemented prior to January 2003, is conditional on TransCanada having the required Information Systems available, and will be coordinated with TransCanada's normal process for transportation rates approval.

Background

As part of the Business Process Change ("BPC") Task Force work, TransCanada asked the task force to review the process for usage credits. Customers have asked TransCanada to change this practice because of the complexity it adds to the gas transportation business. TransCanada also wants to end the process because of its complexity and to standardize practices across the three TransCanada pipelines. TransCanada can also reduce capital and maintenance costs for new information systems (Dovetail) by not having usage credits.

There will be no impact to the annual revenue requirement because of this change. There will be some small impacts to the rates for services. These impacts have been reviewed with the BPC task force and the TTP. Currently, Firm Transportation Rates are calculated using the following formula:

$$\frac{\text{Firm Service Revenue Requirement}}{\text{Contract Demand [Delivery (gross) + Receipt (Net of Usage)]}}$$

The formula for Firm Transportation Rates with the ending of usage credits will be calculated:

$$\frac{\text{Firm Service Revenue Requirement}}{\text{Contract Demand [Delivery (gross) + Receipt (gross)]}}$$

The provisions of this Resolution will not change TransCanada's practice of having Alberta System customers pay usage in kind.

TransCanada cannot accommodate the provisions of this Resolution without implementing new Information Systems. TransCanada intends to have the new information systems technology in place for January 2003.

Next Steps

TransCanada will review the required NGTL Tariff changes with the TTP prior to seeking Alberta Energy and Utilities Board ("EUB") approval. TransCanada does not expect to request EUB approval of the required Tariff changes until approximately 90 days prior to planned implementation. The estimated time for filing of the NGTL Tariff changes with the EUB is the third or fourth quarter of 2002.

Attachment 2

EUB Acknowledgement of Resolution T2000-01(e)

November 7, 2001

SENT VIA E-MAIL ONLY

File No.: 8630-N1-6

November 7, 2001

TransCanada Pipelines Limited
Attention: Mr. Dave Hands
450 – 1st Street S.W.
Calgary, Alberta, T2P 5H1

Dear Mr. Hands:

**NOVA GAS TRANSMISSION LTD. (NGTL)
TOLLS, TARIFF & PROCEDURES COMMITTEE (TTP)
RESOLUTION F2000-01(e)
BUSINESS PROCESS CHANGE: ENDING USAGE CREDITS**

The above noted resolution, attached to your letter dated October 12, 2001, relating to the ending of usage credits, is accepted as a filing for information.

The resolution confirmed that the ending of usage credits would enable TransCanada to decrease the complexity of its gas transportation business and to standardize its practices across the three TransCanada pipelines. The resolution also confirmed that the ending of usage credits will not cause a change in the annual revenue requirement but would effect an offsetting change to the rates for tariffed services. The EUB notes that the implementation of Resolution F2000-01(e) will not take place prior to January 2003, and is conditional on TransCanada having the required information systems available. The EUB also notes that the resolution will be coordinated with TransCanada's normal process for transportation rates approval. It is understood that Resolution F2000-01(e) was unopposed by the TTP at its October, 2001, meeting.

NGTL is directed to distribute the filings, including the resolution, and this letter to its customers. The EUB's letter has been provided in electronic format to facilitate the distribution to customers.

Yours truly,

<original signed by>

Robert Heggie

Executive Manager, Utilities Branch

Attachment 3

Resolution T2000-01(e) (T)

June 8, 2004

Tolls, Tariff, Facilities & Procedures Committee

Resolution T2000-01(e)(T)
Ending Usage Credits Tariff Amendments

Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees to the NOVA Gas Transmission Ltd. (NGTL) Tariff changes as identified in the attached documents. These changes are required to allow for the elimination of usage credits and are not intended to change the nature of LRS or LRS-3 service or the toll charged and the revenue collected from LRS and LRS-3 service as approved by the Alberta Energy & Utilities Board (EUB) in the applicable decisions.

