

**RATE SCHEDULE LRS
LOAD RETENTION SERVICE**

1.0 DEFINITIONS

1.1 The capitalized terms used in this Rate Schedule have the meanings attributed to them in the General Terms and Conditions of the Tariff unless otherwise defined in this Rate Schedule.

2.0 SERVICE DESCRIPTION

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

- (i) the receipt of gas from Customer at Customer's Receipt Points as identified in Appendix "1" of this Rate Schedule; and
- (ii) the delivery of gas to the Empress and/or the McNeill Delivery Points.

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

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

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. 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 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:

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

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 the volumetric equivalent of the 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

- (iv) determination of the LRS Billing Adjustment that will be applied to Customer’s bill, as described in subparagraph 4.2.4, by determining the difference between the amounts calculated in steps (ii) and (iii).

4.2.1. Determination of Eligible LRS Contract Demand

Eligible LRS Contract Demand will be determined based on the information provided by Customer by way of an Officer’s Certificate in such form as Company may prescribe from time to time. Eligibility is achieved only when Customer has provided a valid Officer’s Certificate which satisfies Company that the requirements under Rate Schedule LRS have been met. Customer shall provide an Officer’s Certificate no later than the twenty-fifth day of each Month.

The Eligible LRS Contract Demand will be determined as follows:

$$ECD = A - \left(\frac{B + C - D}{E} \right)$$

Where:

“ECD” = the Eligible LRS Contract Demand;

“A” = the aggregate LRS Contract Demand for Service under Rate Schedule LRS at the Customer’s Receipt Points identified in Appendix “1” of this Rate Schedule adjusted as per paragraph 4.1;

“B” = the volumes of gas received by Company under Rate Schedule LRS verified by an Officer’s Certificate to have been delivered from the Facilities into a storage facility for Customer;

“C” = the volumes of gas not verified by an Officer’s Certificate to have been delivered to the Empress or McNeill Delivery Points under Rate Schedule LRS;

“D” = the volumes of gas under Rate Schedule LRS verified by an Officer’s Certificate to have been delivered from a storage facility into the Facilities for Customer (provided that these storage volumes of gas originated from Customer’s Receipt Points identified in Appendix “1” of this Rate Schedule for Customer) and were ultimately delivered to the Empress or McNeill Delivery Points; and

“E” = the average number of days in a month.

4.2.2. Calculation of Amount Charged in respect of the Eligible LRS Contract Demands using the FT-R Demand Rate(s) and the FT-D Demand Rate

After having determined the Eligible LRS Contract Demand, Company will calculate the amount that has been charged with respect to paragraph 4.1 of this Rate Schedule LRS.

The amount that has been charged is the sum of:

- (i) for all of Customer’s Receipt Points identified in Appendix “1” the aggregate of the product of the FT-R Demand Rate and Price Point “A” and the Eligible LRS Contract Demand for each Receipt Point (the “Receipt Demand Charge”); and
- (ii) the volumetric equivalent of the FT-D Demand Rate multiplied by the Eligible LRS Contract Demand (the “Delivery Demand Charge”).

4.2.3. Calculation of the Amounts To Be Charged for LRS Service

The amount to be paid for Service under Rate Schedule LRS (the “LRS Charge”) will be the product of the aggregate Eligible LRS Contract Demand and the sum of Effective LRS Rate and the Daily Abandonment Surcharge. The Effective LRS Rate and the Daily Abandonment Surcharge are included in the Table of Rates, Tolls and Charges of this Tariff.

The Effective LRS Rate commences on January 1, 1998 and escalates at the rate of two (2) per cent per annum starting January 1, 1999.

4.2.4. Determination of LRS Billing Adjustment

The LRS Billing Adjustment will be calculated as follows:

- (i) Company will calculate the sum of the Receipt Demand Charge plus the Monthly Abandonment Surcharge and the Delivery Demand Charge plus the Monthly Abandonment Surcharge; and
- (ii) Company will calculate the difference between the LRS Charge and the amount calculated in accordance with subparagraph 4.2.4 (i).

The result of the calculations made in accordance with subparagraph 4.2.4 (ii) shall be the LRS Billing Adjustment.

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 and McNeill 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 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 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 and Rate Schedule FT-RN, in 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 sum of the IT-R Rate for the applicable Receipt Point and the Daily Abandonment Surcharge.

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

4.4 Aggregate Charge For Service

Customer shall pay for each Billing Month:

- (i) the 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 Billing Adjustment, if any, calculated in accordance with paragraph 4.2 of this Rate Schedule LRS.

