



450 First Street S.W.
Calgary, Alberta T2P 5H1

October 21, 2004

To: Foothills Pipe Lines Ltd. Customers

Re: Foothills System Credit Requirement Review

As you may be aware, Foothills has recently completed a review of its credit requirements. Based on our analysis and the feedback received from shippers, Foothills is recommending a number of Tariff revisions with respect to credit, as well as the establishment of formalized Credit Procedures.

As such, please find attached the details of this recommendation, including a Customer Informational Summary, black-lined Tariff language, and the proposed Credit Procedures, which will be posted on TransCanada's Foothills System website for reference.

Foothills intends to file the proposed Tariff changes with the National Energy Board in December 2004, with an anticipated effective date of January 1, 2005.

Should you have any questions, comments, or wish to provide additional feedback regarding the Credit Requirement Review prior to filing, please contact David Haag at (403) 920-5582 (email david_haag@transcanada.com) by November 15, 2004.

Yours truly,

Mike Ritsch
Western Market Development
TransCanada PipeLines Limited
(403) 920-6826

Foothills Pipe Lines Ltd. - Credit Requirement Review

Summary

After undertaking a review of the Foothills Pipe Lines Tariff provisions and practices relating to credit and financial assurances, TransCanada proposes the following Foothills Pipe Lines Tariff (Tariff) revisions and the establishment of the Foothills Credit Procedures as attached. The details of this recommendation include:

Credit Tariff Changes: Filed with the NEB for approval

- Financial Assurance Provisions for Firm Service
 - Existing
 - Expansions
 - Assignments
- Financial Assurance Provisions for IT Service
- Amount of Financial Assurances
- Suspend, Terminate and Withhold Provisions

Credit Procedures: To be posted on Company website for information

- Determination of Creditworthiness
- Acceptable Financial Assurances
- Amount of Financial Assurances
- Billing Cycle
- Withholding, Suspension and Termination of Service
- Ongoing Review of Financial Assurance Requirements
- Information

Background

TransCanada has recently completed a review of its Tariff provisions and practices relating to credit and financial assurances. This review was driven, in part, by the increasing significance of credit in today's business environment.

TransCanada's review included the Alberta, Mainline, B.C. and Foothills systems and highlighted the following:

- There may be a need for increased clarity in TransCanada's Tariffs related to credit. TransCanada's current Tariffs may create unnecessary confusion and misunderstandings over credit practices (e.g.; financial assurance timing, notice periods, consequences of late payment, etc.).
- Substantial differences in Tariff provisions and practices exist across TransCanada's pipelines. This may result in unnecessary complexity and administrative costs for the industry.

In September 2004, TransCanada first presented to the Foothills Pipe Lines shippers the following recommended Tariff and / or process changes:

1. Assurance Provisions for Firm Service

The Foothills Tariff does not limit the financial assurance requirements for Firm Service or the assignment thereof.

TransCanada recommends that the Tariff be changed to define the maximum amount of financial assurances that TransCanada can request to be as follows:

- for existing capacity, 70 days coverage
- for expansion capacity, 70 days coverage plus 1 month of coverage for each remaining year of initial term, to a maximum of 12 months total assurance coverage, recalculated annually
- these Tariff maximums shall also apply to all assignments.

2. Assurance Provisions for Interruptible Service

The Foothills Tariff does not limit the financial assurance requirements for Interruptible (commodity based) Service.

TransCanada recommends that the Tariff be changed to define the maximum amount of financial assurances that TransCanada can request to be the maximum charges payable under the contract over a 70 day period.

3. Suspend, Terminate and Withhold Provisions

For consistency, TransCanada recommends that the Tariff be changed to allow TransCanada to withhold any requested service until a required assurance is provided. Following the commencement of service, TransCanada recommends that the Tariff be changed to allow TransCanada to suspend and then terminate any or all service upon the non-provision of assurances and non-payment, provided that the Tariff-defined notice periods have elapsed.