Background

Currently, customers receive a credit for the volume of usage taken in kind. Usage is charged on physical receipt volumes entering the NGTL System. The elimination of usage credits will not cause a change in the annual revenue requirement. This change will result in offsetting changes to the rates for tariffed services. Offsetting rate changes will result from gross FT-R volumes being used in the calculation of rates as opposed to the current practice of FT-R volumes net of fuel being used in the calculation of rates.

In 2000/2001, the Business Process Change Task Force reviewed the process for usage credits. Customers had requested to change this process because of the complexity it adds to the gas transportation business. TransCanada also wanted to end the process because of its complexity and to standardize practices across the three TransCanada pipelines.

In October 2001, the Tolls, Tariff & Procedures Committee (TTP), predecessor of the TTFP, supported resolution T2000-01(e) Ending Usage Credits. TransCanada would now like to implement this new practice.

Next Steps

TransCanada will file the Tariff changes with the EUB requesting prompt approval. If and when EUB approval of the Tariff changes are received, TransCanada will post the amended NGTL Tariff and provide a minimum of two weeks notice of the effective date of the amended Tariff to the EUB and Customers.

Several amendments to NGTL's Tariff are currently proposed. These amendments result from the Ending Usage Credits recommendation as adopted per TTP Resolution T2000-01(e). This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. Rate Schedule FT-R:

- (i) Paragraph 4.1 [Monthly Demand Charges] – amend to remove the demand quantity usage credit defined as “D” divided by “E”;
- (ii) Paragraph 4.3 [Over-Run Gas Charges] – amend to remove the usage credit volume defined as “U”.

2. Rate Schedule FT-RN:

- (i) Paragraph 4.1 [Monthly Demand Charges] – amend to remove the demand quantity usage credit defined as “D” divided by “E”;
- (ii) Paragraph 4.3 [Over-Run Gas Charges] – amend to remove the usage credit volume defined as “U”.

3. Rate Schedule LRS:

- (i) Paragraph 4.1 [Monthly Demand Charges] – amend to remove the demand quantity usage credit defined as “D” divided by “E”;
- (ii) Subparagraph 4.3.1(c) [Over-Run Gas Charges] – amend to remove the usage credit volume.

4. Rate Schedule LRS-3:

- (i) Paragraph 4.1 [Monthly Demand Charges] – amend to remove the demand quantity usage credit defined as “D” divided by “E”;
- (ii) Subparagraph 4.2.1 [Eligible LRS-3 Contract Demand] – amend subsection (ii), the definition of “AV” and the definition of “IT” to remove the adjustment for Gas Used and Gas Lost;
- (iii) Subparagraph 4.2.4 [Adjustments with respect to IT and Over-run Charges] – amend the definition of “B” to remove the adjustment for Gas Used and Gas Lost;
- (iv) Subparagraph 4.3.1 [Over-Run Gas Charges] – amend to remove the usage credit volume defined as “U”.

5. Rate Schedule IT-R:

- (i) Paragraph 4.1 [Monthly Charges] – amend to remove the usage credit volume defined as “C”.

6. General Terms and Conditions:

- (i) Paragraph 8.2 [Allocation of Gas Taken] – amend to delete the second paragraph which starts with “For billing purposes....”.

Attachment to TTFP Resolution T2000-01(e)

Black-lined Amendments

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

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Demand Charges

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

$$\begin{aligned} \text{MDC} &= \sum (F \times P) \left[\left(A \times \frac{B}{C} \right) \left(\frac{D}{E} \right) \right] \\ \text{MDC} &= \sum (F \times P) \left(A \times \frac{B}{C} \right) \end{aligned}$$

Where:

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

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

“P” = the applicable Price Point for such Schedule of Service;

“A” = each Receipt Contract Demand in effect for all or a portion of such Billing Month for such Schedule of Service;

“B” = the number of days in such Billing Month that Customer was entitled to such Receipt Contract Demand under such Schedule of Service; and

“C” = the number of days in such Billing Month; and

~~“D” = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for such Receipt Contract Demand for the month preceding such Billing Month under such Schedule of Service; and~~