4.5 Allocation of Gas Received

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

- (i) first to Service to Customer under Rate Schedule LRS to a maximum of such Customer’s LRS Contract Demand for such Receipt Point under such Rate Schedule LRS and to Service to Customer under Rate Schedule LRS-3 to a maximum of such Customer’s LRS-3 Contract Demand for such Receipt Point under such Rate Schedule LRS-3;
- (ii) secondly to service to Customer under Rate Schedule FT-R to a maximum of such Customer’s Receipt Contract Demand for such Receipt Point under such Rate Schedule FT-R;
- (iii) thirdly to service to Customer under Rate Schedule FT-RN to a maximum of such Customer’s Receipt Contract Demand for such Receipt Point under Rate Schedule FT-RN; and

- (iv) fourthly to service to Customer under Rate Schedule IT-R at such Receipt Point. If Customer is not entitled to service under Rate Schedule IT-R at such Receipt Point, gas shall be allocated as Over-Run Gas and charged in accordance with paragraph 4.3.

5.0 AVAILABILITY OF NEW SERVICE

New Service under Rate Schedule LRS shall be made available to Customer receiving Service under this Rate Schedule LRS providing the following conditions are met:

- (i) the Receipt Point location is south of Township 34 west of the 4th meridian and is east of range 29 west of the 4th meridian or is the East Calgary Receipt Point No. 2007;
- (ii) if a new Receipt Point or if new Facilities are required at an existing Receipt Point, Customer has provided a capital contribution equal in amount to the capital costs associated with the installation or construction of any new Facilities;
- (iii) gas received from Customer is for ultimate delivery to the Empress and/or McNeill Delivery Points;
- (iv) Customer has 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; and
- (v) the aggregate of Customer’s Service under this Rate Schedule LRS shall not exceed the initial volumes and term set out in such Customer’s Palliser

Precedent Agreement and any additional volumes acquired by Customer pursuant to paragraph 12 of this Rate Schedule.

6.0 TERM OF SERVICE AGREEMENT

6.1 The term of a Service Agreement under Rate Schedule LRS shall expire on the date which is the latest Service Termination Date of Customer's LRS Receipt Point Obligations under such Service Agreement.

6.2 The initial term of an LRS Receipt Point Obligation in respect of any Customer Receipt Point identified in Appendix "1" shall be the period equal to the term set out in Customer's Palliser Precedent Agreement.

6.3 The term of an LRS Receipt Point Obligation in respect of any Customer Receipt Point, where new Service is obtained in accordance with the provisions of article 5.0 of this Rate Schedule, shall be a period equal to the term specified by Customer, provided that the minimum term that can be specified is one (1) year, (expressed in whole years) and provided that the Service Termination Date is no later than December 31, 2017.

7.0 CAPACITY RELEASE

7.1 If Customer desires a reduction of Customer's LRS Contract Demand for all or any portion of its Service under a Schedule of Service under Rate Schedule LRS Customer shall give Notice to Company of its request for such reduction specifying the particular Receipt Point, Schedule of Service and the LRS Contract Demand available to any other Person qualifying for Service under Rate Schedule LRS. Company assumes no obligation to find such Person to assume the LRS Contract Demand that Customer proposes to make available. If after Notice is given to Company a Person qualifying for Service under Rate Schedule LRS is found who agrees

to assume the LRS Contract Demand Customer proposes to make available, Company may reduce Customer's LRS Contract Demand under such Schedule of Service, on terms and conditions satisfactory to Company, by an amount equal to the LRS Contract Demand specified in a Schedule of Service, executed by Company and such Person. Notwithstanding such reduction, Customer shall at Company's sole option pay to Company within the time determined by Company an amount equal to the net book value of such Facilities in the event Company retires any Facilities required to provide such Service adjusted for all costs and expenses associated with such retirement.

8.0 RELIEF FOR MAINLINE RESTRICTIONS

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

9.0 TRANSFER OF SERVICE BETWEEN RECEIPT POINTS

9.1 If Customer desires to transfer all or any portion of any Service under Rate Schedule LRS from one Receipt Point to another Receipt Point, Customer shall give Notice to Company of its request for such transfer specifying the particular Receipt Points and the Service that Customer wishes to transfer.