4. Other Procedural Updates

TransCanada recommends that the Foothills Credit Procedures include the following provisions with respect to the determination of creditworthiness (as per the attached):

- The creditworthiness of all Customers is assessed by TransCanada using information provided by the Customer, and / or other information pertaining to the creditworthiness of the Customer that is available.
- A list of the various financial, credit, and business information that TransCanada may use in assessing Customer creditworthiness.
- Any Customer determined by TransCanada to be non-creditworthy, including any Customer who does not provide information sufficient for TransCanada to establish the Customer's creditworthiness, will be required to post financial assurances upon request.
- If requested, TransCanada will provide an explanation of its creditworthiness determination to a non-creditworthy Customer.
- If a non-creditworthy Customer experiences a material change in its financial position whereby it believes that TransCanada may determine their financial position to be acceptable, upon request and the receipt of information evidencing the material change, TransCanada will review the financial position of the Customer within 20 Banking Days.
- Upon the expiry or termination of all Service Agreements, TransCanada will return any financial assurances, within four Banking Days, once all amounts payable or which may become payable, including inventory imbalances, are paid in full.

Next Steps

TransCanada will file the attached Tariff changes with the National Energy Board (NEB) for approval. The Credit Procedures will be posted on the TransCanada website (www.transcanada.com) for information. TransCanada is seeking approval from the NEB for implementation of these tariff amendments for January 1, 2005.

Foothills' has proposed several amendments to the Foothills' Gas Transportation Tariff – Phase I (Tariff) in order to implement changes to its credit requirements. This summary has been provided for information only and is not intended to form part of the Tariff.

Summary of Tariff Amendments

1. Capacity Allocation Procedures

- (a) Subsection 4.1.6 – amended to capitalize Financial Assurances since the term has been added as a definition in the General Terms and Conditions.
- (b) Subsection 5.1(a)(ii) – amended to reflect Shipper's responsibility to provide Company financial information to demonstrate its creditworthiness.
- (c) Subsection 5.1(a)(iii) – amended to refer to the Financial Assurance requirements as set out in subsection 5.8 [Financial Assurances] of the General Terms and Conditions.
- (d) Subsection 5.1(b)(iv) – amended to refer to the Financial Assurance requirements as set out in subsection 5.8 [Financial Assurances] of the General Terms and Conditions.

2. Rate Schedule T-1, Firm Service

- (a) Subsection 10.1(c) [Availability] – amended to add “if requested by Company” and delete “and meets the Company's creditworthiness standards”.

3. General Terms and Conditions

- (a) Section 1 [Definitions]
 - (i) Added new definition 1.4 [Banking Day].
 - (ii) Added new definition 1.20 [Financial Assurance].
- (b) Subsection 5.5.2 – deleted entire subsection and replaced with new subsection.
- (c) Subsection 5.8 [Creditworthiness] – renamed to [Financial Assurances] and deleted entire subsection and replaced with new subsections 5.8.1 through 5.8.3.
- (d) New subsection 5.8.1 [Financial Assurance for Performance of Obligations] – defines Financial Assurance acceptable to Company and in an amount in accordance with subsection 5.8.3.
- (e) New subsection 5.8.2 [Failure to Provide Financial Assurance] – includes provisions for withholding, suspension and termination of service for failure to provide a requested Financial Assurance.
- (f) New subsection 5.8.3 [Amount of Financial Assurance] – defines the maximum amount of a Financial Assurance that a Shipper may be required to provide.

4.1.6 A Bidder that is awarded capacity (or accepts service under subsection 4.1.4 hereof) is irrevocably bound to take that service. Company will forward successful Bidders a Service Agreement which must be executed and returned to Company within a specified number of days of being delivered by Company, along with all necessary ~~f~~Financial ~~a~~Assurances requested by Company.

4.1.7 A joint open season may be held with any upstream or downstream pipelines using the above procedures or by using other procedures filed with and approved by the Board.

4.2 Expansion Capacity

Where Company determines that the demand for service may be sufficient to consider an expansion of existing facilities, Company will use all reasonable efforts to adhere to the following procedures in conducting an Open Season:

4.2.1 Company will provide public notice of its intention to expand its existing facilities through recognized industry publications. Company's notice may specify a volume amount.

4.2.2 Company will forward to each potential Bidder an information package, (the "Bid Package") including a Precedent Agreement. In the Bid Package, Company will advise each Bidder of the terms of the Open Season including the Minimum Term required for service through the New Facilities pursuant to subsection 3.3.1 hereof.

4.2.3 Within the period specified by Company in the notice, Bidder will advise Company of its bid which will include desired Maximum Daily Receipt Quantity, anticipated receipt and delivery points, desired commencement date of such service, and desired Service Agreement term by executing and returning the Precedent Agreement.