~~“E” = the number of days in the month preceding such Billing Month.~~

4.2 Aggregate of Customer’s Surcharges

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

4.3 Aggregate of Customer’s Over-Run Gas Charges

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

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

Where:

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

“V” = total volume of gas allocated to Customer by Company as Over-run Gas in accordance with paragraph 4.6 for Service under all Rate Schedules at such Receipt Point for the month preceding such Billing Month; and

~~“U” = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month for Service provided to Customer for Over-Run Gas at the Receipt Point; and~~

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

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

4.5 Aggregate Charge For Service

Customer shall pay for each Billing Month:

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

4.0 CHARGE FOR SERVICE**4.1 Aggregate of Customer's Monthly Demand Charges**

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

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

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

Where:

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

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

"A" = each Receipt Contract Demand in effect for all or a portion of such Billing Month for such Schedule of Service;

"B" = the number of days in such Billing Month that Customer was entitled to such Receipt Contract Demand under such Schedule of Service; and

"C" = the number of days in such Billing Month; and

~~"D" = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for such Receipt Contract Demand for the month preceding such Billing Month under such~~

~~Schedule of Service; and~~

~~“E” = the number of days in the month preceding such Billing Month.~~

4.2 Aggregate of Customer's Surcharges

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

4.3 Aggregate of Customer's Over-Run Gas Charges

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

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

Where:

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

"V" = total volume of gas allocated to Customer by Company as Over-run Gas in accordance with paragraph 4.6 for Service under all Rate Schedules at such Receipt Point for the month preceding such Billing Month; and

~~"U" = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month for Service provided to Customer for Over-Run Gas at the Receipt Point; and~~

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

3.0 AVAILABILITY

3.1 Service is available to those Customers who signed a precedent agreement with Palliser Pipeline Inc. prior to December 12, 1996 (the "Palliser Precedent Agreement") requiring firm service for the transportation of natural gas within Alberta. Service under Rate Schedule LRS involves the receipt of quantities of gas at the Receipt Points authorized under this Rate Schedule LRS, being those Receipt Points identified in Appendix "1" attached to this Rate Schedule, and the delivery of such quantities of gas to either the Empress or McNeill Border Export Delivery Points. It is a condition of Service that Customers have or are deemed to have executed a Service Agreement and Schedule of Service under Rate Schedule LRS.

3.2 New or additional Service under Rate Schedule LRS at Receipt Points shall be made available in accordance with the provisions of article 5.0.

4.0 CHARGE FOR SERVICE**4.1 Aggregate of Customer's Monthly Receipt Demand Charge**

The aggregate of Customer's monthly receipt demand charges for a Billing Month for Service under Rate Schedule LRS at Customer's Receipt Points as identified in Appendix "1" shall be equal to the sum of the monthly receipt demand charges for each of Customer's Schedules of Service under Rate Schedule LRS, determined as follows:

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

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

Where:

“MDC”	=	the aggregate of the receipt demand charges applicable to such Schedule of Service for such Billing Month;
“F”	=	the FT-R Demand Rate applicable to such Schedule of Service;
“P”	=	Price Point “A” (as defined in Rate Schedule FT-R);
“A”	=	each LRS Contract Demand in effect for all or a portion of such Billing Month as set out in such Schedule of Service;
“B”	=	the number of days in such Billing Month that Customer was entitled to such LRS Contract Demand under such Schedule of Service; and
“C”	=	the number of days in such Billing Month; .
“D”	=	the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month under such Schedule of Service; and
“E”	=	the number of days in the month preceding such Billing Month.

4.2 Determination of LRS Billing Adjustment

Customer’s monthly LRS Billing Adjustment for a Billing Month for Service under Rate Schedule LRS shall be calculated by the application of the following four steps:

- (i) determination of the Eligible LRS Contract Demand as described in subparagraph 4.2.1;

Eligible LRS Contract Demand will not be considered for the determination of the LRS Billing Adjustment unless Customer has satisfied Company in the form of a valid Officer's Certificate, that the volumes of gas received were delivered to the Empress Border and McNeill Border Export Delivery Point within the Month with the exception of any volume of gas to have been delivered from Facilities into a storage facility.