9.2 Company shall not be required to permit the transfer requested in paragraph 9.1 if:

- (i) the transferred-to Receipt Point location is north of Township 33 west of the 4th meridian and west of range 28 west of the 4th meridian except for the East Calgary Receipt Point No. 2007; or

- (ii) Company is required to install or construct Facilities at a new Receipt Point to provide the Service requested unless Customer provides a capital contribution equal in amount to the capital costs associated with the installation or construction of new Facilities.

10.0 TITLE TRANSFERS

10.1 A Customer entitled to receive Service under Rate Schedule LRS may transfer all or a portion of Customer's Inventory to another Customer or may accept a transfer of all or a portion of Customer's Inventory from another Customer provided such Customer is entitled to receive service under any Rate Schedule that permits title transfers and such title transfer is in accordance with the Terms and Conditions of Service Respecting Title Transfers in Appendix "C" of the Tariff.

11.0 ASSIGNMENTS

11.1 Customer shall not be permitted to assign any Service Agreements or Schedule of Service pertaining to a LRS Contract Demand at a Receipt Point identified in Appendix "1" of this Rate Schedule unless such assignment is to an affiliate (as defined in the *Business Corporation Act*, (Alberta) S.A. 1981, c. B-15 as amended from time to time) or to another Customer entitled to receive Service under Rate Schedule LRS.

12.0 RENEWAL OF SERVICE

12.1 Provided the Customer shall have given Company Notice advising Company that Customer desires to renew the term of all or a portion of any Service provided to Customer under this Rate Schedule LRS at least one (1) year prior to the expiry of the current term for which

Company has agreed to provide such Service, Customer shall be entitled to renew such Service on a one time basis only for an additional term, which additional term:

- (i) shall not exceed the initial term;
- (ii) when added to the initial term shall not exceed twenty (20) years; and
- (iii) shall not have a Service Termination Date later than December 31, 2017.

13.0 APPLICATION FOR SERVICE

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

14.0 GENERAL TERMS AND CONDITIONS

14.1 The General Terms and Conditions of the Tariff and the provisions of any Service Agreement for Service under Rate Schedule LRS are applicable to Rate Schedule LRS to the extent that such terms and conditions and provisions are not inconsistent with this Rate Schedule.

APPENDIX 1 TO RATE SCHEDULE LRS

RECEIPT POINT	STATION NUMBER
Alderson	1075
Atlee Buffalo East	1116
Atlee Buffalo South	1098
Atusis Creek	1792
Atusis Creek East	1792
Badger East	1275
Bantry NE	1296
Bantry North	1122
Bantry NW	1181
Bassano South	1330
Bassano South #2	1794
Berry-Carolside	1085
Berry Creek East	1136
Bowell South	1318
Bowmanton	1216
Carbon	1170
Cassils	1315
Cavalier	1737
Cessford Burfield West	1027
Cessford West	1012
Countess	1028
Countess South	1155
Countess South #2	2296
Countess West	1287
Countess Makepeace	1015
East Calgary	2007
Gatine	1623
Gayford	1358
Gem South	1435
Gem West	1490
Gleichen	1480
Hilda West	1402
Hussar Chancellor	1016
Iddlesleigh South	1277
Jenner West	1099
Lake Newell East	1210
Lonesome Lake	1768
Louisiana Lake	1366
Makepeace North	1419
Makepeace South	1419
Matzhiwin South	1379
Matzhiwin West	1150
Medicine Hat East	1186
Medicine Hat South #2	1043

APPENDIX 1 TO RATE SCHEDULE LRS (continued)

Nightingale	1747
Patricia West	1289
Princess South	1327
Princess West	1183
Rainier South	1378
Rainier SW	1380
Rosemary	1466
Rosemary North	1461
Schuler	1263
Standard	1534
Stanmore South	1156
Suffield	1202
Suffield East	1200
Suffield West	1423
Tide Lake	1348
Trochu	1574
Twelve Mile Coulee	1699
Vale	154
Vale East	1212
Verger	1056
Verger-Millicent	1203
Vulcan	1076
Wayne-Dalum	1039
Wayne-Rosebud	1107
Wintering Hills	1070

**SERVICE AGREEMENT
RATE SCHEDULE LRS**

BETWEEN:

NGTL GP Ltd., as general partner on behalf of NGTL Limited Partnership, a body corporate having an office in Calgary, Alberta (“Company”)

- and -

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

IN CONSIDERATION of the premises and the covenants and agreements herein contained, the parties covenant and agree as follows:

1. Customer acknowledges receipt of a current copy of the Tariff.
2. The capitalized terms used in this Service Agreement have the meanings attributed to them in the General Terms and Conditions of the Tariff, unless otherwise defined.
3. Customer requests and Company agrees to provide Service pursuant to Rate Schedule LRS in accordance with the attached Schedules of Service. The Service will commence on the Billing Commencement Date and will terminate, subject to the provisions of this Service Agreement, on the Service Termination Date.