4.2.4 Bids will be evaluated by Company on the basis of net present value per unit being the current T-1 Rate over the term and distance specified by the Bidder in

5. ACCESS CRITERIA

5.1 Prior to execution of a Service Agreement, Firm Service and during the term of the Firm Service Agreement, Prospective Shipper must satisfy the following criteria:

- (a) Where there is Available Capacity to provide the requested level of service under Rate Schedule T-1, Firm Service, Prospective Shipper shall:
 - (i) Demonstrate to the satisfaction of Company that it has appropriate upstream and downstream transportation arrangements;
 - (ii) Provide ~~the~~ financial information ~~requested by~~to Company to ~~determine~~ demonstrate Prospective Shipper's creditworthiness; and
 - (iii) Provide a Financial Assurance, if requested by Company, pursuant to ~~Provide, at Company's option, an irrevocable letter of credit in form and substance satisfactory to Company from a financial institution acceptable to Company in an amount sufficient to secure the payment of the amount payable under Prospective Shipper's Service Agreement for a period of 70 days or such other financial guarantee that provides, in the opinion of Company, a sufficient level of security as provided for in~~ subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff; and
- (b) Where New Facilities are required to provide the requested firm service, in addition to the requirements in subsection 5.1(a), Prospective Shipper shall:
 - (i) Provide evidence to the satisfaction of Company that Prospective Shipper's intended market is secure and long term and that Prospective Shipper's gas sales arrangements are sufficient to enable financing of the New Facilities;
 - (ii) Provide evidence to the satisfaction of Company that Prospective Shipper has a secure and long term source of supply sufficient to permit

Prospective Shipper to fulfill its obligations under its gas sales arrangements during the term of firm service requested;

- (iii) Provide evidence to the satisfaction of Company that Prospective Shipper has obtained or will be able to obtain all associated regulatory approvals for the full term of firm service requested; and
- (iv) Provide an agreement which sets forth the Financial Assurances that may be requested by Company pursuant to subsection 5.8 of the General Terms and Conditions of this Gas Transportation Tariff (the “Financial Assurances Agreement”)~~other financial assurances satisfactory to Company.~~

5.2 Prior to the commencement of service and during the term of a Service Agreement:

- (a) Prospective Shipper or Shipper shall provide evidence satisfactory to Company that it has a valid removal permit from the province of production prior to commencement of service, and as Company may require from time to time during the term of the Service Agreement; and
- (b) Prospective Shipper or Shipper shall forthwith advise Company of the termination of a removal permit or any action commenced to suspend a removal permit from the province of production.

9.5 Exception

Subsections 9.1 through 9.4 hereof shall not apply to any failure of Company to take receipt from Shipper of any gas nominated by Shipper pursuant to Shipper's Service Agreement, Firm Service if such failure is caused or contributed to by the failure of Shipper to, or to be able to, deliver or take delivery from Company of such gas, or by any other action of Shipper or Persons acting on its behalf which causes or contributes to such a failure by Company.

10. RENEWAL RIGHTS

10.1 Availability

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

- (a) Shipper has at any time in the past executed a Service Agreement, Firm Service containing a term of at least five consecutive years; such Service Agreement, Firm Service or any extensions or amendments thereto or any amended Service Agreement, Firm Service executed in replacement or in substitution therefore, has not terminated prior to the exercise of the renewal rights granted herein;
- (b) Shipper is not in default with respect to any of its obligations under its Service Agreement(s), Firm Service;
- (c) If requested by Company, Shipper has provided ~~f~~Financial ~~a~~Assurances in accordance with subsection 5.8.1(a) of the General Terms and Conditions of this Gas Transportation Tariff ~~and meets the Company's creditworthiness standards;~~ and
- (d) Shipper provides Company, at the time the notice referred to in subsection 10.2.1