4.3 Aggregate of Customer's Over-Run Gas Charges

4.3.1. In the event that Company determines in respect of a Billing Month that Company has received from Customer, in the month preceding such Billing Month, a volume of gas at any Receipt Point identified in Appendix "1" of this Rate Schedule in excess of:

- (a) the aggregate of the products obtained when each of the LRS Contract Demand and LRS-3 Contract Demand in effect for Customer in respect of Rate Schedules LRS and LRS-3, in the month preceding such Billing Month, is multiplied by the number of Days in such month that such LRS Contract Demand and LRS-3 Contract Demand was in effect; plus
- (b) the aggregate of the products obtained when each of the Receipt Contract Demand in effect for Customer in respect of Rate Schedule FT-R, in the month preceding such Billing Month, is multiplied by the number of Days in such month that the Receipt Contract Demand was in effect, ~~;~~ minus

~~(c) the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month for Service provided to Customer for Over-run Gas at the Receipt Point,~~

then Customer shall pay to Company an amount equal to the product of a volume equal to such excess and the IT-R Rate for the applicable Receipt Point.

3.0 AVAILABILITY

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

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

4.0 CHARGE FOR SERVICE**4.1 Aggregate of Customer's Monthly Receipt Demand Charge**

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

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

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

Where:

- “MDC” = the aggregate of the receipt demand charges applicable to such Schedule of Service for such Billing Month;
- “F” = the FT-R Demand Rate applicable to such Schedule of Service;
- “P” = the applicable Price Point in such Schedule of Service (as defined in Rate Schedule FT-R);
- “A” = each LRS-3 Contract Demand in effect for all or a portion of such Billing Month as set out in such Schedule of Service;
- “B” = the number of days in such Billing Month that Customer was entitled to such LRS-3 Contract Demand under such Schedule of Service; and
- “C” = the number of days in such Billing Month; ;
- ~~“D” = the volume of gas allocated to Customer for Gas Used and Gas Lost for the month preceding such Billing Month under such Schedule of Service as determined by Company shall be:~~
- ~~i) Gas Used and Gas Lost if the Service is during the Initial LRS-3 Term; or~~
- ~~ii) Gas Lost if the Service is during the Secondary LRS-3 Term;~~
- ~~and~~
- ~~“E” = the number of days in the month preceding such Billing Month.~~

4.2 Determination of LRS-3 Billing Adjustment

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

- (i) determine the Eligible LRS-3 Contract Demand as described in subparagraph 4.2.1;
- (ii) determine the amount that should be charged in respect of Service under Rate Schedule LRS-3 by applying the LRS-3 Rate to the Eligible LRS-3 Contract Demand as described in subparagraph 4.2.2;
- (iii) determine the amount that has been charged in respect of the Eligible LRS-3 Contract Demand using the applicable FT-R Demand Rates and FT-D Demand Rate as described in subparagraph 4.2.3;
- (iv) during the Initial LRS-3 Term, determine the amount that should be adjusted in respect of charges for Service under Rate Schedule IT-R and Over-run Gas at the LRS-3 Receipt Points as described in subparagraph 4.2.4; and
- (v) determine the LRS-3 Billing Adjustment that will be applied to Customer's invoice, as described in subparagraph 4.2.5.

4.2.1. Determination of Eligible LRS-3 Contract Demand

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

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

Where:

- “ECD” = the Eligible LRS-3 Contract Demand for such LRS-3 Receipt Point;
- “EV” = the Eligible LRS-3 Volume as defined below in this paragraph;
- “DV” = the Deemed LRS-3 Volume as defined below in this paragraph;
- “ADV” = the aggregate of Deemed LRS-3 Volume for all LRS-3 Receipt Points;
and
- “E” = the number of days in the month preceding such Billing Month.