4. Customer agrees to pay to Company each Billing Month, for all Service rendered under this Service Agreement, an amount equal to the aggregate charges for Service described in Rate Schedule LRS.

5. Customer shall:
 - (a) provide such assurances and information as Company may reasonably require respecting any Service to be provided pursuant to Rate Schedule LRS including, without limiting the generality of the foregoing, an assurance that necessary arrangements have been made among Customer, producers of gas for Customer, purchasers of gas from Customer and any other Person relating to such Service, including all gas purchase, gas sale, operating, processing and common stream arrangements;

 - (b) at Company's request provide Company with an assurance that Customer has provided the Person operating facilities upstream of any Receipt Point in respect of which Customer has the right to receive Service with all authorizations necessary to enable such Person to provide Company with all data and information reasonably requested by Company for the purpose of allocating volumes of gas received by Company among Company's Customers and to bind Customer in respect of all such data and information provided; and

 - (c) represent and demonstrate on a monthly basis that volumes moved under this service were delivered to either the Empress or McNeill Delivery Points. Should Customer not demonstrate as required, or should the demonstration be inadequate or found to be invalid, the resulting credit will not apply for the subject volumes and associated contract demands.

If Customer fails to provide such assurances and information forthwith following request by Company, from time to time, Company may at its option, to be exercised by Notice to Customer, suspend the Service to which such assurances and information relate until such

time as Customer provides the assurances and information requested, provided however that any such suspension of Service shall not relieve Customer from any obligation to pay any rate, toll, charge or other amount payable to Company.

6. Customer acknowledges that the Facilities have been designed based on certain assumptions and forecasts described in Company’s Annual Plan, and that interruption and curtailment of Service may occur if the aggregate gas volume actually received or the aggregate gas volume actually delivered at the Facilities is different than forecast.

7. Every notice, request, demand, statement, bid or bill provided for in Rate Schedule LRS, this Service Agreement and the General Terms and Conditions, or any other notice which either Company or Customer may desire to give to the other (collectively referred to as “Notice”) shall be in writing and each of them and every payment provided for shall be directed to the Person to whom given, made or delivered at such Person's address as follows:

Customer:

-
-
-
- Attention: •
- Fax: •

Company:

-
-
-
- Attention: Customer Account Representative
- Fax: •

Notice may be given by fax or other telecommunication and any such Notice shall be deemed to be given four (4) hours after transmission. Notice may also be given by personal delivery or by courier and any such Notice shall be deemed to be given at the time of delivery. Any Notice may also be given by prepaid mail and any such Notice shall be deemed to be given four (4) business days after mailing, Saturdays, Sundays and statutory holidays excepted. In the event of disruption of regular mail, every payment not made electronically shall be personally delivered, and any other Notice shall be given by one of the other stated means.

(a) Notwithstanding the foregoing:

(i) Company may give any Notice on the Website; and

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

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

(b) Notice may also be given by telephone followed immediately by fax, personal delivery, courier or prepaid mail, and in the case of Company, by posting on the Website, and any Notice so given shall be deemed to have been given as of the date and time of the telephone Notice.

8. The terms and conditions of Rate Schedule LRS, the General Terms and Conditions and Schedule of Service under Rate Schedule LRS are by this reference incorporated into and made a part of this Service Agreement.

IN WITNESS WHEREOF the parties have executed this Service Agreement by their proper signing officers duly authorized in that behalf all as of the • day of , ••.

•

NGTL GP Ltd., as general partner
on behalf of NGTL Limited Partnership

Per:

Per:

Per:

Per:

**SCHEDULE OF SERVICE
RATE SCHEDULE LRS**

CUSTOMER: •

Schedule of Service Number	Receipt Point Number and Name	Legal Description	Maximum Receipt Pressure kPa	Service Termination Date	LRS Contract Demand 10 ³ m ³ /d	LRS Term	Additional Conditions
•	•	•	•	•	•	•	•

THIS SCHEDULE FORMS PART OF THE SERVICE AGREEMENT DATED • AND SHALL BE DEEMED TO BE ATTACHED THERETO.

• **NGTL GP Ltd., as general partner on behalf of NGTL Limited Partnership**

Per: _____

Per : _____

Per: _____

Per : _____