GENERAL TERMS AND CONDITIONS**1. DEFINITIONS**

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

- 1.1** “Alaska Natural Gas Transportation System” or “ANGTS”, also known as the Alaska Highway Project, shall mean the pipeline and related facilities for the transportation of U.S. gas from the Prudhoe Bay area, through Alaska and Canada to the 49th Parallel, and from the 49th Parallel to the midwestern U.S. and to California in the western U.S., and for the transportation of Canadian gas via Zones 10 and 11 (the Dempster Line) from the Beaufort Basin area to join the mainline near Whitehorse in the Yukon Territory.
- 1.2** “Available Capacity” shall have the meaning ascribed to it as set out in subsection 3.2 of the Capacity Allocation Procedures.
- 1.3** “Backhaul” shall mean service where gas delivered at Shipper’s Backhaul Delivery Point is received into Company’s facilities at Shipper’s Backhaul Receipt Point located downstream of Shipper’s Backhaul Delivery Point.
- 1.4** “Banking Day” shall mean any day that the Royal Bank of Canada, Main Branch, Calgary, Canada or other financial institution agreed to by Company, conducts business.
- 1.4.1.5** “Billing Commencement Date” shall mean the date when Shipper’s payment obligation commences and Shipper’s gas has commenced flowing through Company’s Facilities.

For all other Shippers, the Billing Commencement Date shall occur when Company informs such Shipper, by not less than one day’s notice, that there is transportation capacity, not required by Company in order to comply with its obligations under Service Agreements with other Shippers, to receive gas at Shipper’s Receipt Point(s) and to make

1.161.17 “°C” shall mean degrees Celsius as defined by The International System of Units (SI).

1.171.18 “Delivery Point” shall mean relative to Shipper one of the Delivery Points shown in Appendix B to such Shipper’s Service Agreement for delivery of gas to such Shipper.

1.181.19 “Existing Term” shall have the meaning ascribed to it as set out in subsection 10.2 of Rate Schedule T-1, Firm Service.

1.20 “Financial Assurance” shall have the meaning ascribed to it as set out in subsection 5.8 of these General Terms and Conditions.

1.191.21 “First Billing Month” shall mean relative to Shipper the billing month in which such Shipper’s Billing Commencement Date occurs.

1.201.22 “Foreign Exchange Rate” shall mean for any day that rate for the currency in question as published at 12:00 Eastern Standard Time, by the Bank of Canada in the City of Ottawa.

1.211.23 “Forward Haul” shall mean service where gas delivered at Shipper’s Forward Haul Delivery Point is received into Company’s facilities at Shipper’s Forward Haul Receipt Point located upstream of Shipper’s Forward Haul Delivery Point.

1.221.24 “Gas” shall mean natural gas, manufactured, artificial or synthetic gas, or any mixture or combination thereof.

1.231.25 “Gas Plant In Service” shall mean the original cost of the gas plant of Company excluding plant that is entirely distinct from and is not operated in connection with the gas transportation service provided pursuant to this Gas Transportation Tariff.

1.241.26 “Gas Transportation Tariff” shall mean the compilation on file with the National Energy Board of Company’s rate schedules, General Terms and Conditions and related Service Agreements with Shipper as in effect from time to time.

5.4 Interest on Unpaid Amounts

Company shall have the right to charge interest on the unpaid portion of the bill, from the due date of payment until the date payment is actually made by Shipper, at a rate of interest which is 1% above the minimum lending rate in effect for 90 day loans available to Company at any of the Chartered Banks which normally provide service to Company on the date such payment shall be due.

5.5 Disputed Bills

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

5.5.2 ~~In the event Shipper fails to pay the full amount outstanding in respect of any monthly bill within 10 days after such payment is due, Company, in addition to any other remedy it may have, may suspend further receipt and delivery of gas until such amount is paid. Such suspension shall not terminate Shipper's Service Agreement or otherwise relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company under Shipper's Service Agreement. If Shipper's failure to pay the full amount outstanding in respect of any monthly bill shall continue after such suspension, Company may, in addition to any other remedy Company may have, terminate Shipper's Service Agreement effective on the date of the delivery of written notice by Company to Shipper of such termination.~~ If Shipper fails to pay the full amount of any bill when payment is due, Company may upon four (4) Banking Days written notice immediately suspend any or all service being or to be provided to Shipper under any Service Agreement, provided however that such suspension shall not relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company. If at any time during such suspension Shipper pays the full amount payable to Company, Company shall within two (2) Banking Days recommence such suspended service.

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

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

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

5.5.3 In the event that it is finally determined that Shipper's monthly bill was incorrect and that an overpayment has been made, Company shall make reimbursement of such overpayment and Shipper shall be entitled to interest on the amount of such overpayment. Such interest will be calculated at the Rate of Interest from the date that such overpayment was made until the date that Company makes reimbursement of such overpayment to Shipper.