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

- (i) the aggregate actual volume of gas delivered by Company for Customer under all Schedules of Service for Service under all Rate Schedules at the Empress Border Export Delivery Point for the month preceding such Billing Month;
- (ii) the aggregate of Customer’s LRS-3 Contract Demand in effect for the month preceding such Billing Month multiplied by the number of days in the month preceding such Billing Month that Customer was entitled to such Service under Rate Schedule LRS-3 at each of Customer’s LRS-3 Receipt Point ~~adjusted by “D” in paragraph 4.1 for Gas Used and Gas Lost~~ (the “Available LRS-3 Volumes”);
and
- (iii) the aggregate of the volume of gas deemed to be received by Company for Customer for Service under Rate Schedule LRS-3 for the month preceding such Billing Month that shall be equal to the sum of the deemed LRS-3 volume of gas

at each of Customer's LRS-3 Receipt Points (the "Deemed LRS-3 Volume"), determined by Company as follows:

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

Where:

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

"AV" = the actual volume of gas received by Company for Customer under Schedules of Service for Service under Rate Schedule LRS-3 at such LRS-3 Receipt Point ~~adjusted by "D" in paragraph 4.1 for Gas Used and Gas Lost~~ (the "Actual LRS-3 Volume"); and

"IT" = during the Initial LRS-3 Term, the aggregate volume of gas received by Company for Customer for Service under Rate Schedule IT-R plus Over-run Gas at all of Customer's LRS-3 Receipt Points which is deemed to be re-allocated to Service under Rate Schedule LRS-3 as determined by Company shall be the lesser of:

- a) the aggregate Available LRS-3 Volume for such LRS-3 Receipt Point less the aggregate Actual LRS-3 Volume for all of Customer's LRS-3 Receipt Points (the "Unutilized LRS-3 Volume"); and
- b) the aggregate of actual volume of gas received by Company for Customer for Service under Rate Schedule IT-R and Over-run Gas as allocated by Company to Customer at all of Customer's LRS-3

Receipt Points, ~~adjusted by “D” in paragraph 4.1 for Gas Used and Gas Lost~~; and

“C” = the percentage of IT to be re-allocated to such LRS-3 Receipt Point on a pro-rata basis, based on Unutilized LRS-3 Volume.

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

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

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

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

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

- (i) for all of Customer’s LRS-3 Receipt Points, the aggregate of the product of the FT-R Demand Rate, the applicable Price Point and the Eligible LRS-3 Contract Demand for each LRS-3 Receipt Point (the “LRS-3 Receipt Demand Charge”); and
- (ii) the FT-D Demand Rate multiplied by the aggregate Eligible LRS-3 Contract Demand (the “LRS-3 Delivery Demand Charge”).

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

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

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

Where:

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

“A” = the aggregate of Customer’s monthly charges for Service under Rate Schedule IT-R and the aggregate of Customer’s Over-run Gas charges for all LRS-3 Receipt Points for the month preceding such Billing Month;

“B” = the aggregate of the actual volume of gas received by Company for Customer for Service under Rate Schedule IT-R and Over-run Gas as allocated by Company to Customer at all of Customer’s LRS-3 Receipt Points, ~~adjusted by “D” in paragraph 4.1 for Gas Used and Gas Lost~~, for the month preceding such Billing Month;

“C” = IT as defined in subparagraph 4.2.1; and

“D” = the IT-R Rate at Bowmanton Receipt Point No. 1216.

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

4.2.5. Determination of LRS-3 Billing Adjustment

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

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

4.3 Aggregate of Customer's Over-Run Gas Charges

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

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

Where:

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

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

~~“U” = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month for Service provided to Customer for Over Run Gas at such Receipt Point; and~~

3.0 PRICING

- 3.1 The rate used in calculating Customer's monthly charge for Service under Rate Schedule IT-R at a Receipt Point is the IT-R Rate at such Receipt Point.

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Charge

The aggregate of Customer's monthly charges for a Billing Month for Service under Rate Schedule IT-R shall be equal to the sum of the monthly charges calculated for each Receipt Point under Rate Schedule IT-R determined as follows:

$$MC = A \times (B - C)$$

Where:

"MC" = the monthly charge applicable to such Receipt Point;

"A" = the IT-R Rate at such Receipt Point; and

"B" = the sum of the volume of gas received by Company from Customer at such Receipt Point under Rate Schedule IT-R in the month preceding such Billing Month; and

"C" = the volume of gas allocated to Customer as determined by Company for Gas Used and Gas Lost for the month preceding such Billing Month under Rate Schedule IT-R.

The pressure of gas delivered by Company at any Delivery Point shall be the pressure available from the Facilities at that Delivery Point, provided that such pressure shall not exceed the Maximum Delivery Pressure.

8.0 GAS USED, GAS LOST AND MEASUREMENT VARIANCE

8.1 Company's Gas Requirements

Company may, at its option, either:

- (a) take from all Customers a volume of gas having an energy content equal to the aggregate energy content of any or all Gas Used, Gas Lost and Measurement Variance for any period; or
- (b) arrange with a Customer or Customers or any other Persons to take and pay for a volume of gas having an energy content equal to the aggregate energy content of any or all Gas Used, Gas Lost and Measurement Variance for any period.

8.2 Allocation of Gas Taken

If Company in any period exercises its option to take a volume of gas as provided for in subparagraph 8.1 (a), each Customer's share of the volume of such gas taken in such period will be a volume equal to the product of the volume of such gas taken in such period and a fraction, the numerator of which shall be the energy content of the aggregate volume of gas received by Company from Customer in such period at all of Customer's Receipt Points and the denominator of which shall be the energy content of the aggregate volume of gas received by Company from all Customers in such period at all Receipt Points.

~~For billing purposes under Rate Schedules FT-R, FT-RN, IT-R, LRS and LRS-3, Customer's share of the volume of gas taken, determined in accordance with this paragraph 8.2, shall be allocated to such Customer's Service under each of Rate Schedule FT-R, FT-RN, IT-R, LRS and LRS-3 in the same proportion that the aggregate volume of gas received from such Customer under Service Agreements, for Service rendered to such Customer under Rate Schedules FT-R, FT-RN, IT-R, LRS and LRS-3, was allocated for billing purposes to such Customer under each such Rate Schedule is to the aggregate volume of gas received from such Customer under Service Agreements for Service rendered under Rate Schedules FT-R, FT-RN, IT-R, LRS and LRS-3.~~

8.3 Gas Received from Storage Facilities

Notwithstanding anything contained in this article 8.0, any gas received into the Facilities from a gas storage facility that was previously delivered into the gas storage facility through the Facilities shall not be included in any calculation, and shall not be taken into account in any allocation, of Company's gas requirements.

9.0 DELIVERY OBLIGATION

9.1 Company's Delivery Obligation

Subject to paragraph 9.2:

- (a) Company's delivery obligation for any period where Company has exercised its option as provided for in subparagraph 8.1 (a), shall be to deliver to all Customers at all Delivery Points the volume of gas which has the aggregate energy content of the aggregate volume of gas Company determines was received from all Customers in such period at all Receipt Points, less all Customers share as determined under paragraph 8.2; and

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

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Demand Charges

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

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

Where:

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

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

“P” = the applicable Price Point for such Schedule of Service;

“A” = each Receipt Contract Demand in effect for all or a portion of such Billing Month for such Schedule of Service;

“B” = the number of days in such Billing Month that Customer was entitled to such Receipt Contract Demand under such Schedule of Service; and

“C” = the number of days in such Billing Month.

4.2 Aggregate of Customer’s Surcharges

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

4.3 Aggregate of Customer’s Over-Run Gas Charges

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

$$\text{MOC} = V \times Z$$

Where:

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

“V” = total volume of gas allocated to Customer by Company as Over-run Gas in accordance with paragraph 4.6 for Service under all

Rate Schedules at such Receipt Point for the month preceding such Billing Month; and

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

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

4.5 Aggregate Charge For Service

Customer shall pay for each Billing Month:

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

4.6 Allocation of Gas Received

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

- (i) first to service to Customer under Rate Schedules LRS, LRS-2 and LRS-3 to a maximum of such Customer's LRS Contract Demand for such Receipt Point under such Rate Schedule LRS, to a maximum of such Eligible LRS-2 Volumes for the Coleman Receipt Point under such Rate Schedule LRS-2 and to a

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Demand Charges

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

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

Where:

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

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

"A" = each Receipt Contract Demand in effect for all or a portion of such Billing Month for such Schedule of Service;

"B" = the number of days in such Billing Month that Customer was entitled to such Receipt Contract Demand under such Schedule of Service; and

"C" = the number of days in such Billing Month.