5.6 Partial Payment in United States Dollars

Company, in order to meet its obligations payable in U.S. currency, (hereinafter called "U.S. Pay Securities") may, by designation on any invoice, require Shipper to pay to Company in United States dollars a specified portion of the amount invoiced. The amount so payable in United States dollars shall, for the purpose of computing the balance of the invoiced amount payable in Canadian dollars, be converted to Canadian dollars by use of The Foreign Exchange Rate for United States dollars as published, on the third business day next preceding the day on which such invoiced amount is paid. Company shall give at least six months notice to Shipper of the approximate amount of United States dollars which are likely to be required from Shipper for any billing month and this notice shall include:

(a) The total outstanding amount of securities requiring repayment of principal and/or payment of interest in United States dollars;

And the denominator of which shall be:

The sum, for Zones 6, 7, 8 and 9, of the product of each Shipper's Maximum Daily Receipt Quantities and the distance in kilometers each such quantity of gas is to be transported through a Zone.

5.7.4 Adjustments to Zone Cost of Service

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

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

5.8 ~~Creditworthiness~~ Financial Assurances

~~In order to secure the prompt and orderly payment of the amounts payable by Shipper to Company under a Service Agreement, Company may, prior to the commencement of service, and from time to time during the term of a Service Agreement:~~

~~(a) In the case where service is being provided through Available Capacity, or pursuant to Shipper's renewal rights, require Shipper to provide to Company an irrevocable letter of credit, in form and substance satisfactory to Company, from a financial institution acceptable to Company in an amount sufficient to secure the payment of the amount payable by Shipper, under Shipper's Service Agreement for a period of 70 days or such other financial guarantee that provides in the opinion of Company a sufficient level of security; and~~

~~(b) In the case where service is being provided through New Facilities, require Shipper to provide Company financial assurances satisfactory to Company.~~

~~If Shipper fails to provide Company with satisfactory financial assurances upon Company's request, Company may in addition to any other remedy it may have, suspend further receipt and delivery of gas until such security is provided. Such suspension shall not terminate Shipper's Service Agreement or otherwise relieve Shipper from any obligation to pay any rate, toll, charge or other amount payable to Company under Shipper's Service Agreement. In the case of T-1, Firm Service and a request by Company for financial assurances from Shipper after the commencement of service, if Shipper fails to provide such financial assurances within 20 days of Company's request, Company may then suspend service on 10 days notice to Shipper and such notice shall be filed concurrently with the NEB.~~

~~In order that Company may establish Shipper's creditworthiness, Shipper shall provide Company with such financial information as Company may reasonably request prior to the commencement of service, or at any time and from time to time during the term of any Service Agreement.~~

5.8.1 Financial Assurance for Performance of Obligations

Company may request that Shipper (or any assignee) at any time from time to time prior to and during service under any Service Agreement, provide Company with an irrevocable letter of credit or other assurance acceptable to Company, in

form and substance satisfactory to Company and in an amount determined in accordance with subsection 5.8.3 (the “Financial Assurance”).

5.8.2 Failure to Provide Financial Assurance

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

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

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

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

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

5.8.3 Amount of Financial Assurance

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

- (a) for the provision of all gas transportation and related services, other than such services referred to in subsection 5.8.3(b), the aggregate of the maximum rates, tolls, charges or other amounts payable to Company for a period of 70 Days; and
- (b) for the provision of any gas transportation and related services where Company determines that it must construct New Facilities and Shipper has executed the Financial Assurances Agreement defined in subsection 5.1(b)(iv) of the Capacity Allocation Procedures, the aggregate of all rates, tolls, charges or other amounts payable to Company for a period of seventy (70) Days plus one (1) Month for each remaining year of the term of such service, up to a maximum of twelve (12) Months total.

6. LIABILITIES

6.1 Warranty and Title of Gas

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

6.2 Possession of Gas

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

6.3 Responsibility

Introduction

Foothills reviews all Customers and potential customers to determine if financial assurances are required.

The provision of financial assurances, when requested, is a condition for obtaining and continuing service with Foothills.

Financial Assurance Requirements

1. Determination of Creditworthiness

The creditworthiness of all Customers and potential customers is assessed by Foothills. All non-creditworthy Customers, as determined by Foothills, are required to post financial assurances upon request.