4.2 Aggregate of Customer's Surcharges

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

4.3 Aggregate of Customer's Over-Run Gas Charges

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

$$\text{MOC} = V \times Z$$

Where:

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

"V" = total volume of gas allocated to Customer by Company as Over-run Gas in accordance with paragraph 4.6 for Service under all Rate Schedules at such Receipt Point for the month preceding such Billing Month; and

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

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

3.0 AVAILABILITY

3.1 Service is available to those Customers who signed a precedent agreement with Palliser Pipeline Inc. prior to December 12, 1996 (the “Palliser Precedent Agreement”) requiring firm service for the transportation of natural gas within Alberta. Service under Rate Schedule LRS involves the receipt of quantities of gas at the Receipt Points authorized under this Rate Schedule LRS, being those Receipt Points identified in Appendix “1” attached to this Rate Schedule, and the delivery of such quantities of gas to either the Empress or McNeill Border Export Delivery Points. It is a condition of Service that Customers have or are deemed to have executed a Service Agreement and Schedule of Service under Rate Schedule LRS.

3.2 New or additional Service under Rate Schedule LRS at Receipt Points shall be made available in accordance with the provisions of article 5.0.

4.0 CHARGE FOR SERVICE**4.1 Aggregate of Customer's Monthly Receipt Demand Charge**

The aggregate of Customer’s monthly receipt demand charges for a Billing Month for Service under Rate Schedule LRS at Customer’s Receipt Points as identified in Appendix “1” shall be equal to the sum of the monthly receipt demand charges for each of Customer’s Schedules of Service under Rate Schedule LRS, determined as follows:

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

Where:

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

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

4.2 Determination of LRS Billing Adjustment

Customer’s monthly LRS Billing Adjustment for a Billing Month for Service under Rate Schedule LRS shall be calculated by the application of the following four steps:

- (i) determination of the Eligible LRS Contract Demand as described in subparagraph 4.2.1;
- (ii) calculation of the amount that has been charged in respect of the Eligible LRS Contract Demand using the applicable FT-R Demand Rates and FT-D Demand Rate as described in subparagraph 4.2.2;
- (iii) calculation of the amount that should be charged in respect of Service under Rate Schedule LRS by applying the Effective LRS Rate to the Eligible LRS Contract Demand as described in subparagraph 4.2.3; and

4.3.1. In the event that Company determines in respect of a Billing Month that Company has received from Customer, in the month preceding such Billing Month, a volume of gas at any Receipt Point identified in Appendix “1” of this Rate Schedule in excess of:

- (a) the aggregate of the products obtained when each of the LRS Contract Demand and LRS-3 Contract Demand in effect for Customer in respect of Rate Schedules LRS and LRS-3, in the month preceding such Billing Month, is multiplied by the number of Days in such month that such LRS Contract Demand and LRS-3 Contract Demand was in effect; plus
- (b) the aggregate of the products obtained when each of the Receipt Contract Demand in effect for Customer in respect of Rate Schedule FT-R, in the month preceding such Billing Month, is multiplied by the number of Days in such month that the Receipt Contract Demand was in effect,

then Customer shall pay to Company an amount equal to the product of a volume equal to such excess and the IT-R Rate for the applicable Receipt Point.

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

3.0 AVAILABILITY

- 3.1** Service is available to Petro-Canada Oil and Gas, a general partnership (“Petro-Canada”) and any assignees thereof in accordance with Article 11.0. It is a condition of Service that Customers have or are deemed to have executed a Service Agreement and Schedule of Service under Rate Schedule LRS-3. The aggregate LRS-3 Contract Demand shall not exceed 1410.0 10³m³/d (50 MMcf/d).
- 3.2** New LRS-3 Receipt Points or additional Facilities required at existing Receipt Points for Service under Rate Schedule LRS-3 shall be made available in accordance with the provisions of Article 5.0.