Foothills determines the creditworthiness of a Customer by using information provided by the Customer, and / or other information pertaining to the creditworthiness of the Customer that is available. (Section 7 outlines the various forms of financial, credit, and business information that Foothills may use in assessing the financial position of a Customer).

Any Customer determined to be non-creditworthy, including any Customer who does not provide information sufficient for Foothills to establish the Customer's creditworthiness, will be required to provide Foothills with an acceptable financial assurance within four Banking Days of request, in an amount up to the maximum stipulated in the Tariff (see Section 3).

If requested, Foothills will provide an explanation of its creditworthiness determination to a non-creditworthy Customer.

2. Acceptable Financial Assurances

A non-creditworthy Customer must provide, within four Banking Days of request, a financial assurance such as an irrevocable letter of credit or other form of financial assurance acceptable to Foothills.

Foothills will continue to accept other forms of financial assurances which may include the provision of an acceptable assurance (such as a guarantee) by a creditworthy party on behalf of the Customer.

3. Amount of Financial Assurances

Non-creditworthy Customers, including non-creditworthy assignees, are required to provide financial assurances in an amount sufficient to cover the total rates, tolls, charges, and other amounts payable (including taxes) to Foothills over a defined period.

The maximum amount of financial assurances that Foothills may request from a non-creditworthy Customer are as follows:

3a. For Demand Based Charges (excluding Expansion Capacity)

- financial assurance coverage for the total rates, tolls, charges, and other amounts payable (including taxes) which will be incurred over the 70 day billing cycle (see Section 4 for billing cycle details).

3b. For Expansion Capacity Charges

- financial assurance coverage for the total rates, tolls, charges, and other amounts payable (including taxes) which will be incurred over the 70 day billing cycle plus an additional 1 month of the total rates, tolls, charges, and other amounts payable (including taxes) for each remaining year of initial term, to a total maximum of 12 months worth of financial assurances, recalculated annually.

3c. For Facility Expansions (Prior to Service Commencement)

- for facility additions or expansions, prior to service commencement, non-creditworthy Customers shall, if requested, provide Foothills with an acceptable financial assurance in an amount determined in an agreement between Customer and Foothills, until service commencement.

3d. For all Commodity Based Charges

- financial assurance coverage for the maximum rates, tolls, charges, and other amounts payable (including taxes) over the 70 day billing cycle (see Section 4 for billing cycle details).

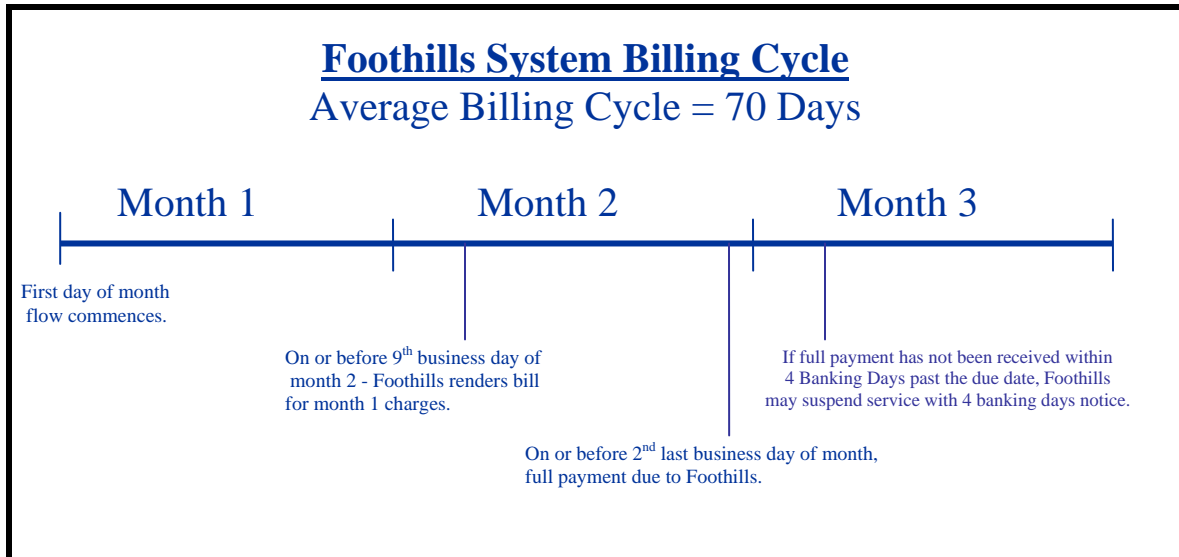
3e. Assignment Charges

- for all assignments, non-creditworthy assignees shall, if requested, provide financial assurances up to the amounts determined above in Sections 3a, 3b, 3c and 3d.

4. Billing Cycle

A billing cycle is the average number of days between the first day of a month and the first day on which Foothills may suspend service for failure to pay for services provided during such time period.

Given current average billing and payment timelines, the length of the Billing Cycle for all services is currently 70 days.



5. Withholding, Suspension and Termination of Service

5a. For Non-Provision of Assurances

Any requested Service may be withheld until requested financial assurances are received by Foothills.

If a Customer fails to provide a financial assurance within four Banking Days of request, Foothills may, with four Banking Days notice, suspend any or all service being or to be provided to Customer. Suspension does not relieve the Customer from any obligation to pay any rate, toll, charge or other amount payable. Suspended service will be reinstated within two Banking Days of the receipt of an acceptable financial assurance, as requested by Foothills.

If a Customer's failure to provide a requested assurance continues after suspension, Foothills may, with an additional four Banking Days notice, terminate any or all service being or to be provided to Customer.

Upon termination, all current and future contractual charges shall become immediately payable to Foothills.

Foothills will notify the National Energy Board of any withholding, suspension, or termination of service for the non-provision of requested financial assurances.

5b. For Failure to Pay Bill

In the event a Customer fails to pay the full amount of their bill, including any disputed amounts, by the time payment is due, Foothills may, with four Banking Days notice, suspend any or all service being or to be provided to Customer. Suspension does not relieve the Customer from any obligation to pay any rate, toll, charge or other amount payable. Suspended service shall be reinstated within two Banking Days of the receipt of full payment, including any interest or other amounts owing, by Foothills

If a Customer's failure to pay continues after suspension, Foothills may, with an additional four Banking Days notice, terminate any or all service being or to be provided to the Customer.

Upon termination, all current and future contractual charges shall become immediately payable to Foothills.

6. Ongoing Review of Financial Assurance Requirements

Foothills reviews, on an ongoing basis, the creditworthiness of all Customers, using information provided by each Customer, and / or other information pertaining to the creditworthiness of the Customer that is available. These ongoing reviews also take into account the Customer's payment record and inventory trends with Foothills.

If at any time a non-creditworthy Customer experiences a material change in its financial position whereby it believes that Foothills may determine the Customer's financial position to be acceptable, upon request and the receipt of information evidencing the material change, Foothills will review the financial position of the Customer within 20 Banking Days. Financial assurances are still required during the review period.

Upon the expiry or termination of all Service Agreements, Foothills will return any financial assurances, within four banking days, once all amounts payable or which may become payable, including inventory imbalances, are paid to Foothills in full.

7. Information

Foothills utilizes various sources of financial, credit, and business information in assessing the financial position of a Customer. This information, as provided by Customers or is otherwise available, may include, but is not limited, to the following:

- Audited Financial Statements;
- Annual Report;
- List of Affiliates, Parent Companies, and Subsidiaries;
- Publicly Available Information from Credit Reports of Credit and Bond Rating Agencies;
- Private Credit Ratings, if obtained by the Customer;
- Bank References;
- Trade References;
- Legal Composition;
- Length of Time Business has been in Operation;
- Most recent filed documents with the Securities and Exchange Commission (or an equivalent authority) or such other publicly available information;
- For public entities, the most recent publicly available interim financial statements, with an attestation by its Chief Financial Officer, Controller, or equivalent (CFO) that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with Generally Accepted Accounting Principles (GAAP) or equivalent;
- For non-public entities, including those that are regulated utilities:
 - the most recent available interim financial statements, with an attestation by its CFO that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with GAAP or equivalent;
 - an existing sworn filing, including the most recent available interim financial statements and annual financial reports filed with the respective regulatory authority, showing the shipper's current financial condition;
- For regulated utility local distribution companies, documentation from their respective regulatory commission (or an equivalent authority) of an authorized gas supply cost recovery mechanism which fully recovers both gas commodity and transportation capacity costs and is afforded regulatory asset accounting treatment in accordance with GAAP or equivalent;
- Such other information as may be mutually agreed to by the parties;
- Above information for Affiliates, Parent Companies, and Subsidiaries.