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Receipt Demand Charge

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

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

Where:

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

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

4.2 Determination of LRS-3 Billing Adjustment

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

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

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

4.2.1. Determination of Eligible LRS-3 Contract Demand

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

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

Where:

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

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

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

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

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

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

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

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

Where:

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

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

"IT" = during the Initial LRS-3 Term, the aggregate volume of gas received by Company for Customer for Service under Rate Schedule IT-R plus Over-run Gas at all of Customer's LRS-3

Receipt Points which is deemed to be re-allocated to Service under Rate Schedule LRS-3 as determined by Company shall be the lesser of:

- a) the aggregate Available LRS-3 Volume for such LRS-3 Receipt Point less the aggregate Actual LRS-3 Volume for all of Customer's LRS-3 Receipt Points (the "Unutilized LRS-3 Volume"); and
- b) the aggregate of actual volume of gas received by Company for Customer for Service under Rate Schedule IT-R and Over-run Gas as allocated by Company to Customer at all of Customer's LRS-3 Receipt Points; and

"C" = the percentage of IT to be re-allocated to such LRS-3 Receipt Point on a pro-rata basis, based on Unutilized LRS-3 Volume.

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

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

The amount to be paid for Service under Rate Schedule LRS-3 (the "LRS-3 Charge") will be the product of the LRS-3 Demand Rate and the aggregate Eligible LRS-3 Contract Demand.

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

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

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

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

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

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

Where:

- "MA" = the monthly commodity charge adjustment applicable to such Billing Month;
- "A" = the aggregate of Customer's monthly charges for Service under Rate Schedule IT-R and the aggregate of Customer's Over-run Gas charges for all LRS-3 Receipt Points for the month preceding such Billing Month;
- "B" = the aggregate of the actual volume of gas received by Company for Customer for Service under Rate Schedule IT-R and Over-run Gas as allocated by Company to Customer at all of Customer's LRS-3 Receipt Points for the month preceding such Billing Month;
- "C" = IT as defined in subparagraph 4.2.1; and

“D” = the IT-R Rate at Bowmanton Receipt Point No. 1216.

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

4.2.5. Determination of LRS-3 Billing Adjustment

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

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

4.3 Aggregate of Customer’s Over-Run Gas Charges

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

$$\text{MOC} = V \times Z$$

Where:

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

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

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

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

4.4 Aggregate Charge For Service

Customer shall pay for each Billing Month:

- (i) the sum of the amounts calculated in accordance with paragraphs 4.1 and 4.3; less
- (ii) the sum of
 - (a) the billing credit, if any, calculated in accordance with the Terms and Conditions Respecting Relief for Mainline Capacity Restrictions in Appendix “B” of the Tariff; and
 - (b) the LRS-3 Billing Adjustment, if any, calculated in accordance with paragraph 4.2 of this Rate Schedule LRS-3.

4.5 Allocation of Gas Received

Notwithstanding any other provision of this LRS-3 Rate Schedule, any Service Agreement or General Terms and Conditions of the Tariff, and without regard to how gas

3.0 PRICING

- 3.1 The rate used in calculating Customer's monthly charge for Service under Rate Schedule IT-R at a Receipt Point is the IT-R Rate at such Receipt Point.

4.0 CHARGE FOR SERVICE

4.1 Aggregate of Customer's Monthly Charge

The aggregate of Customer's monthly charges for a Billing Month for Service under Rate Schedule IT-R shall be equal to the sum of the monthly charges calculated for each Receipt Point under Rate Schedule IT-R determined as follows:

$$MC = A \times B$$

Where:

"MC" = the monthly charge applicable to such Receipt Point;

"A" = the IT-R Rate at such Receipt Point; and

"B" = the sum of the volume of gas received by Company from Customer at such Receipt Point under Rate Schedule IT-R in the month preceding such Billing Month.